COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS

Instituto Iberoamericano de Mercados de Valores

"AQI AS A SUPERVISORY TOOL: PORTUGAL'S EXPERIENCE"

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Background
OBJETIVES & STRATEGY

- ✓ CMVM's supervisory strategy is **data-driven and risk-based**
- ✓ Data needs (sufficient) **quality**, and it gains meaning when **interpreted in the right context**
- ✓ ***"What gets measured gets managed"*** – indicators are tools, not solutions, that help diagnose issues but do not fix them
- ✓ Identify the main **indicators and metrics** of assessment to promote:
  - ➢ more transparency and objectivity to the audit market
  - ➢ the debate on the audit quality with the key stakeholders
  - ➢ a quality culture within audit firms
- ✓ Stakeholders depend on **timely, comparable, and useful information** to make informed choices
- ✓ **AQIs** and other performance indicators promote **good governance** that fosters better governance

From Voluntary to Mandatory

PORTUGAL'S AQI JOURNEY (2019–2025)

2025-…

- Apr 2025 · Mandatory Regulation 1/2025 published · AQI reporting mandatory for all PIE auditors · Firm-level data, PIE engagements and consolidation perimeter covered
- Oct 2025 · First Mandatory AQI reporting by 9 PIE auditors (reference year 2024) · Remaining PIE auditors required to report in 2026 ·
- Dashboard updated
- Data analytics alerts · Risk-trigger monitoring initiated

2022-2024

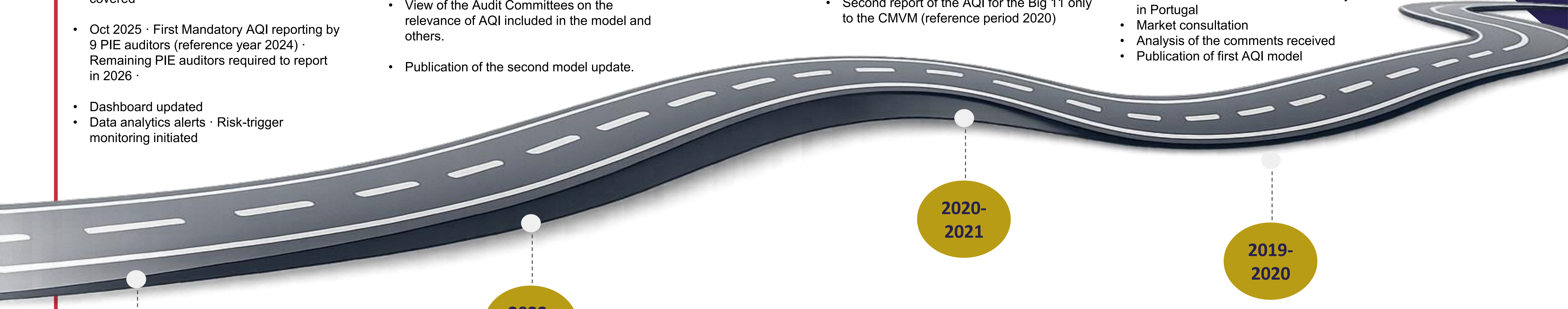
- Publication of CMVM Public Consultation on Draft Regulation No. 1/2025 regarding mandatory reporting of Audit Quality Indicators (AQIs) by auditors.
- Third report of the AQI for the Big 11 only to the CMVM.
- View of the Audit Committees on the relevance of AQI included in the model and others.
- Publication of the second model update.

2020-2021

- First report of the AQI for the Big 6 only to the CMVM (reference period 2019)
- Analysis of the results
- Proposals for adapting the model
- Scope review - Big 11 and 30 PIE
- Publication of the first model update
- Second report of the AQI for the Big 11 only to the CMVM (reference period 2020)

2019-2020

- Definition of ToR (terms of reference)
- International benchmark analysis
- Presentation of the most appropriate AQI and debate in the working group
- Identification of the main AQI used by BIG 6 in Portugal
- Market consultation
- Analysis of the comments received
- Publication of first AQI model



The CMVM AQI Model: 8 Indicators

Structure & Logic of the Model

- **The 8 indicators** are operationalized through **21 metrics**, covering audit hours and team composition, partner workload, experience, training, staff turnover, results of quality controls, quality control functions, and hours per audit phase.

- **4 indicators** apply exclusively to firm-level aspects (training, Staff turnover, Results of quality controls; Quality Control Function)

- **3 indicators** apply at both the firm and engagement levels (audit hours and team composition, Partners Workload, Experience)

- **1 indicator** apply exclusively to engagement level (hours per audit phase)

- All indicators are **accompanied by an explanation and contextualization.**

- **Regulation 1/2025 establishes the mandatory reporting framework – setting out the legal obligation, the scope of application, the indicators required, and the reporting templates that ensure comparability across firms.**
- The AQI Guide, which preceded and informed the Regulation, goes further: it includes information on the model's objectives, main challenges, definitions and glossaries – providing the conceptual foundation that makes the regulatory requirements meaningful in practice.
- The guide includes **9 additional examples of AQIs** that may be useful, as well as **3 extra indicators based on the results of a survey conducted with audit committees.**

CMVM AQI Framework: Measuring and Improving Audit Quality

Overview of the 8 Indicators

Indicators	Brief description	Type of indicator
Audit Hours	Proper involvement of staffs with more experience and specialists. At the firm level, details of hours incurred by client risk level (high risk and standard risk) are requested. At the engagement level, the fee amounts are also required.	
Partners Workload	It aims to measure partner availability. The hours under their management and the number of projects they are responsible for are captured	
Experience	Audit team experience and years with the firm, by professional category.	
Training	Training hours, nature (accounting and auditing), by professional category.	
Turnover of employees	Staff turnover and new hires by category, along with employee turnover rate	
Hours Per Audit Phase	Hours incurred by audit phase, by professional category, with emphasis on planning hours and when they were incurred..	
Results of Quality Controls	Quality control results, including the number of quality reviews performed on files and partners.	
Quality Control Functions	Total hours incurred related to quality control compared to the firm's total audit hours	

AQI | DASHBOARD EXAMPLES – FIRM LEVEL

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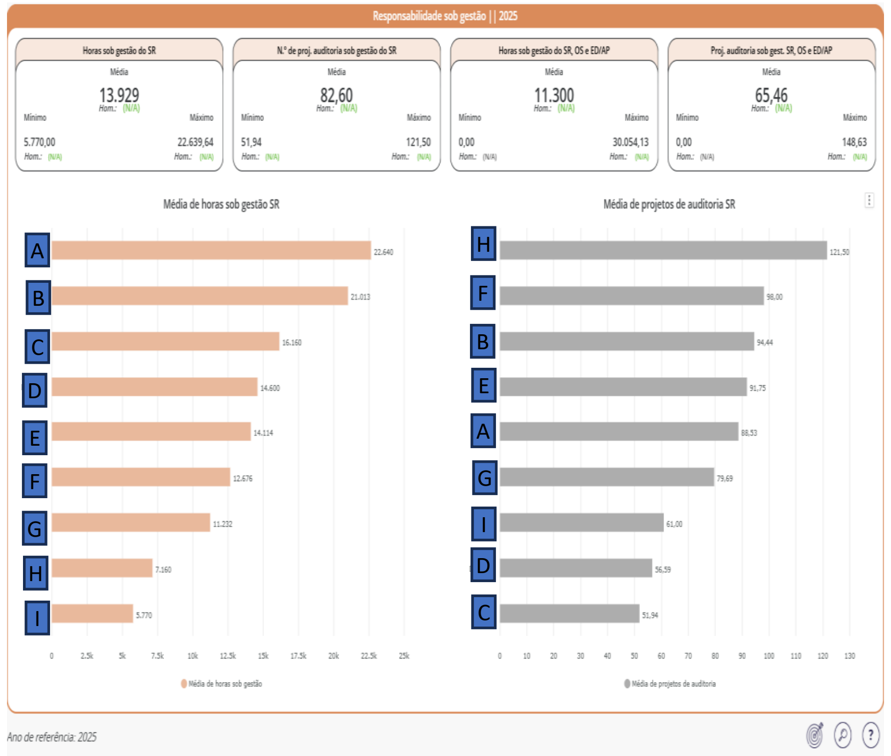
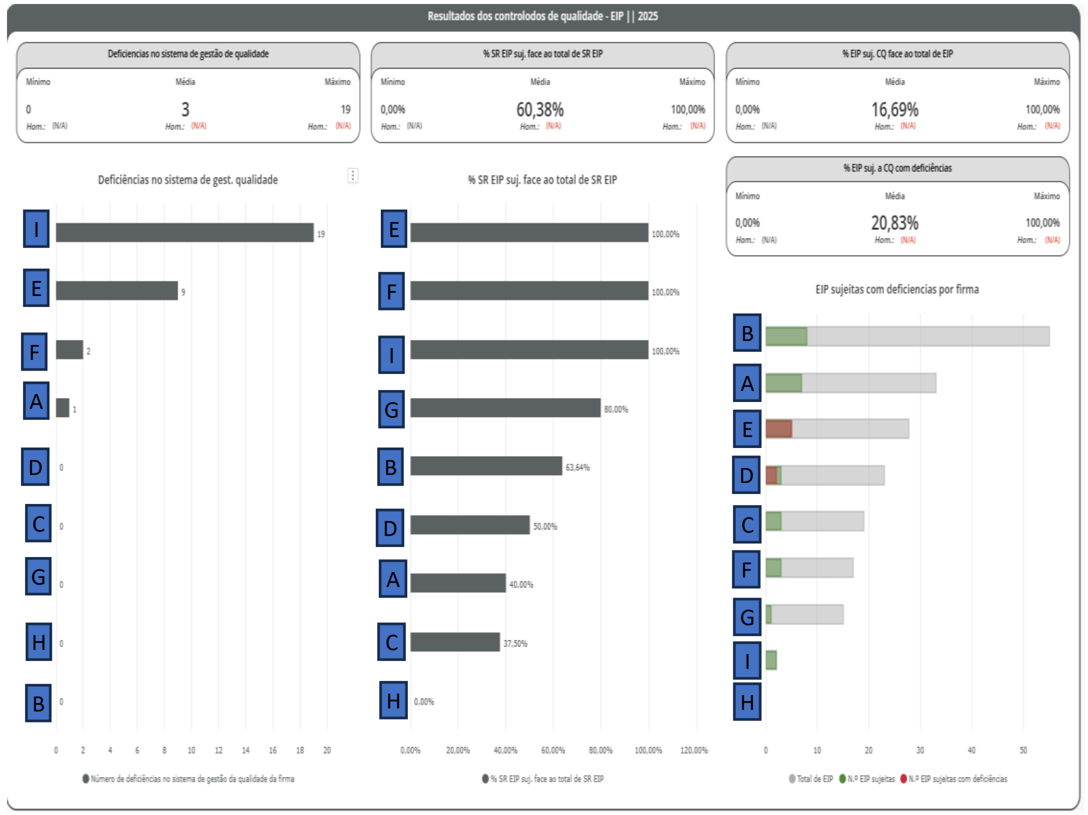
Workload (per engagement partner)



Training hours (per role and subject)

Engagements with Deficiencies



Portugal's Experience

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- ✓ From **reactive to proactive supervision:**
  - ➢ AQI data enables early risk detection – before inspection, not only after
- ✓ **Cross-indicator risk analysis:**
  - ➢ Low training + high turnover + declining partner hours = elevated systemic risk signal
- ✓ Firms gain **structured self-awareness:**
  - ➢ Mandatory reporting forces firms to measure, justify, and act on their own data
- ✓ **Virtuous cycle:**
  - ➢ Better data → better supervisory decisions → stronger audit quality culture
- ✓ AQIs are **tools, not verdicts** – context and professional judgment remain essential

Looking Ahead: The AQI Roadmap

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Purpose

- Broader diffusion/use of the AQI by all the stakeholders of the audit market
- Encourage audit firms to improve their systems and data collection tools
- A more efficient supervision by CMVM – use of AQI data reported by the audit firms to obtain insights on potential risks of a lower audit quality

AQI Regulation

- AQI reporting from 21 PIE audit firms, covering more than 240 PIE engagements
- Use data-analytics tools to analyze the full data set and identify risk triggers
- Develop interactive dashboards to monitor trends over time
- Next step: leverage AI to detect emerging triggers and patterns that require deeper supervisory follow-up.

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Thank you

Q&A

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