KPMG

Auditor quality

Pulse survey on audit quality

Audit Committee Institute part of
KPMG Board Leadership Centre

Audit quality continues to be a key area of focus for audit firms, audit committees and regulators.

At our recent ACI Autumn Technical updates in late 2016, we asked attendees to anonymously rate various aspects of audit quality for their organisation's most recent financial year. The areas looked at included the auditor's focus on risk assessment, quality management, demonstration of challenge, level of independence and communication. 116 audits - both internal and external – were assessed.

1 How satisfied were you with your auditor's focus, approach and risk assessment?

External audit was rated a little higher than internal audit with an average of 4.14 out of a possible 5, versus 3.96 out of 5.

EXTERNAL AUDIT
83%
focus, approach and risk assessment

INTERNAL AUDIT
79%
focus, approach and risk assessment

2 How satisfied were you that your auditors adopted an appropriate approach to quality management?

Quality management was the area where external audit received the lowest average rating from our respondents - 3.95 out of 5 - with internal audit rated just marginally lower at 3.90 out of 5.

EXTERNAL AUDIT
79%
quality management

INTERNAL AUDIT
78%
quality management

3 How satisfied were you that your auditors demonstrated appropriate challenge and professional scepticism?

An average rating of 4.03 out of 5 for external audit and 3.90 for internal audit.

EXTERNAL AUDIT
81%
challenge and professional scepticism

INTERNAL AUDIT
78%
challenge and professional scepticism

4 How sufficient were the resources your auditors brought to the audit engagement?

For internal audit, this was the lowest rated category in our survey with an average score of 3.80 out of 5. External audit fared better with an average of 4.14 out of 5.

EXTERNAL AUDIT
83%
resources

INTERNAL AUDIT
76%
resources

5 To what degree did your auditors exhibit independence and objectivity?

This was the highest rated area for both external audit (4.50) and internal audit (4.24).

EXTERNAL AUDIT
90%
independence and objectivity

INTERNAL AUDIT
85%
independence and objectivity

6 How satisfied were you with the communications/interaction between your auditors and the audit committee?

Internal audit was rated especially well here with 4.18, compared to 4.08 for external audit. This was the only category in the survey where internal audit was rated higher than external audit.

EXTERNAL AUDIT
82%
communication between auditors and audit committee

INTERNAL AUDIT
84%
communication between auditors and audit committee

7 What was your view on the overall quality of your auditors?

External audit (4.09) was rated 4% higher than internal audit (3.90) for the overall quality of auditors, with 29% of respondents assigning the maximum rating of 5 for the quality of their external auditor. This compares with 20% for internal auditors.

EXTERNAL AUDIT
82%
overall quality of your auditors?

INTERNAL AUDIT
78%
overall quality of your auditors?

In all but one of the areas surveyed, the level of satisfaction for external audit exceeded that for internal audit and this is borne out in the overall view of auditor quality too.

Contact us

Timothy Copnell
Audit Committee Institute
T: +44 (0)20 7694 8082
E: tim.copnell@kpmg.co.uk

kpmg.co.uk/aci