

IFIAR Releases Report on 2023 Annual Survey of Audit Inspection Findings and Reports Outcome of Findings Reduction Metric

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2023 Annual Survey of Inspection Findings

The International Forum of Independent Audit Regulators (IFIAR) released today a report on the results of its twelfth annual survey of inspection findings arising from its Member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks (the Global Public Policy Committee networks, or "GPPC networks")¹. IFIAR collected information about two categories of activities: inspections of firm-wide systems of quality control and inspections of individual audit engagements. IFIAR Members from fifty-one jurisdictions contributed to the 2023 survey.

IFIAR Members reported in the 2023 survey that 32% of audit engagements inspected had at least one finding, compared to 26% in the 2022 survey. This six-percentage point increase following the downward trend experienced over several years is both disappointing and concerning.

IFIAR calls on the GPPC networks, and their member firms where there has been an increase in findings or no further improvement, to conduct an urgent, thorough review and root-cause analysis to understand the reasons for this. GPPC networks and their member firms then must implement all necessary actions to address the issues identified in order to drive continuous and sustainable improvement in audit quality.

Global Audit Quality Working Group (GAQWG) Finding Reduction Metric Outcome

IFIAR's dialogue with the GPPC networks is led by the GAQWG. As part of its engagement with the GPPC networks, IFIAR's GAQWG uses the results of the annual inspection findings surveys to monitor efforts of the GPPC networks to improve audit quality over time. In 2019, the GAQWG renewed an initiative challenging the GPPC networks to reduce the percentage of listed PIE audits with one or more findings in participating jurisdictions by at least 25% over a four-year period, ending in 2023. Approximately half of IFIAR's Member jurisdictions participated in this initiative. The collective baseline for the initiative in 2019 was 32%, and the GPPC networks were aiming for a collective percentage of inspected audits with findings of 24% or less to meet the target. Based on the results of the 2023 Survey, the percentage of audits with at least one finding reported by the IFIAR Members participating in the initiative was 30% – a reduction of only 6.25%.

The GAQWG is disappointed that the GPPC networks failed to collectively achieve a reduction in findings of at least 25%. The GPPC networks are expected to examine and evaluate the reasons for the lack of significant improvement in the rate of engagements with at least one finding. Over the next year, the GAQWG will more closely examine the reasons why GPPC networks failed to meet the agreed-upon reduction metric.

IFIAR voices its concern that the number of listed PIE audits with findings remains far too high, and the 2023 survey results demonstrate that much more needs to be done by the GPPC networks to significantly improve audit quality on a broad and consistent basis.

¹ 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.

About the Survey

IFIAR's annual Inspection Findings Survey collects data on key results from IFIAR Members' inspections of audit firms' systems of quality control and audits of listed public interest entities (PIEs), including systemically important financial institutions (SIFIs). Inspection findings for PIE audits are deficiencies in audit procedures that indicate that the audit firm did not obtain sufficient appropriate audit evidence to support its opinion, but do not necessarily imply that those financial statements are also materially misstated.

IFIAR monitors general trends in survey findings over time, as individual year-over-year changes in aggregate results across our Members' inspections programs are not necessarily indicative of lasting changes in audit quality. Furthermore, the survey results are not the sole factor when considering firms' progress in improving audit quality. Members' inspection processes follow a risk-based methodology and are not necessarily intended to select a representative sample of all firms or of all their quality control elements or assurance work throughout the year.

While responsibility for improving audit quality rests with audit firms, IFIAR seeks to influence progress towards consistent, high-quality audits globally through various activities, including by advancing the regulatory oversight capabilities of its Members and by regularly engaging with and challenging the GPPC networks to achieve higher quality audits.

About IFIAR

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit regulators from 56 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.