

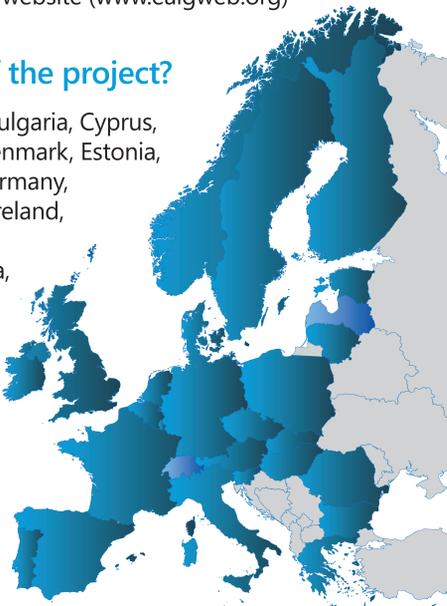
The European Database on Audit Inspection Findings (EDAIF)

What is the EAIG and who is part of the project?

- ▶ Established in 2011 as an informal platform of audit regulators from EU/EEA Member States plus Switzerland
- ▶ Purpose is to create awareness of important issues and promote cooperation and consistency amongst regulators on inspections by sharing practises and experiences
- ▶ EAIG identifies root causes for audit deficiencies (audit and ethical standards, policies and procedures of audit firms)
- ▶ EAIG facilitates discussions, on topics related to audit inspections and audit quality, with third parties, such as standard setters (IAASB, IESBA) and the audit profession (audit firms, FEE, ECG, EGIAN etc.)
- ▶ EAIG supports the development of joint comment letters of audit regulators
- ▶ About 27,000 PIE audits are subject to inspections in EAIG member jurisdictions
- ▶ EAIG member bodies perform more than 1,000 inspections of PIE audits per year
- ▶ EAIG maintains a website (www.eaigweb.org)

Who is part of the project?

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom



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What is the database project about?

- ▶ Non-public database on significant inspection findings in relation to the 10 largest European audit networks
- ▶ Contains findings in relation to the local network member firms' internal quality control systems as well as findings in relation to individual audits
- ▶ Supports the participating audit regulators in identifying common issues and themes in relation to the audit practice in the largest networks as well as the profession in general
- ▶ Supports consistent understanding on significant matters and consistent approaches of the participating audit regulators
- ▶ 27 out of the 30 EAIG members participate in the project
- ▶ Different levels of access depending on the participants' ability to provide the names of the audit firms and networks
- ▶ Web-based database was launched in December 2013 (after 12 months development)
- ▶ Database management system: MySQL

Indicators for Significant Inspection Findings

For File Review Findings

- ▶ Relate to procedures of substance required by a standard that were not performed, and
- ▶ Relate to a material account balance, class of transaction or disclosure, and
- ▶ Failure to obtain sufficient and appropriate audit evidence for a key assertion.

For Firm-wide Findings

- ▶ Relevant requirement in an auditing, quality control or ethical standard (or in a firm policy) was not met, and
- ▶ Circumstances indicate that there is a pervasive or systemic issue (rather than a one-time deviation or isolated issue), and
- ▶ Not only remote likelihood that the deficiency could affect the audit firm's independence or the quality of audits performed by the firm.

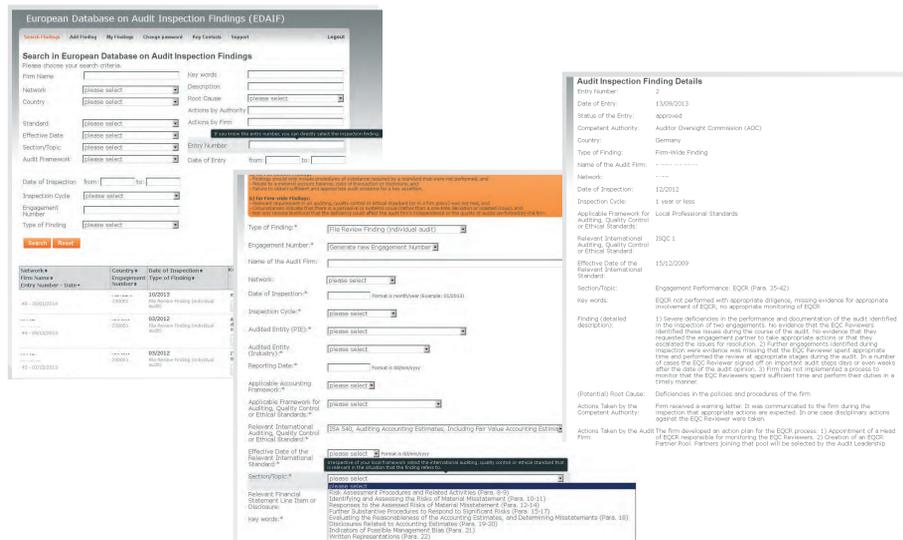
What does a database entry contain?

- ▶ Name of the audit firm and relevant network
- ▶ Type of finding (firm-wide or file review finding)
- ▶ Date of the inspection and relevant inspection cycle
- ▶ General information about the client without identifying the name (type of PIE (listed or non-listed), industry, market capitalisation or total assets)
- ▶ Applicable standards (accounting framework, framework for auditing, quality control or ethical standards: international, local or US)
- ▶ Reference to relevant sections/topics in the ISAs, ISQC1 or IESBA Code of Ethics as a common benchmark
- ▶ Relevant financial statement line item or disclosure (in case of file review findings)
- ▶ Key words that best describe the subject matter of the finding
- ▶ A detailed description of the finding
- ▶ Indication of the potential root-cause (deficiencies in the applicable standards, the policies and procedures of the firm or the application of standards, policies or procedures)
- ▶ Actions taken by the regulator (recommendations, sanctions etc.)
- ▶ Actions taken by the audit firm (remediation etc.)

TOP 10 European Audit Networks

- PwC
- KPMG
- EY
- Deloitte
- BDO
- Grant Thornton
- Nexia
- Baker Tilly
- Mazars
- Moore Stephens

How does the database look like?



How does the database work?

