

How to build an effective quality assurance system

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Overview

- What is a quality assurance system?
- What are the foundations of a good system?
- Common Audit Inspection Methodology (“CAIM”)
- Getting the right people

What is a quality assurance system?

- **Independent** monitoring of audits
- Reporting
- Promote continuous improvement
- Sanctions

Independent monitoring of audits

- Which audits?
- How often?
- What to inspect?

Reporting

- What type of reporting?
 - Grade the audit?
 - Grade the firm?
 - Only report findings?
- Reporting to audit committees?
- Public reporting?

Promote continuous improvement

- Objective to help firms
- Be critical, but
- Be constructive

Sanctions

- Holding firms to account
- Range of powers:
 - Request improvement
 - Fines
 - Withdrawal of audit registration

Getting the order right (1)

- Legislative requirements?
- Resourcing
- Staffing
- Reporting timetable

Getting the order right (2)

- Planning the work programme
- Educating the firms
- Firm visits
- Resolution of issues

Getting the right people

- Very good auditors
- Strong personality
- Constructive mindset

Foundations of a good system

- Inspecting the right audits
- Clear and rigorous methodology
- Effective reporting
- The right people



Inspecting the right audits

- National requirements
- Factors to consider:
 - Listed?
 - Change of audit firm?
 - Profit warnings?
 - Poor previous inspection?
 - Poor media coverage?

Looking at the right areas

- Difficult to audit?
- Material?
- Problem area for a firm?
- Specific to a business sector?

Clear and rigorous methodology

- Fundamental to consistent inspections
- Proper focus of resources
- Firmwide procedures?

CAIM

- Promote regulatory consistency
- Developed by CEAOB
- Examples of programmes:
 - Group audits
 - Audit revenue
 - ISA 540

CAIM versions

- Public version:
<https://www.eaigweb.org/index.php?id=4>
- Expanded version:
 - Additional guidance
- Available to IFIAR members

IFIAR

- Objectives:
 - Improve global audit quality
 - Share regulatory experiences
 - Leader on audit matters
- 52 members
- Independent regulators

Getting the right support

- IFIAR Smaller Regulator Task Force:
 - Support for new jurisdictions
 - Sounding board for ideas
 - Developing secondment programme
 - Sector specialists
 - Strong IFIAR priority
- Larger regulator support

Sharing inspection results

- CEAOB database
- All significant findings
- Inform discussions with the firms



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