

2024

Audit Quality Unit

Report on 2023 quality assurance review of Mazars

11 March 2024



Vision

Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be
the best we
can be



Independence

Regulating
impartially and
objectively



Integrity

Being
trustworthy and
respectful

Introduction

Overview of Mazars (the Firm)



3

offices in Dublin, Galway and Limerick



71

audits of public-interest entities in 2023



17

audit partners



7%

market share based on audit fees associated with public-interest entities in 2023



361

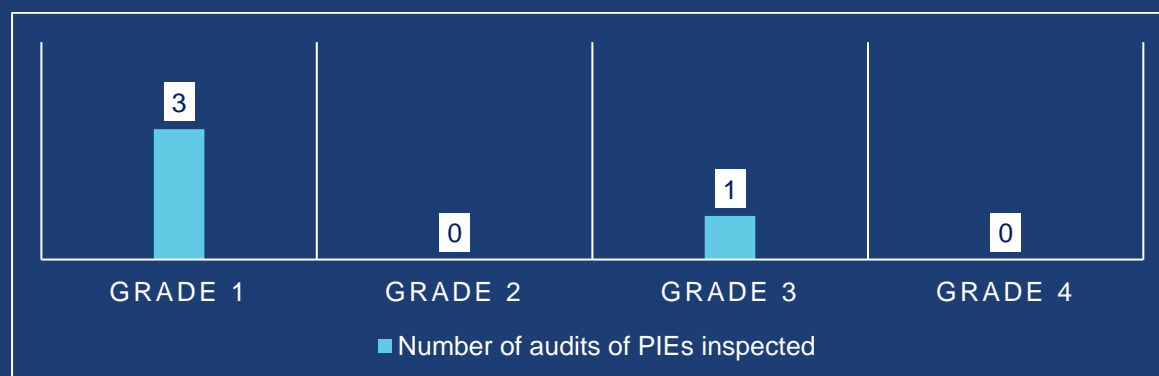
personnel working in the audit function

Outcome of the quality assurance review

Firm's system of quality management - findings with related recommendations¹

There were no findings with related recommendations on the Firm's system of quality management.

Audits of PIEs – grading¹



¹ See Appendix for detailed description of ratings and grades.

Guide to IAASA's reports on quality assurance reviews

A guide to assist readers in understanding IAASA's reports on quality assurance reviews of audit firms is available [here](#).

The guide sets out what users can expect from the quality assurance review report. It also explains how IAASA's quality assurance review process drives the form and content of these reports.

Quality assurance review explained

The purpose of a quality assurance review is to assess the effectiveness of the Firm's system of quality management.

A quality assurance review:

- assesses the design of the Firm's system of quality management
- performs compliance testing around the implementation of the Firm's procedures
- evaluates the quality of a sample of audits of public-interest entities (PIEs)

Note that a quality assurance review is not designed to identify all weaknesses that may exist in the Firm's system of quality management.

In 2023, IAASA inspected the implementation of the International Standard on Quality Management (Ireland) 1 (ISQM 1) which was effective for the first time during this inspection period. ISQM 1 requires audit firms to design a system of quality management that is tailored to the nature and circumstances of the firm and engagements it performs. Firms are also required to monitor their own quality management system in order to ensure timely and effective remediation takes place, if and when required.

Assessing the design of the Firm's system of quality management involves evaluating the quality objectives, quality risks and related responses identified by the Firm and reviewing the Firm's policies and procedures and their impact, if any, on audit quality. Compliance testing involves testing of the operating effectiveness of selected responses and assessing the Firm's monitoring of the responses across component areas.

The Authority selects the sample of audits of PIEs using a risk based approach. A risk based approach allows for audits with particular complexities to be selected, as well as audits of varying sizes. As the sample of audits of PIEs is not a representative sample, results cannot be extrapolated to make inferences about audits that have not been selected. In evaluating the quality of an audit of a PIE, the Authority considers the sufficiency and quality of audit evidence across a number of selected audit areas.

Scope of the quality assurance review of the Firm

The Firm's policies and procedures

The assessment of the Firm's system of quality management is performed across eight component areas, as defined in ISQM 1, on a three year cyclical basis. In 2023, the quality assurance review assessed the design of the system of quality management in four component areas:

- risk assessment process
- governance and leadership
- resources – technological resources, intellectual resources and service providers
- information and communication

For the resources component, the Authority assessed the Firm's system of quality management across the areas of technological resources, intellectual resources and service providers. For the remaining components, the Authority assessed the full component areas. The Authority evaluated the quality objectives, quality risks and related responses designed by the Firm, including the implementation of related policies and procedures.

Audits of public-interest entities

In 2023, the Authority selected a sample of four audits of PIEs.

For each audit selected, the Authority evaluated the quality of the communications with those charged with governance, the review of financial statements, the engagement quality control review and the audit procedures performed in relation to related parties and subsequent events.

For each audit selected, the Authority also evaluated the quality of audit evidence across additional audit areas. The additional audit areas were selected at the discretion of the Authority, taking into consideration the specific risks pertaining to the audit as well as other areas of focus for the Authority.

Overview of findings

There were no findings with related recommendations identified in the areas reviewed in relation to the effectiveness of the design or implementation of the Firm's system of quality management.

The Authority assigned a grade of 1 (good audit) to three audits of PIEs and a grade of 3 (improvements required) to one audit of a PIE.

The results of the quality assurance review are set out in detail in the next section of this report.

A description of ratings and grades is set out in the appendix to this report.

The Firm must implement each recommendation raised by the Authority within 12 months of the date of the recommendation. The Authority follows up to ensure each recommendation is implemented. Where the Firm fails to satisfactorily implement the recommendation within the 12 month timeframe, the Authority will refer the matter to its Enforcement Unit.

Results of the quality assurance review

Overview of areas

Risk assessment process	<p>The Authority evaluated whether the Firm had designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks. The Authority performed procedures to understand the Firm's risk assessment process, including whether the Firm had identified quality risks to provide a basis for the design and implementation of responses.</p> <p>The Authority has no findings with related recommendations to report in this area.</p>
Governance and leadership	<p>The Authority assessed whether the Firm had established quality objectives that address the Firm's governance and leadership and that demonstrated a commitment to quality through the culture that exists throughout the Firm. The Authority evaluated the quality risks identified and assessed by the Firm for each of the quality objectives relating to governance and leadership and the responses designed and implemented to address the quality risks, including the specified responses of ISQM 1.</p> <p>The Authority performed procedures to understand how the Firm's leadership is held accountable for quality and how they demonstrate a commitment to quality through their actions and behaviours.</p> <p>The Authority has no findings with related recommendations to report in this area.</p>
Resources – technological resources, intellectual resources and service providers	<p>The Authority evaluated whether the Firm had established quality objectives, and appropriate responses to the risks of not meeting these quality objectives, that address appropriately obtaining, developing, using, maintaining, allocating and assigning technological and intellectual resources in a timely manner to enable the design, implementation and operation of the system of quality management and whether human, technological or intellectual resources from service providers are appropriate for use in the Firm's system of quality management and in the performance of engagements.</p> <p>The Authority has no findings with related recommendations to report in this area.</p>
Information and communication	<p>The Authority evaluated whether the Firm had established quality objectives, and appropriate responses to the risks of not meeting these quality objectives, that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management.</p>

The Authority has no findings with related recommendations to report in this area.

Summary of audits of PIEs inspected

	Assigned grade ²	Audit areas reviewed
Audit one	3	<ul style="list-style-type: none">• Initial engagement• Valuation of contract liabilities• Management override of controls• Communications with those charged with governance• Review of financial statements• Review of the engagement quality control review• Related parties• Subsequent events
Audit two	1	<ul style="list-style-type: none">• Valuation of technical provisions• Management override of controls• Communications with those charged with governance• Review of financial statements• Review of the engagement quality control review• Related parties• Subsequent events
Audit three	1	<ul style="list-style-type: none">• Initial engagement• Impairment of loans and receivables at amortised cost• Management override of controls• Communications with those charged with governance• Review of financial statements• Review of the engagement quality control review• Related parties• Subsequent events
Audit four	1	<ul style="list-style-type: none">• IT audit• Expected credit losses• Management override of controls• Communications with those charged with governance• Review of financial statements• Review of the engagement quality control review

² See Appendix for detailed description of ratings and grades

- Related parties
- Subsequent events

Key recommendations arising from the inspection of audits of PIEs

This table sets out the key recommendations for the Firm arising from the inspection of audits of PIEs. These are recommendations deemed by the Authority to be key to an individual inspection or which were recurring across inspections. Not all recommendations apply to all audits of PIEs inspected and not all recommendations issued are included in this table.

Audit area	Recommendation
Initial engagement	The Authority recommends that, going forward, the engagement team sufficiently evidences how they evaluated whether the comparative information agrees with the amounts and other disclosures presented in the prior period.
Review of financial statements	<p>The Authority recommends that, going forward, the engagement team retain the referenced financial statements to ensure that the audit file sufficiently evidences how they evaluated that the information presented in the financial statements is relevant, comparable, and understandable.</p> <p>The Authority recommends that, going forward, the engagement team documents how they evaluated whether the Statement of Cash Flows was prepared in accordance with the requirements of the applicable financial reporting framework.</p> <p>The Authority recommends that, going forward, the engagement team ensures that the audit file sufficiently evidences substantive procedures for each financial statement disclosure.</p>

Results of follow up procedures

The Firm is required to implement the Authority's recommendations within 12 months. The Authority is satisfied that all recommendations made to the Firm in 2022 were appropriately implemented in 2023.

Purpose and limitations of this report

The purpose of the quality assurance review is to assess the effectiveness of the Firm's system of quality management. The purpose of this report is to communicate any deficiencies identified through the quality assurance review and the recommendations arising.

This report is not intended to serve as a balanced scorecard or as an overall rating tool. Although this report on the quality assurance review may comment positively on certain items, it is not designed to give a balanced analysis of all areas of the Firm.

Where an inspection of an audit of a PIE identifies an area where the Firm did not obtain sufficient audit evidence, this does not necessarily indicate that the audit opinion is inappropriate or that the financial statements are misstated. Furthermore, it would be inappropriate to infer that any issues identified in this quality assurance review report are replicated in audits that have not been inspected by the Authority.

Appendix – Detailed description of ratings and grades

Ratings

Findings arising in relation to the effectiveness of the design or implementation of a firm's system of quality management have their significance rated by way of a red-amber-yellow (RAY) system.

● **Red** indicates that a finding is a significant deficiency³. Failure to implement a recommendation and/or remediation set out in a prior finding in relation to a firm's system of quality management, or, in relation to a matter arising from a PIE inspection is also likely to be assigned a red grading.

● **Amber** indicates that an improvement is required. This is a less than significant failure to:

- meet the requirements of the ethical standards and (ISQM 1); or
- apply a firm's processes or procedures.

● **Yellow** indicates that a finding is a minor deficiency. This is:

- a minor failure in the application of a firm's procedures or processes; or
- a low level deficiency that has the potential to develop into a significant or less than significant failure to meet the requirements of the ethical standards and ISQM 1.

Grades

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade.

- 1** A 1 grade is a good audit with no concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Any concerns are very limited in their implications (both individually and collectively).
- 2** A 2 grade is an audit that requires limited improvements. There are only limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be some concerns, their implications (both individually and collectively) are limited.
- 3** A 3 grade is an audit that requires improvements. There are some concerns, assessed as less than significant⁴, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be concerns, their implications (both individually and collectively) are less than significant.
- 4** A 4 grade is an audit that requires significant improvements. There are significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. There may be concerns in other areas, with implications that are individually or collectively significant.

³ A significant deficiency is a significant failure to meet the requirements of the ethical standards or ISQM 1; or, a pervasive failure to apply a firm's processes or procedures where there is more than a remote likelihood that the deficiency could affect the firm's independence or the quality of audits performed by the firm.

⁴ For audits of PIEs, four key factors will be considered in assessing 'significance' of findings, these are as follows: the materiality of the area or matter concerned; the extent of any concerns regarding the sufficiency or quality of audit evidence (e.g. whether they relate to specific elements of the audit evidence only or are more pervasive to the overall sufficiency or quality of audit evidence in the areas concerned); whether appropriate professional scepticism appears to have been exercised in forming audit judgements; and the extent of any non-compliance with standards or the firm's methodology identified.



**Irish Auditing & Accounting
Supervisory Authority**

Willow House
Millennium Park
Naas, Co. Kildare
W91 C6KT
Ireland

Phone: +353 (0) 45 983 600
Email: info@iaasa.ie

www.iaasa.ie