

# Understanding IAASA's Quality Assurance Review Reports

IAASA conducts independent inspections of PIE audit firms to assess the effectiveness of their systems of quality management (SoQM). Each year, IAASA publishes public reports summarising its findings and recommendations.



## Purpose of the 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
- evaluates the **quality of a sample of audits** of PIEs

## Design of a quality assurance review

Involves the inspection of the PIE audit firm's System of Quality Management across 8 areas set out in International Standard on Quality Management ('ISQM') (Ireland) 1:

- 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

Compliance with the requirements of ISQM 2 (Ireland) is also assessed.

## Inspection of audits of PIEs

IAASA uses a risk-based model to determine the sample size and for audit selection.

Sample size is driven by factors such as:

- Number of PIEs audited by a firm
- Results of previous inspections
- Significant changes in market share/type of PIE audited

Audit selection is driven by factors such as:

- PIE size and type
- Audit fees and changes
- Public announcements
- Complaints



# Understanding IAASA’s Quality Assurance Review Reports

## What is included in the report

- **Scope:** Areas of the firm’s SoQM reviewed and audits inspected
- **Findings:** An overview of IAASA’s findings
- **Results:** findings and recommendations on the firm’s SoQM and a summary of audits of PIEs inspected and follow-up actions

## What is not included in the report

- Positive aspects of the PIE audit firm’s SoQM or the quality of an audit
- Quality of any audit not inspected
- Names of audited entities
- Quality of audits of Non-PIEs
- Non-audit business details

## Findings on a PIE audit firm’s SoQM



Red indicates that a finding is a significant deficiency



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

- 1 A 1 grade is a good audit with no or very limited concerns
- 2 A 2 grade is an audit that requires limited improvements
- 3 A 3 grade is an audit that requires improvements
- 4 A 4 grade is an audit that requires significant improvements

## Grading assigned to audits of PIEs

