

Online FAR Masterclass on how group and component auditor involvement affect group audit quality

On Friday November 19th, Anna Gold (Vrije Universiteit Amsterdam) and Andrew Trotman (Northeastern University, D'Amore-McKim School of Business) presented a masterclass on their FAR-study 'Improving the quality of global group audits: do group auditor involvement and component auditor involvement matter?'

In their study, Gold and Trotman have surveyed component auditors in the Netherlands to identify underlying root causes for the lower quality group audits and drivers of higher audit quality. They look at how engagement characteristics and coordination strategies (as well as communication behaviors) of both the group auditor and component auditor determine the audit quality of group audits, as viewed from the angle of the component auditor. The focus of the study is on group auditor involvement and communication during staffing, planning, fieldwork and review.

The study is important, since audit deficiencies associated with group audits account for a significant portion of all audit deficiencies identified worldwide. An IFIAR study showed that in 2020 regulators found that seven percent of inspected group audits show at least one audit deficiency. The group auditor should be highly involved in directing, supervising and reviewing the work of the component auditor. Studies show that the involvement is not always sufficient.

The findings of Gold and Trotman suggest that the key problems with group audits are similar to those that were identified by, for example, IFIAR and the PCAOB. These illustrate: the importance of (timely) involvement of the group auditor and assessment of the component auditor competence of during staffing; the understanding of the component by the group auditor; and the review of the component audit by the group auditor (surprisingly, few timely review comments received). The component auditors see clear benefits of group auditor involvement, communication and coordination throughout staffing, planning and fieldwork. These result in increased efficiency and effectiveness of the audit and in some instances even in higher comfort for the component auditor.

The first major finding is that the review process by the group auditor is regularly lacking. And the second major finding of the study is the fact that inappropriate work effort may be related to insufficient budgets. According to the researchers, a group effort between group and component auditors, standard setters and regulators is needed, in order to solve these issues.

During the masterclass there was ample discussion and brainstorming going on. Please refer to the full video registration for more details.

More information on the project is available [here](#)

A 12-minute video summary of the masterclass can be found [here](#)

The video registration of the full masterclass can be found [here](#)