

## **IFIAR Observes 21% Decrease in Audits with Inspection Findings since 2015; Emphasizes Importance of Continued Improvement in Audit Quality**

*New Metric Announced to Measure Progress through 2023*

January 30, 2020

The International Forum of Independent Audit Regulators (IFIAR), a global membership organization of 55 independent audit regulators, today announced the results of an initiative begun in 2015 to measure the frequency of inspection findings against a goal established by IFIAR's Global Audit Quality Working Group (GAQ WG).<sup>1, 2</sup>

In 2015, in response to prior surveys revealing a persistently high rate of audits inspected with findings, the GAQ WG and the largest global audit firm networks (the "GPPC networks")<sup>3</sup> set a goal for the GPPC networks to reduce by at least 25% over a four-year period the rate of listed PIE audits inspected by the GAQ WG members that had one or more findings.<sup>4</sup> At that time, 39% of the GPPC networks' member firms' audits inspected by the GAQ WG members had at least one finding; the 25% minimum reduction target therefore equated to 29% or less of inspected audits with findings as of the 2019 survey.

The 2019 survey data indicates that the GPPC networks collectively achieved a 21% reduction over four years in the frequency of audits inspected with findings, resulting in 31% of inspected audits with findings. While IFIAR is encouraged by this decrease, it is disappointed that the reduction target was not met and that the overall frequency of inspection findings remains too high. Furthermore, the reduction was not experienced in all jurisdictions. IFIAR urges the GPPC networks to maintain focus on further improving audit quality and ensuring consistent execution of high quality audits, and to continue to identify and implement initiatives to further improve audit quality.

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<sup>1</sup> The GAQ WG at that time included the IFIAR members from Australia, Canada, France, Germany, Japan, Netherlands, Singapore, United Kingdom and United States.

<sup>2</sup> This initiative is based on data collected by IFIAR through an annual survey of its members' respective inspection programs. With respect to findings from inspections of individual audit engagements, the survey collects data only related to audits of listed public interest entities (PIE). See the "About the Survey" section of this announcement for additional details about IFIAR's annual survey.

<sup>3</sup> Each of the GPPC networks is comprised of a group of legally separate firms operating locally in countries or regions around the world. The GPPC networks participate in the Global Public Policy Committee (GPPC), represented by the following entities: BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited.

<sup>4</sup> Though IFIAR communicated an expectation of fewer inspection findings in all jurisdictions, the 25% reduction goal was limited to the GAQ WG members' inspection results, as the GPPC networks and the GAQ WG members engage in a regular, collective dialogue that facilitated monitoring the initiative. For more information about this initiative, see its announcement in the [2015 Survey Report Press Release](#).

This would include actions that have had a proven positive effect on audit quality, as well as new initiatives.

The GAQ WG and the GPPC networks have agreed to a new metric aimed at a further reduction in the ratio of listed PIE audits inspected with one or more findings. Consistent with the original reduction initiative, the new metric seeks a 25% reduction measured over four years, using the 2019 survey data as the baseline and the 2023 survey as the final measurement. While the 2015-2019 reduction metric was based only on the GAQ WG members' inspection results, IFIAR is pleased that nearly half of its collective membership have elected to participate in the new 2019-2023 metric.

IFIAR will publish a comprehensive report on the 2019 survey in early 2020.

## **About the Survey**

IFIAR conducts an annual survey of the findings from its members' individual inspections of audit firms. For purposes of the survey, an inspection finding relates to a significant deficiency in satisfying the requirements of auditing standards. The survey results are derived from inspection reports issued during IFIAR members' most recent reporting period. It is important to note that the survey is a lagging indicator and may not reflect the current state of audit performance. While inspection findings are not the sole measure of progress in audit quality, the survey's information provides a useful point of reference for discussions about audit performance. Findings from inspections of individual audit engagements do not necessarily indicate that the audited financial statements are misstated. Nonetheless, an inspection finding indicates that the audit firm did not obtain sufficient audit evidence to support its opinion and audit firms are required to conduct audits consistently in accordance with auditing standards. More information about the survey, including reports summarizing the annual survey results, is found on IFIAR's [website](#).

## **About IFIAR**

Established in 2006, the International Forum of Independent Audit Regulators comprises independent audit regulators from 55 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. Our mission is to serve the public interest, including investors, by enhancing audit oversight globally. IFIAR provides a platform for dialogue and information-sharing regarding audit quality matters and regulatory practices around the world; and promotes collaboration in regulatory activity. IFIAR's official observer organizations are the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, the Public Interest Oversight Board and the World Bank. For more information about IFIAR, visit [www.ifiar.org](http://www.ifiar.org).