



IFIAR

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS

Survey of Enforcement Regimes

2022

This report, released on 19 June 2023, includes information collected by IFIAR through its third survey of its Members' enforcement regimes.

Contents

Executive Summary.....	2
Introduction.....	7
Survey Methodology.....	9
Survey Results.....	11
Conclusion.....	47
Further Details.....	49
Appendix: The Survey Questionnaire (including Definitions)	A-1

1 Executive Summary

IFIAR, a membership organization of independent regulators from 54 jurisdictions (Members), surveyed its Members’ *enforcement* regimes (the Survey) for a third time.¹ The Survey’s purpose is to develop an understanding of the mandates, objectives, and legal authority of Members’ *enforcement* regimes, with the goal of sharing information and fostering the discussion of current and emerging *enforcement* issues, methodologies, and techniques.

The 2022 Survey builds upon prior Surveys conducted by IFIAR’s Enforcement Working Group in 2014 and 2018. The 2022 Survey sought information about Members’ *enforcement* programs, including *enforcement* powers and authority; structure of *enforcement* programs; handling and reporting of *enforcement* matters; history and trends relating to *enforcement*; sharing of information with other regulators, and other ideas for *enforcement*-related reform. Forty-seven IFIAR Members (collectively, the “respondents”), covering 87% of all IFIAR Members, responded to the 2022 Survey.²

¹ A copy of the survey questionnaire is attached as an Appendix to this report. It includes the definitions of key terms used in the Survey (see page A-28), which terms are *italicized* throughout the report. The 2014 and 2018 Survey Results were published on 28 April 2015 and 14 December 2018, respectively, and can be downloaded [here](#).

² This report is a summary and analysis of respondents’ responses and is intended to be used for informational purposes. It should not be read to recommend best practices on behalf of IFIAR or its Enforcement Working Group. The 2022 Survey results include responses from the 39 Members that completed the 2018 Survey. Due to the open-ended nature of many questions posed by the Survey, readers should exercise caution when interpreting the facts and figures contained herein, particularly in comparisons of the results of the current and prior Surveys. Finally, although the 2022 Survey identifies differences in the results of the 2018 and 2022 Surveys, where appropriate, an explanation for those differences is provided only in those instances in which respondents’ answers to questions provide a basis for an explanation.

What IFIAR Members' Enforcement Programs Do and Why it is Important?

The *investigation* of possible auditor misconduct and the *enforcement* of domestic regulatory standards and laws are core functions of a majority of the Members of IFIAR. Moreover, the *enforcement* programs of these Members generally oversee activity directed at addressing violations of *audit laws* that may result in the imposition of penalties, punishments, restrictions, or other *disciplinary measures* or *sanctions*. Unlike inspection activity, which identifies deficiencies in an *audit firm's* audit engagements or quality control systems and monitors improvements in those, *enforcement* seeks to improve audit quality results through *adjudication*, *settlement*, and the imposition of *disciplinary penalties or measures* or, depending on the jurisdiction, *remediation measures*. The *enforcement* of *audit laws* is critical to protecting investors and driving audit quality in the public interest because of its deterrent and expressive values, among other reasons.

Some 79% of survey respondents imposed *disciplinary measures* or *sanctions* against at least one *GPPC firm* or associated person during 2018-2021. In total, respondents *sanctioned* at least 1,086 *audit firms* and at least 1,523 *individual auditors* during 2018-2021.

What are the key findings of the 2022 Survey?

- Powers of Enforcement Programs (page 11)
 - **Who investigates, who prosecutes, who disciplines?** All (100%) of respondents indicated that they have the authority to *investigate* potential violations of *audit laws*. Eighty-one percent (81%) of the respondents have the power to refer potential violations of *audit laws* to another body. Seventy-nine percent (79%) of respondents indicated that disciplinary matters developed by their organizations may be *litigated* by their own personnel.
 - **What types of conduct?** In addition to being empowered to address conduct related to failure to comply with audit laws, fifty-one percent (51%) of respondents indicated that they are also empowered to voluntarily address conduct not related to auditing that reflects on integrity or fitness to audit (for example, forgery or personal tax fraud).
 - **Whose conduct?** All (100%) of respondents have *enforcement* authority over *audit firms*, while all but one respondent (98%) have *enforcement* authority over *individual auditors*. However, just about half (51%) have such authority over other individuals or entities associated with an audit such as non-auditor personnel, outside specialists, etc. About forty percent (40%) have *enforcement* authority against others outside of those categories.
 - **Extraterritorial oversight?** Forty-three percent (43%) of respondents indicated that their *enforcement* authority extends to firms domiciled outside their borders.
 - **Other approaches?** The great variation in the mix of *formal* and *informal* measures that respondents use demonstrates that one size does not fit all.

Fifty-five percent (55%) of respondents indicated they use *informal enforcement* as a response to non-compliant behavior. Of those respondents, eighty-one percent (81%) indicated they could apply *informal enforcement* to both *file-specific* and *firm-wide* non-compliant behavior. The most commonly available *informal enforcement* measures are meetings with senior management (available to 22 respondents), action/*remediation* plans (available to 20 respondents), and unofficial warnings (available to 15 respondents).

- **Increased authority?** At least eleven respondents (23%) indicated they had been conferred new *enforcement* powers since the 2018 Survey.
- Structures of Enforcement Programs (page 22)
 - **Distinct from inspections.** A substantial majority of respondents (85%) continue to report they distinguish between *enforcement* and inspections processes even if the same personnel work on both inspection and *investigation* fact-finding and analysis. Of these respondents, more than half (58%) also maintain separate reporting lines for each function.
 - **Distinct from remedial measures.** Most respondents (74%) continue to indicate that they distinguish between *remedial measures* resulting from an inspection and *enforcement* measures or *sanctions*.
- Handling of Enforcement Matters (page 23)
 - **Trend: new sources.** There were appreciable increases from 2018 in the percentage of respondents sourcing investigations through press and media reports (a six-point increase to 94%) and internal fact-finding and risk analysis (a six-point increase to 87%).
 - **Determining monetary sanctions.** When determining the amount of monetary sanctions, the factor most commonly considered is the severity of the underlying conduct (83%). About two-thirds of respondents also considered the following factors: the length of time over which the conduct occurred; impacts on financial markets; impacts on investors; precedential cases; and cooperation in the investigative process.
- Public Disclosure of Enforcement Matters (page 30)
 - **Publication varies widely.** Respondents continue to possess widely varying levels of authority and discretion to publicize information about *enforcement* matters. Some respondents have no authority to publish specific information, while others are required to publish specific information, and still, others have wide discretion to publish various types of information at various stages of the *investigative* process. The percentage of respondents with authority to provide specific factual descriptions in connection with *enforcement* matters was higher in 2022 (60%) versus 2018 (45%).

- **Website and press disclosures.** The vast majority of respondents continue to disclose information about *enforcement* matters on their websites (91%). Still, less than half of respondents (47%) indicated that they issue press or news releases to disclose *enforcement* matters, and about a quarter (26%) disclose *enforcement* matters directly to press or media contacts.
- **Disclosing on social media.** Only a small minority of respondents (15%) utilize social media platforms like LinkedIn or Twitter to inform the public about *enforcement* matters.
- History and Trends (page 33)
 - **Matters involving larger firms.** About four fifths of respondents (79%) reported imposing *disciplinary measures* or *sanctions* against at least one *GPPC firm* or associated person during 2018-2021. Overall, the number of reported *disciplinary measures* and *sanctions* against *GPPC firms* was higher in each of the years covered by 2022 Survey, when compared with the years covered by the 2018 Survey.
 - **What are regulators observing as recurring issues or trends?**
 - Audits where there have been financial statement misstatements— around half of respondents observed recurring issues or trends in *enforcement* matters around misstatements concerning related party transactions (51%), impairments of non-financial assets (51%), revenue recognition (47%), and financial statement disclosures (47%).
 - Audit process issues— the most often cited trends/recurring issues related to audit processes were around audit documentation (72%), fair value measurement and management estimates (62%), and due care or professional skepticism (53%).
 - Quality control issues— more than half of respondents in 2022 observed a trend/recurring issue in *enforcement* matters related to both engagement quality control review (60%) and independence (53%).
 - **Difficult to enforce without bright lines?** Compared with 2018, a smaller (but still significant) percentage of respondents indicated that they face challenges relating to the principles-based nature of applicable ethics codes and independence rules (34% in the 2022 Survey, 50% in the 2018 Survey).
 - **Other challenges.** Respondents cited a very diverse array of challenges in their *enforcement* programs, some of which are likely to affect just a few respondents, but many of which likely impact a large number of audit regulators. See Enforcement Program Challenges on page 41 within Section V.

- **Use of Technology.** Respondents use a variety of software and technology products in their *enforcement* programs. Frequently cited examples included eDiscovery tools, case/document management software, and legal research platforms. Other examples included digital forensics tools, reporting and analytics platforms, and language translation tools.
- Sharing Information with Other Regulatory Authorities (page 42)
 - **Domestic cooperation.** Ninety-four percent (94%) of respondents reported that they can share confidential *investigative* information with certain specific domestic authorities.
 - **International cooperation.** Eighty-one percent (81%) of respondents reported that they can share confidential *investigative* information with foreign authorities if confidentiality arrangements are in place. Among the respondents that have the legal authority to share confidential investigative information with foreign authorities, the vast majority have entered into at least one agreement or understanding governing information sharing with a foreign authority.

Considerations for the Future

The 2022 Survey elicited information about the challenges, strengths, and tools of Members' *enforcement* programs, among other things. This report seeks to share those thoughts so that Members and other regulators may benefit from the Survey respondents' experiences. IFIAR hopes that this 2022 Survey, which updates and expands upon prior Surveys, will provide insights into how the landscape of audit regulation is changing, and will prompt and facilitate discussions and exchanges of ideas among audit regulators about how best to meet new challenges.

Areas that may be of particular interest to Members might include:

- **Increasing Investigations.** In the aggregate, respondents reported opening nearly 50% more investigations in 2021 than they did in 2020. At the same time, individual respondents cited a variety of challenges that might complicate increased investigative workloads, including: inadequate investigative resources; difficulties in accessing and presenting digital information in investigations; non-cooperation in investigations; and lengthy appeals processes in disputed *enforcement* matters.
- **Technology.** The 2022 Survey asked, for the first time, about the use of technology in *enforcement* programs. The responses to that question indicated that Members' use of technology is still developing and diverse. Some Members are employing forensic technology, which could be of interest to Members and other regulators who are encountering recurring issues with non-cooperation or ethical issues around investigations and audit documentation. Some Members are also employing analytics platforms to, among other things, help identify financial reporting anomalies that may warrant *investigation*.

- **Monetary Penalties/Fines.** The 2022 survey asked an expanded set of questions relating to setting monetary penalties/fines, which the vast majority of respondents (87%) are empowered to impose on both *audit firms* and *individual auditors*. Most respondents indicated that penalty/fine amounts are not fixed, and just over half of respondents reported using formal sanctioning guidance. In practice, a wide variety of factors appear to impact the determination of penalty/fine amounts, and there can be significant ranges of penalties applied, even when looking at just the *GPPC firms* and their professionals.
- **Raising Public Awareness.** Similar to 2018, most respondents disclose their *enforcement* matters through their website, but slightly less than half publicize the results in a press or news release, and about a quarter distribute information about *enforcement* actions directly to the press. Very few respondents use social media to disclose *enforcement* matters. There are pros and cons to different public dissemination methods, which Members might find useful to explore.
- **International Cooperation.** A high percentage of respondents continue to report that they are empowered to share confidential *investigative* information with authorities in other jurisdictions. However, many note that they must reach cooperative agreements or understandings with their international counterparts to exercise that power. Members may have opportunities to expand the number of cooperative agreements that they are parties to, which may facilitate their *enforcement* programs.

2 Introduction

IFIAR is an organization comprised of audit regulators from around the world that are independent from the audit profession. IFIAR, currently comprised of 54 Members, focuses on:

- Sharing knowledge of the evolving audit environment and practical experience of independent audit regulatory activity;
- Promoting collaboration and consistency in regulatory activity; and
- Providing a platform for dialogue with other international organizations interested in audit quality.

IFIAR established the **Enforcement Working Group (EWG)** to promote the stronger exchange of information and cooperation in the area of *investigations* and *enforcement* to better enable Members to act in the public interest, including through protecting investors and improving audit quality. The objectives of the EWG are to:

- Develop an understanding of IFIAR Members' *enforcement* regimes with the goal of sharing information, including a discussion of current and emerging *enforcement* issues;
- Hold periodic Enforcement Workshops to provide a forum for all IFIAR Member *enforcement* professionals to exchange information, share ideas, promote professional development, and enhance effectiveness; and

- Develop and strengthen bilateral relationships among *enforcement* officials from IFIAR Members to facilitate *enforcement* cooperation on matters of mutual interest.

The Working Group is chaired by Elizabeth Barrett of the UK FRC. The Vice Chair is Jennifer Cooper of CPAB, Canada. The Enforcement Working Group also includes IFIAR Members from Australia, Canada, Chinese Taipei, France, Germany, Ireland, Japan, South Africa, Switzerland, the United Kingdom, and the United States.³

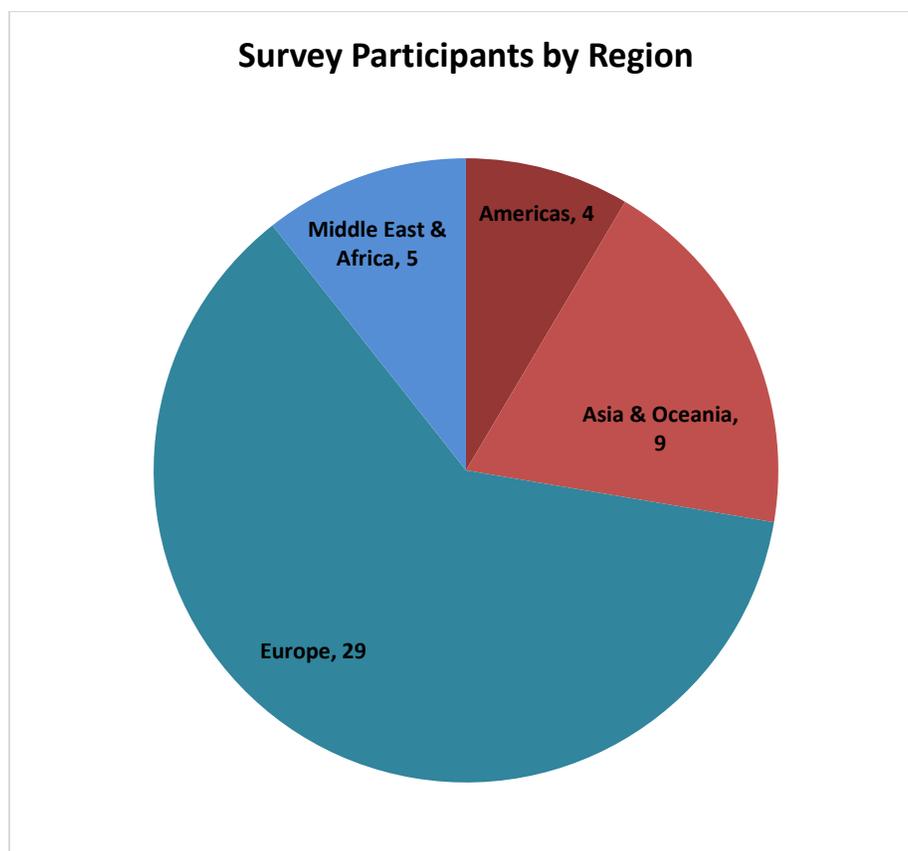
In 2022, the EWG updated its Survey to capture developments and trends in Members' *enforcement* regimes, between 2018 and 2022, both on a yearly and an aggregated basis, when appropriate, to provide Members a resource to facilitate discussions about effective and efficient alternatives, tools, and ways to manage trends, protect investors, and improve audit quality. The 2022 Survey sought information concerning: (i) the powers of the Members' *enforcement* programs; (ii) the structures of their *enforcement* programs; (iii) the handling of *enforcement* matters; (iv) the public disclosure of *enforcement* matters; (v) history and trends relating to *enforcement*; (vi) the sharing of information with other regulatory authorities; and (vii) ideas for *enforcement*-related reform. Because of IFIAR Members' different laws, the Survey defined key terms (not meant to be interpreted as technical terms of art) and encouraged respondents to provide explanatory information concerning how their laws, rules, policies, and practices distinguish matters or define key terms or standards.

³ More information about IFIAR and its activities may be found [here](#). More information about the EWG and its activities on behalf of IFIAR may be found [here](#).

3 Survey Methodology

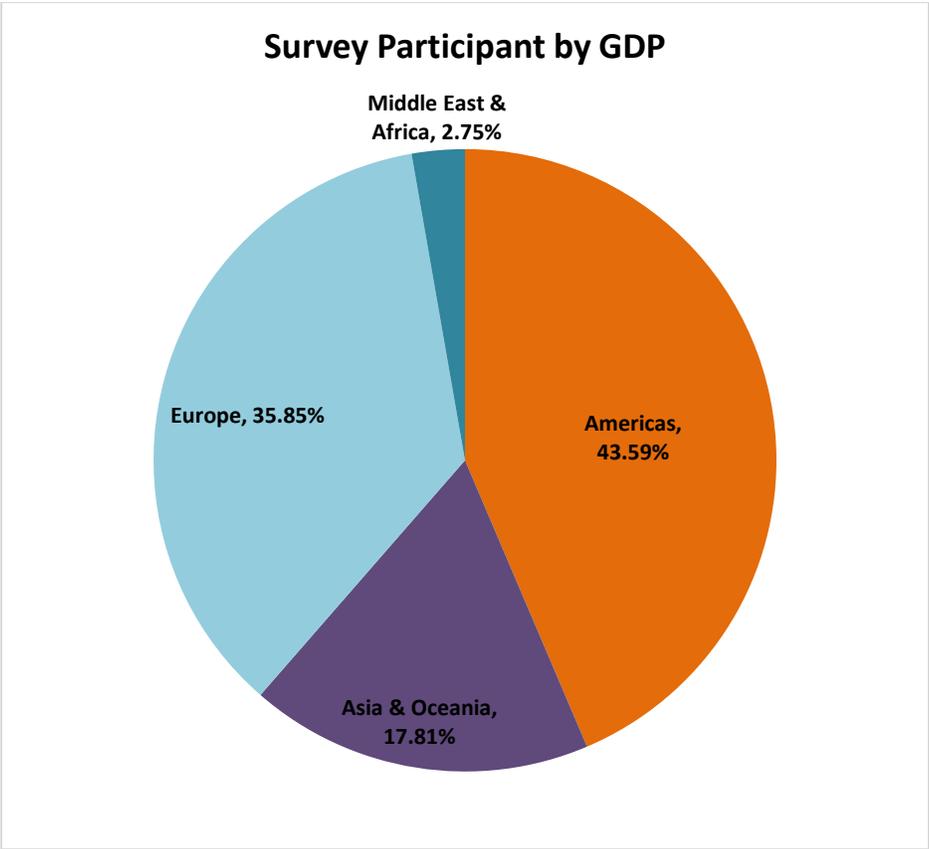
The questionnaire for the 2022 Survey contains seven sections and a total of 86 questions (See [Appendix: The Survey Questionnaire](#)). The EWG used an online portal for IFIAR Members to complete and submit their responses to the Survey. Each IFIAR Member received a link and login credentials to access the Survey by email on 12 October 2022, with a corresponding response deadline of 30 December 2022.

Forty-seven IFIAR Members (87%) submitted responses to the 2022 Survey, representing an eight-point increase in the response rate over the 2018 Survey.⁴ The chart below displays respondents by geographic region:



⁴ Three respondents from the 2018 Survey did not participate in the 2022 Survey.

The chart below presents the respondents by their economies' contribution⁵ to world gross domestic product (GDP) by geographic region. Respondents cumulatively represent about \$62 trillion of global GDP for 2021, which is nearly two-thirds of global GDP for that year.



The following section summarizes these Members' submissions.⁶

⁵ These numbers are approximate. The source was the World Bank, supplemented in one case by IMF data where World Bank data was not available. See *GDP (current US\$) | Data*, THE WORLD BANK (7 March 2023), available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> (2021 GDP data by country and globally); *GDP, current prices | IMF Datamapper*, INTERNATIONAL MONETARY FUND (7 March 2023), available at <https://www.imf.org/external/datamapper/NGDPD@WEO/TWN?zoom=TWN&highlight=TWN> (2021 GDP of Chinese Taipei).

⁶ Not all respondents answered all Survey questions (e.g., not all respondents answered optional questions). Unless otherwise noted, percentages, tables, and other data presented herein are based on the total number of Survey respondents. This report should be used for informational purposes only.

4 Survey Results

I. Powers of Enforcement Programs

The first section of the 2022 Survey (Questions 1 through 29) sought information about the extent of respondents' *enforcement* powers, including the scope of their respective authority and the range of *sanctions* available to them.

- General Enforcement Authority Relating to Audit Laws: All (100%) of the respondents indicated that they have the authority to *investigate* potential violations of *audit laws*. Eighty-one percent (81%) of the respondents also have the power to refer potential violations of *audit laws* to another body.

Eighty-five percent (85%) of respondents indicated they may impose *sanctions* directly, while four percent (4%) indicated that a separate authority must decide a case and impose *disciplinary measures or sanctions*. Among the remaining 11% of respondents, some indicated that their power to impose sanctions directly may depend on the circumstances, such as the misconduct or sanctions being pursued.

Sixty percent (60%) of respondents share *enforcement* authority for *audit laws* with another body in their jurisdiction.

A majority (79%) of respondents indicated that disciplinary matters developed by their organizations may be *litigated* by their own personnel. An additional eleven percent (11%) responded that, in some cases, other authorities' personnel may share *litigation* authority. Ten percent (10%) of respondents indicated that the disciplinary matters they develop are *litigated* by a separate authority, such as a public prosecutor or a magistrate.

All respondents have the authority to investigate potential violations of audit laws and approximately four-fifths have the power to refer potential violations of audit laws to another body and impose sanctions directly. Nearly two-thirds share enforcement authority for audit laws with another body in their jurisdiction.

- Types of Audits Subject to Enforcement Authority: The table below summarizes respondents' *enforcement* authority over audits of *public interest entities (PIEs)* and other entity types.

Type of Audited Entity	2022 Respondents With Enforcement Authority	2018 Respondents With Enforcement Authority	Change ⁷
PIEs	43 (91%)	41 (98%)	↓7 pts.
Non-PIE Private Sector Entities	32 (68%)	25 (60%)	↑8 pts.
Public-Sector Entities	21 (45%)	17 (40%)	↑5 pts.
Other Entities	19 (40%)	17 (40%)	-

For the respondents that indicated that they have the power to *enforce audit laws* with respect to audits of PIEs, the 2022 survey asked those respondents to provide definitions for *PIEs* used in their jurisdictions. Eighty-one percent (81%) of those respondents indicated that they define *PIE* in substantially the same way as defined in the 2022 Survey⁸:

A public interest entity is: (1) an entity that has securities (equity or debt) traded on securities markets and exchanges; or (2) an entity: (a) defined by regulation or legislation as a public interest entity; or (b) for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Respondents that provided their own definitions typically included large, publicly-traded companies. In many cases, they defined PIEs to extend to include specific categories of entities, such as banks, insurance companies, other financial institutions, and even large pension funds and other large institutions of a public character. Many of the respondents whose jurisdiction extends to "other entities" have the power to *enforce audit laws* for audits pertaining to these same types of entities.

⁷ Readers should exercise caution when interpreting the facts and figures contained herein, particularly comparisons of prior Survey results. See fn. 2, *supra*.

⁸ Cf. 2022 Survey, [Appendix: The Survey Questionnaire](#) at page A-29.

- **Types of Parties Subject to Enforcement Authority:** The following table summarizes which parties are subject to respondents' *enforcement* authority. All (100%) respondents have *enforcement* authority over *audit firms*, while all but one respondent (98%) have *enforcement* authority over *individual auditors*. However, just over half (51%) have such authority over other individuals or entities associated with an audit (such as non-auditor personnel, outside specialists, etc.). The table below summarizes respondents' *enforcement* authority over audits of *PIEs* and other entity types.

All respondents have enforcement authority over both audit firms and individual auditors. However, only slightly more than half (51%) have such authority over other individuals or entities associated with an audit.

Type of Party	2022 Respondent With Enforcement Authority	2018 Respondents With Enforcement Authority	Change
Individual auditors	46 (98%)	40 (95%)	↑3 pts.
Audit Firms	47 (100%)	41 (98%)	↑2 pts.
Other individuals or entities associated with audit engagement	24 (51%)	17 (40%)	↑11 pts.
Other	19 (40%)	17 (40%)	-

Examples of "other" parties subject to respondents' *enforcement* authority include banks, broker-dealers, *PIEs* and their board of directors, state-owned enterprises and companies, and other large financial institutions. As compared to the 2018 Survey, the portion of respondents identifying *enforcement* authority over "other" entities remained about the same in 2022.

- **Enforcement Authority Power to Enter the Office of an Audit Firm or Individual Auditor:** A new question in the 2022 Survey asked respondents about their power, with or without prior notice to consent, to enter the office of an *audit firm* or *individual auditor* to confiscate the books and records of an *audit firm* or *individual auditor* or to verify the accuracy of documents or information supplied during an *investigation*. Over half of respondents (55%) have *enforcement* power to enter the office of an *audit firm* or *individual auditor*, with or without prior notice or consent, to confiscate books and records or to verify the accuracy of documents or information supplied during an Investigation.
- **Scope of Enforcement Authority by Type of Party:** The 2022 Survey asked respondents for details about the types of conduct that fall within the scope of their *enforcement* authority over various types of individuals and entities. The table below summarizes the scope of respondents' *enforcement* authority by type of violation for *audit firms* and individual auditors.

Area of Enforcement Authority	2022 Audit Firms	2018 Audit Firms	Change	2022 Individual Auditors	2018 Individual Auditors	Change
Deficiencies in individual audit engagements	45 (96%)	39 (93%)	↑3 pts.	45 (96%)	40 (95%)	↑1 pts.
Deficiencies in firm's quality control	46 (98%)	40 (95%)	↑3 pts.	33 (70%)	28 (67%)	↑3 pts.
Failure to cooperate (by providing documents or truthful information)	45 (96%)	41 (98%)	↓2 pts.	45 (96%)	39 (93%)	↑3 pts.
Performance of audit services without the appropriate license	37 (79%)	N/A	N/A	36 (77%)	N/A	N/A
Failure to register	37 (79%)	32 (76%)	↑3 pts.	35 (74%)	31 (74%)	-
Failure to pay fees	32 (68%)	24 (57%)	↑11 pts.	28 (60%)	22 (52%)	↑8 pts.
Failure to make required filings	42 (89%)	33 (79%)	↑10 pts.	39 (83%)	30 (71%)	↑12 pts.
Ethical failures	42 (89%)	N/A	N/A	42 (89%)	N/A	N/A

As reflected in the chart, for a given type of violation, respondents often have *enforcement* authority over both *audit firms* and individual auditors in similar proportions. The areas of greatest disparity in *enforcement* authority over individual auditors versus *audit firms* were: deficiencies in a firm's quality control (70% of respondents have *enforcement* authority over individual auditors, versus 98% over *audit firms*); and failure to pay fees (60% of respondents have *enforcement* authority over individual auditors, versus 68% over *audit firms*).

Compared with the 2018 Survey results, the areas with the biggest percentage increases in respondents reporting *enforcement* authority, for both *audit firms* and individual auditors, were failures to make required filings (which saw a 10-point increase as to *audit firms*, and a 12-point increase as to individual auditors) and failures to pay fees (which saw an 11-point increase as to *audit firms*, and an 8-point increase as to individual auditors).

The table below summarizes the scope of respondents' *enforcement* authority by type of violation for (a) individuals or entities associated with an audit other than the *audit firm* and individual auditors, and (b) others not captured by the other three categories. As reflected in the chart, for each type of violation, less than half of respondents reported having *enforcement* authority to others extending beyond *audit firms* and individual auditors.

Area of Enforcement Authority	2022 Others Associated with Audit	2018 Others Associated with Audit	Change	2022 Other	2018 Other	Change
Deficiencies in individual audit engagements	16 (34%)	9 (21%)	↑13 pts.	7 (15%)	7 (17%)	↓2 pts.
Deficiencies in firm's quality control	11 (23%)	7 (17%)	↑6 pts.	4 (9%)	2 (5%)	↑4 pts.
Failure to cooperate (by providing documents or truthful information)	20 (43%)	18 (43%)	-	10 (21%)	14 (33%)	↓12 pts.
Performance of audit services without the appropriate license	12 (26%)	N/A	N/A	6 (13%)	N/A	N/A
Failure to register	8 (17%)	3 (7%)	↑10 pts.	5 (11%)	4 (10%)	↑1 pt.
Failure to pay fees	5 (11%)	1 (2%)	↑9 pts.	4 (9%)	2 (5%)	↑4 pts.
Failure to make required filings	6 (13%)	5 (12%)	↑1 pt.	7 (15%)	6 (14%)	↑1 pt.
Ethical failures	13 (28%)	N/A	N/A	10 (21%)	N/A	N/A

- Enforcement Authority over Conduct Not Directly Relating to Auditing: Respondents were also asked whether they were empowered to voluntarily address conduct not related to auditing that reflects on integrity or fitness to audit (for example, forgery or personal tax fraud). About half (51%) of respondents identified that they were empowered to do so. However, all of the remaining respondents noted that they were able to refer such conduct to other authorities.
- Sanctions Available by Type of Party: The 2022 Survey asked respondents to indicate what *sanctions* are available as to the various categories of individuals and entities over which they have *enforcement* authority. The table below summarizes the sanctions that respondents indicated were available to them by type of violation for *audit firms* and individual auditors.

Sanctions Available	2022 Audit Firms	2018 Audit Firms	Change	2022 Individual Auditors	2018 Individual Auditors	Change
Warning	34 (72%)	29 (69%)	↑3 pts.	33 (70%)	28 (67%)	↑3 pts.
Reprimand or Censure	33 (70%)	31 (74%)	↓4 pts.	38 (81%)	33 (79%)	↑2 pts.
Money Penalties or Fines	41 (87%)	35 (83%)	↑4 pts.	41 (87%)	33 (79%)	↑8 pts.
De-registration or De-licensing	40 (85%)	37 (88%)	↓3 pts.	39 (83%)	36 (86%)	↓3 pts.
Dissolution of Audit Firm	11 (23%)	9 (21%)	↑2 pts.	0 (0%)	0 (0%)	-
Temporary or Indefinite Ban on Practicing	41 (87%)	37 (88%)	↓1 pt.	41 (87%)	40 (95%)	↓8 pts.
Restrictions on Activities	36 (77%)	34 (81%)	↓4 pts.	39 (83%)	35 (83%)	-
Remedial Measures or Commands	37 (79%)	36 (86%)	↓7 pts.	31 (66%)	31 (74%)	↓8 pts.
Third-Party Monitor	13 (28%)	11 (26%)	↑2 pts.	12 (26%)	11 (26%)	-
Imprisonment	0 (0%)	0 (0%)	-	10 (21%)	6 (14%)	↑7 pts.
Other Criminal Penalties	5 (11%)	2 (5%)	↑6 pts.	8 (17%)	4 (10%)	↑7 pts.
Other Concepts of Measures or Sanctions	11 (23%)	9 (21%)	↑2 pts.	11 (23%)	8 (19%)	↑4 pts.

The most commonly available sanctions for *audit firms* were monetary penalties/fines (87%), temporary or indefinite bans from practice (87%), deregistering/delicensing (85%), and *remedial measures* (79%). For individual auditors, the most commonly available sanctions were monetary penalties/fines (87%), temporary or indefinite bans from practice (87%), deregistering/delicensing (83%), and restrictions on activities (83%). For both *audit firms* and individual auditors, most respondents can issue warnings, reprimands, or censures.

The table below summarizes sanctions that respondents indicated were available to them for (a) individuals or entities associated with an audit other than the *audit firm* and individual auditors, and (b) others not captured by the other three categories. As reflected in the chart, for these additional categories of individuals and entities, monetary penalties/fines and temporary or indefinite bans from practice are the most commonly available sanctions.

Sanctions Available	2022 Others Associated with Audit	2018 Others Associated with Audit	Change	2022 Other	2018 Other	Change
Warning	10 (21%)	7 (17%)	↑4 pts.	4 (9%)	6 (14%)	↓5 pts.
Reprimand or Censure	10 (21%)	4 (10%)	↑11 pts.	7 (15%)	5 (12%)	↑3 pts.
Money Penalties or Fines	18 (38%)	11 (26%)	↑12 pts.	13 (28%)	13 (31%)	↓3 pts.
De-registration or De-licensing	4 (9%)	2 (5%)	↑4 pts.	4 (9%)	4 (10%)	↓1 pt.
Dissolution of Audit Firm	3 (6%)	0 (0%)	↑6 pts.	0 (0%)	3 (7%)	↓7 pts.
Temporary or Indefinite Ban on Practicing	13 (28%)	6 (14%)	↑14 pts.	9 (19%)	8 (19%)	-
Restrictions on Activities	10 (21%)	9 (21%)	-	4 (9%)	5 (12%)	↓3 pts.
Remedial Measures or Commands	8 (17%)	4 (10%)	↑7 pts.	5 (11%)	4 (10%)	↑1 pt.
Third-Party Monitor	2 (4%)	2 (5%)	↓1 pt.	2 (4%)	2 (5%)	↓1 pt.
Imprisonment	7 (15%)	2 (5%)	↑10 pts.	4 (9%)	4 (10%)	↓1 pt.
Other Criminal Penalties	5 (11%)	1 (2%)	↑9 pts.	5 (11%)	4 (10%)	↑1 pt.
Other Concepts of Measures or Sanctions	2 (4%)	1 (2%)	↑2 pts.	1 (2%)	5 (12%)	↓10 pts.

- Powers in Connection with Audit Opinions: The 2022 Survey asked respondents whether they had the power to take certain actions with respect to an audit opinion. The following table summarizes respondents' responses.

Enforcement Power	2022 Respondents with Enforcement Power	2018 Respondents with Enforcement Power	Change
Order the Audit Firm to execute new audit procedures or to re-perform audit procedures	16 (34%)	12 (29%)	↑5 pts.
Order the Audit Firm to withdraw the audit opinion	10 (21%)	7 (17%)	↑4 pts.
Declare publicly that the audit opinion does not meet the legal requirements	29 (62%)	19 (45%)	↑17 pts.
Declare the audit opinion invalid	8 (17%)	7 (17%)	-
Refer the matter to the securities regulator or another regulator	22 (47%)	25 (60%)	↓13 pts.
None of the above	9 (19%)	8 (19%)	-

Over half of respondents (62%) can publicly declare that the audit opinion did not meet the legal requirements, but only about a fifth of respondents (21%) could order the *audit firm* to withdraw the audit opinion, and only seventeen percent of respondents (17%) could declare the audit opinion invalid. About one-third (34%) of respondents can order the *audit firm* to execute new audit procedures or to re-perform audit procedures. Just

under half (47%) of respondents can refer a matter to another regulator. About one fifth (19%) of respondents indicated they had none of the powers listed.

- **Sanctions Considerations and Criteria:** The 2022 Survey asked respondents if there were aspects or circumstances they were obliged to consider when determining the type and level of *Disciplinary Measures or Sanctions*. Forty respondents (85%) indicated that there are circumstances they are required to consider when determining the type and level of *Disciplinary Measures or Sanctions* (either by law or court rulings, or otherwise). For those respondents citing such a requirement, the chart below illustrates the aspects/circumstances they are most often required to consider:

Required Considerations when Determining Type/Level of Disciplinary Measures/Sanctions	2022 Respondents (n=40)	2018 Respondents (n=30)	Change
Intentional Nature of Conduct (state of mind)	27 (68%)	22 (73%)	↓5 pts.
Gravity of the Violation	38 (95%)	30 (100%)	↓5 pts.
Degree of Responsibility	33 (83%)	26 (87%)	↓4 pts.
Duration of the Violation	34 (85%)	27 (90%)	↓5 pts.
Time Lapse since Violation	22 (55%)	17 (57%)	↓2 pts.
Financial Strength of the Responsible Audit Firm or Individual Auditor	29 (73%)	23 (77%)	↓4 pts.
Amount of Profits Gained or Losses Avoided	30 (75%)	25 (83%)	↓8 pts.
Level of Cooperation	34 (85%)	23 (77%)	↑8 pts.
Previous Violations	36 (90%)	29 (97%)	↓7 pts.
Other	9 (23%)	8 (27%)	↓4 pts.

2022 Survey respondents are most often required to consider the gravity of the violation, previous violations, duration of the violation, level of cooperation, and degree of responsibility. Respondents indicating “other” factors mentioned, among others, potential systemic impacts and general public interest considerations.

A related question asked of all respondents concerned what criteria they were required to apply when imposing Disciplinary Measures or Sanctions. The chart below summarizes the response:

Disciplinary Measures/Sanctions Criteria	2022 Respondents Required to Apply
The gravity and the duration of the breach	43 (91%)
The degree of responsibility of the responsible person	36 (77%)
The financial strength of the responsible person	30 (64%)
The amounts of the profits gained, or losses avoided by the responsible person	31 (66%)
The level of cooperation of the responsible person with your organization	39 (83%)
Previous breaches by the responsible legal or natural person	42 (89%)
Lapse of time	24 (49%)
Other	16 (34%)

When imposing *Disciplinary Measures or Sanctions*, significant majorities of respondents must consider the gravity and duration of the breach (91%), previous breaches by the responsible legal or natural person (89%), and the level cooperation of the responsible person with the organization (83%).

- **Enforcement Authority Over Foreign Audit Firms:** Under half (43%) of respondents indicated that their *enforcement* authority extends to firms domiciled outside their borders. Respondents with such extraterritorial authority were also asked to describe its scope. While the scope of this authority varied among respondents, they typically indicated that their *enforcement* authority extends to any firm that is registered with or has otherwise entered into their regulatory regime, regardless of where the firm is domiciled. Some of the respondents who indicated they have no *enforcement* authority over *audit firms* domiciled abroad described the use of alternative approaches, such as informing the authority where that firm is located and cooperating with that authority as it carries out its *investigation*.
- **Enforcement of Auditing Standards:** All (100%) respondents indicated that they have the authority to *enforce* auditing standards. Fifty-three percent (53%) said they *enforce* the International Standards on Auditing (ISA), without modification. Just under half (47%) stated that they *enforce* the ISA with local modifications or alongside other sets of auditing standards. About a fifth of respondents (19%) indicated that they *enforce* other standards (frequently, domestic standards), and two respondents (4%) said they *enforce* PCAOB Auditing Standards.
- **Enforcement of Ethics Laws:** All (100%) respondents indicated that they have the authority to *enforce* ethics laws, regulations, or codes for professional accountants, including rules governing independence requirements. Thirty percent (30%) said they *enforce* the ethics code issued by the International Ethics Standards Board for Accountants (IESBA Code), without modification. Half of respondents (51%) stated that they *enforce* the IESBA Code with modifications by laws, rules, or regulations. The remaining nine respondents (19%) said they *enforce* ethics rules originally developed in their jurisdiction or region.

- **Other Firm-Wide Enforcement Areas:** In addition to the areas discussed above, the vast majority of respondents (89%) indicated they have *firm-wide enforcement* authority as a response to non-compliant behavior in relation to the *audit firm's* governance and quality control standards. Over three quarters of respondents (77%) indicated they have *firm-wide enforcement* authority as a response to identified non-compliant behavior in multiple audit engagements. Overall, respondents indicated they generally *enforce* at the *firm-wide* level as a result of an inspection, if (i) violations are recurring, (ii) the public interest in doing so is high, or (iii) the violation is deemed severe.
- **Enforcement Style:** The 2022 Survey asked respondents whether they use a cooperative or coercive *enforcement* style in response to non-compliant behavior. Seven respondents (15%) predominantly use a cooperative style, seven respondents (15%) predominantly use a coercive style, and the remaining respondents (70%) said they use neither a predominantly cooperative nor a predominantly coercive *enforcement* style. Rather, their style is determined based on the case at hand.
- **Informal Enforcement:** Twenty-six respondents (55%) indicated that they sometimes make use of *informal enforcement* as a response to non-compliant behavior. That is the same number of respondents that identified they used informal enforcement in the 2018 Survey, but the overall percentage is lower (in the 2018 Survey, the twenty-six respondents represented 62% of all respondents). For respondents that use *informal enforcement*, a substantial majority sometimes choose to do so considering the severity of the non-compliant behavior (88%) or for effectiveness and efficiency (73%). The thresholds that respondents indicated they considered when evaluating the severity of non-compliant behavior included on a case-by-case basis, qualitative criteria from case law and impact to the capital market. Less commonly, some respondents indicated they may choose *informal enforcement* where the *audit firm's* culture was deemed the root-cause for non-compliance (50%), or relevant laws/regulations were not sufficiently clear as to the level of non-compliance (42%). Among the respondents that do not use *informal enforcement* (45%), most indicated that this is generally because they are not legally authorized to do so or because of the lack of procedural rights and transparency.

Fifty-five percent (55%) of respondents indicated they use informal enforcement as a response to non-compliant behavior. For respondents that use informal enforcement, a substantial majority do so considering the severity of the non-compliant behavior (88%) or for effectiveness and efficiency (73%).

Of those respondents indicating they use *informal enforcement*, a majority (81%) indicated they could apply *informal enforcement* to both *file-specific* and *firm-wide* non-compliant behavior, which is lower than the 2018 Survey, where 92% indicated they could apply *informal enforcement* to both. The remainder (20%) only had *informal enforcement* power in relation to *file-specific* non-compliant behavior (8%) or *firm-wide* non-compliant behavior (12%) respectively. When using *informal enforcement*, most can do so in the form of either meeting with senior management (85%) or an action or *remediation* plan (77%); over half (58%) can issue an unofficial warning.

Generally, these respondents used a variety of *informal enforcement* tools. The table below summarizes how the respondents that use *informal enforcement* have employed it against *audit firms* and *individual auditors* from 2018-2021.

Informal Enforcement Tool	2022 Respondents Using Against Audit Firms (n=26)	2018 Respondents Using Against Audit Firms (n=26)	Change	2022 Respondents Using Against Individual Auditors (n=26)	2018 Respondents Using Against Individual Auditors (n=26)	Change
Action/Remediation Plans	19 (73%)	16 (62%)	↑11 pts.	15 (58%)	14 (54%)	↑4 pts.
Unofficial Warning	12 (46%)	14 (54%)	↓8 pts.	11 (42%)	11 (42%)	-
Meeting with Senior Management	20 (77%)	13 (50%)	↑27 pts.	15 (58%)	14 (54%)	↑4 pts.
Other	5 (19%)	3 (12%)	↑7 pts.	5 (19%)	5 (19%)	-

“Other” *informal enforcement* tools that respondents identified for use with *audit firms* included discussions with the representatives of the *audit firm* and requests for additional audit work required or root cause analysis. With respect to individual auditors, “other” *informal enforcement* tools included warning letters, waiver of license, or discussion with auditors.

More than half of the respondents that use *informal enforcement* techniques do so both on a stand-alone basis and in conjunction with *formal enforcement* for file-specific (58%) and firm-wide (58%) non-compliant behaviors. Most of the remainder can impose *informal enforcement* only on a stand-alone basis for file-specific (35%) or firm-wide (38%) non-compliant behaviors. As compared to the 2018 Survey, in 2022, fewer respondents reported they sometimes impose *informal enforcement* in conjunction with *formal enforcement*.

How Respondents Use Informal Enforcement	2022 File-Specific Non-Compliant Behavior Cases (n=26)	2018 File-Specific Non-Compliant Behavior Cases (n=26)	Change	2022 Firm-Wide Non-Compliant Behavior Cases (n=26)	2018 Firm-Wide Non-Compliant Behavior Cases (n=26)	Change
On a Stand-Alone Basis (Only Informal Enforcement)	9 (35%)	8 (31%)	↑4 pts.	10 (38%)	7 (27%)	↑11 pts.
In Conjunction with Formal Enforcement	2 (8%)	2 (8%)	-	1 (4%)	1 (4%)	-
Both on a Stand-Alone Basis and in Conjunction with Formal Enforcement	15 (58%)	16 (62%)	↓4 pts.	15 (58%)	18 (69%)	↓11 pts.

Only three respondents make their use of *informal enforcement* public, and two of them indicated that the identification details of the audited entities are not publicly disclosed in connection with informal enforcement matters. The remaining twenty-one respondents that use *informal enforcement* reported varying rationales for why they do not make

informal enforcement public, including: (i) no legal authorization to do so; (ii) the idea behind the *informal enforcement* is to bring about improvement in audit quality rather than punish; (iii) disproportionate punishment compared to the behavior (i.e., where a publicized *formal enforcement* action would be more appropriate); (iv) these actions are meant to address less serious issues directly with a firm or an auditor and they generally do not raise serious concerns of public interest, and (v) the cooperation of firms are good when *informal enforcement* actions are not public.

- **New Enforcement Powers:** Of the forty-seven respondents participating in the 2022 Survey, twenty-three percent (23%) of them indicated that they had been conferred new *enforcement* powers since the 2018 Survey. The new *enforcement* powers cited by the respondents varied significantly. Several noted that they had been granted power to impose new remedies or stronger penalties. Some others noted their jurisdiction over *audit firms* or types of violations had increased, or that jurisdiction had transferred from one regulatory body to another.

II. Structures of Enforcement Programs

The second section of the 2022 Survey (Questions 30 through 32) concerned the structure of the respondents' *enforcement* programs, particularly the relationship between the *enforcement* and inspection functions.

- **Relationship to Inspections Function:** A significant majority of respondents (85%) reported they distinguish between *enforcement* and inspections processes. In many cases, respondents indicated that the two functions are housed in different organizational units. In others, the distinction is not organizational, but functional, based on the different purposes of the *enforcement* and inspections functions.

Of the respondents that distinguish between *enforcement* and inspections processes, just over half (58%) also maintain separate reporting lines for each function. Many respondents indicated the existence of formal reporting or referral mechanisms between the *enforcement* and inspections functions. At the same time, some respondents also reported that communication could be informal.

The 2022 Survey also asked respondents whether they distinguish between *remedial measures* resulting from an inspection and those resulting from *enforcement* measures or *sanctions*. Most respondents (74%) indicated that they do distinguish between these two types of measures. The 2022 Survey also asked respondents how they make this distinction. Some respondents stated that *remedial measures* tend to have a corrective nature, while *enforcement* measures and sanctions are punitive. Several respondents also explained that *remedial measures* are often voluntary measures taken by an *audit firm*. Additionally, some respondents identified a difference in terms of who is able to impose the different types of measures. Some respondents also explained that *remedial*

Most respondents (85%) reported that they distinguish between enforcement and inspections processes, but some respondents formally separate these processes in different organizational units, and other respondents functionally separate the processes based on their purposes.

measures are often tied to quality control deficiencies found during the course of an inspection, while *enforcement* measures may be a result of violations of *audit laws* or when a firm has not adhered to inspections recommendations.

III. Handling of Enforcement Matters

The third section of the 2022 Survey (Questions 33 through 60) sought detailed information concerning the processes and procedures utilized by respondents in identifying potential *enforcement* cases, carrying out *investigations*, and other aspects of their *enforcement* programs.

- **Case Identification:** The 2022 Survey asked respondents which sources of information they used to identify potential *enforcement* matters. As summarized in the table below, nearly all respondents reported that inspections (98%); referrals from other authorities (98%); and tips, complaints, and whistleblowers (100%) were sources of information. Moreover, most respondents also cited press and media reports (94%), internal fact-finding and risk analysis (87%), and review and analysis of public filings (72%) as sources of case identification information. As illustrated by the table below, comparing the 2018 and 2022 Survey results reveals a degree of consistency in the sources respondents most commonly use to identify potential *enforcement* matters. However, there were appreciable increases in the percentage of respondents sourcing investigations through press and media reports (a six-point increase to 94%) and internal fact-finding and risk analysis (a six-point increase to 87%).

Question

What were the most common sources of information used to identify potential enforcement matter?

- *Tips, complaints, and whistleblowers (100%);*
- *Inspections (98%);*
- *Referrals from other authorities (98%).*

Source	2022 Respondents Using Source	2018 Respondents Using Source	Change
Inspections	46 (98%)	42 (100%)	↓2 pts.
Referrals from Other Authorities	46 (98%)	42 (100%)	↓2 pts.
Tips, Complaints, and Whistleblowers	47 (100%)	41 (98%)	↑2 pts.
Press and Media Reports	44 (94%)	37 (88%)	↑6 pts.
Internal Fact-Finding and Risk Analysis	41 (87%)	34 (81%)	↑6 pts.
Review and Analysis of Public Filings by Regulated Entities	34 (72%)	31 (74%)	↓2 pts.
Monitoring of Third-Party Claims (such as Private Lawsuits)	19 (40%)	18 (43%)	↓3 pts.
Other	1 (2%)	4 (10%)	↓8 pts.

Regarding these sources of information, about half of respondents (53%) indicated they were required to initiate an *investigation* in some circumstances. Of those respondents indicating they were required to *investigate*, some indicated they were required to *investigate* regardless of the source of conduct—generally, as a matter of principle—while some indicated they were required to *investigate* only if the information came from a specific source(s), like inspections or press and media reports.

Respondents that were not specifically required to *investigate* any particular circumstance generally had discretion on when to initiate an *investigation*. Some respondents indicated that they considered numerous factors in determining whether to *investigate*, such as whether it is likely that the suspected violation can be proven or whether a suitable remedy is available. Many of these respondents noted they could first informally obtain additional information (e.g., through interviews or documents) before deciding to take *formal enforcement* action.

- **Criteria for Pursuing Investigations:** The 2022 Survey asked respondents to describe the set of criteria they considered in determining whether to launch an *investigation*. The following table summarizes the responses.

Criterion	2022 Respondents Considering Criterion	2018 Respondents Considering Criterion	Change
Investor harm	39 (83%)	34 (81%)	↑2 pts.
Public Interest Considerations Other Than Investor Harm	43 (91%)	39 (93%)	↓2 pts.
Materiality	40 (85%)	37 (88%)	↓3 pts.
Nature of Accounting and Auditing Issues Involved	41 (87%)	36 (86%)	↑1 pt.
Resource Constraints	20 (43%)	16 (38%)	↑5 pts.
Other	12 (26%)	10 (24%)	↑2 pts.

As compared to the 2018 Survey, the criteria used by respondents in determining whether to launch an *investigation* has remained relatively constant. However, there was a five-point increase in the percentage of respondents citing resource constraints as a factor in their decisions.

Other criteria respondents considered included: (i) the credibility of the source of information, (ii) materiality, (iii) nature of the violation, (iv) potential third-party damages, (v) potential impact on the market and investors, (vi) history of the auditor or *audit firm*, and (vii) other considerations of general public interest. A few respondents indicated that they *investigate* every complaint received by the agency.

- **Procedures for Approving the Commencement of Investigations:** Because of the varying organizational structures, respondents have adopted varying procedures for approving the commencement of *enforcement investigations*. The two most common models were (i) approval by an individual who is the head of the organization or of the organizational

unit responsible for *enforcement* activity, or (ii) approval by the governing board or body or by a subcommittee thereof. In some cases, a committee made a recommendation to an organizational head or vice-versa. In addition, some respondents indicated that *investigations* were at least initially commenced by their staff generally or by a small group of senior leaders in the organization. One respondent indicated that its regulations directly specified whether to commence an *investigation*. Most (72%) respondents indicated a person or body internal to the organization must approve whether to launch an *investigation*.

- **Investigative Powers:** The 2022 Survey sought information from respondents concerning the *investigative* tools available to them in *enforcement investigations*. The set of tools available to respondents, as shown in the table below, has remained relatively similar since the 2018 Survey.

Investigative Power	2022 Respondents with Investigative Power	2018 Respondents with Investigative Power	Change
Compel the Production of Documents	44 (94%)	39 (93%)	↑1 pts.
Compel Answers to Specified Questions	43 (91%)	40 (95%)	↓4 pts.
Compel Oral Testimony	38 (81%)	34 (81%)	-
Inspect Physical Premises	36 (77%)	31 (74%)	↑3 pts.
Other	6 (13%)	8 (19%)	↓6 pts.

Other *investigative* powers included the power to compel an expert witness to appear and provide an expert opinion, the power to obtain access to audit files, and the power to obtain copies of present accounts, documents, or any objects related to audits. One respondent also indicated that it does not have coercive powers.

Nearly all respondents indicated they could use the *investigative* tools discussed above against *audit firms* (98%) and *individual auditors* (98%). Most respondents said they could also use their *investigative* tools on audited entities (70%) and persons involved in the activities of an *individual auditor* or *audit firm* (66%). Other respondents indicated they could *investigate* members of an audit committee or board of directors, individuals exercising the activity of an auditor without a license, third parties to whom an auditor has outsourced functions or activities, professional bodies, and any person believed to have relevant information with respect to an *investigation* or case.

Nearly all respondents indicated they could use the *investigative tools* available to them against *audit firms* (98%) and *individual auditors* (98%). More than two thirds of respondents reported they could use their *investigative tools* on audited entities (70%) and persons involved in the activities of an *individual auditor* or *audit firm* (66%).

The 2022 Survey also asked whether their exercise of *investigative* powers was subject to any limitations. A majority (68%) of respondents indicated they had no limitations. Some respondents identified procedural and administrative limits, such as due process, statute of limitations, and jurisdiction over certain actors (e.g., third-parties, only *PIEs*, carve-outs for financial institutions). Some respondents indicated that an individual or entity needed to be registered for them to exercise investigative powers over them. Other respondents identified other legal limits, such as search warrants for phone tapping, legal thresholds for *investigation* (e.g., investigative power needs to be proportionate), and privileged information. One respondent emphasized that its *investigative* powers could not compel information from auditors and *audit firms*.

- **Determination to Take Enforcement Action:** Respondents follow a variety of models concerning the determination of whether to take *enforcement* action upon the conclusion of an *investigation*. Most often, a body within the respondent’s oversight agency is responsible for making this determination. Respondents typically referred to this body as a Commission, Committee, Counsel, Board, or Panel. One respondent stated that the Minister of Finance in their country was responsible for this determination. Seven respondents indicated that this decision was made by a chairperson within the respondent’s oversight agency. If it is determined that an *enforcement* action should be brought, respondents indicated that they will bring claims such as: breaches of the laws or standards; professional misconduct and bringing the profession into disrepute; non-compliance with ISA, Code of Ethics, or law; not-meeting continuing education requirements; and non-performance or improper performance of professional duties (i.e., non-compliance with independent requirements, violation of international auditing standards). About a quarter (26%) of respondents reported that approval was not necessary to take *enforcement* action. The remaining respondents (74%) needed approval from within the organization to take *enforcement* action.
- **Evidentiary Burdens:** The 2022 Survey asked respondents to indicate what standard of proof applied in an *adjudication* to determine whether to impose *sanctions* or *remediation*. The following table summarizes the information provided by the respondents.

Standard of Proof Applied in Adjudicated Proceedings	2022 Respondents Applying the Standard	2018 Respondents Applying the Standard	Change
Preponderance of the Evidence	25 (53%)	18 (43%)	↑10 pts.
Proof Beyond a Reasonable Doubt	19 (40%)	17 (40%)	-
Other Standard	8 (17%)	10 (24%)	↓7 pts.
No Specific Standard	9 (19%)	9 (21%)	↓2 pts.

Some of the respondents identifying that they must meet an “Other Standard,” or that selected more than one burden of proof, explained that their jurisdictions applied

different standards for types of cases (e.g., criminal and civil). Three respondents selecting “Other Standard” identified that they follow a “balance of the probabilities” standard, which may be functionally equivalent to preponderance of the evidence in many jurisdictions.

Nearly all respondents (96%) indicated that the evidentiary standard on appeal is the same as the standard in the initial *adjudication*. One respondent reporting a different standard on appeal identified that there was no specific standard to impose sanctions, but, on appeal, the burden of proof rests with a defending public institution, state employee, or public servant.

- Confidential or Non-public Disciplinary Measures or Sanctions: The 2022 Survey asked respondents whether they ever impose confidential or non-public *sanctions*. Twenty respondents (43%) indicated that they can impose confidential or non-public *disciplinary measures or sanctions*, in at least some circumstances. However, the great majority indicated that they also impose public sanctions, and many indicated a general practice of making sanctions public. Some respondents indicated that they sometimes impose non-public, confidential, or anonymized sanctions taking into account proportionality considerations or negative impacts on financial stability or financial markets. Some respondents indicated that *disciplinary measures* with respect to less serious misconduct are not generally disclosed.

See Public Disclosure Limitations on page 33 within Section IV for additional information on respondents’ disclosure abilities.

- Limitations on the Imposition of Sanctions: Most respondents (68%) indicated that there are no limitations on the imposition of sanctions, in combination or in isolation, within their organization. For respondents that indicated there were limitations on the imposition of sanctions (32%), respondents identified limitations related to: (i) the maximum amount of pecuniary sanctions; (ii) the length of time for which carrying out audits can be prohibited; (iii) the time within which sanctions must be imposed (statute of limitations), which may vary according to the severity of the conduct; (iv) prohibitions on imposing additional sanctions for conduct that has already been sanctioned by another regulator.

The 2022 Survey also specifically asked all respondents if they at least consider whether sanctions have been or may be imposed for the same misconduct by another authority when deciding whether to impose sanctions. About half (49%) of respondents indicated that they did consider such sanctions or potential sanctions by other authorities.

- Sanctions Guidance and Criteria: Over half of respondents (53%) reported that they use formal sanctioning guidance. Most respondents (64%) indicated that they use the same criteria for sanctioning *audit firms* and *individual auditors*.
- Information Regarding Monetary Sanctions: The most-often cited factor in determining the amount of a monetary penalty or fine to be imposed was the severity of the conduct

(83%), followed by precedent set in cases involving similar conduct (68%), the duration of the conduct (66%), impacts on the financial markets (66%), impacts on investors (66%), cooperation in the *investigation* (66%), and the financial strength of the respondent (55%). Finally, about one-third or less of respondents identified that they considered: size of firm (36%); strength of case (32%); and lapse of time (28%).

- The 2022 Survey asked if the amount of monetary sanctions is “fixed” in relation to breaches, violations, or conduct. Half of respondents (51%) said that their sanctions are not fixed, about a third (32%) said that their sanctions are fixed, and the remainder (17%) said that their sanctions are fixed in some circumstances (ranges set by law; methodology established by regulator; not having a practice of imposing monetary sanctions, etc.).
- The 2022 Survey additionally asked if there was a difference in how monetary sanctions were assessed against *individual auditors* as opposed to *audit firms*: nearly half (47%) responded that there was always a difference, slightly fewer (43%) responded that there was no difference, and the remainder (11%) responded that there was sometimes a difference (including jurisdictions where the regulator(s) noted: an *audit firm* cannot be sanctioned; the financial strength of the *individual auditor* is considered; the regulator does not have a practice of imposing monetary sanctions; or the regulator includes some factors which may only apply to either an *audit firm* or an *individual auditor* in its “facts and circumstances” approach to imposing monetary sanctions).
- The 2022 Survey also asked if there was a difference in how monetary sanctions were assessed against larger *audit firms* or *GPPC Firms* versus smaller *audit firms*. Most (72%) said there was no difference. About a fifth (19%) said there was a difference. The remainder (9%) said that there is sometimes a difference (this included multiple jurisdictions that consider the financial strength of the respondent *audit firm* and one jurisdiction that does not have a practice of imposing sanctions on *audit firms*).
- The 2022 Survey also asked whether there were minimum and maximum legal limits for monetary sanctions. This question also asked about changes in these limits during the years 2018-21. The respondents reported broadly different ranges; however, the ranges appeared to remain relatively level during the period 2018-21. For the most recent reported year, 2021: (a) the average reported minimum and maximum monetary penalties available against *individual auditors* were \$2,045 and \$785,274, respectively; and (b) the average reported minimum and maximum monetary penalties available against *audit firms* were \$2,340 and \$1,826,168, respectively. For 2021, monetary penalties available against *individual auditors* ranged, in absolute numbers, from \$0 to \$8,959,771; and (b) monetary penalties available against *audit firms* ranged, in absolute numbers, from \$0 to \$21,543,299.

- The 2022 Survey also asked respondents whether the legal limits on maximum monetary sanctions allowed such penalties to serve as effective instruments of deterrence. Most respondents (72%) said that they were effective instruments of deterrence and the remainder (28%) said that they were not.
- The 2022 Survey asked, as well, what is done with funds collected from monetary sanctions: 38% of respondents reported that the funds were forfeited to another government agency and 17% reported that the regulator used these funds for its own activities. 45% of respondents, however, reported that the funds are used for “other” purposes (e.g., some respondents explained that the money is allocated to state budget or national treasury, while one respondent reported that such funds are used for scholarships for accounting students).
- The 2022 Survey also asked what tools are available if a respondent fails to pay a monetary sanction: 57% of respondents said the sanction can be enforced via a court order, 21% said the sanction can be enforced by an order from an administrative *tribunal*, 15% said the *audit firm* can be suspended from auditing public companies until the sanction is paid, and 2% said funds may be donated or used as a compensatory payment. 34% of respondents also replied “other” (identifying tools such as: transfer of decision to state treasury for collection; listing the amount due as an active debt of the auditor; transfer of the debt to the tax office for collection; and bringing foreclosure proceedings against the debtor).
- Criminal Liability: The 2022 Survey also asked whether the respondents’ jurisdictions had the authority to criminally prosecute *individual auditors* or *audit firms* for violations of *Audit Laws*: 23% said “yes” and 77% said “no.”
- Power to Levy Fees for Conducting Investigations: Most respondents (68%) reported that they did not have the power to levy or charges fees for conducting investigations. Of the fifteen respondents who do have the power to charge fees (32%), seven can only do so if sanctions are imposed. Some of the respondents mentioned that the fees charged are fixed by national legal regulations. Most respondents charge fees amounting to the procedural costs that have been incurred. In some jurisdictions, charging fees is discretionary depending on the circumstances of the case. One respondent stated that *investigation* fees are charged as annual fees to all *audit firms*.
- Power to use Other Tools and Measures Instead of Sanctions: The 2022 Survey asked respondents if, after an *investigation*, they had the power to use other tools or measures designed to modify behavior and reduce violations of their *audit laws*, in addition to or instead of seeking *disciplinary measures or sanctions*. Approximately 68% indicated that they do have such authority and 32% indicated that they do not. Of the regulators that are authorized to use other tools or measures post-*investigation*, the following tools or measures were repeatedly identified: mandatory undertakings by the auditor; quality control improvement suggestions from the regulator; and the regulator publishing either anonymized or non-anonymized public reports and guidance.

IV. Public Disclosure of Enforcement Matters

The fourth section of the 2022 Survey (Questions 61 through 70) requested information about respondents' authority and practices concerning the public disclosure of *enforcement* and disciplinary matters.

- **Authority to Publicly Disclose Information:** Respondents reported various degrees of discretion concerning their authority to publicly disclose information relating to *enforcement* matters at various stages of the *enforcement* process. However, as the table below notes, in 2022, no respondents reported that their *enforcement* matters were always non-public.

The Survey responses also indicated that the stage at which an *enforcement* matter becomes public may differ depending on the procedural path the matter follows. A majority of respondents (53%) indicated that they have authority to publicly disclose information about an *enforcement* matter following imposition of a disciplinary measure or sanction. However, some respondents indicated that publication may be delayed in some circumstances until either the expiration of the time to appeal or, if an appeal is made, a decision on appeal. Most respondents (62%) indicated that an *enforcement* matter may become public upon the issuance of a decision in an appeal or other review of a decision in a disciplinary proceeding. Among the respondents that selected "other" (21%), a number of the respondents indicated that information may be made public if it is deemed in the public interest.

Disclosure of the enforcement process varies but occurred most frequently during these stages:

- Upon imposition of disciplinary measure or sanction (53%)
- Upon expiration of period during which party may appeal or seek review of decision (49%)
- Upon issuance of decision in an appeal or other review of a decision (62%)

Stage	2022 Respondents with Authority to Publicly Disclose Information About an Enforcement Matter	2018 Respondents with Authority to Publicly Disclose Information About an Enforcement Matter	Change
Never	0 (0%)	2 (5%)	↓5 pts.
Upon commencement of an Investigation	7 (15%)	9 (21%)	↓6 pts.
During the course of an Investigation	6 (13%)	6 (14%)	↓1 pts.
At the conclusion of an Investigation	11 (23%)	9 (21%)	↑2 pts.
Upon the institution of a Disciplinary Proceeding	7 (15%)	8 (19%)	↓4 pts.
Upon the issuance of an initial decision in a Disciplinary Proceeding	9 (19%)	7 (17%)	↑2 pts.
Upon the imposition of a Measure or Sanction in a Disciplinary Proceeding	25 (53%)	24 (57%)	↓4 pts.
Upon the commencement of an appeal or other review of a decision in a Disciplinary Proceeding	11 (23%)	14 (33%)	↓10 pts.
Upon the expiration of any applicable period during which a party may appeal or otherwise seek review of a decision in a Disciplinary Proceeding	23 (49%)	22 (52%)	↓3 pts.

Upon the issuance of a decision in an appeal or other review of a decision in a Disciplinary Proceeding	29 (62%)	22 (52%)	↑10 pts.
Other	10 (21%)	7 (17%)	↑4 pts.

- **Publicly Disclosable Information:** The 2022 Survey also asked respondents what information they could disclose if they are able to publicly disclose information about an *enforcement* matter. The following table summarizes the Survey responses.

Information to be Publicly Disclosed	2022 Respondents Publicly Disclosing	2018 Respondents Publicly Disclosing	Change
Name of Audit Firm(s) Involved	43 (91%)	39 (93%)	↓2 pts.
Name of Individual(s) Auditors Involved	39 (83%)	32 (76%)	↑7 pts.
Name of third parties involved (e.g., Audited Entity)	23 (49%)	17 (40%)	↑9 pts.
Specific Description of Facts	28 (60%)	19 (45%)	↑15 pts.
General Description of Misconduct	41 (87%)	34 (81%)	↑6 pts.
Other	14 (30%)	8 (19%)	↑11 pts.

A significant majority of respondents indicated they could publicly disclose the name of the *audit firm* (91%) and the names of *individual auditors* involved (83%). A similarly sized majority (87%) indicated they could publicly disclose a general description of any misconduct. In the aggregate, for most categories of information, the percentage of respondents empowered to disclose that information was higher in 2022 than in 2018.

- **Media for Public Disclosure about Enforcement Matters:** The 2022 Survey also asked respondents what media they utilize to publicly disclose *enforcement* matters. The following table summarizes respondents' answers.

Medium for Public Disclosure	2022 Respondents Using Medium	2018 Respondents Using Medium	Change
Your Organization's Website	43 (91%)	36 (86%)	↑5 pts.
Press Release or Other News Release	22 (47%)	17 (40%)	↑7 pts.
Distribution Directly to Press or Media Contacts	12 (26%)	10 (24%)	↑2 pts.
News Conference	4 (9%)	6 (14%)	↓5 pts.
Social Media (Facebook, Twitter etc.)	7 (15%)	5 (12%)	↑3 pts.
Other	13 (28%)	24 (57%)	↓29 pts.

Nearly all respondents (91%) indicated that they publish information on the organization’s website. Additionally, many respondents publicly disclose information through a press release or news release (47%) or by directly distributing information to press or media contacts (26%). Some respondents (15%) disclose *enforcement* matter information through social media, such as Facebook or Twitter. Few respondents (9%) utilize news conferences to disclose information about *enforcement* matters.

- **Public Disclosure Limitations:** The 2022 Survey asked respondents that were able to publicly disclose information about *enforcement* matters whether they had any limitations on their authority to do so. Just over one third (34%) of respondents indicated no limitations applied to their abilities to publicly disclose information about *enforcement* matters. Just over one third (34%) indicated they were limited as to which categories of information they could publicly disclose. Limitations of disclosure information were often tied to interests in anonymizing third parties and audit papers being confidential. Other limitation considerations included: (i) where publication would jeopardize the stability of financial markets; (ii) where publication would jeopardize an ongoing criminal investigation; (iii) where publication would cause disproportionate damage to relevant legal or natural persons; and (iv) where, in the event the sanction is imposed on a natural person, publication of personal data of the natural person is considered to be disproportionate. Some respondents indicated that the relevant authority may decide the scope and extent of the disclosure.

Public Disclosure Limitation	2022 Respondents with Public Disclosure Limitation	2018 Respondents with Public Disclosure Limitation	Change
No	16 (34%)	15 (36%)	↓2 pts.
Yes, Separate Approval is Required	3 (6%)	1 (2%)	↑4 pts.
Yes, Disclosure of Certain Categories of Information is Forbidden	16 (34%)	17 (40%)	↓6 pts.
Other	12 (26%)	9 (21%)	↑5 pts.

See Confidential or Non-public Disciplinary Measures or Sanctions on page 27 within Section III for additional details on respondents’ disclosure abilities.

- **Announcement of the Launching of Investigations:** Most respondents (81%) indicated that they do typically announce the opening of an *investigation*. However, some respondents indicated that this depended on the circumstances, such as public interest.
- **Use of Social Media to Disclose Investigations:** Only one respondent indicated that it used social media to inform the public about the launch of an *investigation*. Of those that do not use social media (98%) to inform the public of an *investigation* launch, many indicated that this was due to legal impediments (50%) or policy reasons (35%), such as that the organization simply does not have social media.

However, five respondents (11%) indicated they also use social media to inform the public of the outcome of an *investigation*. Of the five respondents who used social media to inform

the public on the outcome of an *investigation*, four use LinkedIn, three use Twitter, and two use Facebook.

- **Public Disclosure When There are Sanctions:** Most respondents (72%) indicated that, where a sanction was imposed, the reasons for the sanctions are made available to the public. Most respondents (66%) also indicated that they may make summaries or redacted forms of the reasons for sanctions public. Among those that make summaries or redacted statements available, most (90%) do so on their organizational website.
- **Public Disclosure When There is No Enforcement Outcome:** Following an *investigation* where there is no *enforcement* outcome, most respondents (85%) indicated that the reasons for the decision are not made available to the public. Of the seven respondents (15%) that indicated the reasons for the decision are made available to the public, six indicated that a summary or redacted form of the reasons for the decision is made available. One respondent noted that such a summary is only made available in criminal cases.

V. History and Trends

The fifth section of the 2022 Survey (Questions 71 through 79) concerned the history of respondents' *enforcement* programs, including patterns and trends in imposing *sanctions* and the challenges respondents face in their *enforcement* programs.

Disciplinary Measures or Sanctions Against GPPC Firms and Partners: The 2022 Survey asked respondents whether they imposed *disciplinary measures or sanctions* against a *GPPC firm* or an associated person of a *GPPC firm* during 2018-2021. Most respondents (79%) identified that they had imposed *disciplinary measures or sanctions* against at least one *GPPC firm* or associated person during that period. However, some survey respondents identified that they were unable to disclose certain sanctions data due to confidentiality requirements. Six of the respondents that confirmed they had sanctioned a *GPPC firm* or associated person indicated that one or more of their sanctions were on appeal or otherwise pending review.

- **GPPC Disciplinary Measures and Sanctions:** The following tables⁹ summarize the *disciplinary measures and sanctions* that the respondents disclosed against *GPPC firms* and associated persons of those firms for the years 2018-2021.

Disciplinary Measures and Sanctions – GPPC Firms	2018	2019 ¹⁰	2020	2021
Disciplined or Sanctioned GPPC Firms	38	44	40	62

⁹ Due to the narrative nature of the survey responses to Question 71, and differences among the sanctions and terminology used by the survey respondents, some judgment and assumptions were required to classify and quantify certain sanctions. Additionally, some survey respondents were limited in the information they could provide, and some responses did not include full details. As a result, the true count for each category may be different than the count reflected in the table, and the table may undercount the total number of *GPPC firms* and/or *GPPC* associated persons subject to sanctions.

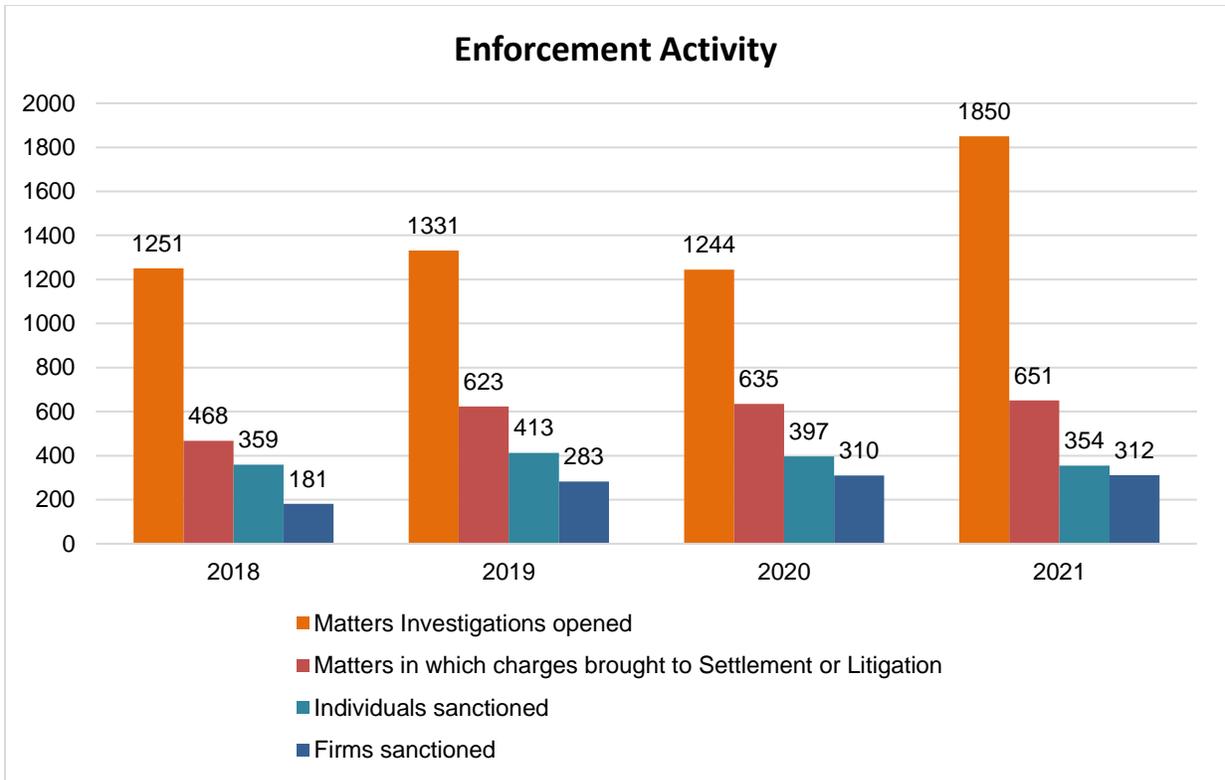
¹⁰ Four of the fines imposed in 2019 and included in this table were later vacated on appeal. Three of the vacated fines exceeded \$1,000,000 USD. One of the vacated fines was between \$100,000 and \$999,999 USD.

Disciplinary Measures and Sanctions – GPPC Firms	2018	2019 ¹⁰	2020	2021
De-Licensing, Deregistration, Suspensions	0	1	0	0
Fines Imposed	35	31	18	25
Less than \$100,000 USD	22	8	8	5
\$100,000 to \$999,999 USD	5	10	4	9
\$1,000,000 USD or More	5	9	3	11
Unspecified or Unknown	3	4	3	0
Other Restrictions, Disciplinary Measures or Sanctions	12	35	33	55

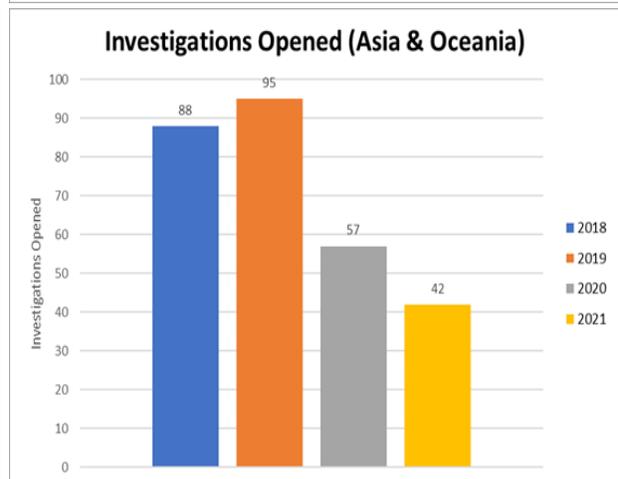
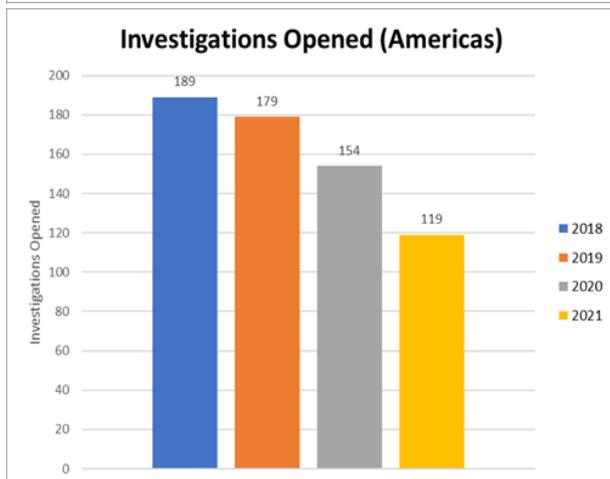
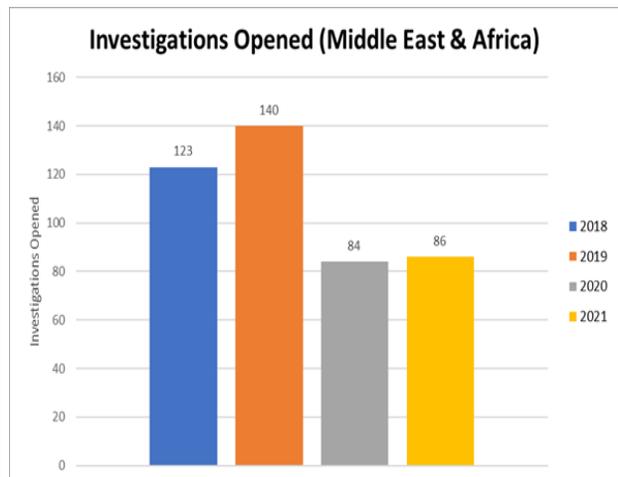
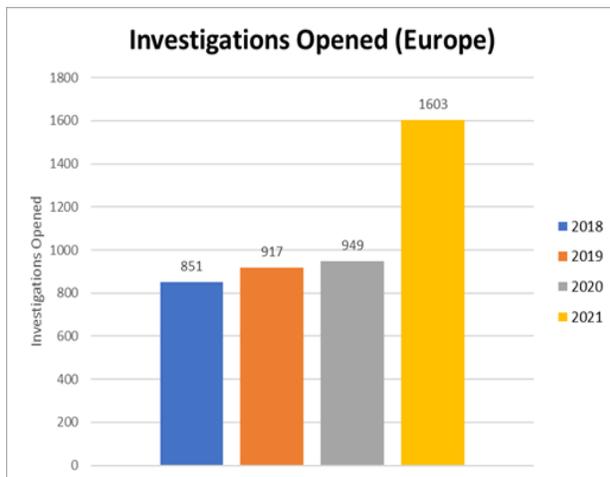
Disciplinary Measures and Sanctions – GPPC Associated Persons (Individual Auditors)	2018	2019	2020	2021
Disciplined or Sanctioned GPPC Associated Persons	45	79	61	92
Bars, Suspensions, De-Licensing:	12	14	4	12
1 year or less	2	6	1	7
More than 1 year, less than 3 years	7	6	2	4
3 years or more	2	1	1	1
Unspecified or Undisclosed Length	1	1	0	0
Fines Imposed	23	35	23	61
Less than \$10,000 USD	3	4	2	35
\$10,000 to \$29,999 USD	6	12	10	11
\$30,000 to \$49,999 USD	2	5	5	1
\$50,000 to \$99,999 USD	7	4	2	6
\$100,000 USD or More	4	7	3	8
Unspecified or Unknown	1	3	1	0
Other Restrictions, Disciplinary Measures or Sanctions	28	49	25	43

- **Overall Enforcement Activity Level:** The 2022 Survey also asked respondents about their *enforcement* activity level regarding *investigations* opened, charges brought, individuals sanctioned, and firms sanctioned. The following graph summarizes respondents' reported results.¹¹

¹¹ Some respondents said their information concerning *enforcement* activity level was confidential, declined to answer, said no information was available, or were not yet established. As a result, it is possible that the numbers in the table understate the true numbers.



On an aggregate level, the data suggests an overall increase in the number of matters and investigations opened in 2021, after remaining relatively stable from 2018 to 2020. However, when broken down by respondent GDP and region, different trends emerged.



Among respondents in the top quartile of respondent GDPs the number of matters and investigations opened decreased from a high of 635 in 2018, to a low of 554 in 2020, and then increased to 601 in 2021. The number of matters and investigations opened by respondents in the second-highest quartile of respondent GDP steadily increased in each successive year, with a low of 283 in 2018, and a high of 651 in 2021. The next quartile also increased its number of matters and investigations from 276 in 2018 to 443 in 2021, but with a low in 2020 of 216. The final quartile also saw a significant increase from 57 in 2018 to 155 in 2021.

Regionally, the most pronounced trend occurred in the total number of matters and investigations opened by respondents in Europe, which gradually increased from 851 in 2018 to 949 in 2020, and then jumped to 1603 in 2021. The Americas, Asia/Oceania, and Africa/Middle East regions each, in the aggregate, reported fewer matters and investigations opened in 2020 and 2021 than in the two preceding years.



BEHIND THE NUMBERS

Changes in the number of matters and investigations opened from 2018 to 2021 were not similar across respondent GDP quartiles and regions.

The number of investigations opened by respondents in the top quartile of respondent GDP remained relatively consistent, compared to pronounced percentage increases in investigations from 2018 to 2021 for each of the other quartiles.

The reported increase in matters and investigations reported in 2021 appears to stem largely from increases by respondents in Europe. Other regions saw decreases in the number of matters and investigations opened during the pandemic years of 2020 and 2021.

- **Range and Mix of Disciplinary Measures and Sanctions:** As discussed within [Sanctions Available by Type of Party](#) on page 15, respondents indicated that the range of *disciplinary measures* and *sanctions* included monetary fines, warnings, reprimands, censures, suspensions or bans, deregistration, public disclosure of violations, imposition of an external monitor, *remedial* training, and requirements to remedy quality control issues. Only one respondent indicated the potential for ordering compensatory damages, but several other respondents noted that auditors in their jurisdictions are required to carry liability insurance and can be ordered to pay compensatory damages in other proceedings (e.g., judicial proceedings).

Respondents reported twenty-eight monetary penalties/fines in excess of \$1 million USD, with the highest reported penalty/fine exceeding \$19 million USD. However, one respondent noted that four of the significant penalties/fines it imposed, which included three in excess of \$1 million USD, were later vacated on appeal.

When asked to identify the kinds of conduct that led to the most significant *disciplinary measures or sanctions* that respondents imposed, most identified material deficiencies in audit reports (57%), lack of evidence (57%), lack of professional skepticism (55%) and breaches of ethical standards (51%). The next most identified kind of conduct leading to significant sanctions was failure to comply with quality assurance criteria (40%).

- **Observed Trends or Recurring Issues:** The 2022 Survey asked respondents to identify any trends or recurring issues they observed in *enforcement* matters relating to: (1) misstatements in financial statements, (2) audit processes, (3) quality control, and (4) non-audit conduct.

The table below summarizes the trends and recurring issues respondents observed related to misstatements in financial statements:

Issue	2022 Respondents Reporting Issue	2018 Respondents Reporting Issue	Change
Financial Instruments	16 (34%)	15 (36%)	↓2 pts.
Inventory	18 (38%)	17 (40%)	↓2 pts.
Impairment of Non-Financial Assets	24 (51%)	18 (43%)	↑8 pts.
Provision and Contingent Liabilities	15 (32%)	13 (31%)	↑1 pt.
Revenue Recognition	22 (47%)	22 (52%)	↓5 pts.
Related Party Transactions	24 (51%)	16 (38%)	↑13 pts.
Financial Statement Disclosure	22 (47%)	19 (45%)	↑2 pts.
Other	10 (21%)	9 (21%)	-

Around half of respondents observed recurring issues or trends in *enforcement* matters around misstatements concerning related party transactions (51%), impairments of non-financial assets (51%), revenue recognition (47%), and financial statement disclosures (47%). One respondent noted a particular trend with accounting for long-term contracts. Compared with the 2018 Survey results, there were notable increases in the number of respondents that identified related party transactions and impairment of non-financial assets as recurring issues or trends.

The table below summarizes the trends and recurring issues respondents observed related to audit processes:

Issue	2022 Respondents Reporting Issue	2018 Respondents Reporting Issue	Change
Fair Value Measurement/Management Estimates	29 (62%)	23 (55%)	↑7 pts.
Use of Expert and Specialist	16 (34%)	15 (36%)	↓2 pts.
Audit Risk Assessment	19 (40%)	20 (48%)	↓8 pts.
Fraud Testing	17 (36%)	13 (31%)	↑5 pts.
Due Care/Professional Skepticism	25 (53%)	23 (55%)	↓2 pts.
Audit Documentation	34 (72%)	26 (62%)	↑10 pts.
Confirmation Process	16 (34%)	13 (31%)	↑3 pts.
Review and Supervision	14 (30%)	12 (29%)	↑1 pt.
Going Concern	19 (40%)	17 (41%)	↓1 pt.
Group Audits	14 (30%)	13 (31%)	↓1 pt.
Internal Control Testing	20 (43%)	14 (33%)	↑10 pts.
Substantive Analytical Procedures	13 (28%)	12 (29%)	↓1 pt.
New Auditor's Report	6 (13%)	3 (7%)	↑6 pts.
Other	11 (23%)	6 (14%)	↑9 pts.

In the 2022 Survey, the most often cited trends/recurring issues related to audit processes were around audit documentation (72%), fair value measurement and management estimates (62%), and due care or professional skepticism (53%). Those same three categories topped respondents observed trends/recurring issues for audit processes in 2018. However, the 2022 Survey results reflect a ten-point increase in the percentage of respondents flagging audit documentation issues. There was also a ten-point increase in the percentage of respondents flagging issues with internal control testing, with forty-three percent (43%) of respondents identifying such testing as a trend/recurring issue in *enforcement* matters. While there was an eight-point decrease in the percentage of respondents flagging audit risk assessment issues, a substantial number of respondents (40%) still flagged risk assessment as a trend/recurring issue in their *enforcement* matters.

Similar to 2018, respondents flagged audit documentation, fair value measurement, and due care or professional skepticism, as the top three trends/recurring issues relating to audit processes in enforcement matters.

The table below summarizes the trends and recurring issues respondents observed related to quality control:

Issue	2022 Respondents Reporting Issue	2018 Respondents Reporting Issue	Change
Independence	25 (53%)	24 (57%)	↓4 pts.
Client Risk Assessment, Acceptance and Continuance	18 (38%)	14 (33%)	↑5 pts.
Engagement Quality Control Review	28 (60%)	21 (50%)	↑10 pts.
Other	14 (30%)	9 (21%)	↑9 pts.

Similar to 2018, more than half of respondents in 2022 observed a trend/recurring issue in *enforcement* matters related to both engagement quality control review (60%) and independence (53%). However, the percentage of respondents flagging engagement quality control review in 2022 represents a ten-point increase from the 2018 Survey.

In 2022, like in 2018, both engagement quality control review and independence continue to be an observed recurring issue or trend for half or more of all respondents.

The table below summarizes the trends and recurring issues respondents observed related to non-audit conduct:

Issue	2022 Respondents Reporting Issue	2018 Respondents Reporting Issue	Change
Discreditable Acts	11 (23%)	4 (10%)	↑13 pts.
Auditing Without a License	12 (26%)	4 (10%)	↑16 pts.
Other	33 (70%)	8 (19%)	↑51 pts.

The results offer a stark contrast to the 2018 Survey. In 2018, only a small minority of respondents observed a trend/recurring issue in *enforcement* matters relating to discreditable acts (10%) and auditing without a license (10%). In 2022, those percentages increased to twenty-three percent (23%) for discreditable acts and twenty-six percent (26%) for auditing without a license. The 2022 response is more in line with the 2014 Survey, where both categories were flagged by twenty-two percent (22%) of respondents.

Among the other trends identified by respondents were violations relating to anti-money laundering laws, competition laws/regulations, provision of prohibited services, visa requirements, professional education requirements, and regulatory reporting requirements.

- **Trends Related to the COVID-19 Pandemic:** The 2022 Survey asked respondents whether they have observed any trends that have been accelerated by the COVID-19 pandemic. A little less than half (47%) indicated that they had observed such trends. Several respondents specifically identified that the trend toward remote work had accelerated—including remote inspections and investigations by respondents. Respondents noting that trend generally expected that remote work would remain elevated from its pre-pandemic level (but several noted it was already at a lower level from its peak). One respondent noted that the pandemic had accelerated the adoption/use of crisis planning, electronic signatures, e-learning, instant messaging, and mobile office equipment.
- **Enforcement Program Challenges:** The 2022 Survey asked respondents which challenges their *enforcement* programs faced. The table below summarizes their responses:

Challenge	2022 Respondents Facing Challenge	2018 Respondents Facing Challenge	Change
International Investigations	5 (11%)	7 (17%)	↓6 pts.
Conceptions of the “Public Interest” in Audit Context	6 (13%)	7 (17%)	↓4 pts.
Public Reporting of Information	11 (23%)	10 (24%)	↓1 pts.
Principles-Based Ethics Codes and Independence Rules	16 (34%)	21 (50%)	↓16 pts.
Other	22 (47%)	11 (26%)	↑21 pts.

Compared with the 2018 Survey, the percentage of respondents citing principles-based ethics codes and independence rules as presenting a challenge in their *enforcement* program dropped by fifteen points. However, about a third (34%) of respondents still view those principles-based codes and rules as a challenge. Besides the specific categories identified in the chart above, respondents identifying that they faced “other” challenges cited, among others:

- difficulty accessing and presenting data and information in investigations as the use and variety of software in audits increases;
- conflicting authorities and differences in interpretations of the International Standards on Auditing (ISA) and other standards;
- a lack of well-established jurisprudence/precedent;
- lack of cooperation with investigations and the suppression/concealment of evidence;

- time lapses between audit failures and the discovery of misstatements indicating those audit failures;
 - difficulty in determining appropriate penalties, especially where multiple violations/periods are involved or where mitigating or aggravating factors are present; managing the tension between the goals of deterring misconduct and aiding in the development of *audit firms*;
 - hurdles to holding *audit firms* accountable for violations in individual audits;
 - difficulties in hiring experts;
 - raising public awareness;
 - lengthy appeals processes;
 - inadequate investigative resources;
 - assertions of privilege preventing access to evidence; and
 - disruptions caused by military conflict.
- Use of Technology: The 2022 Survey, for the first time, asked respondents about their use of technology in their *enforcement* program. A third of respondents (34%) indicated their use of specialized technology. Frequently cited examples included eDiscovery tools, case/document management software, and legal research platforms. Other examples included: digital forensics tools; reporting and analytics platforms to, among other things, track *audit firm* rotation, track compliance with both regulations and sanctions, manage respondent's inspection and supervision activities (including aiding in respondent's risk assessment activities), and identify potential financial reporting anomalies; and language translation software.

VI. **Sharing Information with Other Regulatory Authorities**

The sixth section of the 2022 Survey (Questions 80 through 83) sought information about other authorities in respondents' jurisdictions with *enforcement* authority over audit-related conduct in order to provide institutional context and determine whether respondents could share confidential information domestically and internationally.

- Sharing Information with Domestic Authorities: Ninety-four percent (94%) of respondents reported that they can share confidential *investigative* information with domestic authorities. Some of the authorities mentioned generally include public prosecutors and the courts, securities regulators, financial authorities, national disciplinary boards or panels, national or central banks, certain self-regulatory organizations and professional bodies, administrative law judges, and law *enforcement* authorities. Many respondents indicated that the authorities with whom they could share confidential information were limited (e.g., by statute, regulation, or by reason of prerequisite conditions that needed to be met before they could share with a particular authority). Several jurisdictions noted

they could only share this information if it was deemed relevant to the tasks and duties of the receiving authority. Some respondents indicated that they were statutorily required to share information with certain authorities that requested it. Some respondents also emphasized the need for these authorities to maintain professional secrecy given the confidential nature of the information.

- Sharing Information with Foreign Authorities: Eighty-one percent (81%) of respondents reported that they can share confidential *investigative* information with foreign authorities. Most of those respondents indicated that their ability to share may be limited to specific foreign authorities or types of foreign authorities, and that sharing with some foreign authorities might require a letter of cooperation, memorandum of understanding, or similar agreement. Some respondents stated they could share confidential information as signatories to multilateral agreements such as the IFIAR MMoU, International Organization of Securities Commissions (IOSCO) MMoU, or, if an EU member state, through applicable EU directives or regulations. Some respondents noted that to share information, they required working arrangements built on reciprocity. Some respondents also emphasized that they were only able to share information with authorities from whom they had confidentiality agreements or received other confidentiality assurances.

The vast majority of the respondents that have legal authority to share confidential investigative information with foreign authorities have entered into at least one agreement or understanding governing information sharing with a foreign authority. While many of these respondents indicated they had entered into either the IFIAR MMoU or IOSCO MMoU or were subject to EU law, many of these respondents had agreements directly with other foreign authorities, sometimes in addition to the MMoUs or EU law. At least three respondents are currently negotiating agreements with at least one foreign authority.

- Restrictions on Sharing Information with Foreign Authorities: Many of the respondents that have legal authority to share confidential investigative information with foreign authorities also reported that there are restrictions on either the extent of the information they may share, or the circumstances in which they may share. Generally, such restrictions arose out of underlying statutes or agreements with other authorities, and they often involved confidentiality, notice and approval, permissible use of the information, and whether the sharing of such information was relevant to the business or duties of the other organization. For example, several respondents also identified that requested information would be subject to a reasonableness/relevancy determination or could only be shared for specific uses. Some respondents also indicated, however, that even relevant data may be withheld in some circumstances, such as where supplying that information would adversely affect the respondent nation's sovereignty, security, or public order, or if it relates to conduct for which the relevant individuals or *audit firms* had already been disciplined. And some identified that they could not transfer information for use in criminal proceedings. Some respondents also identified that personal data protection laws and regulations could restrict the transfer of certain data.

VII. Other Ideas

The final section of the 2022 Survey (Questions 84 through 86) invited respondents to: (i) identify legislative or regulatory improvements that they have considered, would like to see enacted, or have put in place; (ii) describe any other questions not asked in the survey that might have elicited helpful information; and (iii) share which auditing standards they believed were most difficult to *enforce*.

As to potential reform ideas, respondents suggested the following specific ideas, some of which may be relevant only within the respondent's own jurisdiction:

- Legislative or Regulatory Changes to Improve Enforcement Program Effectiveness: The 2022 Survey asked respondents whether, since the 2018 Survey, there were any legislative or regulatory changes they had considered, would like to enact, or have enacted to improve the effectiveness of their programs. Twenty-seven respondents (56%) indicated either they, or another relevant entity in their jurisdiction, had considered, desired to enact, or enacted legislation to improve their effectiveness since the 2018 Survey. The proposals and changes varied significantly from respondent to respondent, but included:
 - Increasing funding levels;
 - Increasing scope of inspections (especially as it relates to compliance with quality control standards);
 - Expanding jurisdiction to bring *enforcement* actions relating to additional standards, persons, or entities;
 - Expanding the bases for sanctioning *audit firms* on the basis of violations by one or more of its individual auditors or audit engagement teams;
 - Expanding sanctioning powers to allow additional or tougher sanctions (including interim sanctions, prior to conclusion of a hearing, in exceptional circumstances);
 - Changing methodologies for determining sanctions;
 - Expanding respondent's power to resolve *enforcement* matters through out-of-court proceedings;
 - Expanding investigative powers (e.g., granting or expanding search-and-seize and subpoena powers);
 - Increasing the respondent's level of public disclosures (including to allow public disclosures about pending and completed *enforcement* proceedings, and the identities of persons or entities subject to sanctions);
 - Increasing use of public data for identifying potential *enforcement* matters; and
 - Increasing use of referrals to other professional bodies.

- Auditing Standards Most Difficult to Enforce: The 2022 Survey then asked respondents which auditing standards were the most difficult to *enforce* based on their experience as regulators. An overall theme emerged that principles-based auditing standards and aspects of an audit subject to professional judgment were most difficult to *enforce* because there were not objective criteria against which to determine whether there was an actual audit violation. One respondent indicated that case precedent in its jurisdiction, which held that mere audit errors without a corresponding significant accounting error were not sufficient to impose formal *sanctions*, presented its biggest challenge to *enforcement*.

The following table shows which auditing standards respondents most frequently cited as the most difficult to *enforce* (which respondents identified by standard number or topic area):

Auditing Standard	Topic	2022 Respondents
ISA 540	Accounting Estimates	11 (23%)
ISA 500	Audit Evidence	8 (17%)
ISA 600	Group Audits	8 (17%)
ISA 315	Risk Assessment	7 (15%)
ISA 320	Materiality	6 (13%)

When commenting on difficulties related to ISA 540 (accounting estimates), ISA 500 (audit evidence), and several other standards, numerous respondents noted that it was particularly challenging to *enforce* for violations where the respondent’s criticism centers upon the reasonableness of the judgment exercised by the auditor.

The most often cited difficulties in connection with group audits related to a lack of specificity in ISA 600’s prescriptions, with one respondent going so far as to suggest the pre-revision standard gave auditors an opportunity to abuse the rules. One respondent also highlighted problems with obtaining access to audit files of component auditors in other jurisdictions, particularly where the component auditor does not belong to the same network as the principal auditor.

Several of the respondents citing difficulties enforcing standards relating to materiality noted that the *enforcement* of ISA 320 was complicated by the fact that there were widely differing methodologies among the firms relating to materiality, and even differing interpretations of the standard. Similarly, with respect to risk assessment, one respondent cited difficulties stemming from varying interpretations of what is required by the auditing standards.

Several respondents also noted that there is an overriding difficulty in enforcing auditing standards because so many of those standards are principles-based.

- Areas of Further Interest: The 2022 Survey also asked respondents if there were any questions not asked in the survey that they believed would have elicited helpful information, or any issue not addressed as to which they would like to offer information. Among the areas that respondents identified they would like to explore further were:
 - Supervision of audit committees;
 - Timing, structure, and disclosure of *disciplinary proceedings*;
 - Sanctions in cases of single acts of misconduct;
 - eDiscovery (especially as it relates to cloud-based information, and verifying electronic data);
 - Criminal liability concerning audits;
 - Anti-money laundering (AML) and sanctions compliance oversight activities;
 - Extent of industry-specific experience among respondent *enforcement* staff and adjudicators;
 - Trends in *enforcement* matters that proceed to disciplinary hearing versus *settlement*.

5 Conclusion

IFIAR Members' responses to the 2022 Survey reveal a variety of approaches to the *investigation* and *adjudication* of matters involving the *enforcement* of *audit laws*. However, they continue to demonstrate a unanimous and unwavering commitment to effective *enforcement* programs. *Enforcement* plays a critical role in audit oversight. In general, the previously observed trend of Members enhancing their *enforcement* regimes to make them more effective appears to be continuing.

The 2022 Survey results show that IFIAR Members continue to face their own unique sets of challenges, influenced by their jurisdictions' regulatory schemes, the size and structure of their organizations, and the *enforcement* powers statutorily enumerated to them. IFIAR Members have also continued to observe complexity arising from the pervasive use of technology in auditing, growing convolution in the audits of multinational issuers, and trending/recurring issues in areas requiring professional judgment (e.g., fair value measurements, accounting estimates, and engagement quality control review).

The EWG intends the findings in the 2022 Survey to facilitate further discussions among Members, as well as within Members' own jurisdictions, concerning the most effective and efficient ways to manage these trends and advance the protection of investors and the improvement of audit quality.

Observations on Significant Issues

Several issues emerged from the 2022 Survey results as important considerations for IFIAR Members as they determine, within the context of the broader legal and regulatory framework of their jurisdictions, how best to implement or improve their public audit oversight *enforcement* programs:

- **Cooperation.** The prevalence of multinational *PIEs* and global audit networks that provide cross-border audit services has resulted in increased international *investigatory* activity. The ability to share confidential information with other regulators has therefore become critical for IFIAR Members.¹² While the potential for increased international cooperation exists, impediments to sharing information remain. The results of this Survey may assist Members to explore ways of reducing current barriers to the sharing of information with a view toward enhancing the sharing of confidential information across borders in the public interest.
- **Publication of Information.** Respondents' approaches to the public reporting of *enforcement* cases and *sanctions* continue to vary greatly. Some audit regulators have the authority to announce cases and *sanctions* only when final, while others have the discretion to announce matters, even at the *investigatory* stage. This determination involves policy questions weighing the value of public disclosure of information to be

¹² See also IFIAR's *Core Principles for Independent Audit Regulators* (27 April 2022) (Principle 7: "Audit regulators should make appropriate arrangements for cooperation with other audit regulators and, where relevant, other national authorities.") available for download [here](#).

used by investors, audit committees, the audit profession, and others against the potential for reputational damage or perceived unfairness. Audit regulators, to the extent they have the discretion, may wish to consider the appropriate balancing of these interests in determining their approach to public disclosure as well as whether to seek legislation to permit additional disclosure.

- ***Persistent Trends/Recurring Issues.*** Many of the most-often cited trends and recurring issues in *enforcement* matters in 2022 were repeated from 2018—among them: audit documentation, fair value measurements/management estimates, due care/professional skepticism, independence, and engagement quality control review. This may suggest a lingering issue in firms’ systems of quality control and/or attitudes within significant segments of the auditing profession.
- ***Significant Disciplinary Measures and Sanctions Involving GPPC Firms.*** Compared with 2018, there was an increase in the number of reported disciplinary measures and sanctions involving *GPPC Firms*. The results of those *enforcement* matters may signal that continued vigilance is needed in all segments of the auditing profession.

6 Further Details

For further information about the EWG or this report, please contact:

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Appendix: The Survey Questionnaire

The Survey Questionnaire distributed to IFIAR Members begins on the following page.

2022 ENFORCEMENT SURVEY QUESTIONS

Section I: Powers of Your Enforcement Program

1. Does your organization have the power to investigate potential violations of Audit Laws?

Yes

No

2. Does your organization have the power to refer potential violations of Audit Laws to another authority outside your organization?

Yes

No

3. Does your organization have the power to impose Disciplinary Measures or Sanctions based on violations of Audit Laws (even if subject to review by the courts or other agencies) or must a separate authority outside your organization impose any sanctions?

Empowered (though may be subject to review or appeal)

Separate authority must decide a case and impose any Disciplinary Measures or Sanctions

Other

If "Separate authority" is checked, please identify and explain: [TEXT BOX – 1000 characters]

If "Other" is checked, please identify and explain: [TEXT BOX – 1000 characters]

4. Is another authority within your jurisdiction (other than Tribunals responsible for appeals), whether in the public sector or in the private sector, also empowered to enforce Audit Laws?

Yes

No

5. Do personnel within your organization litigate Disciplinary Proceedings based on matters developed by your organization, or must a separate authority (such as a public prosecutor or magistrate) litigate them?

IFIAR member personnel litigate

Outside personnel litigate

Other

If "Other" is checked, please explain: [TEXT BOX – 1000 characters]

6. Does your organization have the power to enforce Audit Laws?

Public Interest Entities (PIEs)? Yes No

If yes, does your organization define PIEs in the same way as in this survey (see Definitions, above)? Yes No

If yes, but your organization does not define PIEs in the same way as in this survey, how does your organization define PIEs? [TEXT BOX – 1000 characters]

Private sector entities that are not PIEs? Yes No

Public-sector entities? Yes No

Other types of entities? Yes No

If yes, explain: [TEXT BOX – 1000 characters]

7. Which types of parties are subject to your Investigations and Enforcement actions (please check all that apply):

Audit Firms

Individual Auditors

Other persons (individuals and/or entities) associated with An Audit Engagement

Others

If "others" is checked, explain: [TEXT BOX – 1000 characters]

8. Does your Enforcement program have the power, with or without prior notice or consent, to enter the office of an Audit Firm or Individual Auditor to confiscate the books and records of an Audit Firm or Individual Auditor or to verify the accuracy of documents or information supplied during an Investigation?

Yes

No

If yes, please explain the nature and scope of that power?

9. What kinds of conduct does your Enforcement program have authority to address, and as to which kinds of parties? (Please check all that apply as to each kind of party. To the extent necessary, please use the text box to add explanatory information.)

Conduct	Audit Firms	Individual Auditors	Other individuals or entities associated with an audit	Others (as described in response to question 7)
Deficiencies in performance of individual audit engagements				
Deficiencies in a firm's quality control				
Failures to cooperate (e.g., by providing documents or truthful information)				
Performance of audit services without the appropriate license				
Failure to register				
Failure to pay fees				
Failure to make required filings				
Ethical Failures				

Additional Explanation: [TEXT BOX – 2000 characters]

10. Which types of Disciplinary Measures or Sanctions are available to your organization for violations of your Audit Laws? (Please check all that apply as to each kind of party. To the extent necessary, use the text box to add explanatory information. In addition, please note that the survey does not consider the publication of sanctions a separate sanction. For questions related to publication of sanctions please see Section IV.)

Disciplinary Measure or Sanction	Audit Firms	Individual Auditors	Other individuals or entities associated with an audit	Others (as described in response to question 8)
Warning				
Reprimand or Censure				
Money penalties or fines (please indicate any applicable ranges or limits in text box below)				
De-registration or de-licensing				
Dissolution of the Audit Firm		(n/a)		
Temporary or permanent ban on practicing (e.g., suspension) (please indicate any applicable time ranges or limits in text box below)				
Restrictions on activities				
Remedial Measures or commands (e.g., changes to policies or training)				
Imposition of a third-party monitor				
Imprisonment				
Other criminal penalties (please explain in text box below)				
Other concepts of measures or sanctions (e.g., within the				

Disciplinary Measure or Sanction	Audit Firms	Individual Auditors	Other individuals or entities associated with an audit	Others (as described in response to question 8)
inspection process) (please explain in text box below)				

Additional explanation: [TEXT BOX – 2000 characters]

11. Is your organization empowered to voluntarily address conduct not related to auditing that reflects on integrity or fitness to audit (for example, forgery or personal tax fraud)?

Yes

No

If yes, please explain how: [TEXT BOX – 1000 characters]

If no, is your organization authorized to refer such potential violations to other authorities?

Yes

No

If yes, please identify the authorities to who your organization is authorized to make a referral to: [TEXT BOX – 1000 characters]

12. Does your organization have the power to do the following in connection with an audit opinion (please check all that apply)?

Order the Audit Firm to execute new audit procedures or to re-perform audit procedures, depending on the outcome of which the Audit Firm might voluntarily withdraw the audit opinion

Order the Audit Firm to withdraw the audit opinion

Declare publicly that the audit opinion does not meet the legal requirements

Declare the audit opinion invalid

Refer the matter to the securities regulator or another regulator

None of the above

13. At the conclusion of an investigation, are there any aspects or circumstances your organization is obliged (either by law or court rulings, or otherwise) to consider when determining the type and level of Disciplinary Measures or Sanctions?

Yes

No

If “yes” is checked, please describe the nature of the relevant circumstances to be considered (please check all that apply):

Intentional nature of conduct (state of mind)

Gravity of the violation

Degree of responsibility

Duration of the violation

Time lapse since violation

Financial strength of the responsible Audit Firm or Individual Auditor

Amount of profits gained or losses avoided

Level of cooperation

Previous violations

Other

If “Other” is checked, please explain: [TEXT BOX – 1000 characters]

14. What criteria is your organization required to apply when imposing Disciplinary Measures or Sanctions?

The gravity and the duration of the breach

The degree of responsibility of the responsible person

The financial strength of the responsible person

The amounts of the profits gained, or losses avoided by the responsible person

The level of cooperation of the responsible person with your organization

Previous breaches by the responsible legal or natural person

Lapse of time

Other

If "Other" is checked, please explain: [TEXT BOX – 1000 characters]

15. Does your organization have Enforcement authority over Audit Firms domiciled outside of your country?

Yes

No

If "Yes," please describe the nature of, and any limits on, that authority, and any relevant agreements you have made with other countries to help exercise that authority. [TEXT BOX – 2000 characters]

If "No," please describe any alternative measures or approaches taken with respect to Audit Firms domiciled outside of your country. [TEXT BOX – 1000 characters]

16. Does your organization have the power to enforce auditing standards in your jurisdiction?

Yes

No

If "Yes," what standards are enforced by your organization?

International Standards on Auditing (ISA)

International Standards on Auditing (ISA) with local modifications

PCAOB Auditing Standards

Other

If "Other," please explain: [TEXT BOX – 1000 characters]

17. Does your organization have the power to enforce ethics laws, regulations or codes for Audit Firms and/or Individual Auditors including the independence rules of auditors (collectively "Ethics rules")?

Yes

No

18. [If Q16=yes] Which type of Ethics rules are enforced by your organization in your jurisdiction?

Ethics rules issued by the International Ethics Standards Board for Accountants (IESBA Code) without modification.

Ethics rules based on the IESBA Code with modifications by laws, rules and/or regulations.

Ethics rules (originally) developed in your jurisdiction/region.

19. Does your organization apply Firm-Wide Enforcement in the following cases (please check if yes)?

As a response to non-compliant behavior in relation to the Audit Firm's governance and quality control standards.

As a response to identified non-compliant behavior in multiple audit engagements.

If checked, please specify at which stage and under which circumstances this will happen (e.g., minimum number of audit engagements concerned, level of severity of the non-compliant behavior, recurrence of errors (similarity), etc.):
[TEXT BOX – 2000 characters]

20. What Enforcement style does your organization use in response to non-compliant behavior?

Predominantly coercive style based on power

Predominantly cooperative style based on regulatory interaction

Both, depending on case at hand

21. Does your organization make use of Informal Enforcement as a response to non-compliant behavior?

Yes

No

If "No," please explain why not (e.g., lack of procedural rights, lack of transparency, lack of court decisions, etc.): [TEXT BOX – 2000 characters]

If "Yes," under which circumstances would your organization consider making use of Informal Enforcement (please check all answers that apply)?

Laws and regulations are not sufficiently clear as to the level of non-compliance

The severity of the non-compliant behavior

If checked, please indicate the threshold applicable in your jurisdiction: [TEXT BOX – 1000 characters]

Root cause of non-compliant behavior rests within culture of Audit Firm and is therefore better addressed by Informal Enforcement

Effectiveness and efficiency considerations

Other

If "other" is checked, please explain: [TEXT BOX – 1000 characters]

22. [If Q20=yes] Please indicate for which types of non-compliant behavior your organization can decide to apply Informal Enforcement:

Solely in relation to file-specific non-compliant behavior

Solely in relation to firm-wide non-compliant behavior

Both in relation to file-specific and firm-wide non-compliant behavior

23. [If Q20=yes] What types of Informal Enforcement can your organization apply (please check all answers that apply):

Action/Remediation plans

Unofficial warning

Meeting with senior management

Other

If checked, please explain: [TEXT BOX – 1000 characters]

24. [If Q20=yes] In cases in relation to file-specific non-compliant behavior, does your organization apply Informal Enforcement:

On a stand-alone basis (only Informal Enforcement)

In conjunction with Formal Enforcement

Both on a stand-alone basis and in conjunction with Formal Enforcement

25. [If Q20=yes] In cases in relation to firm-wide non-compliant behavior, does your organization apply Informal Enforcement:

On a stand-alone basis (only Informal Enforcement)

In conjunction with Formal Enforcement

Both on a stand-alone basis and in conjunction with Formal Enforcement

26. [If Q20=yes] Does your organization make the use of Informal Enforcement public?

Yes

No

If “Yes,” please explain the circumstances in which your organization would consider making use of Informal Enforcement public (e.g., timing, form [website, media release etc.], level of detail [e.g., name of Audit Firm and/or Individual Auditor involved]): [TEXT BOX – 1000 characters]

If “No,” please explain the considerations for not making the use of Informal Enforcement public: [TEXT BOX – 1000 characters]

27. [If Q20=yes] Please indicate what type of Informal Enforcement your organization has applied in the years 2018-2021 against Audit Firms:

Action/Remediation plans

Unofficial warning

Meeting with senior management

Other

If “Other” is checked, please explain: [TEXT BOX – 1000 characters]

28. [If Q20=yes] Please indicate what type(s) of Informal Enforcement your organization has applied in the years 2018-21 against Individual Auditors (please check all answers that apply):

Action/Remediation plans

Unofficial warning

Meeting with senior management

Other

If “Other” is checked, please explain: [TEXT BOX – 1000 characters]

29. Were any new Enforcement powers conferred to you since you completed the 2018 Survey?

We did not respond to the 2018 Survey

Yes

No

If “Yes” is checked, please explain: [TEXT BOX – 1000 characters]

Section II: Structure of Your Enforcement Program

30. Does your organization distinguish between (i) Enforcement matters and processes and (ii) inspection programs and processes?

Yes

No

If "Yes," explain how your organization distinguishes Enforcement matters and processes and inspection programs and processes: [TEXT BOX – 2000

31. [If Q29=yes] Does your organization maintain different reporting lines for the inspection function and Enforcement function?

Yes No (same reporting lines)

If "Yes" is checked, explain what kinds of formal or informal channels of communication exist between the two functions. [TEXT BOX – 2000 characters]

32. Does your organization distinguish between Remedial Measures resulting from an inspection and Enforcement (Disciplinary) Measures or Sanctions?

Yes

No

If "Yes" is checked, explain how your organization distinguishes: [TEXT BOX – 1000 characters]

Section III: Handling of Enforcement Matters

33. What sources of information do you use to identify potential Enforcement matters? (Check all that apply.)

Internal fact-finding and risk analysis

Inspections

Review and analysis of public filings by audited entities

Press and media reports

Tips, complaints, and whistleblowers

Monitoring of third-party claims (such as private lawsuits)

Referrals from other authorities

Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

34. For any of the sources of information mentioned in Question 32, is your organization required to initiate an Investigation?

Yes

No

If “Yes” is checked, please identify which sources of information require the initiation of an Investigation: [TEXT BOX – 1000 characters]

If “No” is checked, please explain the process of initiating an Investigation: [TEXT BOX – 1000 characters]

35. What criteria do you consider in determining whether to launch an Investigation? (check all that apply.)

Investor harm

Public interest considerations other than investor harm

Materiality

Nature of accounting and auditing issues involved

Resource constraints

Other

If “Other” is checked, please explain: [TEXT BOX – 500 characters]

36. Is the approval of any person, body, or other organization required before you can launch an Investigation?

Yes, within our organization Yes, outside of our organization

No

If either “Yes” is checked, please explain: [TEXT BOX – 1000 characters]

37. Which individual or body decides whether to launch an Investigation? Please explain (e.g., ‘CEO’ would suffice, but ‘enforcement committee’ should include the identity/title of members of that committee). [TEXT BOX – 500 characters]

38. What are the Investigative powers of your organization? (Check all that apply)

Compel the production of documents

Compel oral testimony

Inspect physical premises

Compel answers to specified questions

Other

If “Other” is checked, please explain: [TEXT BOX – 500 characters]

39. In relation to whom may your organization use its Investigative powers (check all options that apply)?

Audit Firms

Individual Auditors

Audited entities

Persons involved in the activities of the Individual Auditor or Audit Firm

Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

40. Are there any limitations on your ability to exercise the Investigative powers specified in response to Question 38?

Yes

No

If "Yes," is checked, please explain (e.g., are the limitations limited to individual auditors, GNF firms, or both; and if so, what are those limitations): [TEXT BOX – 1000 characters]

41. After your organization has investigated a matter, which individual or body decides whether a case will be brought against an Audit Firm, Individual Auditor, or other person for violations of your country's Audit Laws based on your fact-finding and, if such a case is to be brought, what charges, claims, or allegations will be included?

[TEXT BOX – 1000 characters]

42. Is the approval of any person, body, or other organization required before you can bring a case against an Audit Firm, Individual Auditor, or other person?

Yes, within our organization

Yes, outside of our organization

No

If either "Yes" is checked, please explain: [TEXT BOX – 1000 characters]

43. What evidentiary burden or standard must be met to impose Disciplinary Measures or Sanctions or Remediation in an Adjudication? (Check all that apply.)

Preponderance of the evidence

Proof beyond reasonable doubt

No specific standard

Other

If "Other" is checked, please explain: [TEXT BOX – 1000 characters]

44. Is the evidentiary burden or standard different on appeal?

Yes

No

If "Yes" is checked, please explain: [TEXT BOX – 500 characters]

45. Are there any limitations on the imposition of sanctions, in combination or in isolation, within your organization?

Yes

No

If "Yes" is checked, please explain: [TEXT BOX – 1000 characters]

46. Does your organization consider when deciding whether to impose sanctions the fact that sanctions have been or may be imposed for the same misconduct by another authority?

Yes

No

47. Do your organization's criteria for sanctioning Audit Firms differ from the criteria for sanctioning Individual Auditors?

Yes

No

If "Yes" is checked, please explain: [TEXT BOX – 1000 characters]

48. Does your organization use formal sanctioning guidance?

Yes

No

49. Does your organization ever impose confidential or nonpublic Disciplinary Measures or Sanctions?

Yes

No

If "Yes" is checked, please explain: [TEXT BOX – 1000 characters]

50. Does your organization have the power to levy or charge fees for conducting Investigations?

Yes

No

Yes, but only in case of imposition of Disciplinary Measures or Sanctions

If either "Yes" is checked, please explain what fees can be levied and under what circumstances fees can be levied: [TEXT BOX – 1000 characters]

51. Is your organization empowered, after an Investigation, to use other tools or measures designed to modify behavior and reduce violations of your Audit Laws, in addition to or instead of seeking Disciplinary Measures or Sanctions? (e.g., can you issue a public report describing a set of facts or trends which your organization considers a violation to influence behavior in the future?)

Yes

No

If "Yes" is checked, please explain what the other tools or measures consist of, and the circumstances in which those tools may be used: [TEXT BOX – 1000 characters]

52. What are the factors considered by your organization in determining the amount of the money penalty or fine imposed on Audit Firms or Individual Auditors for violations of Audit Laws?

Severity of the conduct

Length of time the conduct occurred over

Impacts on the Financial Markets

Impacts on Investors

Precedent cases (cases of similar conduct)

Size of the Firm (as opposed to a larger Audit Firm or GPPC Firm)

Strength of the case

Cooperation in the investigation process

Lapse of time

Financial strength

Other

If “Other” is checked, please explain: [TEXT BOX – 1000 characters]

53. Are the amounts of the imposed money penalties and fines fixed in relation to breaches, violations, or conduct?

Yes

No

Sometimes – please explain [TEXT BOX – 1000 characters]

54. Is there a difference in how money penalties and fines are assessed against an Individual Auditor as opposed to an Audit firm?

Yes

No

Sometimes – please explain [TEXT BOX – 1000 characters]

55. Is there a difference in how money penalties and fines are assessed against a smaller Audit Firm as opposed to a larger Audit Firm or GPPC Firm?

Yes

No

Sometimes – please explain [TEXT BOX – 1000 characters]

56. What was the minimum and maximum legal limit of monetary penalties and fines which could be imposed on Individual Auditors and Audit Firms in your jurisdiction each year from 2018 and 2021? (If possible, state in U.S. Dollars (USD) rather than your jurisdiction’s local currency as of the date monetary penalties and fine was imposed. (See historical rates conversion table at www.google.com ([here](#))).

	Minimum Individual Auditor	Maximum Individual Auditor	Minimum Audit Firm	Maximum Audit Firm
2018				
2019				
2020				
2021				

57. Based on your experience as an audit regulator, do the legal limits on the maximum amounts of monetary penalties and fines in your jurisdiction allow them to be effective instruments of deterrence?

Yes

No

Additional Explanation: [TEXT BOX – 1000 characters]

58. What is done with the funds collected as money penalties or fines?

Regulator uses to fund other regulatory activities. [If checked, please explain how the monetary penalties or fines are used and by whom [TEXT BOX – 1000 characters]

Forfeited to another government agency

Other – describe [TEXT BOX – 1000 characters]

59. If the Audit Firm, Individual Auditor or others subject to a money penalty fail to pay the penalty/fine, what options are available to you as a regulator to collect payment?

Enforced via court order

Order from administrative tribunal

Suspension of firm's ability to conduct public company audits until paid

Donate funds or a compensatory payment

Other -- please explain [TEXT BOX – 1000 characters]

60. Does your jurisdiction have the authority to criminally prosecute Individual Auditors and Audit Firms for violations of Audit Laws?

Yes

If "Yes," describe what violations can be criminally prosecuted and the minimum and maximum penalties which can be imposed [TEXT BOX – 1000 characters]

No

Additional explanation (e.g., no, but another department or agency can criminally prosecute with the following minimum and maximum penalties [TEXT BOX – 1000 characters]

Section IV: Reporting Enforcement Matters

61. Do you have the authority to publicly disclose information about an Enforcement matter at any of the following stages? (Please check all that apply.)

- Never
- Upon commencement of an Investigation
- During the course of an Investigation
- At the conclusion of an Investigation
- Upon the institution of a Disciplinary Proceeding
- Upon the issuance of an initial decision in a Disciplinary Proceeding
- Upon the imposition of a Disciplinary Measure or Sanction in a Disciplinary Proceeding
- Upon the commencement of an appeal or other review of a decision in a Disciplinary Proceeding
- Upon the expiration of any applicable period during which a party may appeal or otherwise seek review of a decision in a Disciplinary Proceeding
- Upon the issuance of a decision in an appeal or other review of a decision in a Disciplinary Proceeding
- Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

62. If you can publicly disclose information about an Enforcement matter, what information may be disclosed? (Please check all that apply.)

- Name of Audit Firm(s) involved
- Name of Individual(s) Auditors involved
- Name of third parties involved (e.g., audited entity)
- Specific description of facts
- General description of misconduct
- Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

63. If you can publicly disclose information about an Enforcement matter, in what medium or media is disclosure made? (Please check all that apply.)

- Your organization's website
- Press release or other news release

Distribution directly to press or media contacts

News conference

Social media (Facebook, Twitter, etc.)

Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

If "Your organization's website" is checked, please enter your enforcement website URL: [TEXT BOX – 150 characters]

64. If you can publicly disclose information about an Enforcement matter, are there limitations on your authority to do so?

Yes, separate approval is required

Yes, disclosure of certain categories of information is forbidden

No

Other

If either "Yes" is checked, please explain: [TEXT BOX – 1000 characters]

If "Other" is checked, please explain: [TEXT BOX – 1000 characters]

65. Does your organization typically announce the opening of an Investigation?

Yes

No

Other [TEXT BOX – 1000 characters]

66. Does your organization use social media to inform the public that you have launched an Investigation?

Yes

No

If "Yes," please explain how your organization addresses confidentiality associated with the use of social media? [Text Box: 1000 characters]

If No, what is the reason? [TEXT BOX – 500 characters]

Legal

Policy

Other

If “Other” is checked, please explain: [TEXT BOX – 500 characters]:

67. Does your organization use social media to inform the public of the outcome of an Investigation?

Yes

No

68. If yes to question 68 or 69 above, what forms of social media do you use?

Twitter

LinkedIn

Instagram

Other

If “Other” is checked, please explain: [TEXT BOX – 500 characters]

69. Following an investigation where a sanction has been imposed are the reasons for the decision available to the public?

Yes

No

Is a summary or redacted form of the reasons for the decision available to the public?

Yes

No

If “Yes,” where can the public access that decision?

On the Organization’s website

On social media

Twitter

LinkedIn

Instagram

Other

If “Other” is checked, please explain: [TEXT BOX – 500 characters]

70. Following an investigation where there is no enforcement outcome (e.g., the case has been closed due to a lack of evidence), are the reasons for the decision available to the public?

Yes

No

Is a summary or a redacted form of the reasons for the decision available to the public?

Yes

No

If "Yes," where can the public access that decision? [TEXT BOX – 250 characters]

On the organization's website

On social media

Twitter

LinkedIn

Instagram

Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

Section V: History and Trends

71. Have you imposed Disciplinary Measures or Sanctions against a GPPC Firm or associated person of a GPPC Firm under your jurisdiction? If so, for each such instance, please fill in the following information about the Disciplinary Measure or Sanction imposed for each year from 2018 through 2021 and date of publication:

Year	With respect to each GPPC Firm (F) or Associated Person (AP)	Suspension or Bar (if so, for how long)	Money Penalty or Fine (if so, what amount in USD)	Restrictions (if so, describe)	Other Disciplinary Measures or Sanctions (if so, describe, e.g., censure, reprimand)	Date Disciplinary Measures or Sanctions made public
<i>Below for reference purposes only are several hypothetical examples:</i>						
2019	F	Revocation of Firm registration	Fine; \$500,000	n/a	Censure	June 30, 2021

2021	APs	6-month suspension	Fine; \$25,000	1 year practice limitation	Reprimand	Not yet made public
[YYYY]	[F/AP/APs/All APs]	[Y/N - # months]	[\$USD]	[Y/N – Description]		

[Note: If you require more rows for the table above, please contact us at admin@ifiar-survey.com.]

72. Are any of the penalties and fines identified in question 71 on hold pending appeal or other review? If so, please explain [TEXT BOX – 1000 characters]

73. Does your jurisdiction provide for the imposition of compensatory damages? If so, please identify the circumstances in which compensatory damages can be imposed and the minimum and maximum amount of such penalties [TEXT BOX – 1000 characters]

74. Please provide the following information for each year from 2018 through 2021 (Enforcement activity level only):

Year	Number of matters Investigations opened	Number of matters in which charges brought to Settlement or Litigation	Number of individuals sanctioned	Number of firms sanctioned
2018				
2019				
2020				
2021				

75. What are the kinds of conduct for which the most significant Disciplinary Measures or Sanctions have been imposed (Please check all that apply)?

Breach of ethical standards (e.g., integrity, trust, and dishonesty)

Lack of professional skepticism

Material deficiencies in audit reports

Failure to comply with quality assurance criteria

Lack of evidence

If this box is checked, please explain whether there was a lack of evidence in the audit file or and/or other types of evidence [TEXT BOX – 1000 Characters]

Other

If "Other" is checked, please explain: [TEXT BOX – 1000 Characters]

76. What trends or recurring issues have you observed in Enforcement matters (please check all that apply)?

Issues relating to misstatements in financial statements subject to audits

Financial instruments

Inventory

Impairment of non-financial assets

Provision and contingent liabilities

Revenue recognition

Related party transactions

Financial statement disclosure

Other

If "Other" is checked, please explain: [TEXT BOX –1000 characters]

Issues relating to audit processes

Fair value measurement/Management estimates

Use of expert and specialist

Audit risk assessment

Fraud testing

Due care/Professional skepticism

Audit documentation

Confirmation process

Review and supervision

Going concern

- Group audits
- Internal control testing
- Substantive Analytical Procedures
- New Auditor's Report`
- Other

If "Other" is checked, please explain: [TEXT BOX – 500 characters]

Issues relating to quality control

- Independence
- Client risk assessment, acceptance, and continuance
- Engagement quality control review
- Other

If "Other" is checked, please explain: [TEXT BOX –1000 characters]

Issues relating to non-audit conduct

- Discreditable acts (such as tax fraud)
- Auditing without holding a license
- Other

If "Other" is checked, please explain: [TEXT BOX –1000 characters]

77. Have any trends pre-COVID-19 accelerated due to the COVID-19 pandemic (e.g., working remotely)?

- Yes
- No
- If Yes, what are those trends and how have they accelerated? (Please explain)
- If Yes, do you anticipate that these trends will be adopted on a permanent basis? (Please explain)

78. What challenges have you faced in your Enforcement program?

- Challenges relating to international Investigations
- Changing conceptions of the "public interest" in the audit context

Challenges in connection with public reporting of information

Challenges relating to the principles-based nature of the ethics codes and independence rules for Audit Firms and/or Individual Auditors

Other

If “Other” is checked, please explain: [TEXT BOX – 1000 characters]

79. Does your organization currently use technology as part of its Enforcement program?

Yes

No

If “Yes” is checked, please describe the types of technology your Enforcement program currently uses (e.g., case management software, e-discovery software, litigation software, legal research software)

If “No” is checked, do you anticipate adding technology as part of your Enforcement program within the next year, and if so, what type of technology do you anticipate adding?

Section VI: Sharing Information with Other Regulatory Authorities

80. Can you share confidential Investigative information with domestic authorities?

Yes

No

If “Yes” is checked, please explain which domestic authorities you may share confidential information with and what type of information can be shared and under what conditions: [TEXT BOX – 2000 characters]

81. Can you share confidential Investigative information with foreign authorities?

Yes

No

If “yes” is checked, please explain which foreign authorities you may share confidential information with and what type of information can be shared and under what conditions: [TEXT BOX – 2000 characters]

82. Do you have relevant agreements or understandings with foreign authorities governing confidential information sharing? If so, please describe.

[TEXT BOX – 1000 characters]

83. Please describe any restrictions on your ability to share such information.

[TEXT BOX – 1000 characters]

Section VII. Other Ideas

84. Since the completion of the Enforcement Survey 2018, are there legislative or regulatory changes you have considered, would like to enact or have enacted to improve the effectiveness of your program?

[TEXT BOX – 1000 characters]

85. Is there any question not asked in this survey that you believe would have elicited helpful information, or any issue not addressed as to which you would like to offer information? Please use this space to address any important Enforcement-related topic that you have not addressed above.

[TEXT BOX – 2000 characters]

86. Based on your experience as an audit regulator, which auditing standards are the most difficult to enforce? Please provide up to three practical examples related to specific standards that you find difficult to enforce.

Example 1: [TEXT BOX 1 – 1000 characters]

Example 2: [TEXT BOX 2 – 1000 characters]

Example 3: [TEXT BOX 3 – 1000 characters]

Definitions

The following definitions shall apply for purposes of this survey:

Adjudication: An adjudication is a determination by a Tribunal or other body as to whether:

- (1) allegations have been established with adequate evidence or proof; and
- (2) Disciplinary Measures or Sanctions should be imposed against a regulated Audit Firm or Individual Auditor.

Audit Firm: An audit firm means an entity regardless of its legal form, a partnership or a sole proprietorship conducting audits of financial statements.

Audit Laws: Audit laws are laws, rules and/or standards governing the audits of financial statements and quality control in Audit Firms performing such audits.

Disciplinary Measures or Sanctions: A disciplinary measure, or a sanction, is a penalty, punishment, restriction, or other measure imposed as a means of enforcing compliance with or deterring violations of Audit Laws, as opposed to a Remedial Measure taken voluntarily as a result of inspection or other regulatory oversight.

Disciplinary Proceeding: A disciplinary proceeding is a process carried out by a government entity or an entity designated by law to determine whether an Audit Firm or Individual Auditor has violated Audit Laws or other auditor duties and whether Disciplinary Measures or Sanctions are warranted.

Enforcement/Enforce: Enforcement is oversight activity directed at addressing violations of Audit Laws, which may result in imposition of penalties, punishments, restrictions, or other Disciplinary Measures or Sanctions, either by way of Adjudication or Settlement. Enforcement activities are distinguished from inspections, which are aimed at identifying deficiencies in a firm's audits or quality controls and monitoring improvements in those audits and quality controls. Enforcement can, however and in accordance with the applicable legal framework, also comprise Remediation Measures.

File-Specific Enforcement: Use of Enforcement powers provided by laws and regulations as a response to non-compliant behavior in a single audit engagement. Such non-compliant behavior may also encompass not meeting ethical standards such as independence. File-Specific Enforcement can take place vis-à-vis Audit Firms and/or Individual Auditors.

Firm-Wide Enforcement: Use of Enforcement powers provided by laws and regulations vis-à-vis Audit Firms as a response to non-compliant behavior in relation to the Audit Firm's governance and quality control standards, or as a response to identified non-compliant behavior in multiple audit engagements.

Formal Enforcement: Use of Enforcement powers provided by laws and regulations in the area of audit oversight.

GPPC Firm: A GPPC Firm is an Audit Firm belonging to the global networks of BDO, Deloitte Touche Tohmatsu, Ernst & Young, Grant Thornton, KPMG, or PricewaterhouseCoopers.

Individual Auditor: An individual auditor is a natural person conducting audits of financial statements. The term comprises the lead engagement partner and all members of the audit team holding a license.

Informal Enforcement: Use of other means or techniques than Formal Enforcement in response to non-compliant behavior aiming at Remediation of non-compliant behavior and/or prevention of future non-compliant behavior. Informal Enforcement does not have the objective to sanction a non-compliant party (Audit Firm and/or Individual Auditor). Examples are action/remediation plans, unofficial warnings or meetings with senior management.

Investigation/Investigate/Investigative: To investigate is to collect evidence or other information to assess whether Audit Laws have been violated and whether a Disciplinary Proceeding should be initiated. As such, investigation is part of the overall Enforcement process.

Litigation/litigate: Litigation is the regulator's and Tribunal's participation in an Adjudication.

Public Interest Entity (PIE): A public interest entity is:

- (1) an entity that has securities (equity or debt) traded on securities markets and exchanges; or
- (2) an entity:
 - a. defined by regulation or legislation as a *Public Interest Entity*; or
 - b. for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Remedial Measure/Remediation: A remedial measure is a step taken by an Audit Firm to correct a deficiency in its audits or quality controls identified in the course of a regulatory inspection or other regulatory oversight. Remediation is the process of correcting such a deficiency based on such a legal or regulatory requirement. A remedial measure may be voluntarily undertaken by an auditor or imposed by a regulator.

Settlement: A settlement involves a decision by a regulated Audit Firm or Individual Auditor to accept a Disciplinary Measure or Sanction instead of contesting the allegations in an Adjudication.

Tribunal: A tribunal is a person or body empowered to make an independent determination as to whether:

- (1) allegations have been established with adequate evidence or proof; and

(2) Disciplinary Measures or Sanctions should be imposed against a regulated Audit Firm or Individual Auditor.