COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

PROGRESSING REFORMS IN AUDIT OVERSIGHT

FOURTH REGIONAL AUDIT QUALITY ASSURANCE FORUM

WORLD BANK CFRR – CENTRE FOR FINANCIAL AND SUSTAINABILITY REPORTING REFORM

"DEVELOPING AND USING AUDIT QUALITY INDICATORS IN PUBLIC OVERSIGHT"

Tiago Ferreira

Director at CMVM - Audit Oversight Department

Tirana, December 10, 2025

AGENDA

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

1. BACKGROUND

1.1. OUR JOURNEY TO BETTER AUDIT QUALITY IN PORTUGAL (AQI)

1.2. OBJECTIVES AND STRATEGY

2. CMVM AQI FRAMEWORK: MEASURING AND IMPROVING AUDIT QUALITY

2.1. KEY FEATURES AND SPECIFICS OF THE MODEL

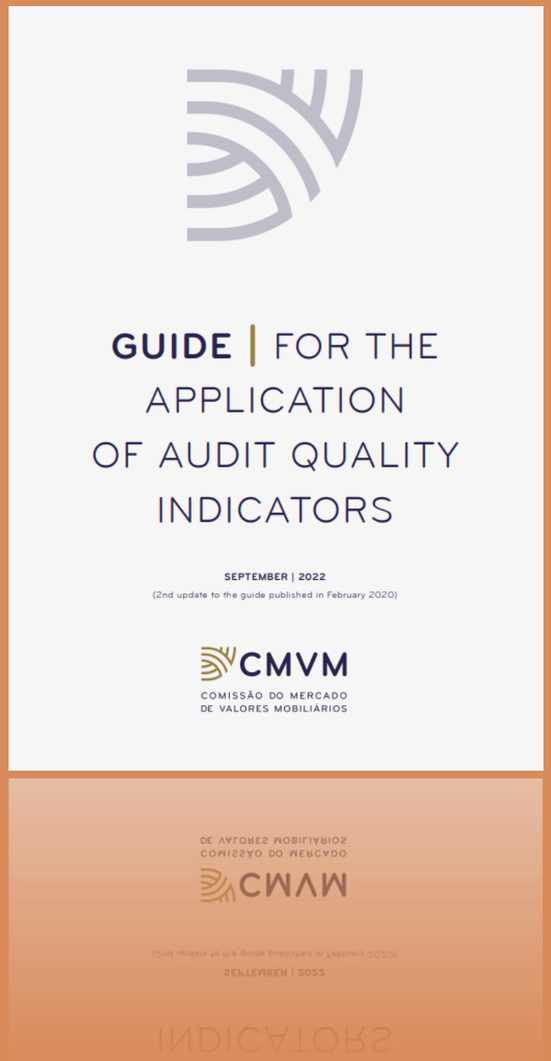
2.2. Overview of the 8 Indicators

2.3. Summary of AQI Outcomes

3. ADDRESSING KEY CHALLENGES: OUR APPROACH

4. AQI MODEL IN PORTUGAL: LOOKING AHEAD

Link for AQI Model: CMVM



Background

Portugal – Audit Market Overview and Supervision Framework

- ✓ The Portuguese Securities Market Commission (CMVM) has acted as the financial markets regulator and supervisor in Portugal since 1991.
- ✓ Since 2016, following EU Regulation No. 537/2014, the CMVM became the independent authority responsible for public oversight of the audit profession.
- ✓ The current supervisory model includes the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas – OROC), responsible for quality control of non-PIE auditors, under the ultimate supervision of the CMVM.
- ✓ Key figures for the audit market in Portugal:
  - ✓ Statutory Auditors (ROC): 1,148 (2024); 1,152 (2023)
  - ✓ Audit Firms (SROC): 195 (2024); 192 (2023)
  - ✓ Public Interest Entities (PIEs): 240 (2024); 242 (2023)
  - ✓ PIE Audit Firms: 21 (2024 and 2023)
  - ✓ Audit Reports Issued: 32,522 (2024); 32,098 (2023)
  - ✓ Audit Fees (thousands of euros): €223,218 (2024); €201,999 (2023)

Background

1.1. OUR JOURNEY TO BETTER AUDIT QUALITY IN PORTUGAL (AQI)

Feb. – July 2019

- Definition of ToR (terms of reference)
- International benchmark analysis
- Presentation of the most appropriate AQI and debate in the working group
- Identification of the main AQI used by BIG 6 in Portugal

July – Nov. 2019

- Development of the preliminary AQI model
- Final adjustments AQI model

Nov.19 –Feb 2020

- Market consultation
- Analysis of the comments received

Feb. 2020

- Publication of final AQI model (Portuguese and English)

July – Sep. 2020

- Interactions with the Big 6
- First report of the AQI for the Big 6 only to the CMVM (reference period 2019)

Background

1.1. OUR JOURNEY TO BETTER AUDIT QUALITY IN PORTUGAL (AQI)

Sept. – Dec. 2020

- Analysis of the results
- Proposals for adapting the model
- Scope review - Big 11 and 30 PIE

April 2021

- Publication of the first model update (only in Portuguese)

July – Dec. 2021

- Second report of the AQI for the Big 11 only to the CMVM (reference period 2020)
- Analysis of the results
- Publication of the (generic) results of 2019

Jan. – May 22

- View of the Audit Committees on the relevance of AQI included in the model and others
- Publication of the second model update

July – Dec. 2022

- Third report of the AQI for the Big 11 only to the CMVM.
- Analysis of the results
- Publication of the (generic) results of 2020

Background

1.1. OUR JOURNEY TO BETTER AUDIT QUALITY IN PORTUGAL (AQI)

Dec. 2024

- Publication of CMVM Public Consultation on Draft Regulation No. 1/2025 regarding mandatory reporting of Audit Quality Indicators (AQIs) by auditors.

Jan – Mar. 2025

Review of feedback received in response to the public consultation on Draft Regulation No. 1/2025.

April 2025

- Final publication of Regulation No. 1/2025 introducing mandatory AQI reporting for PIE auditors, covering firm-level data, PIE engagements and engagements within the PIE consolidation perimeter.

October 2025

- First AQI reporting by 9 PIE auditors for 2024; remaining PIE auditors required to report in 2026.

Background

1.2. OBJETIVES & STRATEGY

- ✓ CMVM's supervisory strategy is **data-driven and risk-based**
- ✓ Data needs (sufficient) **quality**, and it gains meaning when **interpreted in the right context**
- ✓ ***"What gets measured gets managed"*** – indicators are tools, not solutions, that help diagnose issues but do not fix them
- ✓ Identify the main **indicators and metrics** of assessment to promote:
  - ➢ more transparency and objectivity to the audit market
  - ➢ the debate on the audit quality with the key stakeholders
  - ➢ a quality culture within audit firms

- ✓ Stakeholders depend on **timely, comparable, and useful information** to make informed choices
- ✓ **AQIs** and other performance indicators promote **good governance** that fosters better governance

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

2. CMVM AQI FRAMEWORK: MEASURING AND IMPROVING AUDIT QUALITY

2. CMVM AQI Framework: Measuring and Improving Audit Quality

2.1. Key Features and Specifics of the Model

- **8 indicators** related to audit inputs and processes.
- **4 indicators** apply exclusively to firm-level aspects (training, Staff turnover, Results of quality controls; Quality Control Function)
- **3 indicators** apply at both the firm and engagement levels (audit hours and team composition, Partners Workload, Experience)
- **1 indicator** apply exclusively to engagement level (hours per audit phase)
- All indicators are **accompanied by an explanation and contextualization.**

- The guide includes information on the model's objectives, main challenges, and provides reporting templates for each indicator. **It also contains definitions and glossaries. This structured approach to reporting helps in comparing results across different firms.**
- The guide includes **9 additional examples of AQIs** that may be useful, as well as **3 extra indicators based on the results of a survey conducted with audit committees.**

2. CMVM AQI Framework: Measuring and Improving Audit Quality

2.2. Overview of the 8 Indicators

Indicators	Brief description	Type of indicator
Audit Hours	Proper involvement of staffs with more experience and specialists. At the firm level, details of hours incurred by client risk level (high risk and standard risk) are requested. At the engagement level, the fee amounts are also required.	
Partners Workload	It aims to measure partner availability. The hours under their management and the number of projects they are responsible for are captured	
Experience	Audit team experience and years with the firm, by professional category.	
Training	Training hours, nature (accounting and auditing), by professional category.	
Turnover of employees	Staff turnover and new hires by category, along with employee turnover rate	
Hours Per Audit Phase	Hours incurred by audit phase, by professional category, with emphasis on planning hours and when they were incurred..	
Results of Quality Controls	Quality control results, including the number of quality reviews performed on files and partners.	
Quality Control Functions	Total hours incurred related to quality control compared to the firm's total audit hours	

2. CMVM AQI Framework: Measuring and Improving Audit Quality

2.3. Summary of AQI Outcomes

	2023	2020
AUDIT HOURS	**EQCR involvement** – average range (PIE & NPIE): **[0,2% ; 0,5%] BIG 4** ▼ and **[0,03% ; 0,6%] N-BIG 4** ▼ **Engagement Partner (EP) involvement** – average range: **[2,3% ; 3,5%] BIG 4** ▼ and **[4,1% ; 17,8%] N-BIG 4** ▲	**EQCR involvement** – average range (PIE & NPIE): **[0,2% ; 0,6%] BIG 4** and **[0,2% ; 1,1%] N-BIG 4.** **Engagement Partner involvement** - average range: **[1,8% ; 4,8%] BIG 4** and **[3,7% ; 14,3%] N-BIG 4**
PARTNER WORKLOAD	**Hours managed by EP responsible for audit engagement** – range: **[13.577h ; 23.216h] BIG 4** ▼ and **[3.603h ; 17.729h] N-BIG 4** ▼ **Number of audit engagements managed by EP** – average range: **[50 ; 91] BIG 4** ▼ and **[35 ; 119] N-BIG 4** ▼	**Hours managed by EP responsible for audit engagement** – range: **[13.717h ; 25.042h] BIG 4** and **[7.561h ; 20.375h] N-BIG4** **Number of audit engagements managed by EP** – average range: **[55 ; 91] BIG 4** and **[74 ; 203] N-BIG 4**
TRAINING HOURS	**Hours of training per employee** – annual average: **70.2 hours**, with **Ethics and Independence** **[4h ; 6,5h] BIG 4** ▲ and **[0,2h ; 8h] N-BIG 4** ▼ **Accounting and Auditing** **[36 ; 63h] BIG 4** ▼ and **[17h ; 54h] N-BIG 4** ▼	**Hours of training per employee** – annual average: **66.9 hours**, with **Ethics and Independence** **[2,8h ; 5,5h] BIG 4** and **[1,3h ; 8,5h] N-BIG 4** **Accounting and Auditing** **[39,9 ; 63,8h] BIG 4** and **[26,8h ; 73,8h] N-BIG 4**
TURNOVER OF EMPLOYEES	**Employees (all) turnover rate** – average *turnover without hires:* **[22,8% ; 31,9%] BIG 4** ▲ and **[24,7% ; 45%] N-BIG 4** ▼	**Employees (all) turnover rate** – average *turnover without hires:* **[16,9% ; 29,1%] BIG 4** and **[21% ; 50%] N-BIG 4**

Source: *Data reported voluntary by 9 PIE audit firms | Evolution arrows and colour measured against mid point and trend evaluation | CMVM Regulation 1/2025 makes data reporting mandatory*

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

3. ADDRESSING KEY CHALLENGES: OUR APPROACH

2. Addressing Key Challenges: Our Approach

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

- ✓ How is data quality ensured by the audit firms?
- ✓ Do the benefits of AQI outweigh the development costs?
- ✓ Is there a risk of AQI being misinterpreted by third parties?
- ✓ Is there a risk that audit firms will work to achieve certain AQI values?
- ✓ Are the AQI applicable to all audit firms including Non-PIE audit firms?
- ✓ Is there any mathematical correlation that demonstrate that AQI improve audit quality?
- ✓ Are the engagement indicators reliable considering their circumstances?

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

4. AQI MODEL IN PORTUGAL: LOOKING AHEAD

4. AQI Model in Portugal: Looking Ahead

CMVM
COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS

Purpose

- Broader diffusion/use of the AQI by all the stakeholders of the audit market
- Encourage audit firms to improve their systems and data collection tools
- A more efficient supervision by CMVM – use of AQI data reported by the audit firms to obtain insights on potential risks of a lower audit quality

AQI Regulation

- **Next year:** AQI reporting from 21 PIE audit firms, covering more than 240 PIE engagements
- Use data-analytics tools to analyze the full data set and identify risk triggers
- Develop interactive dashboards to monitor trends over time
- Next step: leverage AI to detect emerging triggers and patterns that require deeper supervisory follow-up.

CMVM
COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS

QUESTIONS?

CMVM

COMISSÃO DO MERCADO
DE VALORES MOBILIÁRIOS