



Financial Reporting Council

# DELOITTE LLP

## AUDIT QUALITY INSPECTION

JULY 2019

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# The FRC

Our mission is to promote transparency and integrity in business.



We have responsibility for the public oversight of statutory auditors.

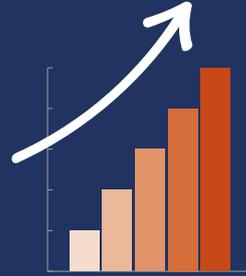
The FRC works with European, US and global regulators to promote high quality audit and corporate reporting.



# AQR

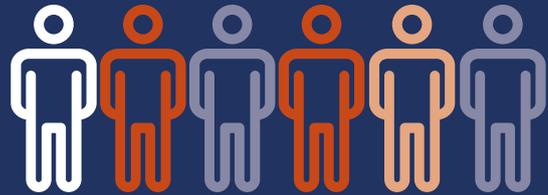
We monitor the quality of UK Public Interest Entity audits.

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+3.20	0.21%	+2.83%	-15.93%	NEG	-3.9993
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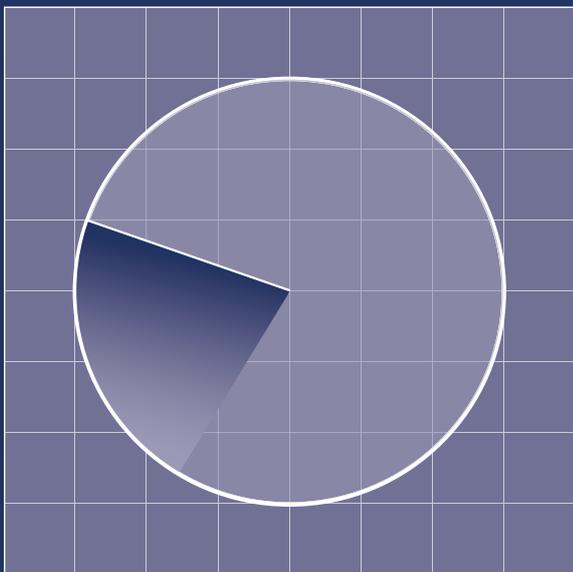
We promote continuous improvement in audit quality.

Our team of over 40 professional and support staff has extensive audit expertise to provide rigorous inspection of audit firms.



# The Firm

Deloitte has 411 audits within the scope of AQR inspection, including 24 FTSE 100 and 61 FTSE 250 audits.



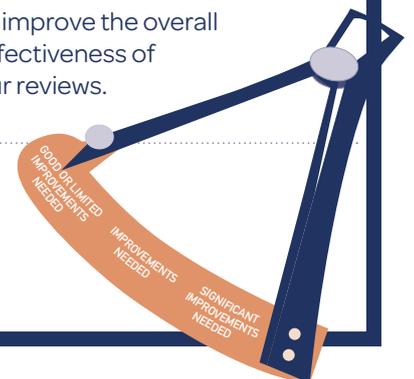
# Our inspection process

There are around 2300 audits within the scope of AQR inspection. In total, we inspected 160 individual audits in 2018/19, including 25 at Deloitte.



We work closely with audit committee chairs to improve the overall effectiveness of our reviews.

We assess the overall quality of the audit work inspected.



# Financial Reporting Council

## Deloitte LLP

### Audit Quality Inspection

The FRC's mission is to promote transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

We consider whether action under the FRC's enforcement procedures is appropriate for all reviews assessed as requiring improvements or significant improvements. In practice, audits assessed as requiring significant improvement, and some of those assessed as requiring improvement, will be referred to the FRC's Case Examiner for consideration of further regulatory action. The Case Examiner will consider the most appropriate action, including Constructive Engagement with the audit firm or referral to the FRC's Conduct Committee for consideration of whether to launch a full investigation. This may result in a sanction being imposed and enforced against a statutory auditor and/or the audit firm in accordance with the FRC Audit Enforcement Procedure.

## Contents

<b>1</b>	<b>Overview</b>	<b>5</b>
<b>2</b>	<b>Key findings requiring action and the firm's response</b>	<b>9</b>
<b>3</b>	<b>Good practice examples and developments in the year</b>	<b>16</b>

This report sets out the principal findings arising from the 2018/19 inspection of Deloitte LLP ("Deloitte" or "the firm") carried out by the Audit Quality Review team ("AQR") of the Financial Reporting Council ("the FRC"). We conducted this inspection in the period from March 2018 to March 2019 ("the time of our inspection"). We inspect Deloitte, and report publicly on our findings, annually.

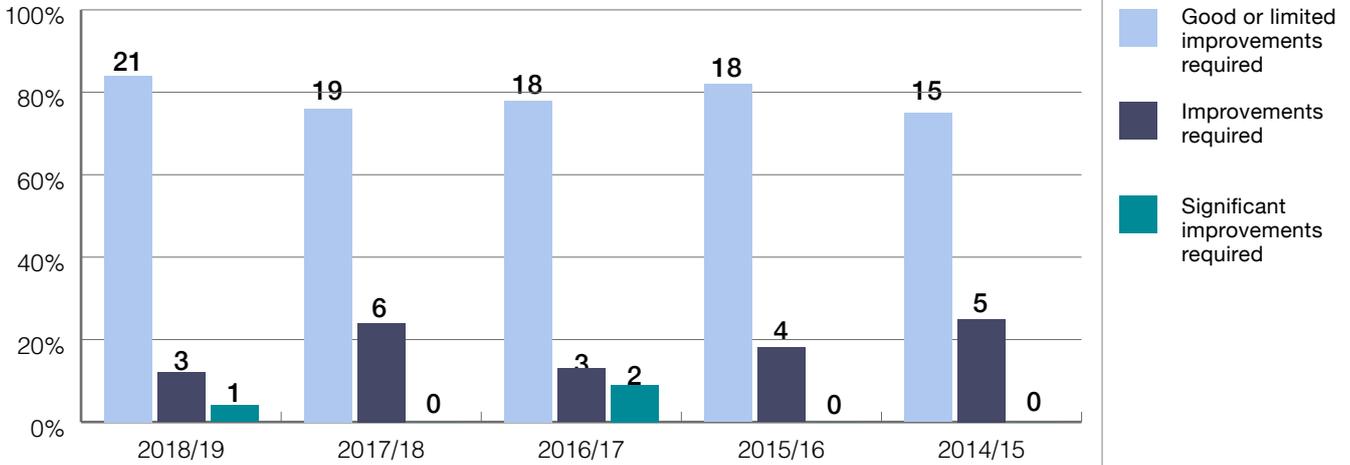
Our report focuses on the key areas requiring action by the firm to safeguard and enhance audit quality. It does not seek to provide a balanced scorecard of the quality of the firm's audit work. Our findings cover matters arising from our reviews of both individual audits and the firm's policies and procedures which support and promote audit quality. This year, our firm-wide work, performed on a three year cycle, focused on internal quality monitoring, engagement quality control reviews and independence and ethics.

Our priority sectors for inspection in 2018/19 were general retailers; oil and gas producers; support services companies; and financial services. Of the 139 audits that we reviewed in the year across all firms, (excluding Local Audit inspections), the number in priority sectors was: General retailers (11); Oil and Gas producers (7); Support services (13); and Financial services (34).

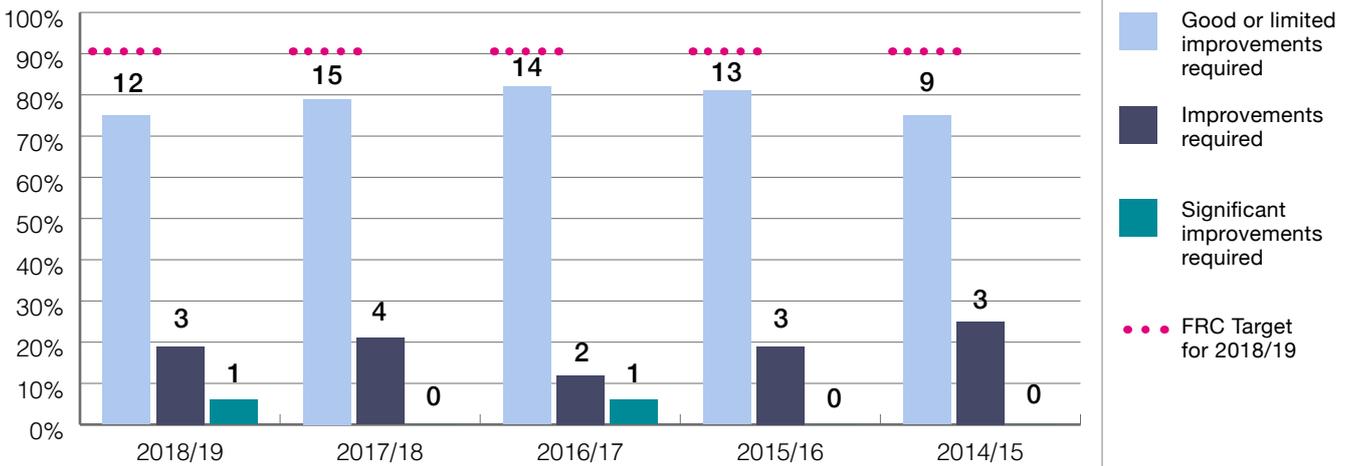
We also paid particular attention to the following areas of focus: changes in auditor appointments; audit of fair value investments (including goodwill impairment); the use of auditor's experts and specialists; and the audit of controls.

## Our assessment of the quality of audits reviewed

### Deloitte



### FTSE 350



Changes to the proportion of audits falling within each category reflect a wide range of factors, including the size, complexity and risk of the audits selected for review and the scope of individual reviews. Our selections, which are primarily risk-focused, are also informed by the priority sectors and areas of focus referred to above. For these reasons, and given the sample sizes involved, changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of a firm's performance and are not necessarily indicative of any overall change in audit quality at the firm.

Any inspection cycle with audits requiring more than limited improvements is a cause for concern and indicates the need for a firm to take action to achieve the necessary improvements.

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## 1 Overview

The FRC set a target for the firms that at least 90% of FTSE 350 audits should be assessed as requiring no more than limited improvements by the end of the 2018/19 inspection cycle. Regrettably, no firm inspected this year achieved the target.

As a result, we will, for 2019/20:

- Continue to measure firms' audit quality against the 90% FTSE 350 target and expect all firms to meet that target.
- Extend the 90% target to all other audits within the scope of our inspection.

**Stakeholders rightly demand high quality work on all audits and they would expect, we believe, that all audits subject to our review should require no more than limited improvements. We will therefore, for 2020/21 onwards, set a new target for audit firms that 100% of audits should require no more than limited improvements.**

All the firms reviewed have performed root cause analysis and identified a number of themes relating to why the audits we inspected did not always meet the required standard and why certain findings recur over a number of years. These themes, across the firms inspected, include insufficient scepticism and weaknesses in project management or resourcing. In addition, the analysis also highlighted inconsistent execution of firms' audit methodologies and quality control procedures. Firms' actions should be targeted and responsive to the findings from their root cause analysis to achieve the required improvements in audit quality.

We will continue to take robust action for all reviews assessed as requiring improvements or significant improvements. To date, for the past two inspection cycles, we have referred 16 audits, across all firms inspected, to the Case Examiner for consideration of further enforcement action. In these cases, we further scrutinise the root cause analysis undertaken by the firm and the actions taken by the firm in response to our findings and consider what additional action we can take to ensure audit quality.

### Key findings for Deloitte

We assessed 84% of the firm's audits that we reviewed as requiring no more than limited improvements, compared with 76% in 2017/18. Of the FTSE 350 audits we reviewed this year, we assessed 75% as achieving this standard compared with 79% in 2017/18. We note that our inspection results show only modest improvements in audit quality.

Our key individual review findings related principally to the need to:

- Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts.

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- Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing.
  - Improve the consistency of the quality of the firm's audit of revenue.
  - Achieve greater consistency in the audit of provisions and liabilities.

We had no significant findings arising from our firm-wide work on internal quality monitoring, engagement quality control reviews and independence and ethics.

Given our key individual review findings noted above, however, this would indicate that the firm's quality control procedures have not been sufficiently effective to achieve the necessary improvement in audit quality.

Further details of our key findings are given in section 2, together with the firm's actions to address them.

### **Good practice identified and developments in the year**

We identified examples of good practice in the course of our work, including effective use of specialists and the audit of revenue. These, together with firm developments in the year, are set out in section 3.

### **Root cause analysis**

Thorough and robust root cause analysis ("RCA") is necessary to enable firms to develop effective action plans which are likely to result in improvements in audit quality being achieved.

The firm has performed RCA in respect of our key findings and considered the outcome in developing the actions included in this report. We will continue to assess the firm's RCA process and encourage all firms to develop their RCA techniques further.

Given that no firm this year has met the FTSE 350 target, firms need to re-appraise whether their RCA accurately identifies the causes of our inspection findings and whether their actions are properly linked to those causes. In particular, the firms should increase their focus on systemic issues behind the findings as well as the findings on each individual audit.

## Firm's overall response and actions:

Quality is at the heart of everything we do. It is our absolute priority and is a key driver of the transformation activities we have undertaken over successive years and in which we continue to significantly invest. We are steadfastly committed to delivering high quality audits that support the capital markets, our wide ranging stakeholders and our public interest role. The UK audit regulatory market is facing a time of significant change and challenge. We are active participants in this debate and support many of the proposals being considered.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality. We have further transformed our internal review processes including a new focus for reviewing in progress audits, developing our Audit Quality Indicators ('AQI') which are monitored and reported to the Audit Executive and UK Oversight Board, and on enhanced remediation procedures.

Whilst we are pleased that overall our quality record, as measured by external inspections, has improved from 76% to 84%, we remain committed to continuous improvement and achieving as a minimum the 90% benchmark across all engagements. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions on the critical area of findings relating to the assessment of potential prior period adjustments and conduct matters. These are detailed on page 10 together with engagement level actions.

We are also pleased to see the impact of our previous actions on impairment, group audits and contingent liability disclosures reflected in the audits under review and there being limited or no findings in those areas. These continue to be a focus in our training and internal coaching and of our internal review programmes to maintain or increase the level of challenge our audit provides in those areas.

We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge. This investment includes continued recruitment and enhancement of the skill sets of our audit staff including those involved in quality control. This also supports the transformation programmes and standardisation of audit procedures. We are pleased there were no significant findings from the reviews undertaken in these areas in 2018/19, which included our internal quality monitoring and engagement quality control review procedures. In particular we have also taken actions around our systems in response to prior year matters to enable more timely monitoring activities and other developments highlighted in section 3 of this report.

In the event an internal or external review results in an improvements required or significant improvements required we have a formal policy to assess what retrospective remediation is appropriate taking account of the public interest. Our root cause analysis ('RCA') shows that whilst our recent actions have had a measureable impact, because we see reduced findings in previous challenge areas, more can always be done.

## Firm's overall response and actions:

We identified the following three areas of root cause underpinning a number of the AQR findings:

- Assumed knowledge, whereby engagement teams do not sufficiently evidence work, or omit information from the audit file due to familiarity or inherent knowledge of the engagement has been identified as an underlying cause in many of the findings. We plan to address this during our summer technical excellence training, called TechEx 2019, as we strive to continually improve.
- The sufficiency of evidencing professional scepticism, in particular ensuring engagement teams challenge management's judgements and estimates rather than adopting a confirmatory approach. This is often influenced by assumed knowledge. This again is a focus of our TechEx 2019 particularly in relation to auditing management estimates. We have recently published a new Fraud Response Guide aimed at sharing practice tips for all audit practitioners for how to respond when a fraud is suspected or discovered including consultations, assessing the impact on the audit plan and involving specialists.
- Client readiness for audit. We recognise our role in challenging management to ensure they have given sufficient time and resource to complete their own assessments of key areas of judgement and to evidence those within their own accounting papers. This supports our focus on project management enabling us to have appropriate time to plan and then challenge management on those judgements. We have an imperative this year to focus on audit milestones to ensure key areas of planning work are completed in a timely manner with the right level of senior input and challenge. Our audit transformation also supports strong project management, for example, with increased standardisation of audit procedures and with additional tools to manage the process from start to finish, such as automated information request lists and trackers and a new resource management system which will enable more sophisticated analysis of our people's workloads supporting our strategic objectives around wellness.

Employee wellbeing is at the heart of our talent strategy. Respect and inclusion have many strands, and we are focused on offering an environment supporting the mental and physical wellbeing of our people. We firmly believe that audit quality is enhanced by positive mental health and wellbeing. We consider a greater awareness of mental health and wellness of our people is crucial and we have many programmes to support this across all partners and practitioners' in our firm. We want to ensure everyone is working in a healthy way despite the challenges and time pressures. We have continued to engage a behavioural psychologist to support our RCA work to better understand the less tangible factors that can impact audit quality.

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## 2 Key findings requiring action and the firm's response

We set out below the key areas where we believe improvements are required to enhance audit quality and, where relevant, safeguard auditor independence. We asked the firm to provide a response setting out the actions it has taken or will be taking in each of these areas.

### **Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts**

When exercising judgement to assess the materiality of errors or judgemental differences identified, auditors should exercise an appropriate level of professional scepticism and challenge of management to ensure sufficient audit evidence is obtained to support the accounting treatment and disclosures. The reporting to those charged with governance and the wording of the auditor's report should be sufficiently comprehensive and clear.

#### *Findings*

We had concerns on two audits where adjustments were made by management to the financial statements for errors above the audit materiality level set by the auditors. These included errors impacting on prior periods. The adjustments were recorded in the current year's financial statements. We noted the following matters:

- In both cases, the audit team concerned obtained insufficient evidence to support the conclusion that the prior period error did not have a material impact on the current or prior year's financial statements, including the segmental disclosures. In these cases, the audit teams consulted the firm's technical specialists but the evidence of these consultations was inadequate. The audit team should have challenged management further on the accounting treatment and the appropriateness of the disclosures in the annual reports.
- On one of these audits, we identified weaknesses in audit work to quantify a potential prior year adjustment.
- The audit team's reporting to the Audit Committee on these matters was not sufficiently clear on the basis for the auditor's conclusions.
- We also had concerns with the sufficiency of the auditor's reporting on these matters in the key observations section of the auditor's report.

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## Firm's actions:

We recognise that, as highlighted in the two audits referenced above, we need to better evidence those consultations. We believe project management and client readiness were both root causes of these issues. In addition, whether or not a company makes a prior year adjustment (PYA) is an area requiring significant judgement because accounting standards are not prescriptive, involving assessment of quantitative and qualitative factors. We have considered this in developing our actions.

We have published a detailed practice aid on the assessment of potential PYAs, and, created a new consultation document specifically for the evaluation of potential PYAs to focus on capturing the following in more detail:

- Timing of the consultation(s), which may include multiple discussions over an extended period of time.
- More detail of who is being consulted and their qualification/appropriate expertise and experience.
- Considering and challenging the completeness of the adjustments identified.
- Assessment of the appropriate reporting, to management, the Audit Committee and within our enhanced audit reports, and the level of disclosure provided by management.

TechEx 2019 featured a session on regulatory findings, where we also covered the new practice aid and the revised consultation templates and key matters for engagement teams to consider.

We have also communicated this finding within our January 2019 briefing of EQCR reviewers and April EPU for all audit practitioners. This will encourage increased challenge from EQCR reviewers and a greater awareness of engagement team members of the importance of evidencing more fully work in this area.

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## **Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing**

The risk of bias in key management judgements means that auditors should provide an appropriate level of challenge when assessing the reasonableness of management's estimates and assumptions, particularly when used in the valuation of assets and impairment testing.

### *Findings*

The audit of asset valuations, impairment and other areas involving management judgement are often areas of significant risk. We are pleased to note that, in response to our previous concerns, the firm has improved the audit of goodwill impairment over the past two inspection cycles. This meant that the adequacy of audit work in this area was not a key finding in any of the audits we assessed as requiring more than limited improvements.

However, in relation to areas of key judgement, we noted the following issues:

- In relation to the valuation of investments, on two audits, the audit team did not sufficiently assess certain key inputs used in the valuations. In one case, we had concerns over the audit work regarding the reliability of investee company's EBITDA figures used in valuations and, in both cases, we identified weaknesses in the sufficiency of evidence to support discount rates. On a further audit, we had concerns relating to the sufficiency of audit work over the valuation of pension scheme asset balances, including private equity investments.
- We identified three instances in which the audit team (or their specialists) used ranges in excess of audit materiality to assess the appropriateness of management judgements. This included judgements concerning property valuations, pension obligations and loan loss impairment. In each case the audit team obtained insufficient evidence to justify the ranges used.
- We identified weaknesses in relation to impairment on two audits. In one case, there was insufficient challenge of key assumptions in management's cash flow forecasts regarding growth rates, productivity and efficiency assumptions and the terminal value. In the other, the audit team did not consider sufficiently the adequacy of a contingency to cover estimation uncertainty in a restructuring plan used in a valuation based on fair value less costs to sell.

## Firm's actions:

In January 2019 we issued a practice aid on accounting estimates, developed to focus on evaluating management's own processes and controls and how to challenge and test management's accounting estimates, further informed by the findings identified here. An additional guide was published on the audit of trade debtors credit loss estimates highlighting common pitfalls and best practices.

A number of the issues identified by the AQR were partly caused by the assumed knowledge and inherent conclusions made during the audit as a result of that knowledge. As noted earlier, we have taken a number of actions to highlight this pitfall and further develop our evidence of professional scepticism in audit documentation. Management estimates have a specific section at TechEx 2019.

We used our internal newsletter to focus on real estate and valuations in January 2019. We also issued an update on management's papers (linked to the RCA on both evidencing professional scepticism and project management and client readiness) and on goodwill impairment.

We are developing additional guidance to engagement teams on the use of reasonable ranges in the audit of management estimates, highlighting that auditors should understand management's own approach, and then whether they are assessing specific assumptions or developing their own point estimate or range in order to audit management's estimate. It will also reiterate the importance of assessment of specialist reporting and any ranges identified within that.

We have pro-actively made enhancements to our approach to pension asset and liability testing during 2018 and agreed those changes in advance with the AQR. These changes were highlighted as good practice by the AQR last year and included changes to our methodology, issuing further guidance on approach and on working with specialists and we have developed a central pensions analytics tool to further support audit procedure consistency. We will embed further methodology changes to address new concerns.

Using specialists remains critical in providing sufficient challenge to management in our auditing of key estimates and assumptions in judgement areas. We regularly brief our specialists within the firm on regulatory inspection findings and internal practice reviews, and will also update on findings from this review cycle.

We held a detailed EQCR review team training in January 2019 to continue to keep areas of regulatory focus at the forefront of challenge of EQCRs. This captured this report and other external and internal practice review findings.

## Firm's actions:

Impairment has been a critical area for us over the last two cycles. It is disappointing a limited number of findings still arise especially as noted by the AQR on page 11, we have improved our work in this area, and we believe addressing this through additional challenge from consultation with our centre of excellence for impairment is appropriate. We have also briefed EQCR partners and PSR reviewers on key regulatory findings which has included these matters on impairment. We have highlighted within our April EPU (essential professional update, our online training video) the same matters and reminded engagement teams of the need to consult.

## Improve the consistency of the quality of the firm's audit of revenue

Revenue is an important driver of an entity's operating results. Audit teams should therefore obtain sufficient and appropriate audit evidence in response to identified risks, including the risk of fraud, associated with the entity's revenue recognition practices.

### Findings

We reviewed the audit of revenue on the majority of audits inspected and, on one or more audits, identified the following weaknesses:

- The audit team performed insufficient audit procedures on inputs to, and outputs from, a revenue system maintained by a third party. Furthermore, the audit team did not sufficiently assess third-party controls reports on these systems, which included reference to certain key IT controls.
- The audit team obtained insufficient independent third-party audit evidence to support the audit work on a material revenue stream.
- The audit team performed insufficient audit procedures on cash receipts and source data for a retailer, including whether cash flows were complete and accurate and represented valid revenue transactions. Furthermore, insufficient procedures were performed over international revenue cut-off.
- The audit team did not sufficiently challenge aspects of revenue and profit recognition on an entity with a number of judgemental long-term contracts.

In certain cases, we identified examples of good practice for audit work on revenue that had been performed to a high standard.

## Firm's actions:

Findings related to third parties maintaining revenue systems were both in connection with areas assessed by the auditor as having a low risk of material misstatement. AQR did not disagree with our risk assessment and felt we could have better evidenced our use of the service auditor reports for these systems. A service auditor report is provided by an auditor, independent of the relevant entity or process, and which is designed to give an opinion on the status of controls over that process. We recognise the importance of service auditor reports in a variety of areas and plan the following actions:

- We will hold a focused EPU session on the use of service auditor reports, common pitfalls and key areas to consider.
- TechEx2019 included specific examples in highlighting these areas.

We have not identified any further thematic causes, and noting a number of these findings related to low risk areas, we have addressed the findings in the following ways:

- In each individual engagement referenced we will take action in the following year's audit to specifically address the findings and better evidence the audit procedures performed.
- We have communicated via an EQCR training session the regulatory findings and the importance of challenging engagement teams with similar circumstances. We have factored all these findings into our practice review training, and recorded an online video tool for the audit practice focussing on all recent regulatory findings. TechEx 2019 will feature a session on these findings.
- We have communicated the findings to each industry group within the audit business units, allowing them to consider further focused sessions on both the findings and best practice.
- The next wave of our Deloitte Way Workflows (which are standardised audit work packages to drive consistency in quality audit work), includes revenue. We will review those workflows to consider the relevance of including specific reminders within the template documents relating to areas of regulatory and internal review findings.

## Achieve greater consistency in the audit of provisions and liabilities

The completeness and accuracy of provisions and liabilities can be a highly judgemental area. Audit teams should address the risk of conscious and unconscious management bias and demonstrate sufficient challenge to assess whether year-end balances are appropriate.

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## Findings

Last year we reported weaknesses in the audit of the completeness and accuracy of provisions and disclosures relating to contingencies. The firm took action in these areas including developing further audit guidance and training. In the current inspection we identified weaknesses in this area as follows:

- The audit team obtained insufficient audit evidence to demonstrate the completeness of provisions regarding uninsured claims, conduct exposures in a financial services entity and property related costs (three audits).
- As part of a fair value exercise on acquisition, the group audit team did not obtain sufficient evidence to support the appropriateness of management's judgement regarding deferred tax liabilities.

### Firm's actions:

We are pleased to not have any findings relating to contingent liability disclosures, which had featured previously, and our actions in this area were effective.

The assessment of provisions and liabilities is often an inherent area of judgement. We believe there are two broad causal factors which underlie these findings around both assumed knowledge and evidencing professional scepticism. In addressing the completeness findings, we are focused on ensuring teams actively seek contradictory and independent evidence to challenge management. These causal factors are an underlying theme throughout our TechEx2019 to strive for behavioural change in our audit teams. This is also supported by the overall wellness initiatives within the firm supporting our people, enabling them to perform to their best, including a focus on project management and client readiness.

In relation to matters of non-compliance with laws and regulation ('NOCLAR') we dedicated a large part of our January 2019 EPU to covering this important area which can often result in matters requiring assessment as provisions or liabilities.

In addition, we have taken action in the following year's audit to address each of the findings identified where relevant.

As noted on page 14 we have communicated regulatory and internal review findings through EQCR training, practice review training, recorded an online training covering all findings and communicated via our April EPU.

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## 3 Good practice examples and developments in the year

### Good practice

We set out below the key areas where we noted good practice, either in audit work on individual engagements or firm-wide procedures.

#### Individual audit reviews

Good practice examples identified included the following:

##### *Deferring audit sign-off*

- The audit team deferred the signing of the auditor's report until it had obtained and reviewed key audit evidence and ensured that robust quality control procedures had been completed.

##### *Effective use of specialists*

We continue to see good examples on individual audits where the firm's specialists have been integrated effectively into the audit team to provide an appropriate level of assurance. Examples in the current inspection cycle include:

- The effective involvement of a cost engineer when assessing management's estimates in an oil and gas business.
- High quality reporting and strong evidence of challenge and corroboration by an actuary reviewing provisions in an insurance entity.
- Use of tax specialists in assessing tax uncertainties in relation to a transfer pricing investigation.

We also continue to see extensive use of IT, valuations and pension specialists on audits.

##### *Revenue*

- High quality evidence of the audit team's assessment of the appropriateness of revenue recognition policies for complex revenue streams.
- Well-developed substantive analytical review procedures using third-party data for a house builder.
- Effective analytical and look-back procedures to confirm pipeline premiums for an insurance entity.

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### Data analytics

- Development and use of bespoke analytics on first-year audits to test aspects of complex high-volume revenue systems in areas of significant risk. These were high-quality tailored responses covering the specific risks and account assertions.

### Firm-wide procedures

Good practice examples identified included the following:

- The firm has developed a suite of hot review procedures on audits, including health checks, diagnostics and in-flight reviews to monitor and enhance audit quality throughout the audit.
- Effective integration of the firm's internal quality monitoring programme into their wider audit quality programme with more risk-focused reviews, particularly consideration of issues arising from regulatory reviews.

### Developments in the year

Following actions from the firm, we have seen an improvement in relation to most of the key findings we highlighted in last year's report.

The firm has enhanced its policies and procedures during the year in a number of areas, including the following:

- Through the firm's global audit quality programmes, there has been an increased focus on consistency of audit work across the audit practice. For certain account balances, standardised approaches have been adopted, further use has been made of centres of excellence and delivery centres and new technologies embedded into the audit process to support and enable risk assessments, analytical procedures and project management activities.
- Further methodology updates and additional guidance and training for the audit practice covering group audits, accounting estimates, financial services (including the adoption of IFRS 9) provisions and contingencies and the evidencing of quality control procedures (including EQCR) on individual audits.
- Increased support for audit teams throughout the audit cycle including coaching programmes for teams and greater use of diagnostics to monitor progress.
- Continued focus on the approach to the testing of internal controls. The firm provided additional training and support to audit teams adopting a controls-based audit approach, increased focus on reporting to Audit Committees on internal controls and on the wording of auditor's reports.

We note the co-operation and assistance received from the partners and staff of the firm in the conduct of our 2018/19 inspection.

### Audit Quality Review

FRC Audit and Actuarial Regulation Division  
July 2019

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