

## TRANSCRIPT

### IAASA Insights Podcast Episode #3:

### 'Understanding the Annual Audit Programme and Activity Report'

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- Host** Hello and welcome to IAASA Insights, the podcast that explores our work at the Irish Auditing and Accounting Supervisory Authority to uphold quality corporate reporting and an accountable profession.
- I'm Eileen Townsend, Head of Standards, Policy and Organisational Development here at IAASA.
- Today we'll be discussing our recently published annual audit programme and activity report or what we call the AAPA, and what it tells us about audit regulation in Ireland.
- Joining me is Lisa Campbell, Head of Operations here in IAASA. Lisa great to have you here.
- I think I'm going to call you a regular on the podcast. Now that you're on number two.
- Guest** Thanks, Eileen. Thanks for having me back.
- Host** Lisa, for listeners who might not know, what exactly is the AAPA report and why should people be interested in it?
- Guest** The AAPA report is our yearly sort of one stop shop and it's a report that's purely focused on how we regulate audits, and it brings together all the work we do in the various parts of the organisation to just oversee the overall audit market.
- There's a wealth of information in there about how we uphold high standards in auditing in Ireland.
- It covers everything from how we oversee the recognised accountancy bodies to the results of our own inspections of the audits of public interest entities and then also what happens if our standards aren't met.
- And it gives a peek into how we work with a wide range of stakeholders, from the audit firms to the accountancy bodies, audit committees and our international peers.
- I suppose why all of this is important is because we know that reliable audits enhance confidence in financial information and other corporate information that companies publish.
- Host** OK, you mentioned public interest entities.
- They're companies that play a significant role in the economy and financial markets, so listed companies, banks, insurance companies.
- Can you tell us more about those and how IAASA oversees them?

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- Guest** Yes, so at the end of 2024, there was about 500 public interest entities in Ireland.
- They're companies with a wide range of investors and other stakeholders, who really rely on the corporate information that those companies publish.
- And that's why their audits have stricter rules and a bit closer oversight, so that's where IAASA comes in.
- We directly inspect the quality of those audits and we publicly report on what we find.
- Last year we looked at 7 firms that were responsible for auditing all of those entities, and those reports were published in March of this year.
- Host** Does the AAPA give us any insights into what Ireland's audit market actually looks like?
- So who's supplying audit services to public interest entities?
- Guest** It does, yes. So one of the most useful things it does each year is gives us a, a really clear snapshot of the audit landscape for those large and significant companies.
- In 2024, the AAPA shows that the market is still pretty concentrated.
- There are 4 firms, Deloitte, EY, KPMG and PwC, and between the four of them, they audit nearly 70% of Ireland's public interest entities.
- And that amounts to about 85% of those audit fees as well, that's actually a slight decrease from 2023.
- In 2023 they audited 73% of the entities and earned almost 90% of the audit fees.
- And then we have four other firms in the market and we can see growth there and there Baker Tilley, BDO, Grant Thornton and Mazar's.
- And that's bringing in more sort of competition and diversity into the market.
- And the last thing the AAPA report shows is, is that there's just over 500 PIE audits in 2024.
- And that's slightly down on the previous year, which is to do with entities delisting or, or moving their listings, to other jurisdictions.
- Host** OK. Then what does the AAPA say about the results of the inspections?
- What does it tell us about audit quality?
- Guest** Yes, so you'll remember that we published the individual reports in each firm in March of this year.
- And then what the AAPA does differently as well is give us a snapshot of the overall picture of the results.
- The 2024 inspection results show that most audits were completed to a good standard.
- So 81% of the audits we looked at needed minor or no improvements and then the remaining then needed some improvements and we had one audit needing a very significant improvement.
- I suppose that's a reminder that audit quality can't be taken for granted.
- And then when I look at the systems of quality management in the firms, we

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found room for improvement across all of the seven firms, particularly in the areas of resources, ethical requirements and client acceptance and continuance procedures.

But the good news is that we didn't find any significant deficiencies in the system of quality management and that's consistent with what we saw in 2023 when the firms first implemented the new requirements there on quality management.

**Host** OK. You mentioned IAASA has responsibility for inspection of the PIE audit, but does the AAPA then tell us anything about the audit firms that are inspected by the recognised accountancy bodies?

**Guest** It does, yes.  
We do the PIEs and, and then the recognised accountancy bodies do all of the other, statutory audits in, in the country.  
They're responsible for those.  
And what we can see in this report then is that the RABs did another 165 quality assurance reviews in 2024 and they took regulatory action in respect of 49 of those cases.  
So similar to our own work, and we work quite closely with the accountancy bodies, you know, that we're making sure that the firms are being monitored and that we're working together to push for higher standards.

**Host** How does Ireland's audit quality compare internationally overall?

**Guest** We stack up pretty well, by comparison to our international peers.  
So less than 20% of the audits here needed improvement.  
And when we look at the global survey, there was 34% globally that needed improvement.  
Having said that, good results today don't guarantee good results tomorrow.  
So maintaining high quality auditing requires ongoing effort from everyone involved.

**Host** And then speaking a little bit more about IAASA's international work. So, I think there's information in the AAPA there about that international collaboration. Can you tell us a little bit more about that?

**Guest** Yes. We think international collaboration is essential for success really because audit is a global business, the audit firms are global businesses. The entities that they audit are often global businesses.  
It's important that we stay very connected to what's happening internationally as well.  
So by working with our counterparts abroad, we make sure that Ireland's audit regulation keeps pace with global standards and best practises.

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The AAPA highlights our active involvement in two key international bodies, the Committee of European Audit Oversight Bodies, or CEAOB, and then the International Forum of Independent Audit Regulators, which we know as IFIAR.

**Host** OK, well, perhaps we'll start with Europe then.  
How does IAASA work with the CEAOB?

**Guest** Yes, so all of the EU countries follow a common legal framework for supervising audit of PIEs, and the CEAOB aims to achieve consistency across Europe.  
Ireland has a seat at the CEAOB Consultative Group, and that's a group, small group of countries who support the chair of CEAOB.  
And we're involved in all of the main CEAOB subgroups.  
So they look at things like inspections, international knowledge, standards enforcement and market monitoring.  
And then we have people who lead a couple of the CEAOB task forces and then colleges, which are groups that, engage with individual audit firm networks.  
So this collaboration lets us share knowledge, learn from others, and it gives Ireland a voice as well in shaping EU audit regulation moving forward.

**Host** OK. And then I suppose similarly or more globally, what does the AAPA tell readers about IAASA's role with IFIAR?

**Guest** Yes. IFIAR brings together 56 audit regulators from around the world, both within and outside of Europe.  
And again, the aim is improving global audit oversight and sharing best practises.  
So we're very active here too.  
We're involved in various working groups and things like inspections, enforcement and technology. I sit on the board of IFIAR.  
And then a, a big milestone for us recently was that Kevin, our CEO, Kevin Pendergast was elected to be the chair of IFIAR after serving 2 years as vice chair.  
This leadership role means, IAASA can help influence global audit oversight and we're able to bring the latest international insights back to Ireland as well. It ensures that the views of small regulators with limited resources are also represented in those global forums.

**Host** OK. And then maybe let's talk about one of the biggest changes on the horizon.  
The EU corporate sustainability reporting director for CSRD.  
That new law requires many companies to report on sustainability matters and

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have those reports independently assured.  
So what changes has CSRD brought to your audit oversight work?

**Guest**

Yes, so we now have responsibility for monitoring the assurance work that auditors do on the sustainability reports of public interest entities. We've already started that work, I suppose, reviewing a sample of those assurance engagements and just assessing the quality of that work. We have already adopted the assurance standard that needs to be used in Ireland. That's called ISAE 3000. We also oversee how the recognised accountancy bodies do their role in relation to CSRD. So for example, they approved the statutory auditor's to carry out the sustainability reporting assurance already and then in the future they may have a role in relation to quality assurance. We host fairly regular roundtables with the accountancy bodies and with the audit firms who are already doing this work just to discuss the practical challenges of implementing this new legislation. Just recognising, I suppose that it's a new challenge and, and a journey that everybody is on together. So we'll try and, work together to improve the quality of that.

**Host**

And I suppose in relation to CSRD, now there's an EU Omnibus proposal on the table aimed at simplifying some of the new sustainability reporting rules under CSRD. So perhaps in broad terms, could you explain what the proposal is and how it might affect IAASA's plans?

**Guest**

Yes. So the European Commission, is aiming to reduce burden on all businesses and, and SMEs in particular. And so the CSRD omnibus proposal is one part of that plan, and really it's to try to narrow some of the CSRD requirements or make them less burdensome on businesses operating in Europe. So for companies and auditors in Ireland, it means that in the future, potentially fewer companies could be required to report. We're also, hearing that the reporting standards themselves should be simplified with reduced numbers of required disclosures. But it is important to note that it is, you know, it's still, at the time of recording. This is a proposal. And so it's still subject to negotiation at political level. And then it needs to be adopted into the EU law and then transposed into Irish law. So a bit of a way off, but for in the meantime, I suppose while we're awaiting the outcome of that, we're continuing with our planned inspections for the first wave of companies. But we are, we're just watching those developments closely and we'll adjust our approach as we need to.

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- Host** So, a wild card question, Lisa, to finish, because you joined IAASA in 2015 and you've seen a lot of change.
- So, looking back, what would stand out for you as the biggest shifts in auditing and regulation over that time?
- Guest** Yeah, there certainly has been a a lot of change.  
It keeps certainly keeps my job interesting.  
When I started, firms had requirements on quality control.  
They needed policies and procedures in place.  
But really a lot of the time that was focused on detecting any flaws in quality.  
A big change in the last couple of years is the introduction of a new quality management standard.  
Now it's more about the firms proactively managing that audit quality with a focus on prevention, not just detection.  
It's much more dynamic and a risk based approach.  
And, and so that's going really well.  
I think the other obvious significant development, I suppose is the use of technology, including, you know, data analytics, artificial intelligence and how that all gets used in audits.  
So, an audit today looks very different to an audit both when I started in, in IAASA in 2015, but certainly when I started in audit in 2001 and it's continuing to develop a lot, I suppose, but there are lots of good news stories there about improvements in audit quality.  
And then the way we regulate has changed a lot.  
So when I started, it was a domestic affair, really, we were, you know, taking over responsibilities from the accountancy bodies, whereas now, you know, we've grown a lot and, and we're doing joint inspections with foreign regulators such as the, the US regulator, the PCOB, we sit on all of the international working groups that I spoke about.  
Our CEO is the chair of IFIAR.  
So really, our voice, Ireland's voice is being heard globally.  
And then the biggest change, that has faced us all and continues to face us is sustainability.  
In 2015, that wasn't really something that was spoken about a lot.  
Certainly, there wasn't a lot of auditing or assurance going on.  
Whereas now we're looking at, we're actually looking at the engagements of how auditors go about assuring that environmental, social and governance information.  
So that's a very big shift, a big change from, you know, the historic auditor focus on numbers and financial information.  
Auditing has become more complex, but it's also more multidisciplinary and more connected than ever before.  
So that's really exciting.  
And I suppose then that's why oversight also matters more than ever in that international collaboration that we engage in.

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**Host**

Lisa, thank you very much for sharing your insights from the AAPA report and indeed on changing the profession over the last 10 years.

For any listeners interested in exploring the AAPA publication or learning more about IAASA's role in supervising statutory audit in Ireland, do visit our website at [IAASA.ie](http://IAASA.ie).

Thanks to all our listeners for tuning in to IAASA Insights today.

We look forward to welcoming you back for our next episode.