



Audit quality & transparency report 2023

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A message from the CEO

At Grant Thornton, we understand that the journey toward audit quality is a continuous process grounded in a constant, diligent effort to improve. We have a steadfast commitment to excel on this journey, and we're continuing to invest in our foundation, our people and our technology so that our outcomes reflect our spirit and commitment. We are always striving for stronger performance that will play an essential role in the delivery of financial reporting that inspires the highest level of trust in the capital markets.

Our people lead the way

The foundation of our commitment to audit quality is the dedication, technical proficiency and professionalism of our people — and the significant investments in training and upskilling to deliver on our goals. Our coaching and training are designed to provide our people with the personalized feedback they need from highly qualified leaders, and we have renewed our focus on hands-on, face-to-face training in both individual and group settings. This fosters a sense of belonging along with the development of skills and proficiencies, and have led to stronger employee engagement. In fact, our latest survey showed that our professionals are looking for those in-person connections. What's more, our audit practice employee engagement increased over the previous year and our retention statistics for fiscal year 2023 showed meaningful improvement over FY 2022 and FY 2021. Simply put, we have doubled down on our efforts to help our people drive quality, and they have responded positively to those efforts.

We're powered by technology

We continue to make substantial investments in technology that plays a critical role in increasing the quality of audits. Our technology provides a better understanding of our clients' businesses and reduces the manual tasks our people need to perform, freeing them to deliver more value and insights to our clients. Our technology helps our people deliver quality results throughout the audit process, from improved risk assessments that enable increased precision to our cloud-based documentation tool that supports the reporting of audit results in every engagement. And we're poised to capitalize on continued innovation opportunities as technology such as artificial intelligence is designed to play a larger role in the audit process.

Promoting DEI&B and ESG

Our commitment to diversity, equity, inclusion and belonging (DEI&B) reflects our belief that diverse perspectives can bring higher quality to audits. We have already reached two of our five DEI&B aspirations for 2025, and we have made substantial progress on the others. Meanwhile, our focus on environmental, social and governance (ESG) practices and the associated financial reporting, internal control and audit risks enables us to deliver trusted sustainability assurance while we fulfill our firm's own ESG commitments and lead the way with ambitious initiatives in this critically important area.

Delivering for the future

As Grant Thornton is celebrating its 100th anniversary in 2024, we are firm in our resolve to provide high-quality audits that will support trust in the capital markets long into the future. Our people and technology give us the resources to succeed in this pursuit, and our new structure will provide greater support as we work to accomplish our goals. We have the spirit to continue making progress on our quality journey, and the strength of our commitment will shine through on every engagement, for every client, every day.



Janet Malzone
CEO, Grant Thornton LLP
Principal, Grant Thornton Advisors LLC

About Grant Thornton

Grant Thornton LLP (Grant Thornton) is the U.S. member firm of Grant Thornton International Ltd., one of the world's leading organizations of independent audit, tax, and advisory firms.

Our firm at a glance*

Services

Audit & Assurance | Tax | Advisory

Our industries

Asset management, banking, energy, healthcare, hospitality and restaurants, insurance, life sciences, manufacturing, media and entertainment, not-for-profit, real estate and construction, retail and consumer products, services, technology and telecommunications, and transportation.



567
Partners/Principals



8,025
U.S. employees



\$2.36 bn
in annual revenue



47
Offices

* Additional team members include 2,090 professionals employed by our shared services centers in Bangalore and Kolkata, India. Data reflects fiscal year 2023.



Awards

Notable firmwide awards around our culture, initiatives and DE&I efforts:

- 2023 Brandon Hall Group HCM Excellence Awards™ for the firm's skills development programs
- 2023 Disability Equality Index® top score of 100%
- Accounting Today's 2022 and 2023 Top 100 Firms
- Accounting Today's 2022 Best firms for Technology
- Seramount's 2022 and 2023 100 Best Companies
- Human Rights Campaign Corporate Equality Index – perfect score of 100% for sixth year in a row

Alternative practice structure

In May 2024, the firm completed a reorganization and will now practice as an alternative practice structure (APS) in accordance with the AICPA Code of Professional Conduct. Grant Thornton LLP, a licensed certified public accounting firm, will continue to provide audit and attest services, while Grant Thornton Advisors LLC, which is not a licensed certified public accounting firm, will provide advisory, tax and non-attestation services. The data and discussion regarding our organization in this report reflects our firm's structure as of July 31, 2023, prior to the APS reorganization.

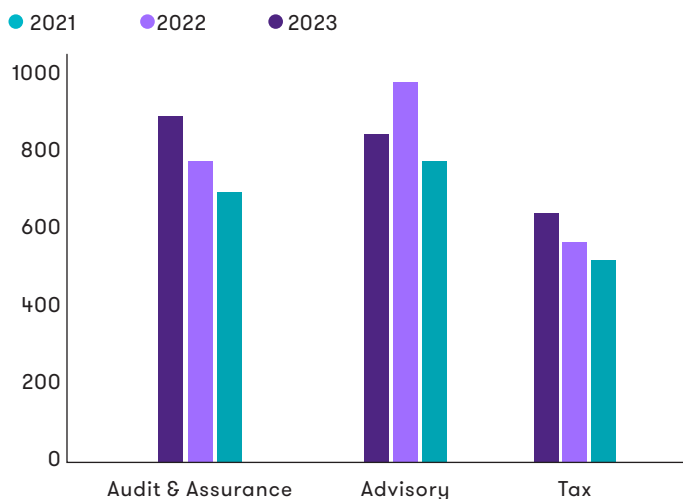
Our practice

Our audit and assurance practice consists of audit services and specialty attest services. The audit practice operates in three regions — East, Central and West — and each region is operated by a Regional Audit Practice Leader who reports to our National Managing Partner of Audit & Assurance Services (NMP AS). Specialty attest services, which is composed primarily of strategic assurance and SOC services, and ESG-related services, operates nationally by the National Managing Partner of Specialty Attest who reports to our NMP AS. Professional excellence is a focus for all our people, and our professional practice network works closely with audit professionals and regional leadership to support that commitment. Each region has a National Professional Practice Director who reports to the National Managing Partner of Professional Practice, who in turn reports to the National Managing Partner of Assurance Quality and Risk (AQR). The NMP AS and National Managing Partner of AQR are part of the senior leadership team, led by the firm's CEO.

Our people

Our most valuable asset is our people. It is why we continue to invest in resources, including process improvement, technology, and learning.

Figure 1: Net revenue (\$ million)



Technical excellence, audit quality and ethical behaviors are reinforced to all professionals that participate in assurance engagements starting day one and continuing throughout their careers. Our learning programs reinforce that our professionals maintain an objective and skeptical mindset. The application of technical expertise is a key competency assessed within the mandatory annual performance appraisal process. In addition, partners and key team members involved in the audit of certain clients, such as listed companies, must first be suitably accredited (for example, via completion of mandatory learning programs, sufficient public company audit experience, industry experience and other criteria).

Partner/principal/managing director/manager involvement is required throughout the audit process. This includes giving honest feedback, coaching, and mentoring, encouraging consultation, and providing on-the-job learning to our professionals. The mix of engagement personnel based on experience level is also a significant driver of audit quality, which includes leveraging the right work effectively to less experienced team members, helping them develop. Leveraging non-audit specialists, such as Tax or Valuation, on our engagements is another driver for audit quality in that these teammates provide a level of expertise in certain areas of the audit that other personnel may not have. The following table shows our average full-time-equivalent (FTE) headcount by level and key ratios of engagement hours for both US and INDUS audit teammates. On average, each of our partners supervises nine non-partner employees.

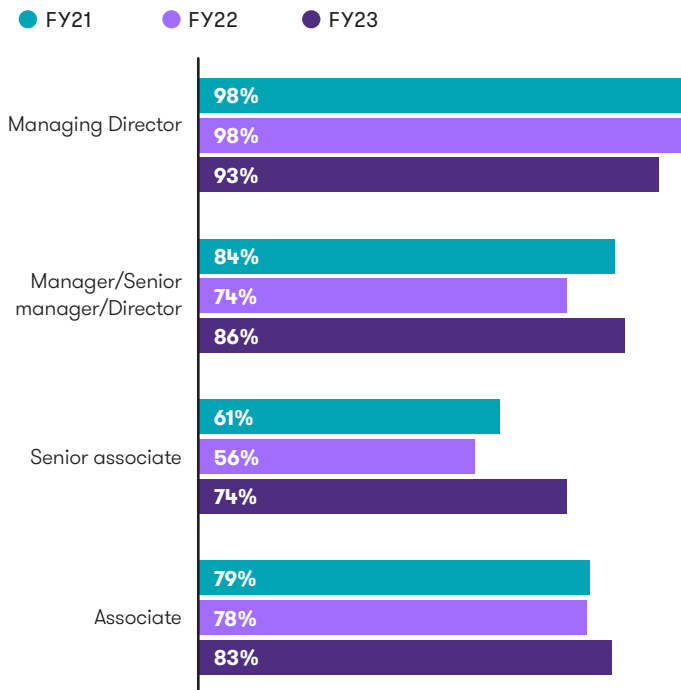
Figure 2: Average FTE Audit Personnel (US and INDUS)

Sum of FTE	FY21	FY22	FY23
Partners	260	263	271
Managing Directors	43	50	56
Managers	557	586	621
Associates	1,779	1,671	1,845
Ratio of partner to non-partner	1:9	1:9	1:9



Turnover of audit personnel is also a relevant influencer of audit quality. We have invested significantly in programs to help our team members have meaningful careers with Grant Thornton. Figure 3 shows Grant Thornton’s audit service line annual retention rate below the partner level for the past three years.

Figure 3: Average annual retention rates by level








Today, most large firms utilize centralized service centers to perform certain audit procedures. The proper use of centralized services not only increases quality and efficiency but also enhances development opportunities for domestically based professionals. Grant Thornton operates a shared services center with offices in Bangalore and Kolkata, India, which is a joint effort between Grant Thornton India and Grant Thornton and is named INDUS. The INDUS audit team includes over 600 professionals.

In FY 2023, we performed approximately 18% of our audit hours in INDUS. Our INDUS professionals consistently deliver high-quality work. The INDUS team works with audit teams across the US and includes the Center for Excellence (COE) for Whole Ledger Analytics (WLA) and Innovations, which operates as the INDUS Lumen Team, an extension of our audit innovation team in the US (Lumen). INDUS also developed COEs for employee benefit plans and financial services.

Accountability matters. So does action.

We're committed to building a more diverse, equitable and inclusive workplace that empowers those not often seen or heard. Creating stronger futures means going beyond words. By the end of our fiscal year 2025 — our 100th anniversary — we aspire to fulfill five key diversity goals that serve and support our DE&I efforts:

Figure 4: Below are our key DE&I aspirations and progress to date.

Our aspirations	Fiscal year 2023 progress*	Target date
30% of our new hires will be Black and African American or Hispanic and Latinx (also recognizing opportunities for increased hiring of Pan-Asians, Native Americans, Hawaiians and Pacific Islanders)	 58% progress towards goal	By the end of fiscal year 2025
35% of our NLT and market-focused leaders will be women, people of color, LGBTQ+, individuals with disabilities, veterans or military spouses	 86% progress towards goal	
40% of our partners, principals and managing directors will be women, people of color, LGBTQ+, individuals with disabilities, veterans or military spouses	 100% progress towards goal	
50% of our hot-skills training opportunities (including firm-sponsored certifications, advanced technology skills and leader-sponsored training and development initiatives) will include women, people of color, LGBTQ+, individuals with disabilities, veterans or military spouses	 100% progress towards goal	
50% increase in our representation of veterans, military spouses and individuals with disabilities across the firm, from fiscal year 2020	 86% progress towards goal	

*The sale of Grant Thornton's Public Sector Advisory practice impacted our progress, both positively and negatively, for different aspirations.

Our audit leadership team is committed to achieving the firm’s FY2025 goals. Details regarding the progress our audit and assurance practice has made to date in creating a more diverse working environment can be found in Figures 5, 6, and 7 below.

Figure 5: Race/Ethnicity breakdown of US-based Audit colleagues

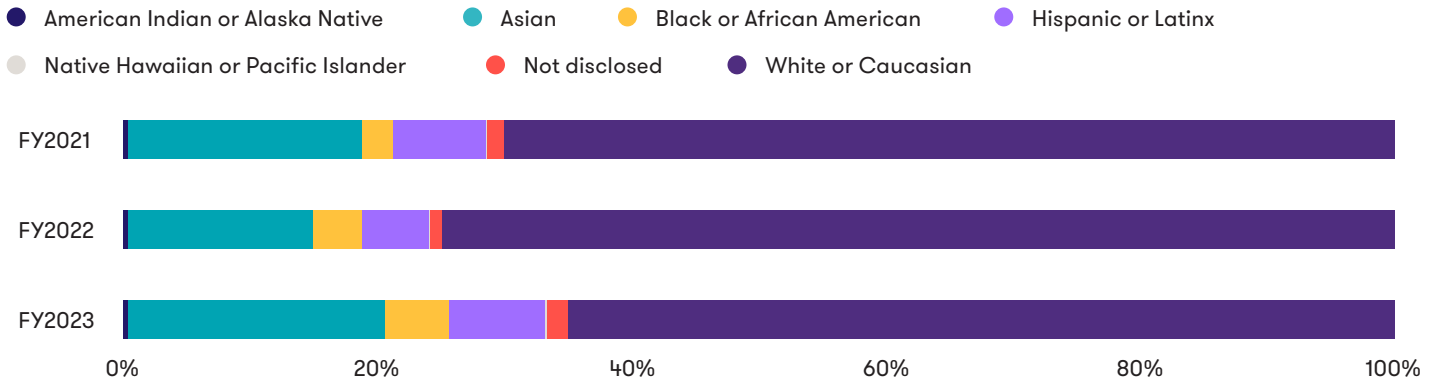
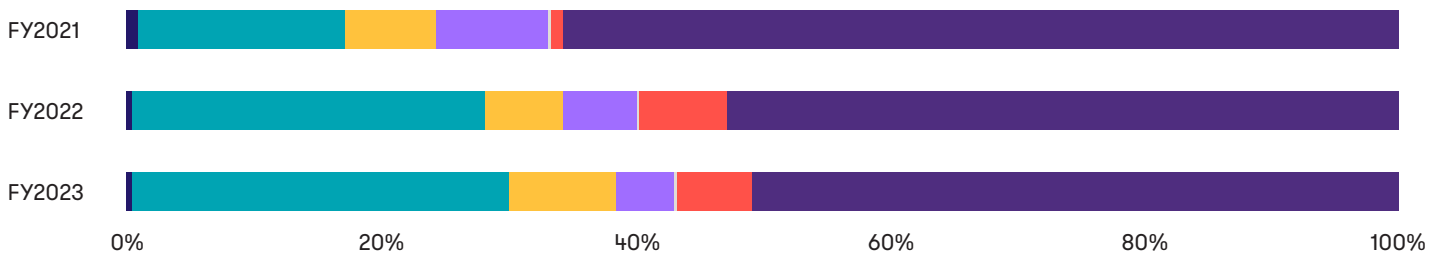


Figure 6: Race/Ethnicity breakdown of Audit PPMDs



Figure 7: Race/Ethnicity breakdown of US-based Audit new hires



To learn about the progress Grant Thornton has made with regards to our DE&I efforts please see our [ESG Report](#).

ESG

We see an increasing number of our clients reporting data, policies, strategy, commitments — key performance indicators (KPIs) — and outcomes for a variety of topics around ESG matters. As such, our focus on ESG in our role as auditor and adviser continues to expand. To facilitate our role as auditor, we provide our engagement teams with data and information on ESG matters relevant to the entity under audit to assist with identifying the financial reporting and internal control risks that may be present at the entity or within the entity's industry sector. Recognizing these risks allows us to focus the audit effort in areas where material errors or discrepancies may arise.

This focus on the audit risks around ESG allows our audit teams to have in-depth discussions with management, boards and audit committees on a variety of ESG subjects that are pertinent to the governance of the entity, including:

- ESG strategy and execution
- Identification of material ESG subjects and KPIs
- Industry and peer benchmarking of ESG topics and disclosures
- Application of sustainability and ESG reporting frameworks and standards
- Climate-related commitments such as net-zero and emission reduction targets
- Greenhouse gas measurement
- DE&I programs and strategies
- Supply chain governance
- Data privacy and cybersecurity

Our clients are increasingly seeking assurance over their ESG disclosures to garner additional trust in the information reported and prepare for future regulatory compliance. Our audit methodology includes supplemental guidance and approaches to delivering sustainability assurance over a wide variety of ESG subjects, disclosures, and measurements. Consistent with our role in the financial statement and ICFR audit process, the assurance we provide over ESG reporting increases the credibility of this information and aligns with our role in the capital markets.

In addition to providing ESG services, our firm has incorporated ESG programs into our commercial strategy and operations. Many of our ESG commitments align with those of the markets we serve to show the way on the importance of these topics on corporate stewardship and success. More about our firm's commitments can be found in our Sustainability and DE&I reports.





System of quality management

At Grant Thornton, we recognize that audit quality is paramount in fostering trust and transparency within the capital markets. Our robust System of Quality Management (SoQM) plays a pivotal role in achieving this objective. GTIL and Grant Thornton have implemented service delivery systems, quality controls and risk management tools to provide the necessary framework to meet the high-quality standards of the firm and the profession. Our people have both the latest learning and the most effective tools to build, earn and secure public trust.

We completed the implementation of the International Auditing and Assurance Standards Board's International Standard on Quality Management 1 (ISQM 1) on Dec. 15, 2022. We developed a tool, qm.x, to document our SoQM and are using it to perform our ongoing monitoring. qm.x will also be used in connection with the equivalent standards, SQMS 1 by the AICPA and eventually the PCAOB's standard QC 1000, when approved by the SEC. As part of our commitment to excellence, we conduct an annual evaluation of our SoQM to ensure it provides reasonable assurance that our quality objectives are being met.

Key Elements of Our Evaluation:

At least annually, the individual assigned ultimate responsibility for our SoQM evaluates its effectiveness. This evaluation encompasses all aspects of our SoQM, including policies, procedures, and monitoring processes. Our evaluation aims to determine whether the SoQM provides us with reasonable assurance that we meet the objectives set out in ISQM 1. These objectives include fulfilling our responsibilities, conducting engagements in accordance with professional standards, and issuing appropriate engagement reports. We view our evaluation process as an opportunity for continuous improvement. By identifying areas for enhancement, we strengthen our culture of quality and reinforce our commitment to innovation and client service excellence.

Based on our most recent evaluation as of Dec. 15, 2023, we are pleased to report that our SoQM provides reasonable assurance that our quality management objectives are being achieved. We remain dedicated to sustaining audit quality, leveraging cutting-edge systems, and nurturing a talent experience that upholds the highest ethical standards.

Key Roles within Grant Thornton's SoQM:

- Ultimate Responsibility and Accountability - the Chief Executive Officer assumes ultimate responsibility and accountability for the effectiveness of our SoQM. This includes making conclusive judgments regarding its performance and the determination of the overall evaluation.
- Operational Responsibility for the SoQM - the National Managing Partner, Audit Quality and Risk is entrusted with operational responsibility for the SoQM. This includes responsibility for conducting the firm's risk assessment process as well as the design and implementation of quality responses to mitigate the risks identified.
- Operational Responsibility for Independence Compliance - the Partner-in-Charge of Independence oversees compliance with independence requirements. Ensuring independence is fundamental to maintaining audit quality.

- Operational Responsibility for Monitoring and Remediation over the firm's SoQM - the Managing Director in charge of quality monitoring and remediation actively monitors the SoQM.

At Grant Thornton, these roles collectively contribute to our unwavering commitment to audit quality, transparency, and professional excellence.

Initiating an engagement — Client acceptance and continuance

Our audit quality control and risk management start with our efforts to (1) verify that we are working with clients who share our commitment to integrity and excellence (client acceptance), (2) confirm that we have the skills and capabilities to audit the client's financial statements (engagement acceptance), and (3) plan and execute each engagement to meet or exceed the relevant professional standards (engagement performance).

The firm's client acceptance and continuance policies and procedures are foundational to our SoQM and are designed to ensure acceptance and retention of clients that share Grant Thornton's values of quality and integrity. Key partners actively participate in and approve the acceptance of every new client. Additional review and approval occur for engagements that meet specified criteria, which may include the national managing partner of assurance risk management and a committee of more senior partners.

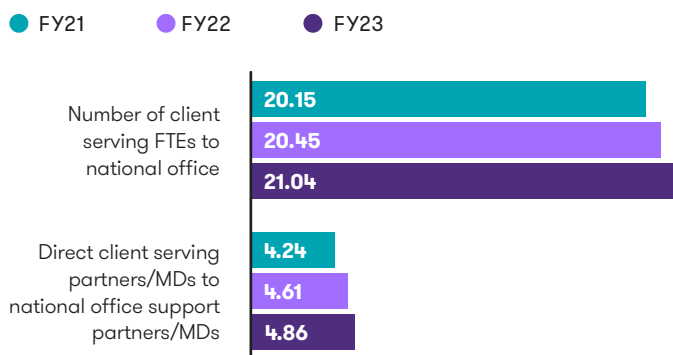
The firm requires a determination, at least annually and when certain events occur, of whether our relationship with a client should be continued.

The firm is subject to global client acceptance and continuance procedures that are designed to support member firms' acceptance of appropriate clients. Engagements meeting certain criteria require approval from a global key assurance assignment committee, which considers whether these engagements represent an acceptable risk to the global network. The committee is chaired by GTIL's global head of quality and consists of partners from a group of geographically diverse member firms. Review and approval are performed on each engagement by a subset of the committee and excludes a representative from the firm proposing.

Supervision, consultation, and review

Every well-run audit firm has a staff of experts available to support engagement teams when complex accounting and audit situations arise. At Grant Thornton, we take pride in our national office, which not only provides exceptional advice and counsel to our teams but also gets involved directly with our clients to address issues. We average providing one national office professional for roughly every 20 direct client-serving audit professionals, and one national office partner or managing director for every five audit partners or managing directors. We have a strong culture of consultation, supervision and support, which is embedded throughout our audit methodology. Audit clients whose securities are publicly traded are subject to an engagement quality review (as required by the PCAOB’s standards and the International Standards on Auditing) by partners who are specially qualified to perform such reviews. Our engagement quality review partners are in place for these reviews and other complex or higher-risk clients to address certain quality and risk management matters.

Figure 8: National office coverage



Note: In gathering our FY23 data, we discovered the data previously used to report FY21 and FY22 national office coverage were incomplete. We have since corrected our calculations for this year’s report to include all service lines within the Audit & Assurance practice.

Assurance quality and risk

Quality is foundational to the entire firm, with responsibility lying with every professional, and the SoQM is set up to ensure the audit and assurance services we provide are consistent with that foundation, and that we adhere to our professional responsibilities. The AQR team is central to our ability to maintain our SoQM, support the professionals and address risk, and includes specialists in accounting principles, auditing and other attest standards; SEC and PCAOB regulatory matters; risk management; and ethics and independence. AQR professionals are heavily involved in AICPA and FASB standard-setting activities, including the Auditing Standards Board, the Assurance Services Executive Committee, the Professional Ethics Executive Committee, the Peer Review Board, and National Peer Review Committee of the AICPA. We also support and are significantly involved in the activities of the Center for Audit Quality. Our involvement in the profession gives us insight into the business and regulatory environment.

The AQR team is responsible for

- Establishing and enforcing policies related to accounting and auditing services, including client acceptance and continuance and independence
- Maintaining, updating and reviewing the firm’s accounting, auditing, independence and ethics, regulatory and certain other audit services resources
- Providing timely information and thought leadership concerning current developments in areas of accounting, auditing, ethics and independence, regulatory actions, and specialized industries
- Administering various professional and firm quality control functions, including various monitoring activities
- Consulting on technical matters relating to accounting, auditing and SEC practices

Audit methodology and technology

Our global audit methodology, which is used by all GTIL member firms, provides audit teams with a clear and direct link between identified financial reporting risks, internal controls that address the risk, and audit procedures. This approach enables audit teams to judge how the current environment affects an entity's financial reporting; how the entity's operations, policies, and procedures may introduce audit risk; and how to develop an appropriate audit response. The methodology scales to allow the audit response to be applied across entities of various sizes and risks. Also, the methodology integrates quality control processes — for example, policies requiring certain types of procedures for certain risks or when an additional layer of engagement quality review is necessary.

Engagement teams use a variety of automations and advanced analytics from our ever-growing suite of Lumen innovations to identify areas of increased risk and facilitate more focused audit responses to improve audit quality. WLA is our patented flagship analytic and represents a suite of separate analytic approaches that can be applied on any general ledger dataset to assist teams in performing risk assessment and substantive procedures, and in identifying other value-added insights. With WLA, our auditors can more easily and effectively examine a client's financial reporting activity and identify higher-risk transactions, potential human errors and reporting trends.

In addition to WLA, engagement teams may leverage one of our audit data analytics (ADA) tools to address a risk of material misstatement in revenue. These ADAs are designed to address specific revenue recognition patterns and assist the engagement team with more precisely responding to the assessed risk in a revenue population by identifying notable items that may represent transactions with heightened risk and merit additional attention.

Our engagement teams may also leverage a suite of automated workpapers to efficiently and effectively respond to risks in areas such as accounts receivable, accounts payable, fixed assets and inventory. These workpapers improve quality by automating the performance and documentation of procedures that are typically performed manually, thereby reducing the chance for human error. The related procedures include automatically pulling in relevant data, creating roll-forwards, reconciling to the general ledger, summarizing key fields, and executing sampling plans based on user-selected inputs. They also provide the engagement team with supplemental analytics that help identify riskier transactions or trends in the associated data.

We continue to see strong organic adoption of our suite of proprietary tools while working to develop and pilot new tools. One such tool automates, standardizes and enhances elements of the quality review process, saving our engagement teams time while further decreasing audit risk. It provides a more consistent approach to quality control by performing a series of customizable diagnostic routines on audit workpapers.

Audit results are documented within a cloud-based proprietary documentation software tool and supplemented with external documents that are accumulated and archived following completion of the audit.



Professional development

We support professional development not only through structured learning programs but also through on-the-job learning across varied client assignments, coaching, national office rotations and international secondments. Further, we continually review the skills and competencies of all our professionals to confirm their qualifications for assigned engagements.

The firm provides professionals with a wide variety of learning programs to enhance knowledge and skills in the following areas, among others:

- Accounting, auditing, financial reporting and regulatory matters
- Applying audit standards, policies, methodology and tools
- Fraud prevention and detection and professional skepticism
- Independence and ethics
- Industry — for example, financial services, benefit plans, not-for-profit
- Leadership, communication, and interpersonal skills
- Supervision of the audit

The audit and assurance practice has robust policies and processes around learning development and delivery in the following areas to ensure learning programs are relevant and effective:

- The number of hours and type of learning needed by professional level
- Identifying and prioritizing learning topics by level
- Content development, technical reviews and delivery, including identifying and preparing program leaders
- Monitoring enrollment and course completions
- Continuing Professional Education (CPE) compliance

The firm uses a variety of methods to deliver national learning programs and courses — face-to-face (national, regional, and local), virtual classrooms, webcasts, and on-demand self-study programs. Where specific topics are not available through a firm-sponsored program, professionals attend courses and events offered by qualified external providers.

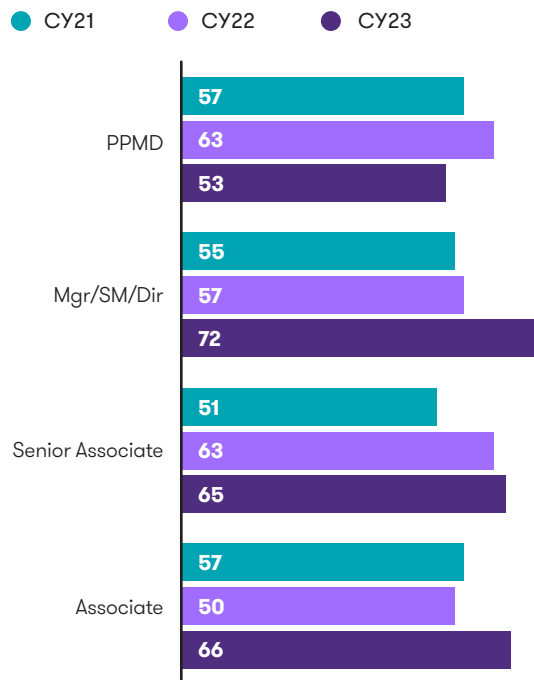
The firm’s mandatory training programs enable us to conduct business with integrity and in compliance with professional standards, firm policies, laws and regulations. All firm personnel including INDUS are required to complete mandatory trainings. The firm offers several national leadership programs and digital badging opportunities focused on milestone achievements, professional skills, growth, technology, and industry.

All professionals in the firm, including CPAs and non-CPAs, are required to obtain at least 20 hours of qualifying CPE every year and at least 120 hours every three years. As noted in the chart below, our professionals average over 40 hours of relevant training each year.

In addition, all partners and professionals must comply with state licensing and other firm CPE requirements — all of which are monitored.

The firm enforces corrective actions (minimum consequences) for noncompliance with firm CPE policies, which may include disciplinary warnings, impact on performance ratings and removal from certain engagements, among other actions.

Figure 9: Average training hours by level



Grant Thornton is certified for CPE sponsorship through the National Association of State Boards of Accountancy and listed on the National Registry of CPE Sponsors. The registry recognizes CPE program sponsors who provide CPE programs in accordance with nationally recognized standards.

Accountability and partner compensation

Responsibility for audit quality rests with every professional involved in audits. The ability and commitment to get the job done right is a determining factor in our promotion and compensation system at every level, resting finally and primarily with the partners.

Our audit partners are owners of the business and share in the firm’s annual profit at a level equivalent to their percentage of ownership. All partners are paid based on the earnings of the entire firm. They are not paid based on the relative success of their respective service lines. Over time, and commensurate with their demonstrated contribution of value to the partnership, partners earn the right to increase their ownership percentage, and thus their annual compensation.

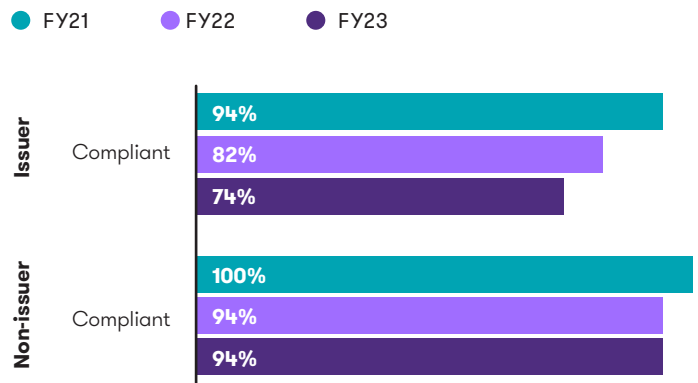
For partners who are involved with providing and supporting audit services, we track positive and negative audit quality indicators and assign a range of points to those indicators. The tracking is a key factor in a partner’s quality rating and overall rating. For example, a partner who is assessed as not meeting expectations in quality will also be assessed as not meeting expectations overall. In addition, the accumulation of negative points may result in a reduction in a partner’s final year-end distribution.

Evidence of high quality is observed in many ways. In addition to tracking positive quality indicators, we also annually recognize professionals who have demonstrated their commitment to quality through Quality Awards.

Quality monitoring

We have various methods of monitoring our SoQM and engagement quality, including real-time involvement of national office personnel on select audit engagements, self-assessment reviews of issuer audit engagements prior to archiving, and internal inspections of assurance engagements and the SoQM. In addition, we have periodic meetings throughout the year to proactively assess audit practice risks, engagement-level risks, and environmental factors, such as market demand and talent needs. We also undergo inspections by various regulators. These activities provide an in-depth assessment of whether the firm’s SoQM and individual engagements are adhering to the standards promulgated by the various standard-setting bodies that oversee our profession, as well as being compliant with our firm policies. The results of these reviews and actions also provide inputs into the quality aspect of our periodic partner performance evaluation.

Figure 10: Summary of Audit Services practice internal inspection results



Internal inspection

Grant Thornton's internal inspection program, known as the audit practice review (APR), is overseen by the Assurance Risk Management group and is performed throughout the year with periodic, at least annual, reporting of results. The APR includes comprehensive testing of quality control policies and processes, including collaboration with other functions of the firm (e.g., ISQM 1 testing) with respect to quality control testing, and a sample of audit and attest engagements. In addition to determining compliance with the relevant rules, regulations and standards, the APR assesses the effectiveness of firm policies, tools, and learning, and identifies opportunities to improve engagement performance. Figure 10 shows the three years of inspection results ending with FY 2023.

Inspection teams are selected from a combination of national office personnel and audit professionals outside the geography under review and include specialists as considered necessary. Engagement partners are subject to a possible engagement review every year, but no less frequently than once every five years. Engagement partners may receive a possible deferral of up to one additional year based on a positive regulatory inspection. Individual engagements are selected for inspection using a risk-based approach.

Findings from engagement inspections and testing of the various components of quality control, as well as observations from surveys and interviews, are captured and evaluated throughout the process. Identified themes or pervasive opportunities for improvement are communicated to the Audit and Assurance Services practice through training events and other technical update channels.

Peer review

The firm participates in the AICPA Peer Review Program, which requires a firm to undergo triannual external reviews of its audit quality control systems applicable to non-SEC issuer engagements. Our most recent Peer Review Report, which had a "Pass" result, can be accessed on the [AICPA website](#) using the Firm Number 900010026656.

PCAOB inspections

The PCAOB conducts periodic inspections of all registered public accounting firms, including annual inspections of firms such as Grant Thornton that audit 100 or more issuers. Grant Thornton is inspected as a part of the Global Network Firms program as determined by the PCAOB. The PCAOB's process focuses on our SoQM and inspections of a selection of our SEC issuer engagements.

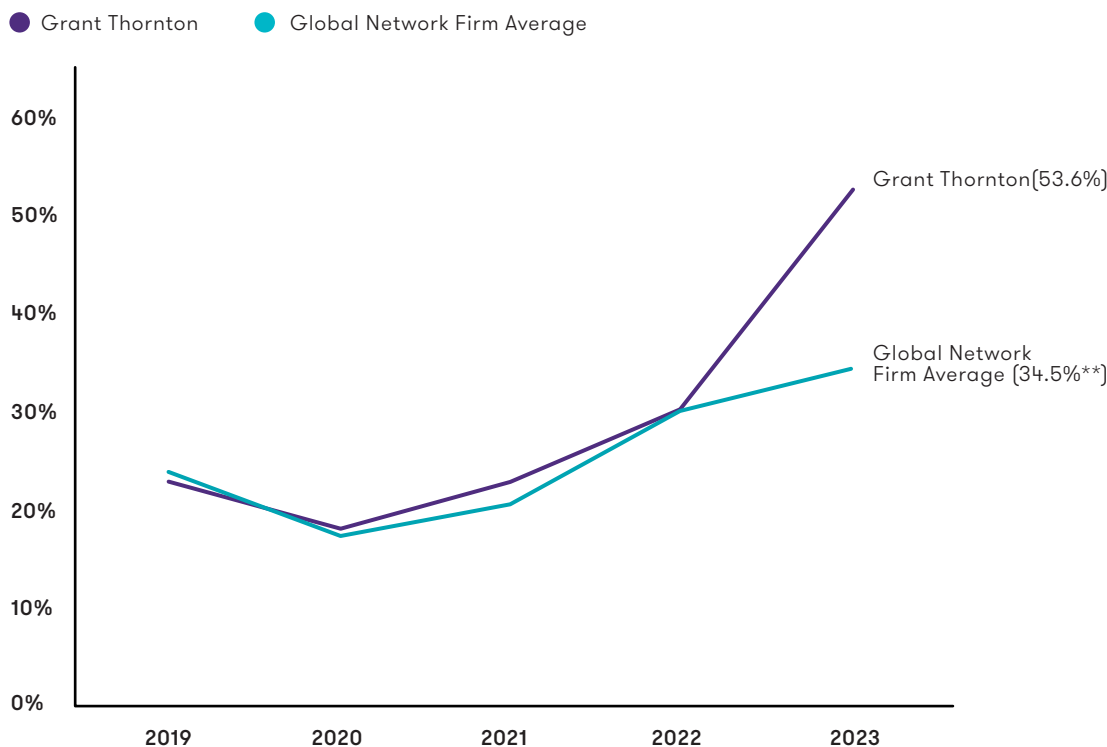
Inspection reports include two major parts. Part I is public and includes findings related to specific inspection engagements (Part I.A and Part I.B), as well as instances of non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence (Part I.C). Part I.A deficiencies are considered to be of such significance that the PCAOB believes the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s). Importantly, if the PCAOB includes a matter in Part I.A, unless otherwise noted, it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. There have been no restatements of the firm's issuer audits inspected by the PCAOB in our most recent PCAOB public inspection reports. Part II contains observations regarding a firm's overall quality control processes, including comments on thematic issues. Part II remains non-public unless the PCAOB deems the actions taken to address those observations were not to the board's satisfaction, in which case such aspects of Part II are made public.

Our most recent PCAOB public inspection reports were the 2022 report issued in December 2023 that covered audits of companies with fiscal years generally ended on or around Dec. 31, 2021, and the 2023 report issued in May 2024 that covered audits of companies with fiscal years generally ended on or around Dec. 31, 2022. Figure 11 shows the percentage of Grant Thornton's PCAOB-inspected audits that were included in Part I.A of the PCAOB's inspection report in comparison to the Part I.A average for all six global network firms.

All of Grant Thornton's PCAOB inspection reports are available on the [PCAOB site](#).

Figure 11: PCAOB inspection comparison

Five year look back comparison of PCAOB inspection report I.A deficiencies to Global Network Firm Average*



*Findings are for the U.S. member firms global network firms designated by the PCAOB.

**As reported by the PCAOB in its Staff Spotlight on inspection observations.

While the rising Part I.A findings rate indicates a trend in quality deficiencies, we believe three of these matters were immaterial as evaluated against the SEC’s materiality framework. We also remediated a fourth matter by simply correcting an error included in the original audit documentation. That said, we take the PCAOB’s findings very seriously and we are dedicated to continuous improvement.

The most recently available reports are from the 2022 and 2023 inspections, which noted the following areas where deficiencies were most frequently identified:

- The most common Part I.A deficiencies related to performing substantive testing to address a risk of material misstatement, testing related to a significant account or disclosure or to address an identified risk, testing the design or operating effectiveness of controls selected for testing, testing data or reports used in substantive testing, identifying controls related to a significant account or relevant assertion, or evaluating the appropriateness of the issuer’s accounting method or disclosure.

Part I.A deficiencies are grouped by audits with multiple deficiencies and audits with a single deficiency. Audits with a single deficiency made up 47% of our Part I.A deficiencies included in the 2023 PCAOB inspection report and 0% in our 2022 PCAOB inspection report.

- Part I.B deficiencies related to consideration of fraud, retention of audit documentation, audit committee communications, risk assessment, management communications, including the communication of audit findings, management representation letters, the firm’s audit report, auditor tenure, and critical audit matters.
- Part I.C deficiencies, including firm-identified matters, related to business relationships, audit committee pre-approval, non-audit services, tax services for persons in a financial reporting oversight role, and partner rotation.

In addition to the areas identified above, the firm is also focusing on the following areas based on feedback from the PCAOB:

- Supervision of the audit
- Pre-issuance review program
- Other targeted areas within the firm’s methodology and overall SoQM

U.S. Department of Labor inspections

The Employee Benefits Security Administration of the U.S. Department of Labor (DoL) has established an Audit Quality Inspection Program covering audits of plans subject to the reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974. For firms that audit 200 or more plans, such as ours, a DoL inspection consists of a top-down review of the firm’s employee benefit plan audit practice, as well as an inspection of a selection of employee benefit plan audits for compliance with professional standards and DoL rules and regulations. The DoL’s most recent inspection of our firm was completed favorably in 2021, with all inspected engagements deemed acceptable.

Engagement with regulators

GTIL member firms are expected to maintain an open and constructive relationship with their regulators. This is consistent with our global policy of embracing external oversight, along with supporting a balanced public reporting of external inspection programs. As a major international professional services organization, GTIL meets at least annually with the International Forum of Independent Audit Regulators and contributes regularly to the public discussion on major industry issues.

Effectiveness of quality control system

Grant Thornton’s quality monitoring and remediation program, under ISQM 1, is overseen by the Quality Monitoring and Remediation (QMR) group. QMR is a separate function that establishes quality monitoring policies and methodology, maintains the quality management technology (qm.x), administers testing, provides guidance to firm leadership, and supports the CEO’s evaluation of the SoQM.

The quality monitoring and remediation program incorporates information from several other monitoring activities that exist within the firm. This includes completed engagement inspections and external inspections noted above. The results of other inspections are considered when determining whether additional findings or deficiencies exist either individually or in the aggregate that may affect the evaluation conclusion reached.

The firm evaluates findings and observations from all its monitoring activities, including inputs from both internal and external sources. A key component of the assessment is a robust root cause program wherein causal factors are identified for positive and negative results, combined with an analysis of quality indicators. The ongoing cycle of monitoring, identifying where improvements are warranted, identifying causal factors, and developing actions provide a foundation to drive continual improvement in our audit approach and execution. An effective quality control system can provide only reasonable and not absolute assurance that a firm’s quality control objectives are met.

Continuous Improvement and Innovation

Over the past several years, we have taken actions to address quality control matters, including specialized trainings, investments in advanced technologies, and other actions in response to the firm’s root cause evaluation program, which is designed to focus the effort that is most responsive to the quality input as well as the underlying causal factor. More recent examples include:

- GTIL, with significant input from the U.S. firm, completed the development of a new cloud-based audit software platform referred to as Leap. The new platform is a significant advancement in the firm’s audit software and is expected to significantly improve the effectiveness and efficiency of execution of the firm’s audit work.
- The firm is reinforcing and monitoring compliance with what it calls “the audit lifecycle,” a mechanism to provide outstanding project management of its audit engagements and client experience.
- The firm continues to reinforce through practice guidance and focused training those areas of the audit that are higher in complexity and more prone to scrutiny.
- The firm continues to develop, enhance and execute on actions that are designed to involve the firm’s national office experts throughout the audit process.
- The firm continues to evaluate tools and advancements in technology to pro-actively identify impediments to audit quality, as well as result in more targeted and effective audit procedures.

The firm’s Audit Quality Advisory Council will also continue to offer strategic counsel and knowledge to both our Audit & Assurance Services Leadership Team and Partnership Board on how we can design programs and implement strategies and technologies that support high audit quality.

Independence and ethical guidelines

Independence and ethical requirements promulgated by the International Ethics Standards Board for Accountants, PCAOB, SEC, AICPA, and Government Accountability Office (GAO) protect the public interest by requiring auditors to be independent in fact and appearance. Grant Thornton employs a robust independence quality control system for the firm and our professionals that meets or exceeds these independence and ethical requirements. Specific controls address audit partner rotation for listed and other public interest entities and identify potential independence threats. All partners, principals, managing directors and client-facing managers are required to maintain real-time investment records in a GTIL global database (referred to as the Global Independence System (GIS)). Our ethical standards group identifies and helps resolve any potential independence conflicts.

Grant Thornton maintains written independence and ethical standards policies that are delivered to all personnel. These written policies and procedures provide reasonable assurance that all personnel maintain compliance with SEC independence requirements and PCAOB independence and ethics requirements when relevant to the audit, attestation, or review engagement. In addition, all newly hired professionals are required to undergo independence and ethics learning, and all partners, managing directors and other professionals complete at least annual learning thereafter. GTIL and its member firms also enforce policies and procedures designed to assist in the prevention and detection of independence threats.

Independence policies and procedures require:

- Maintenance of an updated list of restricted entities, including other related lists
- Independence self-reporting and annual certification of compliance with our independence and ethical policies by our partners, principals, managing directors and other professionals, as well as our professionals certifying their independence when submitting time through the firm's time-capturing tools
- Self-reporting of other relationships in the firm's self-reporting tools (e.g., independence certification) that may be thought to have a bearing on our independence within seven days of entering into a new relationship
- Verification that the self-reporting of such independence and relationship matters is complete and accurate

Independence requirements include prompt reporting of any employment offer from an audit or other attest client, which then triggers a review and evaluation of the impact such an offer may have on the work performed. In addition, personnel interviewing with such clients will be segregated from providing professional services during the interview process and while the offer is being considered.

Because "tone at the top" is central to an effective independence quality control system, the firm has developed a sanctioning process for noncompliance with our policies and procedures that is fully supported by senior leadership. We perform independence audits of partners, principals, managing directors and managers every year. Partners in the audit chain-of-command, Senior Leadership Team members and Partnership Board members are audited at least every two years. Other partners and managing directors are audited at least every four years.

In addition to our own independence practices, GTIL requires member firms to adopt policies and procedures that have been designed to safeguard independence on audit engagements and identify circumstances that could pose a conflict of interest. The global independence policies and procedures are based on the International Ethics Standards Board's Code of Ethics for Professional Accountants, with supplements to govern compliance with our global independence and international relationship-checking processes. Member firms are also required to adhere to their local regulatory requirements if more restrictive.

Another key element in our independence and ethical practices includes communications with audit committees and those charged with governance. Member firms have established policies and guidance for engagement teams to follow to comply with the applicable independence communication requirements. For each audit client, our engagement teams communicate with those charged with governance to discuss matters that may have a reasonable bearing on the firm's independence and the execution of the audit engagement. At the end of each audit, the engagement team reviews the results of the audit with those charged with governance. For public audit clients, all permitted non-audit services are preapproved by the audit committee to ensure the independence and objectivity of the firm. In addition, for such clients, engagement teams are required to adhere to the audit committee independence communication requirements (verbal and written) established by the PCAOB and SEC, and engagement teams have a professional responsibility to explain how the performance of non-audit services may impact independence.

Global Independence System

Avoiding financial interests in an audit client, or its affiliate, is a key objective in maintaining the independence of member firms and the client service engagement teams. To help individuals and member firms achieve this objective, GTIL uses the GIS, an automated tracking system that identifies restricted entities (issuers of publicly traded securities in which financial interests are prohibited or restricted). This information is made available to all personnel in all member firms.

Member firms and their partners, client-facing managers, spouses, spousal equivalents and dependents are required to maintain a record of their financial interests in the GIS. The GIS monitors compliance with our financial interest policies by comparing financial interests recorded in the system with a regularly updated list of restricted entities. Individuals and those responsible for compliance monitoring are notified by the system in the event a recorded financial interest is in a restricted entity. The GIS provides a mechanism to assist the individual in determining, based on the facts and circumstances, whether it is appropriate to hold the financial interest. Where it is not appropriate to hold the financial interest, it must be disposed of.

Grant Thornton has a policy in place that requires GIS users that have eligible investment accounts to use a brokerage firm that participates in the firm's GIS broker import program. This feature assists the firm in monitoring compliance with its financial interest policies and requirements.

GIS compliance monitoring is performed at both the member firm and global levels.



Relationship checking

GTIL policy requires member firms and professional personnel from all service lines to maintain their objectivity when delivering services to or entering into business relationships with clients. To avoid conflicts of interest and threats to independence arising from the provision of non-audit services to audit clients or their affiliates, the identification of any existing client relationships prior to accepting an assignment is essential.

Policies and procedures at the member firm and global levels include processes designed to identify existing relationships. These processes also include requirements for appropriate consultation when relationships are identified prior to accepting new assignments.

GTIL quality

GTIL has established a Global Quality Framework, which is an overarching standard that applies to all GTIL member firms. It sets common quality standards and is a permanent reference point setting the expectations of member firms to deliver services to agreed-upon quality standards.

Member firms are focused on delivering high-quality engagements in an ever-changing environment. GTIL provides support and resources to help support quality, including:

- An audit methodology, with supporting software, that is available globally
- Policies and procedures contained in audit manuals that are benchmarked against international auditing, quality control, independence, and ethics standards
- Protocols that enable member firms to consult with the global auditing standards team and, if necessary, with audit specialists in other member firms
- Protocols that enable member firms to consult with an International Financial Reporting Standards help desk
- A comprehensive intranet service that includes up-to-date information for member firms on auditing, financial reporting, ethics and independence standards, and guidance on applying them effectively

GTIL has two steering committees in support of driving quality throughout the network, each of which is composed of representatives from member firms, including the U.S. A Global Assurance Quality Steering Committee drives quality initiatives throughout the network, such as policy, guidance and tools. For example, each member firm performs root cause analysis, has an international accreditation policy, uses audit quality performance measures, and has a whistleblowing policy. The Global Methodology and Learning Steering Committee collaborates on auditing standards, methodology and related training that affect the network.

Each GTIL member firm is obligated to submit to an inspection of its quality control system, referred to as the Grant Thornton Assessment and Review (GTAR), typically at least once every three years. The GTAR process is designed to monitor member firm compliance with professional standards and global audit policies and procedures. The GTAR is conducted by independent and suitably qualified partners and managers from other member firms under the overall direction of the global audit quality leader. The inspection process includes an evaluation of policies and procedures of the member firm applicable to its audit practice and benchmarking those policies and procedures against relevant policies and procedures of the international organization and applicable audit standards. A report is issued based on the review findings and is evaluated as satisfactory (pass) or adverse (fail). Summary results are made available to a designated group in each member firm, which is accessible to group auditors for purposes of assessing qualifications of other member firms that perform work on group audits.



Governance risk and compliance

The CEO is ultimately responsible and accountable for the SoQM, and operational responsibility has been placed with the National Managing Partner of AQR. The Chief Risk & Compliance Officer and the National Managing Partner of AQR report quality and risk matters to the Partnership Board including, at least annually, the findings of our engagement quality review process and any planned remedial actions. The results are also disclosed to certain of the firm's external regulatory bodies.

Audit Quality Advisory Council

The Grant Thornton Audit Quality Advisory Council (the quality council) is composed of two independent council members and one audit representative from our Partnership Board. The purposes of the quality council are to advise the Partnership Board regarding ways to maintain and improve the firm's SoQM in accordance with applicable professional standards, and to champion the public interest nature of the Audit & Assurance practice. The firm grants the quality council access to firm information to help them understand our SoQM, but this access may be limited in specific areas or documents to preserve client confidentiality or other restrictions. The quality council also meets with the Audit practice and other leadership throughout the year.

The two independent members are Chris Mandaleris and Kurt Schacht. Mandaleris is a retired audit partner from a global firm and was previously the senior deputy director of inspections for the PCAOB. Schacht serves as the executive director of the CFA Institute System Risk Council and previously held leadership positions in the financial services industry and was involved in advisory committees to various regulators. Craig Miller is the audit representative from our Partnership Board. Miller is an audit partner and the National Professional Practice Director for the East region. He serves as a liaison between the Quality Council and the board and provides insight to the independent members regarding our governance and SoQM.

Professional Excellence Committee

The Professional Excellence Committee was established to further demonstrate the firm's commitment to our global values. Its purpose is to ensure full consideration by the firm of alleged misconduct and policy violations of partners, principals and managing directors; to help ensure fair and consistent treatment; and to evaluate alleged wrongdoing impartially and objectively.

Code of Conduct

Our Code of Conduct is an extension of Grant Thornton's global values, which provide the framework for the way in which we conduct business, serve our clients, and behave both within the firm and externally. A dedication to our global values of Collaboration, Leadership, Excellence, Agility, Respect and Responsibility (CLEARR) is the personal responsibility of every employee of Grant Thornton.

The Code of Conduct also includes policies that deal with independence, conflicts, protecting confidential and proprietary information, records management, equal opportunity employment and diversity issues, complying with laws and regulations including the Foreign Corrupt Practices Act, government ethics and contracting, and political activities.

Ethics hotline

At Grant Thornton, we believe ethical behavior is a necessary foundation for everything we do. Links to EthicsPoint, the independent third-party host of our Ethics Hotline, are available on our external website and on our intranet site to ensure that both our firm professionals and our clients have the opportunity to ensure that we uphold our standards. Reports can be made anonymously and are forwarded to the appropriate personnel for review within 24 hours.

Data security

Confidential information relates to any non-public or proprietary information about our clients or personnel, or any non-public information that we have acquired during the course of business. We employ a variety of system controls and policies to avoid any improper or unauthorized use or disclosure of such information. We require a nondisclosure agreement and client consent when we engage outside resources to assist us in an audit that requires us to furnish such individuals with confidential information. Data security also includes protecting data and systems from cyberthreats and attacks. The tenets of the program are security, confidentiality/privacy, integrity, and availability controls, which are selected based on the type and source of the information our firm is entrusted to protect.

Following are examples of Grant Thornton's confidentiality, privacy, and integrity controls:

- **Administrative** — New hire background checks, security and privacy policies, incident response procedures, learning, and change management processes
- **Physical** — Access control mechanisms to secure areas, secure handling and disposal of hard-copy materials, environmental controls, and media disposal and sanitization procedures
- **Technical** — Laptop encryption, password requirements enforcement, two-factor authentication, patching processes, network intrusion detection systems, firewalls, encryption of information across untrusted networks, mobile device management, malware and virus detection software, and controls to track and disable lost or stolen equipment

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