



# Audit Quality Unit

Overview

# Audit Quality Unit

- The Audit Quality Unit of IAASA was set up as a result of Audit Reform
- The Unit consists of 2 teams:
  - Audit Inspections team (“AIT”)
  - Audit Standards team (“AST”)

# Key tasks

Task	IAASA – Audit Inspections team	IAASA – Conduct & Legal	IAASA – Audit Standards team	RABs (overseen by IAASA – RMS)
Approval and registration of third country auditors (TCAs)	√			
Approval and registration of other auditors				√
Adoption of standards			√	
Continuing education				√
Quality assurance – TCA	√			
Quality assurance – PIEs	√			
Quality assurance – non-PIES				√
Investigative and disciplinary – PIES		√		
Investigative and disciplinary – non-PIEs				√
Process requests for extension of auditor tenure	√			

# PIEs and PIE auditors

- The list of PIEs and their auditors is dynamic and currently stands at approximately 1100 PIE entities and 10 PIE audit firms
- The list is gathered from several sources including the firms, stock exchange and central bank
- AIT costs are paid by the PIE audit firms and are apportioned in line with the PIE audit fee income earned by each firm

# Quality Assurance/Inspections

- The AIT is responsible for setting up a system of quality assurance for PIE auditors since 17 June 2016
- Each PIE auditor must be visited at least once every 3 years
- Big 4 firms will be visited annually
- Following an inspection, a report with recommendations for improvement is issued
- Firms must implement recommendations within 12 months

# Quality Assurance/Inspections

- As part of an inspection, the AIT will inspect various aspects of the firm's policies and internal control, as they relate to audit quality. This is known as the firmwide inspection.
- These include – methodology, training, ethics, tone at the top, recruitment, remuneration & monitoring
- In addition, AIT will select a number of PIE audits for inspection to ensure compliance with relevant auditing standards

# Quality Assurance/Inspections

- During each inspection, a detailed report will be issued in relation to each audit inspected. The quality of each audit will be rated\*. These reports will not be published.
- Following the completion of all aspects of the inspection, an overall inspection report will be issued which will include observations from the firmwide inspection as well as a summary of all audit inspections. This report will be made public\*.

\*rating and publishing will not take place for the first round of inspections

# PIE Audit Inspection selection

- IAASA selects a number of PIE audits for inspection, using a risk based selection model.
- The information used in the selection includes; entity information, engagement team details, rotation schedules, previous inspection results (internal and external), FRSU examination results and media reports.
- IAASA provides 2 weeks notice of inspection. We aim to ensure that notice is given after the file is archived, if this is not the case, or there are other scheduling concerns, these can be discussed.

# PIE Audit Inspection planning

- Issue notification and request a questionnaire to be completed
- Review of annual report
- Liaison with FRSU on previous examinations
- Review of completed IAASA questionnaire

# PIE Audit Inspection fieldwork

- Open to any firm or team preferences
- Opening meeting with audit engagement team who outline the client, significant risks, audit approach etc.
- Certain audit areas selected for inspection
  - Standard areas – group reporting, significant accounting estimates
  - Thematic areas
  - Other risk areas or matters of interest to IAASA

# PIE Audit Inspection fieldwork

- Typically, many questions for audit teams during the review of files – compiled in excel. Responses can be verbal or in writing.
- Once fieldwork is completed, a formal queries list is issued, comprising any matters considered to be potential findings or where a written response is required. 10 business days to respond in writing. Follow-up visit to verify responses may be required.
- Following this, a report is drafted and issued to the firm and closing meeting scheduled.

# International Engagement

- Extensive engagement with IFIAR (International Forum of Independent Audit Regulators), CEAOB (Committee of European Audit Oversight Bodies)
- Participation in many sub-groups and task forces of both, including chairing Market Monitoring sub-group of CEAOB.
- Overall aim of both is to collaborate and where possible and appropriate, aim for consistent inspection approaches as well as sharing of best practice e.g. – Common Audit Inspection Methodology

# Common Findings

- Independence issues
- Risk assessment
- EQCR
- Controls testing
- ISA 540

# Extension requests

- PIEs must rotate their auditors after 10 years, per Irish legislation
- Reg 104 gives IAASA the power to allow auditors to be reappointed for a further 2 years, under exceptional circumstances, on an exceptional basis.
- Requests are received by AIT and presented to the Board for approval.

# Audit Standards Team

- SI 312 of 2016 has designated IAASA as responsible for adopting standards on auditing, professional ethics and internal quality control for audits of financial periods beginning on or after 17 June 2016.
- For audits of periods beginning before this date, auditors continue to carry out their audits in accordance with the FRC's standards, as mandated by the accountancy bodies.

# Audit Standards Team

- On 31 January 2017, the Board adopted IAASA's Auditing Framework for Ireland.
- This is based on the FRC's Auditing Framework, as amended for Ireland.
- Separately a public consultation took place towards the end of 2016, following which, the Board approved a decision to continue to adapt the FRC framework for use in Ireland, whilst keeping the matter under review

# Goals to end 2018

- Continue recruitment of audit inspectors
- Completion of round 1 of audit inspections
- Completion of implementation reviews
- Host CEAOB meeting in October
- Commencement of audit standards team lead – formalisation of processes



# Audit Quality Unit

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