IFIAR Releases Report on Eighth Annual Survey of Audit Inspection Findings

February 17, 2020

IFIAR released today a report on the results of its eighth annual survey of inspection findings arising from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. IFIAR collected information about two categories of activities: inspections performed on firm-wide systems of quality control and inspections of individual audit engagements.

IFIAR members reported in the 2019 survey that 33% of audit engagements inspected had at least one finding, compared to 37% in the 2018 survey and to 47% in the first survey capturing this percentage (2014 survey). While encouraged by the downward trend, IFIAR urges the GPPC networks and their member firms to continue efforts to achieve improved audit performance as the current rates remain high.

The survey results do not measure precisely – and are not the sole factor when considering developments in – 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, firms' quality control elements or all assurance work throughout the year. A comprehensive evaluation of audit quality involves consideration of various factors beyond numerical information about deficiencies identified and reported over the course of an inspection.

While responsibility for improving audit quality rests with audit firms, IFIAR seeks to influence progress towards consistent, high quality audits globally through various activities. IFIAR encourages audit firms to execute on an ongoing cycle of continuous improvement, a topic that has been – and will remain – a prominent aspect of IFIAR's dialogue with the GPPC networks and knowledge sharing among IFIAR members.

To augment the survey's information about inspection findings, in the 2019 survey IFIAR collected information about its members' practices with respect to reporting the results of inspections to the inspected audit firms, audit committees / those charged with governance, and the public. 49 IFIAR members contributed to the 2019 survey.

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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.

About IFIAR

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) 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.