

# 2025 QUALITY ASSURANCE REVIEWS OF BDO

## Introduction

### Overview of BDO (the Firm)

#### Firm's offices



**19**  
Audit Partners



**286**  
Audit function  
personnel



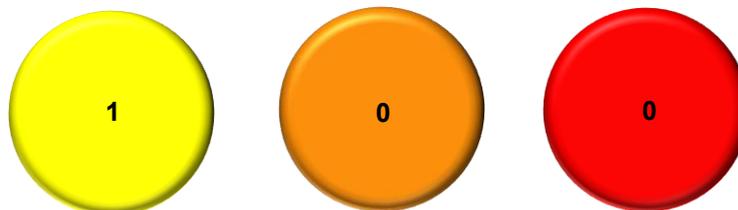
**3**  
2025 public-interest  
entity audits (PIEs)



**1.27%**  
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 results<sup>1</sup>



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

## 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 1<sup>2</sup> 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.

The [guide to IAASA's reports on the quality assurance review of PIE audit firms](#) provides a detailed description of the reports.

---

<sup>2</sup> International Standard on Quality Management (Ireland) 1

## 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 the 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 two 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, 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 one finding, with a related recommendation, 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 <sup>3</sup>	Grade description	Number of PIE audits
①	Good audit	2
②	Limited improvements required	-
③	Improvements required	-
④	Significant improvements required	-

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

<sup>3</sup> See Appendix A for detailed description of ratings and grades

# 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 notes that for one of the tests the Firm carried out as part of its monitoring activities, the sample size was not sufficient to identify deficiencies (Finding 1). Full details of this finding and recommendation are set out below.**

### 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 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 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

Significance:  Yellow

Background	Issue	Recommendation
<p>ISQM 1 requires the Firm to design and perform monitoring activities to provide a basis for the identification of deficiencies.</p> <p>One of the quality risks the Firm identified in relation to engagement performance is that the time spent or the timing of the engagement quality review by the engagement quality reviewer is not adequate to provide an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon.</p> <p>To test the effectiveness of the response linked to this quality risk, the Firm’s response tester performed a test titled “monitoring time spent on/timing of the engagement quality review”.</p> <p>When performing this test, the Firm’s tester limited the population to engagements that are both (i) subject to quality assurance reviews and</p>	<p>It is unclear how a sample of one engagement could adequately address the risk that the time spent on the engagement quality review or the timing of the engagement quality review is inadequate. As a result, it is not clear how this monitoring activity provides a basis for the identification of deficiencies.</p>	<p>The Authority recommends that, going forward, the Firm sets a population and sample size that is sufficient to:</p> <p>(a) address the risk that the time spent on the engagement quality review or the timing of the engagement quality review is inadequate; and</p> <p>(b) provide a basis for the identification of deficiencies.</p>

<p>(ii) had an engagement quality reviewer assigned.</p> <p>As a result, the total population in which to make selections from consisted of one engagement. This resulted in a sample of one being selected for testing.</p>		
--	--	--

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

- Monitoring and remediation
- Network resources and services

## Summary of audits of PIEs inspected

	Assigned grade	Audit areas reviewed
Audit one	①	<ul style="list-style-type: none"> <li> Expected credit losses</li> <li> Valuation of level 3 financial instruments</li> <li> Group audit</li> <li> IT Audit</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 two	①	<ul style="list-style-type: none"> <li> Measurement of insurance contract liabilities</li> <li> Revenue recognition</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>

## 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: Review of financial statements

Recommendation #1	The Authority recommends that, going forward, the audit file evidences how all information presented in the notes to the financial statements are reliable.
-------------------	---

## 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 deficiency<sup>4</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.

-  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).
-  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.
-  A **3** grade is an audit that requires improvements. There are some concerns, assessed as less than significant<sup>5</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.
-  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.

---

<sup>4</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>5</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.

## Appendix B – IAASA mission statement



### 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