QUALITY ASSURANCE NETWORK

INSIGHTS ACROSS AUDIT QUALITY ASSURANCE EUROPE

4 April 2024

Audit quality underpins sound financial reporting systems. Whether we are looking to invest in, work for or work with an organisation, the presence of a clean audit report, on sound financial statements, authored by a respected auditor enables us to engage with confidence.

While markets, governments, the public and the press focus on the behaviour and performance of public interest entities (PIEs), the significance of smaller entities – or non-PIEs – cannot be understated. Non-PIEs represent the largest part of the European economy. Poor, misleading or fundamentally flawed financial reporting in this sector can also have a significant, detrimental impact on the financial health of each nation. Erroneous financial reporting affects an entity's stakeholders (including suppliers, customers, employees, and investors) – and can have consequences for the collection of direct and indirect taxes. Audit serves as both a deterrent and a force for true and fair financial reporting.

This report provides an overview of the audit quality assurance systems for non-PIEs in place in 12 European jurisdictions. Based on a survey of professional accountancy bodies active in the Quality Assurance Network (QAN) for non-PIE Audits, the report points to many areas of similarity and alignment of approach and methodology to audit quality assurance – but equally several areas of divergence resulting from a combination of historic attitudes to and differing legal frameworks for audit, monitoring, and oversight.

In particular, this report seeks to provide comparable data from a number of jurisdictions across Europe on the following:

- The non-PIE audit market is heavily influenced by significant variations in audit thresholds but also by the nature of additional legal entities requiring audits beyond a common requirement for commercial businesses to be audited across all jurisdictions.
- Non-PIE audit quality assurance (AQA) review activities and methods share many similarities across Europe but also some notable variations. This changing landscape can be explained by reference to the size and shape of the local audit market, the use of directly employed or peer reviewers and the maturity of AQA schemes. All influence review and follow-up strategies, market coverage and approaches to risk management and indicators.
- Funding of AQA and professional bodies is consistently provided by each body's registered members and/or firms, although there are some notable variations in how fees are weighted and calculated.
- Reporting on AQA reviews, regulatory committees and outcomes varies according to several influencing factors including: the volume of reviews performed; the type of reviewer (peer or employee); the history of AQA reviews (long standing or recently

established); and the quality of the relationship between the professional body and the oversight body.

- Public reporting on the AQA activities of the nine professional bodies that carry reviews on non-PIEs is well established in all except for one body. However, the content varies from information provided solely on disciplinary decisions for two bodies to a full annual report including review results from others.
- Disciplinary powers and appeal procedures are similar across most jurisdictions with few but notable exceptions regarding options to offer disciplinary remedies, to impose disciplinary decisions and the availability of options to appeal to an independent authority against decisions. However, there is greater variety in terms of which body (professional, oversight, court) is authorised to perform these roles.
- Focus areas for AQA reviews are unsurprisingly diverse across the 12 jurisdictions, with only three bodies focussing on their review approach to less complex entities, while at least eight are focussing on planning and completion, going concern, risk, and fraud.

A better understanding of the approaches to AQA taken in different jurisdictions shows us that there are always opportunities to learn and benefit by challenging the status quo. Sometimes 'the old ways are the best' but all too often continuing with tried and tested strategies and processes – because 'we've always done it this way' – can lead to stagnation, lack of innovation and failure to recognise and respond to the constantly changing world around us.

We hope that this report, in painting a picture of the state of quality assurance for non-PIE audit in a number of European jurisdictions provides further food for thought for all those seeking to enhance the quality of audit, including professional bodies and oversight bodies. And looking ahead to future years, what changes can be made to run and optimise audit quality assurance work focused on non-PIEs in Europe?

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THE QAN INITIATIVE

The Quality Assurance Network (QAN) is a collaborative initiative between professional bodies to enhance audit quality in the non-PIE (public interest entity) audit sector, the largest part of the European audit market.

Launched and supported by ICAEW, the QAN has provided a platform to share information on participating bodies' quality assurance activities as well as on the broader audit oversight framework in their respective jurisdictions. In total, more than 57,000 qualified auditors are members of the 12 contributing professional bodies with a role in audit quality assurance in nine European jurisdictions. Different legal systems, political pressures and risk factors have driven variations in the way European states have designed their national approach to maintain and police audit quality. The QAN 'community' covers six jurisdictions where professional bodies are responsible for all non-PIE AQA reviews and three jurisdictions where professional bodies have responsibility for AQA reviews in firms only conducting non-PIE audits. Over 542,000 non-PIEs were required to have audits in these nine jurisdictions in 2022.

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This report is based on information gathered from 12 participating QAN bodies during 2022 and further verified in 2023. Additional information on methodology is provided at the end of this report, alongside more detailed tables with anonymised feedback from the participating professional bodies. Unless otherwise stated, all data refers to non-PIE audits, auditors and AQA) reviews.

The two distinct approaches to AQAs

The professional bodies covered in this report fall into two distinct categories, operating under different systems:

System 1, no delegation *(three jurisdictions)*

In these jurisdictions the oversight body conducts all AQA reviews – for both PIEs and non-PIEs. The role of the professional bodies is to promote audit quality and to provide help, guidance, and support to auditors. Where relevant and informative, the responses from this category of professional bodies are included in the report.

System 2, delegation *(nine jurisdictions)*

In nine jurisdictions, professional bodies have been given authority – by law or via delegated authority from the oversight body – to undertake AQA reviews on non-PIEs. Within this group professional bodies may employ AQA reviewers directly or may organise auditors drawn from local firms to carry out peer reviews. There are variations in who selects the reviewers, the minimum standards required for reviewers and the style, content, and timing of reviews.

CHARACTERISTICS OF THE EUROPEAN NON-PIE AUDIT MARKET

Of the 12 contributing professional bodies, nine played an active role in audit quality assurance in their European jurisdictions through 2022-2023. These include six jurisdictions where professional bodies are responsible for all non-PIE AQA reviews and three jurisdictions where professional bodies have responsibility for AQA reviews in firms only conducting non-PIE audits. Over 542,000 non-PIEs are required to have audits in these nine jurisdictions with over 12,300 non-PIE audit firms.

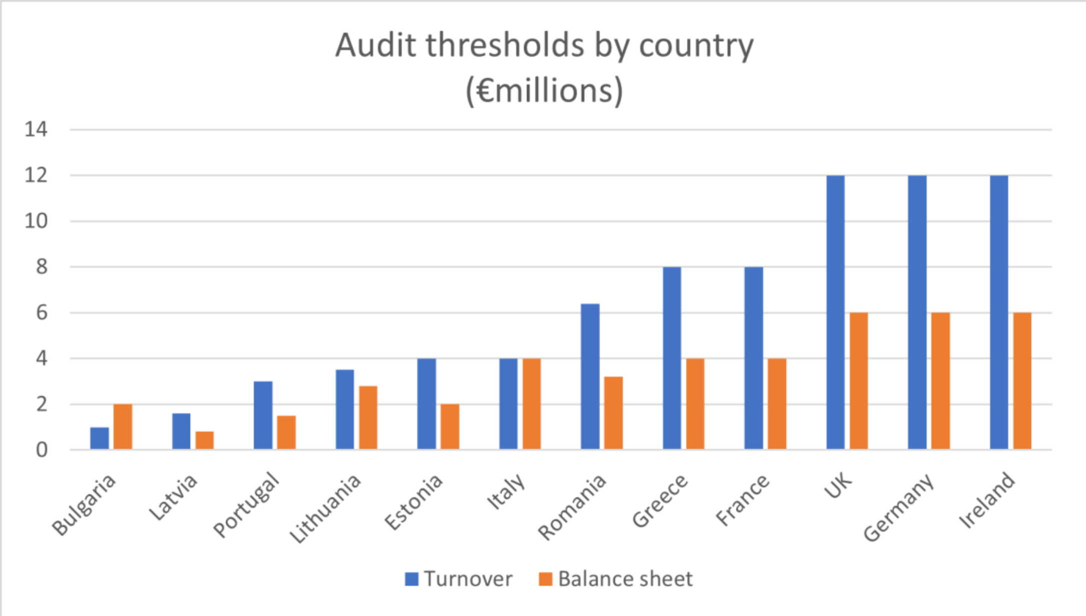
Entities requiring audits

In general terms (but subject to different local descriptions), all jurisdictions require commercial entities and groups to be audited if they satisfy two of the three threshold levels identified below. However, many jurisdictions have added a variety of different types of organisations to this large base, depending on local perceptions of risk and public interest. The list includes:

- local authorities, ‘municipalities’ and/or state-owned/run entities;
- political parties;
- all companies limited by shares (regardless of size);
- organisations providing financial services/investment business and credit unions;
- hospitals;
- associations, foundations, and firms listed by law;
- charities;
- pensions schemes;
- unit trusts;

Audit thresholds

Inevitably, the number of non-PIE businesses requiring audits is dramatically affected by locally enacted audit thresholds where the difference between the lowest (€1mn) and the highest (€12mn) turnover limits is extreme. The recently adopted changes to thresholds in the EU Accounting Directive will impact the audit thresholds in EU countries.



The threshold for employee numbers is 50 in all twelve jurisdictions, except for Italy, which has a threshold of 20 employees.

Firm data required

Most jurisdictions require all audit firms to provide regular information about their activities and set-up. In eleven jurisdictions, audit firms are required to provide annual data on the number of audits undertaken, with most also asking for information on size and type of audit. A further nine jurisdictions require at least annual information on firms' audit systems – as well as ownership, structure, and personnel. Three jurisdictions require notification of any changes, between 10 and 30 days of the changes taking effect. In one jurisdiction, this information is not required from non-PIE audit firms.

The collection of up-to-date and accurate data from firms is essential. This data informs the following:

- which body should perform AQA reviews (if PIE and/or non-PIE audits are performed);
- the setting of fees due from each firm depending on income and/or activity levels;
- risk assessments (where employed);
- AQA review planning for current and future years; and
- AQA reviewer resource management.

AQA REVIEW ACTIVITIES AND METHODS

The approach to AQA review work – in terms of the who, how, when and what – shows many variations across the 12 contributing professional bodies. These approaches can be mapped to several factors that naturally influence locally adopted strategies, methods, and delegation decisions – for instance:

- numbers of non-PIEs and local auditors - some professional bodies have simplified or ignored risk-based selection of firms to review given the considerable variation in entities requiring and delivering audits;
- historic experience of risk indicators linked to poor performance (in some cases over three decades) can impact firm selection methods and risk criteria deployed, which are also influenced by the systematic removal of poor-performing auditors;
- long standing traditions - for example the use of peer reviewers compared to full-time professional body staff - also influence the approach taken.

Despite the differences, all 12 professional bodies are actively pursuing strategies to enhance audit quality. Many are exploring how best to address critical risks and challenges impacting on their local audit market, while achieving the right balance between efficiency, economy, and effectiveness.

Selecting firms for non-PIE AQA reviews

Different approaches to selecting firms for non-PIE AQA reviews are in evidence across the jurisdictions surveyed. In seven jurisdictions, the professional body or an independent oversight committee selects the firms, while the oversight body selects firms for review in the other two jurisdictions. A combined cyclical and risk-based process is used to select firms for review in 9 of the 12 jurisdictions surveyed (ie, including those where reviews are conducted by the oversight bodies). A purely cyclical approach is taken in one jurisdiction and a purely risk-based approach in another. The approach taken by the oversight body in one of the jurisdictions is not known to the relevant professional body. In the nine jurisdictions where the professional bodies perform non-PIE AQA reviews, all but one limits the maximum period between reviews to six years.

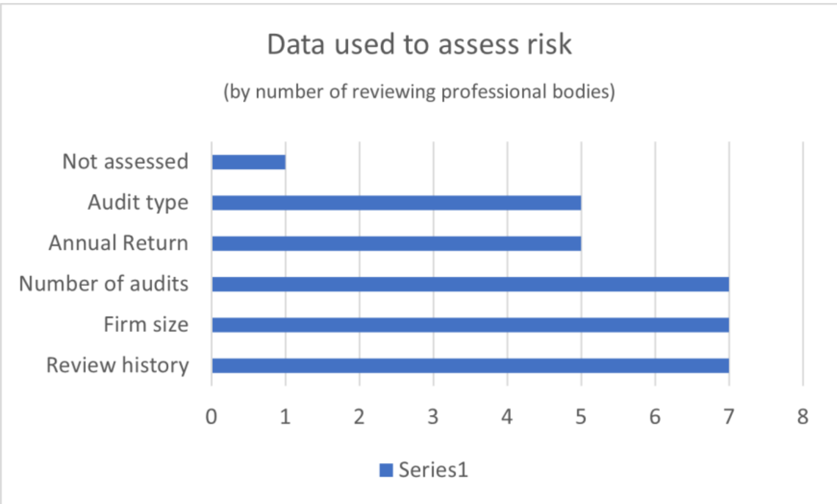
Timing of first reviews for newly registered firms

Professional bodies recognise the value of supporting and monitoring new firms as they set out to perform audit work. This is because there are numerous challenges and pitfalls to address relating to running a professional services business as well as specific and numerous technical and management challenges. However, in this area there is greater divergence in approach – again driven by local experience of where the greater risks lie:

- Two professional bodies perform the first review within three years of registration;
- Two professional bodies perform the first review within six years of registration;
- Two professional bodies perform the first review soon after the first audit is completed;
- One professional body performs the first review within three years after the first audit;
- One professional body performs the first visit within the first year of the firms operation;
- One professional body applies a random selection approach for reviewing new firms.

Assessing risks

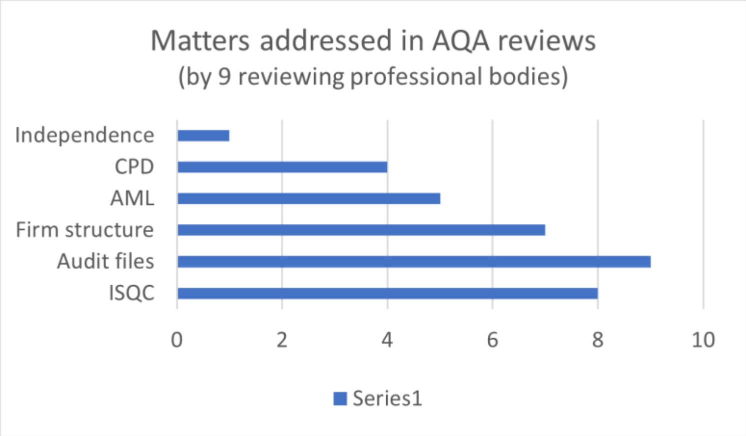
Risk is assessed by most professional bodies when considering which firms to review. However, the specific areas of risk that are considered, as informed by local experience - and the information sources employed to assess these risks - vary across Europe. Of the nine professional bodies that perform AQA reviews of non-PIEs, eight consider multiple sources of intelligence to determine the risk profiles of the firms to select reviews – with only one professional body where reviews are selected by the oversight body.



Defining the scope of standard firm reviews

While all professional bodies undertaking AQA reviews inspect audit files, other areas covered within the established scope of a normal review process vary.

In addition, some professional bodies use parallel monitoring programmes to address areas such as continuous professional development (CPD) and anti-money laundering (AML).



One professional body has authority to review voluntary audits and internal audit work, while reviewers from another professional body are authorised to review tax compliance work. In a third case, the professional body can review audit-exempt small companies that request an audit.

Selecting audit files for review

Following on from determining which firms to review, the next challenge is to decide which specific audit files should be selected for review. Audit files are selected for review by AQA reviewers in two jurisdictions, by oversight committees in two jurisdictions and by the oversight body in one jurisdiction (where the professional body conducts the AQA review). In one jurisdiction, selection is a combined process. Audit file selection in five of these jurisdictions is purely risk-based, whereas in the other four jurisdictions it is a combination of a risk-based and cyclical approach.

The number of audit files reviewed in individual firms is not specified by four professional bodies. Two professional bodies require a minimum of two audits to be reviewed if the audit firm completes more than one audit each year. Another professional body sets a minimum of one audit review per audit partner. Two other professional bodies are required to review two audit files even where the firm has only one audit client – which in practice would lead to reviewing the audit files for the same client in two different years.

Approaches to review methodology and work effort

In the nine jurisdictions considered, four have a prescribed review process in place, four have a somewhat more flexible approach - combining prescribed requirements with a risk-based approach - and one jurisdiction operates a purely risk-based approach. Only one professional body undertaking AQA reviews operates a different standard of review for smaller firms as compared to larger firms, for instance, – carrying out some different checks and limiting the scope of reviews on smaller firms. The AQA review methodology was designed by the professional body in six jurisdictions, by, the oversight body in one and in two jurisdictions this was done in combination by the oversight body and the professional body (in one case) and the oversight committee (in the other case). Six professional bodies do not set a minimum time for reviewing each audit file. Three professional bodies set the minimum time at seven, eight and twelve hours respectively.

Selecting reviewers

To assess the quality of audit work effectively – and to recommend appropriate, practical, and sustainable solutions where quality issues are discovered - AQA reviewers must be able to demonstrate high standards of audit skills, knowledge and experience as well as comprehensive understanding of the quality management systems and controls required to achieve good quality audits. Although there is some variation in the way the professional bodies have approached this challenge, their goals are consistent (see appendix 2, table 3).

In four jurisdictions, AQA reviews are undertaken by peer reviewers (ie, individuals seconded from audit firms). Four professional body directly employ reviewers and in one jurisdiction there is a mix of peer and employed reviewers. Six professional bodies select reviewers themselves, the oversight committee makes the selection in one jurisdiction, the oversight body in another and a combined approach between the firm supplying the reviewers and oversight committee is in place in one jurisdiction.

In eight jurisdictions, AQA reviewers are required to have direct audit experience (although minimum experience requirements vary between three and seven years); to comply with their professional body's continuous professional development requirements and to maintain a 'clean record' as an accountant/auditor (as members of a recognised accountancy/audit body or as a certified auditors). Notably, one jurisdiction also requires AQA reviewers to pass a specific test for the role and one professional body specifies manager-level experience is required for reviewers.

Audit file gradings reported by professional bodies

Professional bodies use slightly different terminology to describe their grading systems, but the following table provides a reasonable basis for comparison. The four grading descriptions are shown in the first column. The proportion of audit files achieving these grades are shown for each professional body (PB) in the nine subsequent columns, covering a 12-month period in 2022-2023.

File grades	PB 1	PB 2	PB 3	PB 4	PB 5	PB 6	PB 7	PB 8	PB 9
Satisfactory/ Clean/ No-observations	83%	59%	30%	))) 76%	-	92%	NK	82%	-
Acceptable/ some observations	-	14%	40%	)))	23%	-	NK		100%
Needs improvement/ significant observations/ qualified	17%	26%	20%	))) 24%	59%	7%	NK	18%	-
Unacceptable/ failed	-	1%	10%	)))	18%	1%	NK	-	0%

It is interesting to note that six of the nine results show the combined level of satisfactory and acceptable in the range of 70% to 92%, with two outliers (one at 23% and one at 100%).

FUNDING

To deliver an efficient and effective range of registration and support services as well as monitoring and disciplinary functions, professional bodies must employ teams that demonstrate and deliver the highest technical, ethical, and professional standards. This requires appropriate and sustainable levels of funding.

In all but one of the 12 professional bodies' responses, registered audit firms and/or registered audit members fund audit regulation. In the one exception, all members of the professional body fund audit regulation. However, in two cases, the funding received from members/firms is supplemented by income from the sale of CPD/training and related materials.

Apart from one professional body where all members (including non-auditors) fund audit regulation, the other 11 bodies operate a schedule of charges to fund their AQA work. In nine cases, charges are largely or exclusively calculated by reference to income – with an additional fixed element in two cases. Other elements used include the number of auditors or principals in the firm, the number of audits and/or offices.

Other regulatory, administration and disciplinary functions are funded similarly or in three bodies by all members and in one case by income from training materials and courses.

REPORTING ON AQA REVIEWS, OVERSIGHT COMMITTEES AND OUTCOMES

Reporting AQA reviews

In eight jurisdictions AQA reports are submitted to an independent oversight committee (see below), in the other four jurisdictions reports are delivered to the oversight body.

Seven professional bodies undertaking non-PIE AQA are required to submit reports on every review performed by their reviewers to the oversight committee / oversight body. In each case, all the issues found and/or raised must be reported. Two professional bodies have delegated authority to report back to the oversight committee / oversight body only on audit firms where the outcome of the review and the firm’s response are considered unsatisfactory; in such cases only the major issues are reported. However, in both cases, there is a long-standing arrangement whereby members of the oversight committee perform an annual review sampling AQA reviews to assess whether delegated powers have been exercised properly and consistently.

Oversight committees

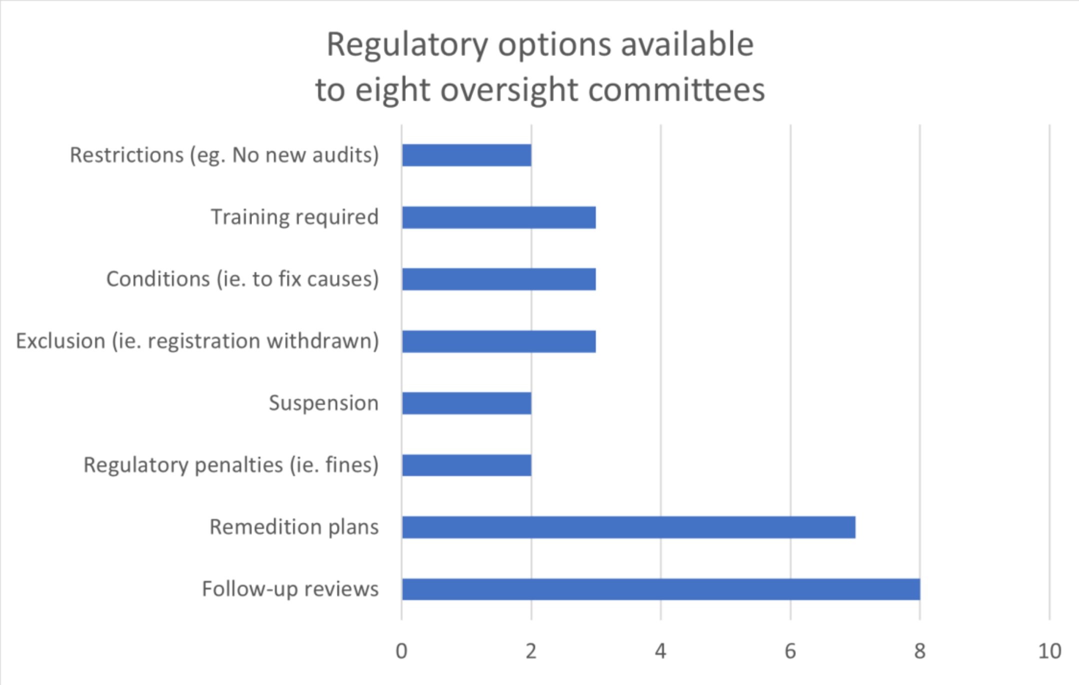
In five of the eight jurisdictions where oversight committees receive AQA review reports, all the committee members are members of the professional body (ie, peers). In the remaining three jurisdictions committees include lay members (accounting for between a third and half of the committee members).

Audit firms’ right to attend hearings and respond to report findings

Across the 12 jurisdictions approaches to audit firms right of response and representation differ. In three jurisdictions firms have no formal right to respond to the reported findings and recommendations. Seven jurisdictions provide firms with an opportunity to provide written representations to the body receiving the AQA reports, and two jurisdictions allow firms to attend meetings and make verbal representations when their review reports are considered.

Regulatory options available to oversight committees

In the eight jurisdictions where an oversight committee receives AQA reports, a number of options are available to agree conditions or sanctions to firms with unsatisfactory report findings.

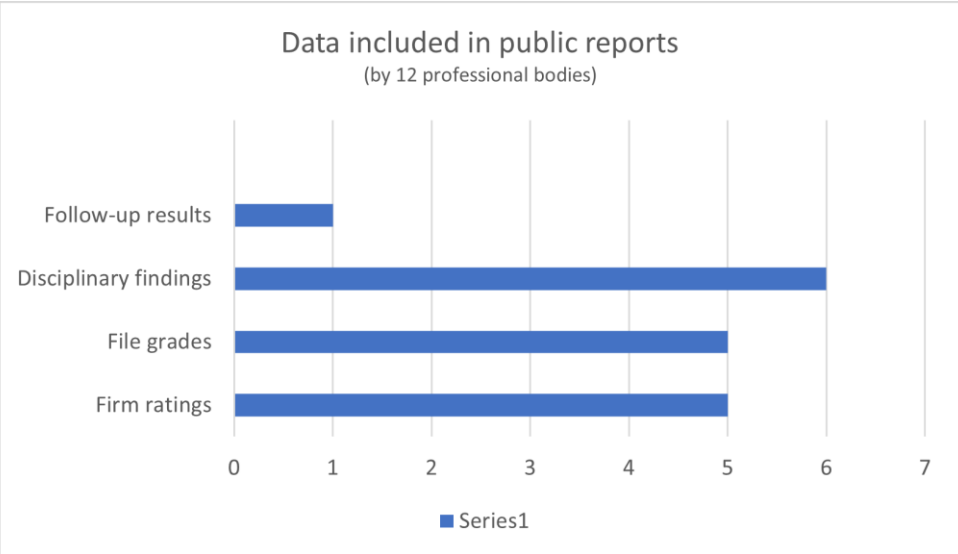


In this chart, training is a specific option available for some committees that lack authority to set a wider range of conditions… … Conditions can include requiring a firm to arrange hot or cold file reviews in addition to other options including training or upgrading procedures.

Reporting to the public

Reporting on AQA activity – generally on an annual basis - is regarded by most jurisdictions as a useful way to demonstrate transparency, to underpin the value and benefits of their AQA activity and promote confidence in the quality of audits and integrity of audit firms.

In the 12 jurisdictions assessed, nine professional bodies publish annual public reports on their non-PIE audit quality assurance activities. These can include information on audit file gradings and firm ratings or on disciplinary outcomes.



In four professional bodies audit file grades and firm ratings are both shown while one body just provides information on firms with satisfactory and unsatisfactory reviews and one body just provides information on file gradings. Two professional bodies only report on disciplinary outcomes.

DISCIPLINARY POWERS AND APPEAL PROCEDURES

Different levels of authority are established for oversight committees and/or oversight bodies that can offer disciplinary outcomes (ie, that firms can consent to) and those that have power to impose disciplinary outcomes (ie, where consent is not required). There is also some variation in appeal options across the 12 jurisdictions.

The following table sets out the different powers and approaches taken.

Who can offer disciplinary decisions (subject to consent by firm)	OB	OB	NA	OC, OB	OC	OC, OB	OC	OB	NA	OB	CC	PB
Who can impose disciplinary decisions	OB	OB	NA	NA	PB, OB	OC, OB	OC	OB	Non-PIEs: PB PIEs: OB	OB	CC	PB, Revenue Service
Is there an appeal procedure (if so, to whom)	Y: Ministry then law courts	No	NA	No	Y: law courts	No	Y - RC	Y - law courts	Y: OB then law courts	Y: counsel of state	Y: RC	Y: Ministry of Finance

Key: PB = professional body; OC = oversight committee; CC = PAO's Complaints Committee; RC = PAO's Review Committee; OB = National oversight body; NA = not authorised

Eight of the 12 jurisdictions have similar options available in terms of fines, mandatory improvements, follow-up checks, suspension, and exclusion / withdrawal. In most circumstances these options can also be combined with public or confidential reprimands and publicity (by identifying the firm and the disciplinary action taken).

Decisions made by oversight committees or oversight bodies are rarely challenged. Only one professional body points to challenges via the national legal framework.

FOCUS AREAS FOR AQA REVIEWS

QAN participating professional bodies are constantly horizon-scanning for new developments and many will wait for reliable and authoritative guidance before adapting the scope or procedures used in their AQA reviews, while others work – together with their oversight bodies and leading members of the profession - to develop, pilot and test systems and guidance.

Regular areas given particular attention during QAN biannual meetings include:

- ISQM1 – focussed on key areas of change from ISQC1 (e.g. risk linked to quality objectives);
- Audit Quality Indicators;
- Efficient AQA methodologies designed to address high and low risk audits and auditors.

The following table summarises the responses from all 12 professional bodies regarding current or planned areas of focus for their AQA review programmes.

Area	PB:A	PB:B	PB:C	PB:D	PB:E	PB:I	PB:F	PB: G	PB:H	PB:J	PB:K	PB:L
Root cause analysis	N	N	N	Y	Y	N	Y	N	Y	N	Y	N
Audit quality indicators	N	N	N	N	Y	N	Y	N	Y	N	Y	Y
Less complex entities	Y	N	N	N	N	Y	N	N	Y	N	N	N
Planning, completion	NK	Y	NK	Y	Y	N	Y	Y	Y	N	Y	Y
Going concern	NK	Y	NK	Y	Y	N	Y	Y	Y	N	Y	Y
Risk & Fraud	NK	Y	NK	Y	Y	Y	Y	Y	Y	N	Y	Y

NK = not known

FINAL REFLECTIONS

The regulatory and stakeholder focus on the audits of PIEs is understandable. However, the size of the non-PIE sector across Europe, calls for continued attention to the need to also address any poor, misleading or flawed reporting amongst this key part of the economy. Audit itself is not a foolproof panacea against erroneous financial reporting but it undoubtedly represents a serious deterrent for those who might otherwise consider misreporting their finances, while also helping or requiring entities to publish comparable and reliable accounting information where ignorance or negligence may be in play.

Audit quality assurance plays a pivotal role in supporting stakeholder and public confidence in corporate reporting by helping to ensure that audits are performed to the required quality standards by fully competent and ethical auditors. Maintaining this confidence across both public and private sectors underpins national economies by enabling both domestic and cross-border investment, employment, and trade.

Our survey across 12 jurisdictions points to many areas of similarity and alignment of approach and methodology to audit quality assurance – but equally many areas of divergence in areas where a combination of historic attitudes to audit, monitoring and oversight are reflected – for example, in the extent of delegation of AQA to professional bodies. Different legal systems, political realities, and risk assessment (of commercial and other operating entities as well as audit firms) has driven variations in such areas as audit thresholds, the scope and reach of organisations to be audited and the intensity and scope of audit quality inspections of their auditors.

National and local considerations must be balanced against the important challenges of achieving consistency and seeking continuous improvement to achieve best practice standards across Europe in this arena.

A better understanding of the approaches to AQA taken in different jurisdictions shows us that there are always opportunities to learn and benefit by challenging the status quo. Innovation and a culture of continuous improvement is essential in a world where technology, business methods, ethical expectations, regulatory imperatives, and economic pressures are constantly changing.

We hope that this paper, in painting a picture of the state of quality assurance for non-PIE audit in a number of key European jurisdictions provides further food for thought for all those seeking to enhance the quality of audit, including professional bodies and oversight bodies.

We should all be conscious of the need to maintain focus on the future of audit and the best ways to promote audit quality in Europe through efficient, effective, and economically viable quality assurance programmes focused not only on PIEs but also on non-PIEs.

APPENDIX 1 – PROFESSIONAL BODIES PARTICIPATING IN THE QAN SURVEY

Bulgaria	Institute of Certified Public Accountants in Bulgaria	IDES
Estonia	Estonian Auditors' Association	EAA
France	Compagnie Nationale des Commissaires aux Comptes	CNCC
Germany	Wirtschaftsprüferkammer Körperschaft des öffentlichen Rechts	WPK
Greece	Institute of Certified Public Accountants of Greece	SOEL
Ireland	Chartered Accountants Ireland	CAI
Italy	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabile	CNDCEC
Latvia	Latvian Association of Certified Auditors	LACA
Lithuania	Lithuanian Chamber of Auditors	LAR
Portugal	Portuguese Institute of Statutory Auditors	OROC
Romania	Chamber of Financial Auditors of Romania	CAFR
United Kingdom	Institute of Chartered Accountants in England and Wales	ICAEW

APPENDIX 2 - APPROACHES TO QUALITY ASSURANCE REVIEWS OF NON-PIE AUDITS

Responses from all 12 jurisdictions

Table 1: Approaches to quality assurance reviews of non-PIE audits

Professional body's role in non-PIE audit review	Who selects firms?	How are firms selected?
3 POBs inspect all PIE and non-PIE audits [None]	All 3 POB	2 Cyclical/risk override, 1 Not known
3 PBs review audits in non-PIE firms [Part]	2 OC; 1 PB	2 Cyclical/risk override, 1 Cyclical only
6 PBs review all non-PIE audits [All]	1 OC; 3 PB; 2 POB	5 Cyclical/risk override; 1 Risk-based

NB POB = professional oversight board; PB = professional body; OC = PB's oversight committee

NB all but 1 professional body adhere to the maximum time between AQA reviews of 6 years

Table 2: Audit review files

Role	Who selects	How selected	Review process	Who designed process
None by PB	All 3 by POB	Not known	Not known	All 3 by POB
Part Non-PIE firms	1 Rvr, 1 OC, 1 PB	2 Risk-based, 1 Cyclical/risk override	2 Prescribed, 1 Mix (prescribed/risk)	2 PB, 1 PB/POB
All	1 Rvr, 2 PB, 1 POB, 1 OC, 1 Mixed	3 Risk-based, 3 Cyclical/risk override	2 Prescribed, 1 Risk, 3 Mix (prescribed/risk)	4 PB, 1 OC/POB 1 POB

Responses from 9 PAOS conducting part or all non-PIE audit quality reviews

Table 3:

Question	PB 1	PB 2	PB 3	PB 4	PB 5	PB 6	PB 7	PB 8	PB 9
Non-PIE reviews?	Part (non-PIE firms)	Part (non-PIE firms)	Part (non-PIE firms)	All	All	All	All	All	All
Reviewer type	Peer	Peer	Peer	Employed	Employed	Peer	Peer & Employed	Employed	Employed
Reviewer selection	PB	OC	PB	PB	PB	Firm/OC	POB	PB	PB
Minimum standard	Uni degree; 5 yrs PQE; good knowledge of law re a/cs, audits & QARs	3 yrs AE; No penalties (under Audit Act)	CA; 5yrs PQE; Min 5 audits in 3yrs;	ACA or ACCA; 3 yrs PQAE	CPA or PE; 5 yrs AE	Audit exam; 2 day course; No breaches; 3 yrs PQE; Continuous AE	7 yrs AE & 3 yrs PQE	Member of recognised audit body & 5yrs PQE; 2 yrs AE at Mgr level	Certified auditor; passed AQR test; 2 yrs AE; No breaches

NB PQ = post qualification; AE = audit experience; PE = prescribed education

Table 4: Non-PIE audit review scope and approach

Question	PB 1	PB 2	PB 3	PB 4	PB 5	PB 6	PB 7	PB 8	PB 9
Scope of reviews	ISQC1; Audit files	ISQC 1; Audit files Firm structure	ISQC1; Audit files Firm structure AML, Independence	ISQC1; Audit files Firm structure CPD*	ISQC1; Audit files AML	ISQC 1; Audit files Firm structure AML CPD*	Audit files Firm structure AML CPD*	ISQC1; Audit files Firm structure CPD*	ISQC 1; Audit files Firm structure AML
Risk assessment	History, Size, Number of audits	History, Size, Number of audits, Annual Return, Audit type	Under review (now via Annual Return)	History, Size, Number of audits, Annual Return	Not assessed by PAO	History, Size, Number of audits, Audit type	History, Size, Number of audits, Audit type	History, Size, Number of audits, Annual Return, Audit type	History, Size, Number of audits, Annual Return, Audit type
Minimum files reviewed?	2 even if only 1 audit	2 if > 4 audits	1 audit file per partner	Variable	Variable	2 even if only 1 audit	Variable	Variable	2 if > 1 audit
Minimum review time?	No	7 hours	No	No	No	8 hours	12 hours	No	No
New firm 1st review	Within 6 years of registering	Within first year	Normally random selection	Within 3 years of registering	Within 3 years of registering	Within 3 yrs of 1st audit (risk-based)	Soon after first audit	Max 6 yrs after registering	Soon after first audit
Different QA review for large & small firms	N	N	N	N	N	N	N	N	Y

* CPD = continuous professional development; AML = Anti-money laundering

Responses from all 12 jurisdiction

Table 5: Audit thresholds

Threshold €millions	**PB: A**	**PB: B**	**PB:C**	**PB:D**	**PB:E**	**PB:I**	**PB:F**	**PB:G**	**PB:H**	**PB:J**	**PB:K**	**PB:L**
Turnover €millions	4	6.4	4	3.5	1	3	12	8	12	8	12	1.6
Balance sheet	4	3.2	2	2.8	2	1.5	6	4	6	4	6	0.8
Employees	20	50	50	50	50	50	50	50	50	50	50	50

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 166,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

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TECPLN15834