

Enhancing Audit Quality:

2018 highlights and progress report

Our Enhancing Audit Quality (EAQ) efforts support the CPA profession's commitment to performing high-quality audits. Since 2014, we've been analyzing audit data to see where quality improvement is most needed, then developing related resources and education to help auditors, auditees and other stakeholders. Here are some highlights from our work in 2018.



Watch a video about how EAQ works at aicpa.org/EAQ.

Peer Review

Peer reviewers check auditors' work to see if they're following the standards. If peer reviewers don't catch firms' quality issues, firms can't remediate and improve.

What we found

In 2014, peer reviewers caught 18% of quality issues.

How we drove reviewer improvement



More training



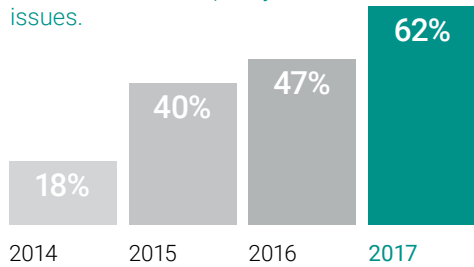
Increased qualifications



Greater accountability

What happened?

Reviewers improved their detection of firms' quality issues.



Firms improved when Peer Review required remedial action.

77%

improvement after CPE

86%

improvement after third-party review of engagements or quality control documents

90%

improvement after pre-issuance review of firm engagements

Risk assessment

What we found

Over 50% of audits reviewed by peer reviewers responding to a survey were non-conforming due to issues with risk assessment.

The biggest issues



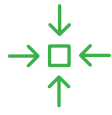
Failing to understand clients' controls



Not linking risk to procedures



Not addressing significant risks



Lack of focus on assertion-level risks

What we did

- Free toolkit at aicpa.org/riskassessment
- Webcast addressing common misconceptions
- Communications to peer reviewers
- Outreach to firms educating them on risk assessment and response

What happened?

13,000+

visits to our free risk assessment toolkit at aicpa.org/riskassessment in 2018.

Documentation

What we found



1 in 4 engagements was non-conforming due to inadequate documentation

There were three common misconceptions:

- Auditors can meet overall audit objectives without documentation.
- A signoff on an audit program is sufficient documentation of a detail test.
- Oral explanation can substitute for written documentation to meet the requirements of the standard.

What we did

To help members, we've created free resources at aicpa.org/documentation and promoted them through targeted communications outreach.

What happened?

10,000+

visits to our free audit documentation toolkit at aicpa.org/documentation in 2018.

Single audits

What we found

48% of single audits studied were non-conforming

What we did

1. Educated thousands of members on common problems.
2. Issued over 500 single audit exam-based certificates to help qualified practitioners distinguish themselves in the marketplace.
3. Worked to develop guidance on internal control over compliance.
4. In publications, CPE and other training, we included an improved description of the auditor's responsibility in a single audit for testing compliance and internal control over compliance.



Auditing in the future

We're not just fixing problems; we're also helping auditors get it right from the start. As new technologies and emerging services change the way auditors work, we're making sure they have the knowledge, skills and resources they need to succeed.

9,000+

visits to our **Audit Data Analytics** web page at aicpa.org/auditdataanalytics

26,000+

views to **AICPA Insights** blog posts on Blockchain in 2018 at blog.aicpa.org/blockchain.

11,000+

visits to our **Cybersecurity Resource Center** at aicpa.org/cybersecurity

The Center for Plain English Accounting helps member firms understand and implement standards by sharing technical advice and guidance in a straightforward manner. Learn more at aicpa.org/CPEA.



What's next for EAQ?

2019 EAQ areas of focus

- Internal control
- Risk assessment
- Auditing accounting estimates
- Documentation
- SOC engagements

Upcoming projects

Internal control

Education and resources addressing internal control requirements, including tools for auditors of small entities. Misunderstanding internal control was the leading cause of non-compliance with the risk assessment standards.

Risk assessment

Resources to educate auditors, including new micro-learning segments and web events.

Auditing accounting estimates

Tools to assist members in the areas of fair value measurement, CECL and revenue recognition. Non-conformity related to auditing accounting estimates is one of the top audit issues detected by practice monitoring programs worldwide.

Documentation

Continued communications and education.

SOC engagements

Resources and education to help practitioners learn about new SOC services, their requirements and common missteps.

Learn more at aicpa.org/EAQ.