Our coverage and comparability of findings

Our risk-based targeting of financial reports and audits this year used the same criteria as last year. This year we reviewed 220 entity financial reports under our separate financial reporting surveillance program and in this report inspected the audit files of 36 of those entities. In addition, we inspected six large unlisted entities and three other listed entities identified as high risk.

We would expect audit quality to be consistent for all audit clients at all audit firms. Therefore, this year we selected a sample of entities outside the ASX as part of our inspection program.

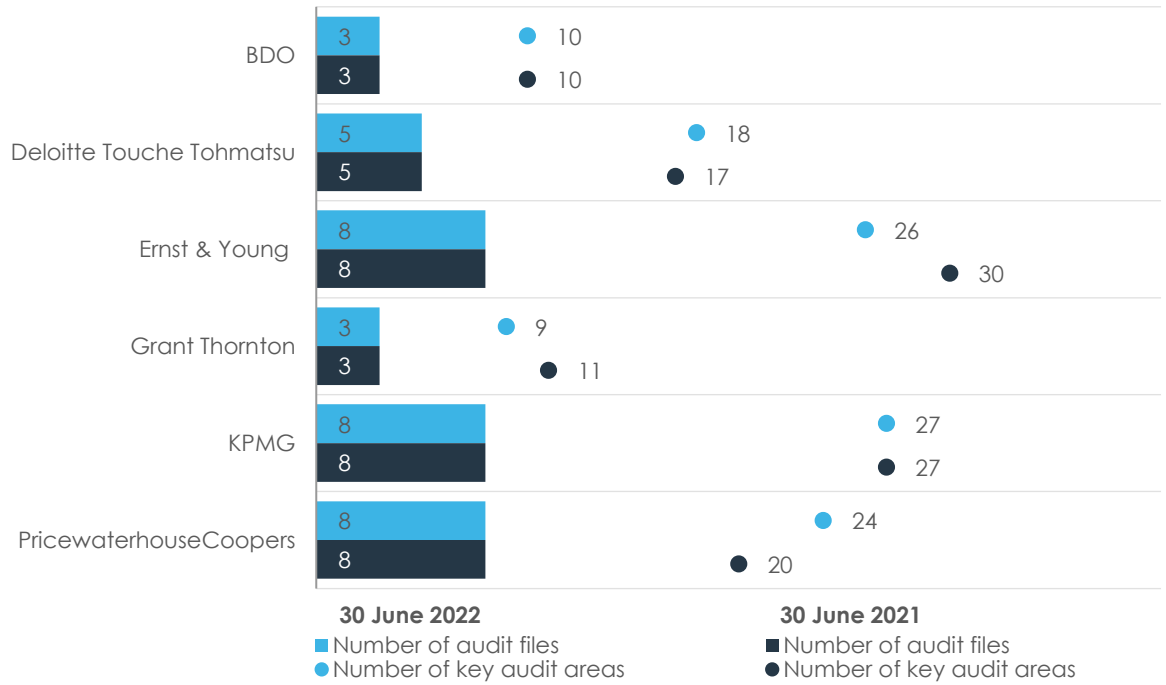
If we exclude the results of the six large unlisted entities file reviews, there would be a 2% and 3% decrease in overall and largest six firms' negative findings respectively. Our negative findings for the six large unlisted entities reviewed was 45% of 20 key audit areas.

We inspected a total of 45 audits of financial reports, for financial years ending from 31 December 2019 to 31 December 2021 at 14 audit firms in this year's report, compared to 45 audit files for financial years ending from 31 December 2019 to 31 December 2020 at 16 audit firms in last year's report.

We reviewed 146 key audit areas this year and 149 last year. The key audit areas inspected this year were similar to those inspected last year. Expected credit losses have been categorised into the key audit area of the related asset this year, for example, revenue and receivables or investments and financial instruments. For consistency, comparative information has been restated in each graph and table where required.

The number of audit files and key audit areas reviewed at the largest six audit firms this year and last year is set out in Figure 4.

Figure 4: Number of files and key audit areas reviewed at the largest six audit firms



Note: See Table 7 for the data shown in this figure (accessible version).