

2026

**Guide to reports on
the quality
assurance review
of public-interest
entity audit firms**



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

Table of Contents

INTRODUCTION.....	2
PURPOSE OF THIS GUIDE.....	2
CONTENTS OF A PUBLIC REPORT ON A QUALITY ASSURANCE REVIEW.....	3
INFORMATION SET OUT IN A PUBLIC QUALITY ASSURANCE REVIEW REPORT.....	4
INFORMATION THAT IS NOT SET OUT IN A PUBLIC QUALITY ASSURANCE REVIEW REPORT.....	4
QUALITY ASSURANCE REVIEW EXPLAINED.....	5
PURPOSE OF A QUALITY ASSURANCE REVIEW.....	5
DESIGN OF A QUALITY ASSURANCE REVIEW.....	5
INSPECTION OF AUDITS OF PIEs.....	5
RATING AND GRADING POLICY.....	6
Policy overview.....	6
Findings on a firm's system of quality management.....	7
Grades assigned to audits of PIEs.....	7
REPORTS ON QUALITY ASSURANCE REVIEWS.....	8
Content.....	8
Findings in relation to the firm's system of quality management.....	8
Summary of audits of PIEs inspected.....	8
Limitations.....	8
APPENDICES.....	10
FAQs.....	10
OUTLINE REPORT.....	11

Introduction

A public-interest entity (PIE) is defined by the Companies Act 2014 as an entity that:

- has transferable securities admitted to trading on a regulated market of any member state;
- is a credit institution; or
- is an insurance undertaking.

Audit reform legislation¹ imposes requirements on PIEs, on audit firms that carry out statutory audits of PIEs (PIE audit firms), as well as on national competent authorities.

The Irish Auditing and Accounting Supervisory Authority (IAASA) is required to carry out direct inspection of PIE audit firms in a manner that is independent of the inspected PIE audit firm. IAASA is required to include the main findings and recommendations of the quality assurance review in a report. IAASA's recommendations must be implemented by the PIE audit firm within 12 months of the report being issued.

Each year, IAASA publishes a public report on the quality assurance review of each PIE audit firm.

More information in relation to IAASA's functions can be found on our [website](#).

Purpose of this guide

This guide aims to assist readers in understanding IAASA's reports on the quality assurance review of PIE audit firms.

The guide sets out what users can expect from the quality assurance review reports and explains how the quality assurance review process drives the form and content of the reports on each quality assurance review.

Appendix 1 to this guide includes FAQs and useful links

Appendix 2 to this guide sets out an outline of quality assurance review reports.

Should you have any further queries, please contact us at info@iaasa.ie

¹ Audit reform legislation requires the designation of a competent authority in each member state. Audit reform legislation comprises EU Regulation 537/2014 and Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 [OJ No. L 157, 9.6.2006, p.87] on statutory audits of annual accounts and consolidated accounts, amending Council Directives

78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, as amended by Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 [OJ No. L 158, 27.5.2014, p.196] amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts. The Directive is transposed into Irish law in the Companies Act 2014.

Contents of a report on a quality assurance review

Information set out in a public quality assurance review report

AREA	INFORMATION INCLUDED
Scope of the quality assurance review	The quality assurance review report identifies: <ul style="list-style-type: none">- the areas of the firm's system of quality management that IAASA reviewed- the number of audits of PIEs inspected- the audit areas inspected within this sample
Overview of findings	The quality assurance review report summarises: <ul style="list-style-type: none">- IAASA's findings on the firm's system of quality management- The grades assigned by IAASA to the audits inspected
Results of the quality assurance review	The quality assurance review report summarises: <ul style="list-style-type: none">- the procedures performed by IAASA and the overall results relating to the firm's system of quality management- the background and issue in relation to IAASA's recommendations on the firm's system of quality management- the rating, showing the significance of each of IAASA's recommendations on the firm's system of quality management- the audit areas reviewed for each audit of a PIE inspected by IAASA- the grade assigned by IAASA to each audit of a PIE inspected- key recommendations arising from the inspection of audits of PIEs
Results of follow up procedures	The quality assurance review report discloses whether the firm has appropriately implemented IAASA's prior recommendations.

Information that is not set out in a public quality assurance review report

Information on the following matters is not presented in the public quality assurance review report of a PIE audit firm:

- positive aspects of the PIE audit firm's system of quality management or the quality of an audit
- quality of any audit not inspected
- names of audits of PIEs inspected
- quality of the audits of non-PIEs, except insofar as they may be affected by the PIE audit firm's overall quality management system
- non-audit business of the inspected PIE audit firm except insofar as it might be affected by the PIE audit firm's overall quality management system; or
- any firm/network affiliated with the inspected PIE audit firm.

Quality assurance review explained

Purpose of a quality assurance review

The purpose of a quality assurance review is to assess the effectiveness of the PIE audit 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; and
- evaluates the quality of a sample of audits of PIEs.

Design of a quality assurance review

The assessment of the design of the system of quality management of the PIE audit firm involves inspection of the PIE audit firm's policies and procedures across 8 component areas:

- risk assessment process
- governance and leadership
- relevant ethical requirements
- acceptance and continuance of client relationships and specific engagements
- engagement performance
- resources
- information and communication
- monitoring and remediation process

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 engagements it performs. Firms are also required to monitor their own quality management system in order to ensure timely and effective remediation takes place, if and when required.

Assessing the design of the firm's system of quality management involves evaluating the quality objectives, quality risks and the related responses the Firm has identified to address quality risks. This includes an evaluation of the Firm's policies and procedures and their impact, if any, on audit quality. The Authority then selects a sample of the Firm's responses to its identified quality risks and tests whether these responses have been operating effectively. The Authority also evaluates how the Firm monitors the effectiveness of these responses.

Inspection of audits of PIEs

Each year, IAASA selects a sample of audits of PIEs using a risk-based approach.

The sample size selected for each firm is driven by factors, such as the number of PIEs audited by a firm, the results of previous inspections relating to the firm, any significant changes in a firm's market share or type of PIE audited by the firm.

IAASA then uses a risk selection model, the model applies many factors and weights the factors where appropriate. These factors include:

- PIE type
- PIE size
- investment size
- facts which come to the attention of IAASA relating to an EU PIE such as public announcements by the company or matters on public record
- audit fees, non-audit fees, year on year changes in audit fees

- the PIE audit firm's experience of auditing the specific PIE type.

Further to this, in selecting a sample of audits of PIEs for inspection, IAASA may consider factors that are not within the risk selection model, such as media coverage, complaints, and/or other information, for example matters identified by IAASA's financial reporting supervision unit.

The risk-based approach allows for audits with particular complexities to be selected, as well as audits of varying sizes IAASA selects audits of PIEs that have been assessed as higher risk. The samples chosen by IAASA are, therefore, not representative of the population.

For each audit selected, IAASA evaluates the sufficiency and quality of audit evidence across a number of selected audit areas. The audit areas reviewed are selected at the discretion of IAASA, taking into consideration specific risks pertaining to the PIE as well as other areas of focus for IAASA.

Rating and grading policy

Policy overview

The quality assurance reports highlight only areas of non-compliance. Ratings and grades seek to provide readers with further insight into IAASA's view on the significance of the issues noted in the report.

Findings in relation to the effectiveness of the design or implementation of a firm's system of quality management have their significance indicated by way of a red-amber-yellow (RAY) system. Each of the PIE audits inspected as part of the quality assurance review is assigned a grade.

The purpose of the ratings and grades are to give context to findings identified by IAASA, which, individually, may be open to varying interpretations by a reader.

IAASA's system of rating and grades is IAASA's alone and should not be compared to any other system of rating or grade inspections of individual audits or PIE audit firms.

Findings on a PIE audit firm's system of quality management

Findings arising in relation to the effectiveness of the design or implementation of a PIE audit firm's quality management system have their significance indicated as follows:

● **Red** indicates that a finding is a significant deficiency². 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, International Standard on Quality Management (Ireland) 1 (ISQM 1) and International Standard on Quality Management (Ireland) 2 (ISQM 2); 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, ISQM 1 and ISQM 2.

² A significant deficiency is a significant failure to meet the requirements of the ethical standards or ISQM 1 or ISQM 2; 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.

³ For audits of PIEs, four key factors will be considered in assessing 'significance' of findings, these are as follows: the

Grades assigned to audits of PIEs

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 significant³, 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.

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.

Reports on quality assurance reviews

Content

Each year, IAASA issues a report on the quality assurance review of each PIE audit firm. The purpose of the quality assurance review is to assess the effectiveness of the PIE audit firm's system of quality management. The purpose of the report is to communicate the deficiencies identified through the quality assurance review and the recommendations arising.

The report on the quality assurance review includes:

- a brief overview of the PIE audit firm
- an explanation of the quality assurance review process
- an explanation of the scope of IAASA's quality assurance review
- an overview of IAASA's findings
- the results of the quality assurance review, including findings and recommendations on the firm's system of quality management and a summary of audits of PIEs expected
- the results of follow-up procedures

Findings in relation to the firm's system of quality management

Each report sets out the detail of IAASA's findings on the PIE audit firm's system of quality management. The report explains the background to each finding and the issue identified by IAASA, only including information that is relevant to the reader's understanding of the issue. The report also explains IAASA's recommendations for each finding on the firm's system of quality management, the recommendations set out how IAASA expects

the firm to remediate deficiencies and/or implement improvements going forward.

Summary of audits of PIEs inspected

Each report sets out the areas reviewed and grade assigned to each PIE audit (if any) inspected as part of the quality assurance review. Key recommendations to the firm in relation to audits of PIEs are also summarised within each report.

Information specific to audits of PIEs inspected is not disclosed in the reports. This information is not disclosed to ensure that the individual PIE cannot be identified. IAASA issues separate reports to each firm in respect of each audit inspected. These separate reports detail the findings and IAASA's detailed recommendations for remediation of deficiencies and/or improvements.

Limitations

The report on the quality assurance review is designed to communicate:

- deficiencies in audit quality
- defects or potential defects in the PIE audit firm's system of quality management that relate to audit quality

Accordingly, the reports on quality assurance reviews are not intended to serve as balanced scorecards or overall rating tools. Further, the report should not be construed as an indication that IAASA has identified all the weaknesses which may exist in the PIE audit firm's policies and procedures or in the implementation of those policies and procedures.

Where an inspection of an audit of a PIE identifies an area where the PIE audit 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. It would be inappropriate for the

reader to infer that the issues found on one inspected PIE audit would have also been identified by IAASA on any other audits of PIEs performed by the firm. It would also be inappropriate for the reader to infer that any issues identified in any given quality assurance review report are replicated in other audit files which have not been inspected by IAASA.

Appendix 1 - Frequently asked questions and useful links

Why does IAASA publish reports?

IAASA's mission includes the promotion of high quality auditing. IAASA believes that transparency in relation to the findings of inspections carried out is vital information for the market. This transparency allows interested parties to identify areas where audit quality can be improved and provides the market with confidence that any issues are being appropriately remediated and addressed.

Why does IAASA not publish individual reports/identify audited entities?

The existence of an audit inspection finding does not indicate that there is an issue with the financial statements being audited. Conversely, an audit inspection which does not result in any findings does not indicate that the financial statements comply with the relevant reporting framework. IAASA, consistent with other regulators, does not identify the entity being audited to avoid any risk of misinterpretation.

What do I do if I have a concern about an audit?

If you suspect that an audit of a PIE does not comply with the requirements of auditing standards and other regulations, please make a complaint in writing to IAASA,

Enforcement Unit, Willow House, Naas, Kildare or info@iaasa.ie.

If you suspect that an audit of a non-PIE does not comply with the requirements of auditing standards or other regulations, please contact the relevant Recognised Accountancy Body.⁴

IAASA may review compliance with a PIE audit firm's own policies and procedures. Where a PIE audit firm has a policy, which is stricter than standards/legislation, does IAASA raise findings where a PIE audit firm's policy is not complied with but the requirements of the standards/legislation have been?

IAASA may raise a finding where a PIE audit firm policy has been breached, even if the requirements of standards and legislation have not been breached. As set out in Article 26 of EU Regulation 537, an inspection both assesses the design of the internal control system and tests compliance with that control system. In instances where the PIE audit firm policy has been breached and the matter remains compliant with standards/legislation, this will be noted in the report and will be considered in the rating process.

The following links provide additional information in relation to the inspection process:

[FAQs on the inspection process including IAASA's powers of inspection](#)

⁴ www.iaasa.ie/FAQs/Complaints

Appendix 2 – Outline report on quality assurance reviews

2025 QUALITY ASSURANCE REVIEWS OF (FIRM NAME)

Introduction

Overview of [Firm] (the Firm)

Firm's offices



 **XX**
 Audit Partners

 **XX**
 Audit function personnel

 **XX**
 2025 public-interest entity audits (PIEs)

 **XX**
 2025 market share based on audit fees of PIEs

Outcome of the Firm's quality assurance reviews

Firm's system of quality management - findings with related recommendations





Inspection of audits of PIEs – grading results¹






¹ See Appendix for detailed description of ratings and grades
 IAA BA: Report on 2025 quality assurance review of EY
 10 March 2026

Quality assurance reviews 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 public-interest entities (PIEs)

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

ISQM 1² requires audit firms to design a system of quality management that is tailored to the nature and circumstances of the firm and engagements it performs. ISQM 1 also requires Firms to monitor their own quality management system and ensure timely and effective remediation of any deficiencies identified.

In assessing the design of the Firm's system of quality management, the Authority evaluates the quality objectives, quality risks and the related responses the Firm has identified to address quality risks. This includes an evaluation of the Firm's policies and procedures and their impact, if any, on audit quality. The Authority then selects a sample of the Firm's responses to its identified quality risks and tests whether these responses have been operating effectively. The Authority also evaluates how the Firm monitors the effectiveness of these responses.

The Authority selects its sample of audits of PIEs using a risk-based approach. This approach allows the Authority to inspect audits with particular complexities as well as audits of varying sizes. As this sample is not representative of all PIE audits undertaken by the Firm, the results cannot be extrapolated to form conclusions about the audits that were not selected. When evaluating the quality of an audit of a PIE, the Authority considers the sufficiency and quality of the audit evidence obtained by the Firm across a number of selected audit areas.

Guide to IAASA's reports on quality assurance reviews

The [guide to IAASAs reports on the quality assurance review of PIE audit firms](#) provides readers an detailed understanding of IAASA's reports on quality assurance reviews.

² International Standard on Quality Management (Ireland) 1

IAA BA: Report on 2025 quality assurance review of EY
 10 March 2026

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 set out in ISQM 1, over a three-year cycle.

In 2025, the Authority assessed and evaluated the Firm's quality objectives, quality risks and the related responses it had designed within the engagement performance component. The Authority also selected a sample of the Firm's responses to quality risks within engagement performance component and tested the operating effectiveness of those responses.

In addition, the Authority assessed the Firm's own monitoring and remediation process to evaluate its system of quality management and respond to any deficiencies identified. The Authority also assessed the Firm's application of ISQM 1 requirements relating to any network requirements or network services.

Audits of public-interest entities

In 2025, the Authority inspected a sample of [x] audits of PIEs. For each audit inspected, the Authority evaluated the quality of the communications with those charged with governance, the review of financial statements and the engagement quality control review. The Authority also evaluated the quality of the audit evidence obtained in additional audit areas. These additional areas were selected at the Authority's discretion, taking into consideration the specific risks of each audit and other areas of focus for the Authority.

Overview of findings

In the 2025 inspection cycle, the Authority identified xx finding/s, with related recommendations, concerning the effectiveness of the design or implementation of the Firm's system of quality management.

The Authority assigned the following grades to the PIE audits inspected:

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

³ See Appendix for detailed description of ratings and grades

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

Results of the quality assurance review

Overview of system of quality management review

Engagement performance

The Authority evaluated whether the Firm had established the quality objectives required by ISQM 1 for engagement performance, as well as any additional quality objectives the Firm considered necessary. The Authority evaluated the quality risks identified and assessed by the Firm for each of these quality objectives, and reviewed the responses the Firm had designed and implemented to address those risks. The Authority also evaluated the Firm's monitoring of its system of quality management in relation to engagement performance and tested the operating effectiveness of selected responses.

The Authority noted that Full details of this finding and recommendation are set out below. (Finding [x]) / The Authority has no findings, with related recommendations, to report in this area.

Monitoring and remediation

The Authority assessed the Firm's compliance with the requirements of ISQM 1 to establish a monitoring and remediation process. The Authority evaluated whether the Firm had established a process to provide relevant, timely and reliable information about the design, implementation and operation of its system of quality management. The Authority assessed whether the Firm took appropriate and timely actions to respond to and remediate any identified deficiencies. This assessment included reviewing the design and performance of the Firm's monitoring activities, its evaluation of deficiencies, and the remedial actions it implemented. In addition, the Authority evaluated whether the firm had policies in place to ensure that individuals carrying out monitoring and remediation activities were competent and objective, and whether there was effective communication within the Firm regarding monitoring activities and identified deficiencies.

The Authority noted that Full details of this finding and recommendation are set out below. (Finding [x]) / The Authority has no findings, with related recommendations, to report in this area.]

Network resources and services

The Authority assessed whether the Firm had identified the network requirements relating to its system of quality management. The Authority also evaluated whether the Firm had identified the services or resources provided by the network that it uses in its own system of quality management, as well as the Firm's responsibilities for implementing these requirements or using these services.

This assessment included an evaluation of whether the Firm understood and documented the relevance of the network requirements, and whether it had implemented the necessary requirements. The Authority also assessed whether the Firm had considered the need to adapt and supplement the network requirements, resources or services at local level.

The Authority noted that Full details of this finding and recommendation are set out below. (Finding [x]) / The Authority has no findings, with related recommendations, to report in this area.

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

Finding 1: Engagement performance - xxx

Significance:  Yellow

Background	Issue	Recommendation
xxx	xxx	xxx

Finding 2: Monitoring and remediation - xxx

Significance:  Amber

Background	Issue	Recommendation
xxx	xxx	xxx

The Authority has **no findings** with related recommendations to report in the following areas:

- Network resources and services

Summary of audits of PIEs inspected

Assigned grade	Audit areas reviewed
Audit one	<p>1</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Valuation of financial assets <input checked="" type="checkbox"/> Management override of controls <input checked="" type="checkbox"/> Communications with those charged with governance <input checked="" type="checkbox"/> Review of financial statements <input checked="" type="checkbox"/> Review of the engagement quality control review
Audit two	<p>2</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Valuation of financial assets <input checked="" type="checkbox"/> Management override of controls <input checked="" type="checkbox"/> Communications with those charged with governance <input checked="" type="checkbox"/> Review of financial statements <input checked="" type="checkbox"/> Review of the engagement quality control review
Audit three	<p>3</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Valuation of financial assets <input checked="" type="checkbox"/> Management override of controls <input checked="" type="checkbox"/> Communications with those charged with governance <input checked="" type="checkbox"/> Review of financial statements <input checked="" type="checkbox"/> Review of the engagement quality control review
Audit four	<p>4</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Valuation of financial assets <input checked="" type="checkbox"/> Management override of controls <input checked="" type="checkbox"/> Communications with those charged with governance <input checked="" type="checkbox"/> Review of financial statements <input checked="" type="checkbox"/> Review of the engagement quality control review

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 recommendations are those considered by the Authority to be significant to an individual inspection or those that recurred across multiple inspections. Not all recommendations apply to every PIE audit inspected and not all recommendations issued to the Firm are included in this table.

Audit Area: Valuation of financial assets

Recommendation #1 The Authority recommends that, going forward,.....

Recommendation #2 The Authority recommends that, going forward,.....

Audit Area: Management override of controls

Recommendation #1 The Authority recommends that, going forward,.....

Recommendation #2 The Authority recommends that, going forward,.....

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 2024 were appropriately implemented in 2025.

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 deficiencies identified during the review and the recommendations arising from those deficiencies.

This report is not intended to serve as a balanced scorecard or as an overall rating tool. While the report may comment positively on certain matters, it is not designed to give a balanced analysis of all aspects of the Firm.

Where an inspection of a PIE audit identifies an area in which the Firm did not obtain sufficient audit evidence, this does not necessarily mean that the audit opinion is inappropriate or that the financial statements are misstated. It would also be inappropriate to infer that issues identified in this quality assurance review report are present in audits that were not 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 deficiency⁴. 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 significant⁵, 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.

⁴ 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.

⁵ 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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