

2025

# **Report on the 2024 quality assurance review of Grant Thornton**

10 March 2025



## Vision

Public trust and confidence in quality auditing and accounting



## Mission

Upholding quality corporate reporting and an accountable profession

## Our Values



### Excellence

Striving to be  
the best we  
can be



### Independence

Regulating  
impartially and  
objectively



### Integrity

Being  
trustworthy and  
respectful

## Introduction

### Overview of Grant Thornton (the Firm)



**6**

offices in Belfast, Dublin, Cork, Galway, Limerick, and Newbridge



**81**

audits of public-interest entities (PIEs) in 2024



**25**

audit partners



**6%**

market share based on fees for audits of PIEs in 2024

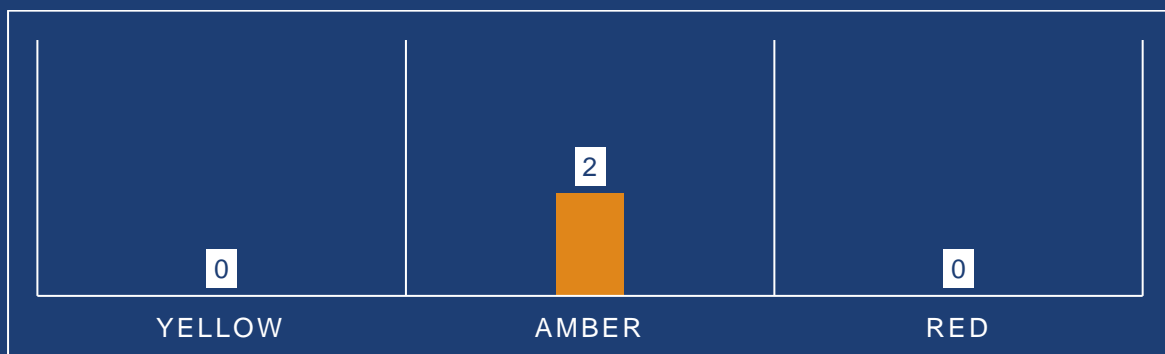


**963**

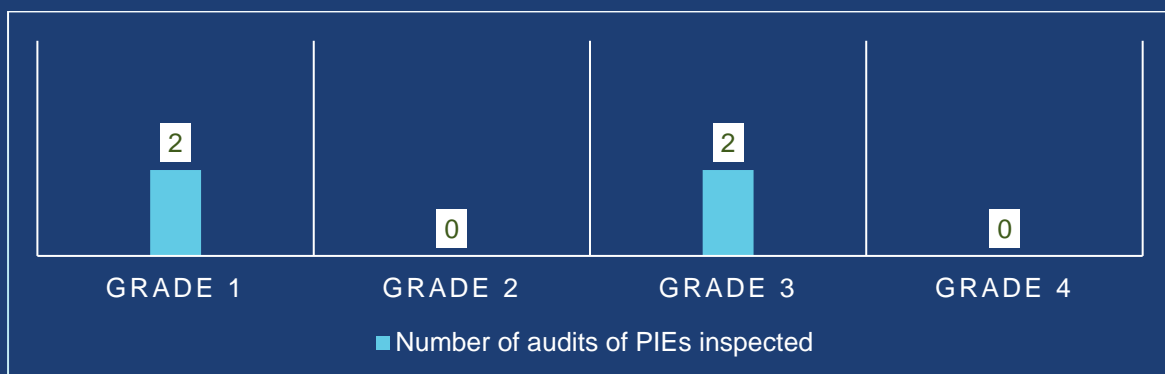
personnel working in the audit function

### Outcome of the quality assurance review

#### Firm's system of quality management - findings with related recommendations<sup>1</sup>



#### Audits of PIEs – grading<sup>1</sup>



<sup>1</sup> See Appendix for detailed description of ratings and grades.

## Guide to IAASA's reports on quality assurance reviews

A guide to assist readers in understanding IAASA's reports on quality assurance reviews of audit firms is available [here](#).

### Quality assurance review explained

The purpose of a quality assurance review is to assess the effectiveness of the Firm's system of quality management.

A quality assurance review:

- assesses the design of the Firm's system of quality management
- performs compliance testing around the implementation of the Firm's procedures
- evaluates the quality of a sample of audits of PIEs

Note that a quality assurance review is not designed to identify all weaknesses that may exist in the Firm's system of quality management.

International Standard on Quality Management (Ireland) 1 (ISQM 1) requires audit firms to design a system of quality management that is tailored to the nature and circumstances of the firm and the engagements it performs. Firms are required to monitor their own quality management system in order to ensure timely and effective remediation takes place, if and when required.

In assessing the design of the Firm's system of quality management, the Authority evaluates the quality objectives, quality risks and related responses identified by the Firm and reviews the Firm's policies and procedures and their impact, if any, on audit quality. The Authority selects a sample of responses by the Firm to its quality risks and tests the operating effectiveness of the selected responses. The Authority also assesses the Firm's monitoring of its responses to quality risks.

In 2024, the Authority also inspected the Firm's implementation of International Standard on Quality Management (Ireland) 2 (ISQM 2). ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer (EQR) and the EQR's responsibilities relating to the performance and documentation of an engagement quality review.

The Authority selects a sample of audits of PIEs for inspection using a risk-based approach. A risk-based approach allows for audits with particular complexities to be selected, as well as audits of varying sizes. As the sample of audits of PIEs is not a representative sample, results cannot be extrapolated to make inferences about audits that have not been selected. In evaluating the quality of an audit of a PIE, the Authority considers the sufficiency and quality of audit evidence across a number of selected audit areas.

## Scope of the quality assurance review of the Firm

### The Firm's policies and procedures

The Authority assesses the Firm's system of quality management across the eight component areas, as defined in ISQM 1, over a three-year cycle.

In 2024, the Authority evaluated the quality objectives, quality risks and related responses designed by the Firm, as well as the Firm's monitoring of its system of quality management in the below components:

- acceptance and continuance of client relationships and specific engagements
- relevant ethical requirements
- resources – human resources

The Authority also tested the operating effectiveness of selected responses in the components listed above. In addition, the Authority assessed the Firm's monitoring of its system of quality management and tested the operating effectiveness of selected responses for the components listed below. Note that the Authority performed its evaluation of the quality objectives, quality risks and related responses designed by the Firm for the below components in 2023.

- governance and leadership
- resources – technological resources, intellectual resources and service providers
- information and communication

In 2024, the Authority reviewed the Firm's ISQM 2 policies and procedures and assessed their implementation through the inspection of a sample of audits of PIEs.

### Audits of public-interest entities

In 2024, the Authority selected a sample of four audits of PIEs.

For each audit selected, the Authority evaluated the quality of the communications with those charged with governance, the review of financial statements, the engagement quality review and the audit procedures performed in relation to the identification and assessment of risks of material misstatement.

For each audit selected, the Authority also evaluated the quality of audit evidence across additional audit areas. The additional audit areas were selected at the discretion of the Authority, taking into consideration the specific risks pertaining to the audit as well as other areas of focus for the Authority.

## Overview of findings

In the 2024 inspection cycle, the Authority identified two findings with related recommendations in relation to the effectiveness of the design or implementation of the Firm's system of quality management.

The Authority assigned the following grades to the audits of PIEs inspected:

Assigned grade	Grade description	Number of audits of PIEs
1	Good audit	2
2	Limited improvements required	-
3	Improvements required	2
4	Significant improvements required	-

The results of the quality assurance review are set out in detail in the next section of this report.

A description of ratings and grades is set out in the appendix to this report.

The Firm must implement each recommendation raised by the Authority within 12 months of the date of the recommendation. The Authority follows up to ensure each recommendation is implemented. Where the Firm fails to satisfactorily implement the recommendation within the 12 month timeframe, the Authority will refer the matter to its Enforcement Unit.

# Results of the quality assurance review

## Overview of components

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Acceptance and continuance of client relationships and specific engagements	<p>The Authority evaluated whether the Firm had established quality objectives that address the Firm's acceptance and continuance of client relationships and specific engagements (A&amp;C). The Authority evaluated quality risks identified and assessed by the Firm for each of the quality objectives relating to A&amp;C and the responses designed and implemented to address the quality risks.</p> <p>The Authority also evaluated the Firm's monitoring of the system of quality management relating to A&amp;C and tested the operating effectiveness of selected responses.</p>
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**The Authority has no findings or recommendations to report in this area.**

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Relevant ethical requirements	<p>The Authority assessed whether the Firm had established quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence. The Authority evaluated the quality risks identified and assessed by the Firm for each of the quality objectives relating to relevant ethical requirements and the responses designed and implemented by the Firm to address the quality risks, including the specified responses of ISQM 1.</p>
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The Authority also evaluated the Firm's monitoring of the system of quality management relating to the Firm's fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence and tested the operating effectiveness of selected responses.

**The Authority noted that the Firm's system for monitoring the financial interests of the Firm's partners and professional staff had insufficient detective controls. The Authority further noted that the Firm's independence compliance audit programme detected that a number of the Firm's partners and professional staff failed to record, in a timely manner, all of their transactions relating to financial interests in the Firm's independence tracking system. (Finding 1)**


**The Firm self-identified two breaches of The Ethical Standards for Auditors (Ireland) (the Ethical Standard) in relation to the rotation of the engagement team on non-PIE audits. The Firm also self-identified four breaches of the Ethical Standard in relation to permissibility of non-audit services to PIE clients. (Finding 2)**

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Resources – human resources	<p>The Authority evaluated whether the Firm had established quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning human resources in a timely manner to enable the design, implementation and operation of the system of quality management. The Authority evaluated quality risks identified and assessed by the Firm for each of the quality objectives relating to human resources and the responses designed and implemented to address the quality risks.</p> <p>The Authority also evaluated the Firm’s monitoring of the design, implementation and operation of the system of quality management relating to human resources and tested the operating effectiveness of selected responses.</p> <p><b>The Authority has no findings or recommendations to report in this area.</b></p>
Governance and leadership	<p>The Authority evaluated the Firm’s monitoring of the design, implementation and operation of the system of quality management relating to the Firm’s governance and leadership. The Authority also evaluated the operating effectiveness of selected responses in the component.</p> <p><b>The Authority has no findings or recommendations to report in this area.</b></p>
Resources - technological resources, intellectual resources and service providers	<p>The Authority evaluated the Firm’s monitoring of the design, implementation and operation of the system of quality management relating to technological, intellectual and service provider resources. The Authority also evaluated the operating effectiveness of selected responses in the component.</p> <p><b>The Authority has no findings or recommendations to report in this area.</b></p>
Information and communication	<p>The Authority evaluated the Firm’s monitoring of the design, implementation and operation of the system of quality management relating to the quality objectives, that address obtaining, generating or using information regarding the system of quality management, and communicating information within the Firm and to external parties on a timely basis. The Authority also evaluated the operating effectiveness of selected responses in the component.</p> <p><b>The Authority has no findings or recommendations to report in this area.</b></p>
Engagement quality reviews	<p>The Authority evaluated the Firm’s policies, processes and procedures in place relating to engagement quality reviews. The Authority also evaluated the implementation of these policies, processes and procedures by reviewing a sample of engagement quality reviews completed by the Firm as part of the Authority’s inspection of PIE audits during the period.</p> <p><b>The Authority has no findings or recommendations to report in this area.</b></p>



## Findings and recommendations on the Firm's system of quality management

Area and significance rating	Background	Issue	Recommendation
<b>Relevant ethical requirements</b>  <b>Finding 1</b>   <b>Amber</b>	<p>The Firm's independence testing documentation notes that the purpose of the global independence system (GIS) audit is "to test the completeness and accuracy of partners' and professionals' financial interests recorded in their GIS portfolios".</p> <p>One of the objectives of the GIS audit is to "ensure that all reportable financial interests are fully and accurately reported in a timely manner".</p> <p>As part of the GIS audit process, the Firm issues a pre-audit questionnaire to a sample of partners and professionals. The sample of partners and professionals complete this questionnaire, and the Firm compare any financial interests disclosed to each individual's GIS portfolio. Any discrepancies are followed up.</p>	<p>It is not clear how the objective to ensure that all reportable financial interests are fully reported was satisfied as there are insufficient detective controls in place to test for items that were not disclosed in the GIS.</p> <p>Furthermore, given the non-compliance rate of 17%, it is not clear how the objective to ensure that all reportable financial interests are accurately reported in a timely manner was achieved.</p>	<p>The Authority recommends that, going forward, the Firm designs and performs a test to detect items that were not disclosed in the GIS.</p> <p>The Authority further recommends that, going forward, the Firm takes demonstrable actions to reduce the reported non-compliance rate.</p>

**Relevant ethical requirements**

**Finding 2**

● **Amber**

ISQM 1 states that the Firm is required to establish policies or procedures for identifying, evaluating and addressing threats to compliance with the relevant ethical requirements.

The Ethical Standard requires that:

- Where applicable, once an engagement partner has held this role for a continuous period of ten years, careful consideration is given as to whether it is probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the firm or covered persons are compromised.
- An audit firm carrying out the statutory audit of a PIE, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services. Prohibited non-audit services shall include the provision of payroll services.
- The Firm shall not provide accounting services to an audit entity where those accounting services would involve the

The Firm self-identified six breaches of the Ethical Standard. The breaches related to the following:

- Two instances where partner rotation did not occur for two non-PIE audit clients, despite the audit partners in question having served in the role for 11 to 12 years.
- The provision of prohibited payroll services by a member firm to the parent company of one of the Firm's PIE audit clients.
- Two instances where the provision of prohibited payroll services to a non-PIE client where those services involved the Firm undertaking part of the role of management or initiating transactions.
- The non-communication of threats and safeguards for a permitted non-audit service provided by a member firm to a PIE client of the Firm.

The Authority recommends that, going forward, the Firm takes the following actions:

- Updates its audit partner rotation tracking systems to better monitor audit partner rotation requirements and that the Firm provides adequate training to audit engagement teams in respect of the correct calculation of audit partner length of service.
- Engages with the Grant Thornton network on improving inter-firm communications in respect of the approval of provision of non-audit services.
- Provides training to staff in respect of the approval of non-audit services to the Firm's audit clients.

firm undertaking part of the role of management or initiating transactions.

- In the case of audits of PIEs, the engagement partner shall ensure that the audit committee (or board of directors) is provided with a written disclosure of relationships (including the provision of non-audit services) that may bear on the integrity, objectivity or independence of the firm or covered persons. This shall have regard to the threats to integrity or objectivity and shall also detail any safeguards that have been put in place and why they address such threats.

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**Acceptance and continuance of client relationships and specific engagements**

The Authority has no findings or recommendations to report in this area.

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**Resources – human resources**

The Authority has no findings or recommendations to report in this area.

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<b>Governance and leadership</b>	The Authority has no findings or recommendations to report in this area.
<b>Resources – technological resources, intellectual resources and service providers</b>	The Authority has no findings or recommendations to report in this area.
<b>Information and communication</b>	The Authority has no findings or recommendations to report in this area.
<b>Engagement quality reviews</b>	The Authority has no findings or recommendations to report in this area.

## Summary of audits of PIEs inspected

	Assigned grade <sup>2</sup>	Audit areas reviewed
Audit one	1	<ul style="list-style-type: none"> <li>• Initial engagements</li> <li>• Valuation of loans and receivables</li> <li>• Related parties</li> <li>• Communications with those charged with governance</li> <li>• Review of financial statements</li> <li>• Review of the engagement quality control review</li> <li>• Identifying and assessing risks of material misstatement</li> </ul>
Audit two	1	<ul style="list-style-type: none"> <li>• Bad debt provisioning</li> <li>• Management override of controls</li> <li>• Communications with those charged with governance</li> <li>• Review of financial statements</li> <li>• Review of the engagement quality control review</li> <li>• Identifying and assessing risks of material misstatement</li> </ul>
Audit three	3	<ul style="list-style-type: none"> <li>• Valuation and existence of financial assets</li> <li>• Management override of controls</li> <li>• Related parties</li> <li>• Subsequent events</li> <li>• Communications with those charged with governance</li> <li>• Review of financial statements</li> <li>• Review of the engagement quality control review</li> </ul>
Audit four	3	<ul style="list-style-type: none"> <li>• Valuation of provisions</li> <li>• Management override of controls</li> <li>• Communications with those charged with governance</li> <li>• Review of financial statements</li> <li>• Review of the engagement quality control review</li> <li>• Identifying and assessing risks of material misstatement</li> </ul>

## Key recommendations arising from the inspection of audits of PIEs

This table sets out the key recommendations for the Firm arising from the inspection of audits of PIEs. These are recommendations deemed by the Authority to be key to an individual inspection or which were recurring across inspections. Not all recommendations apply to all audits of PIEs inspected and not all recommendations issued to the Firm are included in this table.

<sup>2</sup> See Appendix for detailed description of ratings and grades

Audit area	Recommendation
Communications with those charged with governance	The Authority recommends that, going forward, the correct audit opinion templates are used to ensure all required disclosures are captured.
Valuation and existence of financial assets	<p>The Authority recommends that, going forward, the audit procedures evidenced in the audit file are consistent with the following:</p> <ul style="list-style-type: none"> <li>• Audit procedures reported in communications to those charged with governance.</li> <li>• Procedures reported within the key audit matter section of the auditor's report, which requires a description of the auditor's response to the key audit matter and significant risk area.</li> </ul>
Management override of controls	<p>The Authority recommends that, going forward, the audit file clearly and sufficiently evidences the evaluation of the types of revenue and revenue transactions or assertions which give rise to fraud/significant risks.</p> <p>The Authority recommends that, going forward, the engagement team evidence the required journal entry testing procedures and conclusions on the audit file.</p>
Review of financial statements	<p>The Authority recommends that, going forward, the audit file sufficiently evidences the design and performance of substantive procedures for each material class of transaction, account balance and disclosure in the financial statements.</p> <p>The Authority recommends that, going forward, the audit files sufficiently evidence how engagement teams evaluate the information presented in the financial statements is relevant, comparable, and understandable.</p> <p>The Authority recommends that, going forward, the audit file sufficiently evidences the audit procedures performed on the financial statements to support the opinion as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.</p>

Review of the engagement quality control review	The Authority recommends that, going forward, the audit file sufficiently evidences and demonstrates a robust and timely appraisal by the engagement quality control reviewer of the quality of the audit work performed.
Engagement partner review	The Authority recommends that, going forward, the engagement partner ensures that appropriate audit procedures are performed to obtain sufficient appropriate audit evidence to support the conclusions reached and for the auditor's report to be issued.
Valuation of technical provisions	The Authority recommends that, going forward, the audit file sufficiently evidences the audit procedures performed by the engagement team for the purpose of obtaining sufficient appropriate audit evidence for the significant risk and associated material balances.
Identifying and assessing risks of material misstatement	The Authority recommends that, going forward, the audit file sufficiently evidences the engagement team's assessment of the design and implementation of the controls within the entity.

## Results of follow up procedures

The Firm is required to implement the Authority's recommendations within 12 months. The Authority is satisfied that all recommendations made to the Firm in 2023 were appropriately implemented in 2024.

## Purpose and limitations of this report

The purpose of the quality assurance review is to assess the effectiveness of the Firm's system of quality management. The purpose of this report is to communicate any findings identified through the quality assurance review and the recommendations arising.

This report is not intended to serve as a balanced scorecard or as an overall rating tool. Although this report on the quality assurance review may comment positively on certain items, it is not designed to give a balanced analysis of all areas of the Firm.

Where an inspection of an audit of a PIE identifies an area where the Firm did not obtain sufficient audit evidence, this does not necessarily indicate that the audit opinion is inappropriate or that the financial statements are misstated. Furthermore, it would be inappropriate to infer that any issues identified in this quality assurance review report are replicated in audits that have not been inspected by the Authority.

## Appendix – Detailed description of ratings and grades

### Ratings

Findings arising in relation to the effectiveness of the design or implementation of a firm's system of quality management have their significance rated by way of a red-amber-yellow (RAY) system.

● **Red** indicates that a finding is a significant deficiency<sup>3</sup>. Failure to implement a recommendation and/or remediation set out in a prior finding in relation to a firm's system of quality management, or, in relation to a matter arising from a PIE inspection is also likely to be assigned a red grading.

● **Amber** indicates that an improvement is required. This is a less than significant failure to:

- meet the requirements of the ethical standards and ISQM 1; or
- apply a firm's processes or procedures.

● **Yellow** indicates that a finding is a minor deficiency. This is:

- a minor failure in the application of a firm's procedures or processes; or
- a low level deficiency that has the potential to develop into a significant or less than significant failure to meet the requirements of the ethical standards and ISQM 1.

### Grades

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade.

- 1** A 1 grade is a good audit with no concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Any concerns are very limited in their implications (both individually and collectively).
- 2** A 2 grade is an audit that requires limited improvements. There are only limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be some concerns, their implications (both individually and collectively) are limited.
- 3** A 3 grade is an audit that requires improvements. There are some concerns, assessed as less than significant<sup>4</sup>, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be concerns, their implications (both individually and collectively) are less than significant.
- 4** A 4 grade is an audit that requires significant improvements. There are significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. There may be concerns in other areas, with implications that are individually or collectively significant.

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<sup>3</sup> A significant deficiency is a significant failure to meet the requirements of the ethical standards or ISQM 1; or, a pervasive failure to apply a firm's processes or procedures where there is more than a remote likelihood that the deficiency could affect the firm's independence or the quality of audits performed by the firm.

<sup>4</sup> For audits of PIEs, four key factors will be considered in assessing 'significance' of findings, these are as follows: the materiality of the area or matter concerned; the extent of any concerns regarding the sufficiency or quality of audit evidence (e.g. whether they relate to specific elements of the audit evidence only or are more pervasive to the overall sufficiency or quality of audit evidence in the areas concerned); whether appropriate professional scepticism appears to have been exercised in forming audit judgements; and the extent of any non-compliance with standards or the firm's methodology identified.





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