

MEDIA RELEASE



IOSCO/MR/42/2015

Madrid, 6 November 2015

IOSCO reports on Transparency of Firms that Audit Public Companies

The Board of the International Organization of Securities Commissions (IOSCO) today published the final report [*Transparency of Firms that Audit Public Companies*](#).

The report addresses “audit firm transparency reporting”, which considers the practices employed by audit firms to be transparent in their own reporting to investors and other stakeholders about the firm itself, notably, with respect to firm governance and elements of their system of quality control for their financial statement audits.

Transparency reporting can foster internal introspection and discipline within audit firms and may encourage audit firms to sharpen their focus on audit quality, which would be of benefit to investors and other stakeholders. In comparing audit firms competing for an audit engagement, audit firm transparency reporting can aid those responsible for selecting a public company’s auditor in their decision making process by providing information on a firm’s audit quality.

The report includes an IOSCO Statement on, as well as a Guide for, audit firm transparency reporting. The Guide is intended to serve as a frame of reference for promoting good practice and contributing to high quality audit firm transparency reports.

To inform the report, IOSCO studied this area by:

MEDIA RELEASE



- sponsoring a Roundtable on the Quality of Public Company Audits from a Regulatory Perspective;
- issuing a public Consultation Paper and analyzed the 21 comment letters received;
- obtaining input from several oversight bodies and others involved in audit work;
- conducting research on current audit firm reporting practices and related regulatory reporting requirements within certain IOSCO member jurisdictions.

In light of what IOSCO has learned, and consistent with the IOSCO objectives of securities regulation, IOSCO believes that an audit firm transparency report could be considered of high quality if the information in the report includes, among other matters,¹ reporting on the following elements: the audit firm's legal and governance structure, its measures to foster audit quality, its internal indicators of audit quality and indicators of audit quality as generated by the work of external bodies.

In presenting these matters, IOSCO believes that an audit firm transparency report should provide information that is:

- clear, useful and presented in sufficient detail to be meaningful to the different groups of likely users of the report;
- fact-based and not potentially misleading;
- unbiased and not oriented toward marketing or selling services;
- concise, specific to the firm and avoids the use of boilerplate language;
- timely, accurate and complete;
- balanced in communicating the audit firm's output measures of audit quality in addition to any input measures; and

¹ IOSCO's views about the information to be contained in an audit firm transparency report do not affect the ability of a jurisdiction, securities regulator and/or audit oversight regulator to develop and implement its own requirements.

MEDIA RELEASE



- sufficient in terms of explaining the limitations of the indicators of audit quality, including that the indicators may not be comparable across audit firms.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in

MEDIA RELEASE



International Organization of Securities Commissions
Organisation Internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

enforcement against misconduct and in supervision of markets and market intermediaries;
and

- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

MEDIA ENQUIRIES

Carla Vitzthum
Outside office hours
Email:
Follow IOSCO on Twitter

+ 34 91 787 0419
+ 34 697 449 639
carla@iosco.org
@IOSCOPress