

KEY AUDIT MATTERS: ANALYZE OF AUDIT REPORTS OF FINANCIAL INSTITUTIONS LISTED IN B3

PRINCIPAIS ASSUNTOS DE AUDITORIA: ANÁLISE DOS RELATÓRIOS DE AUDITORIA DAS INSTITUIÇÕES FINANCEIRAS LISTADAS NA B3

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ABSTRACT

Problems related to accounting audit failures have occurred in several countries since Enron and WorldCom took place. In this sense, the purpose of this study was to analyze the Key Audit Matters (KAM) in the audit reports referring financial statements of financial institutions, listed in Brazil Bolsa Balcão S/A (B3), for the years 2016, 2017 and 2018. The methodology is linked qualitative and quantitative, descriptive and documentary research. The statistics analytics was realized through mean, standard deviation, coefficient of variation and Kruskal-Wallis test. The results reveal that information technology environment, provisions for legal proceedings (tax claims, civil claims and labor claims) and allowances for doubtful accounts are KAM more disclosed by auditors in financial institution's reports. The findings contribute to the understanding of the types of KAM, defined by independent auditors, when they examine the financial statements of financial institutions.

Keywords: key audit matters; independent audit; financial institutions.

RESUMO

As problemáticas relacionadas as falhas da auditoria contábil acontecem em diversos países desde a ocorrência da Enron e a WorldCom. Neste sentido, este estudo objetiva analisar os assuntos das seções relacionadas aos Principais Assuntos da Auditoria (PAA) nos relatórios dos auditores independentes referentes as demonstrações contábeis de instituições financeiras, listadas na Brasil Bolsa Balcão S/A (B3), dos anos de 2016, 2017 e 2018. A metodologia vincula-se a qualiquantitativa, descritiva e pesquisa documental. A análise estatística ocorreu mediante a média, desvio padrão, coeficiente de variação e o teste *Kruskal-Wallis*. Os resultados revelam que o ambiente de tecnologia da informação, as provisões e passivos contingentes – fiscais, cíveis e trabalhistas e as provisões para créditos de liquidação duvidosa são os PAA mais divulgados pelos auditores nos relatórios das instituições financeiras. Os achados contribuem no entendimento dos tipos de PAA, definidos por auditores independentes, quando examinam demonstrações contábeis de instituições financeiras.

Palavras-chave: principais assuntos de auditoria; auditoria independente; instituições financeiras.



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1 INTRODUCTION

Accounting problems that involve fails in audit remain common since the episodes involving Enron and WorldCom, for approximately two decades, in various countries (Honigsberg, 2019; Oktay, Bozkurt, & Şahin, 2018; Velte & Issa, 2019). Scandals of such nature involving financial institutions might have a relevant impact on economy, for example, in the *subprime* crisis case from 2007 (Candia-Campano, Aguirre-González, Orellana-Valenzuela, & Gaete-Morales, 2019; Mahoney, 2018). In 2010, the Brazilian bank PanAmericano had an accounting fraud of approximately BRL2.5 billion, which was not detected by the audit (MPF, 2012).

These problems resulted in the demanding of an audit report by the information users, with more information on the opinion formation process about accountability demonstrations (Alves Júnior & Galdi, 2019; Gambetta, Pérez, Garcia, & Benau, 2019). As response to this demand, the regulating bodies reviewed the existing audit standards, in terms of report, prioritizing the reduction of informational asymmetry among corporations and stakeholders (Akerlof, 1970; Bédard, Gonthier-Besacier, & Schatt, 2019; Jensen & Meckling, 1976; Oktay, Bozkurt, & Şahin, 2018).

The International Audit and Assurance Standards Board (IAASB) has revamped the International Standard on Auditing (ISA) 570, which addresses the auditor's responsibilities in the audit of accountability demonstrations, and introduced the ISA 700, 701, 705 and 706 (Gambetta *et al.*, 2019). In line with international pressures, the Federal Council of Accountability (CFC) regulated the mentioned modifications of IAASB through the Brazilian Norms of Accounting NBC TA 570 (2016), NBC TA 700 (2016), NBC TA 701 (2016), NBC TA 705 (2016) and NBC TA 706 (2016), which went on to take effect from accountability demonstrations issued with data base in December 31th, 2016 (Alves Júnior & Galdi, 2019).

The most meaningful change, resulting from the review of audit norms, was the inclusion of the Main Audit Affairs (PAA) section in the report of the independent auditors (Marques & Souza, 2017; Velte & Issa, 2019). The PAAs are issues that, at the time of the auditor's trial, required greater attention during the audit examinations (Alves Júnior & Galdi, 2019). Independent auditors should report the PAAs considering: a) areas at higher risk of relevant distortion; b) judgments and estimates made in the significant areas of the financial statements; and c) facts and/or events that may significantly affect audit work (NBC TA 701, 2016).

The previous studies carried out with the objective of identifying the nature and volume of PAA disclosed in the reports of independent auditors of companies listed in Brazil Bolsa Balcão S/A (B3), were Marques and Souza (2017), Silva and Teixeira (2017), Gonçalves (2018), Ibracon (2018), Silva, Bianchi and Venturini (2018), Mota and Martins (2018), Vargas and Bianchi (2019), Santana, Silva, Dantas, & Botelho (2019), Seganfredo (2019), among others. However, none of these surveys evaluated the PAAs in the reports of the independent auditors of financial institutions, listed in B3, for a period of more than two.

In this sense, this study aimed to analyze the subjects of the sections related to the PAA in the reports of the independent auditors regarding the financial statements of financial institutions, listed in B3, of the years 2016, 2017 and 2018. As methodology, the absolute frequency was used to quantify the number of PAA, according to its classification, per year and by audit company. In addition, statistical analyses of mean, standard deviation, coefficient of variation and Kruskal-

Wallis test were performed.

The results indicate that the information technology environment, contingent provisions and liabilities – tax, civil and labor and provisions for doubtful accounts are the most disclosed PAA by the auditors in the financial institutions' reports. In addition, the number of PAA has remained stable since the duration of NBC TA 701 (2016).

This study contributes to the literature in which it reveals the nature of the PAAs defined by the independent auditors, when they work before financial institutions, in a larger time horizon. It also makes it possible to understand the variation in the number of PAA disclosed after the duration of NBC TA 701 (2016). Finally, it allows to deduce that the sector of operation of the audited can be a determinant to establish the PAA which will be reported.

Next, the following structure is developed: In section 2, the theoretical framework that serves as the basis for this research is constructed; In section 3, the methodology used in the study is exposed; In section 4, the results are performed. Finally, in section 5, the final considerations are presented.

2 THEORETICAL FRAMEWORK

2.1 CHANGES IN AUDIT REGULATION

The Brazilian audit norms were harmonized concomitantly with the International Financial Reporting Standards (IFRS's), thus, the process demonstrates a greater understanding and credibility for external users, from globalized markets, demonstrating greater transparency of Brazilian companies in relation to their real accounting situation (Mendes & Martins, 2014).

The Federal Accounting Council (CFC) in the search for further advances in the standardization and regulation of audit procedures in 2016 reformed existing audit standards and approved new ones (Chart 1). Based on these, several topics were implemented in the reports, which facilitated the understanding of the process, specifying the methods of opinion formation of the report, emphasis paragraphs, communication of the main audit issues, among others (Silva & Teixeira, 2017).

AUDIT NORMS	SPECIFICATIONS
NBC TA 570	It addresses the responsibilities of the independent auditor in relation to the audit of the financial statements based on the assumption of operational continuity and the implications in relation to the report prepared by the independent auditor.
NBC TA 700	It provides the opinion formation on the financial statements in relation to the form and content of the report to be issued by the independent auditor.
NBC TA 701	It addresses the communication of key audit issues, making the auditors' report more informative, by giving greater transparency about the audit conducted.
NBC TA 705	It provides for the formation of a modified opinion, that is, opinion with reservation, adverse or abstention of opinion on the financial statements, when they present relevant distortions.
NBC TA 706	Establishes the paragraphs of emphasis and paragraphs of other matters in the independent auditor's report to alert stakeholders when necessary and appropriately.

Chart 1 - New audit norms

The main change that occurred in the NBC TA 701 (2016) norm is the inclusion of the subject called Key Audit Issues (PAA) in the independent auditors' report, which comes from the International Auditing and Assurance Standards Board (IAASB) and Financial Reporting Council (FRC) described as key audit matters (KAM) and the Public Company Oversight Accounting (PCAOB) of Critical Audit Matters (CAM) (Santos, Machado, & Machado, 2019).

PAAs are selected according to relevant issues or involving the auditor's attention in the audit, i.e., these significant issues are complex and difficult and involve significant judgments by the administration and the auditor (NBC TA 701, 2016). Santos, Machado, & Machado (2019, p. 154) emphasize that it is "[...] complexity and challenges to select themes that should or should not be included as PAA."

The requirements of the PAAs attribute a high level of responsibility to the administration and auditors, because in case of carelessness, undervaluation or omission of the information, they can be held liable (Bédard, Gonthier-Besacier, & Schatt, 2019).

2.2 INDEPENDENT AUDIT

Independent auditing is a professional activity that involves various risks and is often associated with the service of proving statements in relation to economic events and facts (Gramling, Rittenberg, & Johnstone, 2012). The growth of the stock market has made independent *auditing* a necessary process for investors, both by legal obligation and by the way of structuring accounting information, because the auditor report facilitates analysis and decision by stakeholders (Patrocinio, Coutinho, Reina, & Reina, 2017).

The objectives of the independent audit professional are linked to the formation of an opinion on the financial statements, based on the evaluation of the conclusions reached by the audit evidence obtained and to express, clearly, the opinion through a written report (NBC TA 700, 2016).

In the independent audit, depending on the cost and working time, it is not possible to fully analyze all the components of the financial statements (Pereira, 2018). In this sense, this author also stresses that the auditor must determine the values considered as materially relevant, according to his professional judgment, ensuring that the financial statements analyzed are free of materially relevant distortions.

The responsibilities of the independent auditor cover (NBC TA 700, 2016): a) whether there is evidence of appropriate and sufficient auditing; b) whether the financial statements disclose the main policies adopted by the company and present relevant, reliable, comparable and understandable information; (c) whether uncorrected distortions are, individually or jointly, relevant; and d) obtain reasonable security that the financial statements are free from relevant distortions, resulting in fraud or error.

The independent auditor is exempted from the responsibility of preventing fraud or errors, but if its existence is found, the auditor must communicate the company's management, through a preliminary report, suggesting corrective measures and alerting them of the impacts on their report, if the changes are not made (Crepaldi & Crepaldi, 2017). These authors also emphasize the credibility that the audit work offers external users of accounting information (shareholders, bankers, government agencies and the general public) for their professional competence and independence within the audited company, performing its procedure and issuing their opinion without any interests or advantages in the entity, committed exclusively to the contract, ethics and public opinion.

Independent auditors may be appointed by shareholders to provide security over the reliability of the financial statements, and in addition, these auditors are part of the regulatory regime that provides a guarantee to *shareholders and other stakeholders* (Christopher, Leung, & Leong, 2017). The attendance to the interests of *stakeholders* by the independent auditor can occur in two ways: a) increase the responsibility of managers and/or guardians; and b) strengthen the confidence of the financial statements (Liu, Wang, & Wu, 2011).

2.3 INDEPENDENT AUDIT REPORTS

The independent auditor's report should clearly express the opinion formed, based on the audit evidence obtained in relation to the financial statements analyzed, representing the auditor's final product (Almeida, 2012). Attie (2018) emphasizes that the issuance of a report reflects the auditor's understanding of the examination of accounting data. Stakeholders *believe* that audit reports provide greater transparency and informational content of financial statements (Nascimento, 2018).

The audit professional based on the evaluation of the evidence obtained and the conclusions reached, form an opinion on the financial statements in accordance with the specific current legislation, expressing it clearly through a written report (NBC TA 700, 2016). In this sense, the auditor presents an unmodified or unqualified opinion, when concluding that the financial statements are prepared, according to the applicable financial reporting structure, in all relevant respects, having not observed any relevant distortion in the statements analyzed (NBC TA 700, 2016).

In forming an opinion with no reservations, the auditor should show that the financial statements achieve their real objective, adequately showing the financial and equity position, the results of the operations and the cash flows of the audited entity without vieses (Boynton, Johnson, & Kell, 2002). This indication denotes that the independent audit obtained all the necessary evidence and without material distortion in the financial statements (Lins, 2017).

The independent auditor shall refrain from issuing a report with an unmodified opinion, or without reservation, in the existence of any condition that has a relevant effect on the financial statements, in disagreement with the entity's management regarding the content and/or form of presentation of these or in the occurrence of limitations in the extent of its work (Attie, 2018; Perez Junior, 2012).

Perez Junior (2012, p. 57) emphasizes that "[...] when the auditor issues a report with reservation, adverse or with abstention of opinion, the clear description of all the reasons for its opinion and, if practicable, the quantification of the effects on the financial statements ...", shall be included in a specific paragraph of the report, preceding the opinion. The standardized structure of the independent audit report suggested by NBC TA 700 (2016) is represented in Chart 2.

SECTIONS	DESCRIPTION
Title	Clearly indicate that it is the independent auditor's report.
Addressee	Addressed to stakeholders that the report is prepared.
Auditor's opinion	Include a section with the heading "Opinion", where one should express the opinion on the financial statements.
Base for Opinion	Include after the "Opinion" section; Declare that the audit was conducted in accordance with audit standards; Highlight the auditor's responsibilities section; Declare that the auditor is independent of the organization and that it complies with the ethical requirements and audit responsibilities; Declare whether you have obtained appropriate and sufficient audit evidence.
Operational Continuity	When the accounting base of operational continuity is appropriate, however there are significant uncertainties related to operational continuity, one should draw attention to the explanatory notes which address the conditions and events that generate relevant doubts about the entity's ability to continue operating.
Main Audit Issues	Describe the main audit issues.
Other Information	Describe the results of the analysis of other information that accompanies the audited financial statements.
Management's responsibility for the financial statements	Describe the management's responsibility for the preparation of the financial statements.

Auditor's responsibility	Describe the responsibility of the audit in the process of examining the financial statements.
Auditor's signature	Identify the name of the audit firm, on behalf of the auditor or both, as appropriate.
Address of the independent auditor	Mention the location where the report was issued.
Date of independent auditor's report	Inform the user that the auditor considered the effect of the events and transactions known to the auditor and occurred up to that date.

Chart 2 - Structure of independent audit reports

The auditor's opinion section should affirm the audit of the financial statements, identifying the audited company, the title and period of each statement, and refer to the explanatory notes with the summary of the main accounting policies (Lins, 2017). In the base section for opinion it is necessary for the auditor to declare that his work was conducted following the audit standards, being independent of the entity and performing his work according to ethical requirements, referencing the section that identifies his responsibilities and whether the audit evidence obtained is sufficient and appropriate (NBC TA 700, 2016). In addition, the auditor should highlight the possible future continuity problems that he considers relevant in the operational continuity section (Lins, 2017). The PAA section should contain aspects that contribute to users' understanding of the work that was performed (Longo, 2017).

The aspects evaluated with the highest risk of material distortion, the significant judgments of the auditor in relation to the areas of the financial statements, management and the effect on the audit of relevant facts and transactions occurred during the audited period, the auditor must determine, among the matters communicated to those responsible for governance, those that required greater attention in conducting the audit (NBC TA 700, 2016). And these should be described separately in the PAA section, containing the reason why the matter was considered as one of the most significant and how it was handled in the audit work of the financial statements (NBC TA 700, 2016).

3 METHODOLOGICAL PROCEDURES

3.1 RESEARCH AND SAMPLE TYPE

The research on the approach to the problem is qualitative, because it involves statistical data analysis (numerical measurement) and a textual analysis of interpretation (Perovano, 2016). The technical procedure is related to documentary research, in which reports from companies published on corporate websites were collected. In addition, the research is descriptive about the objective, because it describes in an organized way the characteristics and variables of the content of the audit reports, which corroborates with Gil (2012).

The sample of this research consists of all financial institutions, classified in the segment banks, listed in B3, listed in Chart 3.

ALFA HOLDINGS S.A. BANCO INTER S.A. BANESTES S.A. - BCO EST ESPÍRITO SANTO BCO ABC BRASIL S.A. BCO ALFA DE INVESTIMENTO S.A. BCO AMAZONIA S.A. BCO BRADESCO S.A. BCO BRASIL S.A. BCO BTG PACTUAL S.A. BCO ESTADO DE SERGIPE S.A. – BANESE	BCO MERCANTIL DE INVESTIMENTOS S.A. BCO MERCANTIL DO BRASIL S.A. BCO NORDESTE DO BRASIL S.A. BCO PAN S.A. BCO PATAGONIA S.A. BCO PINE S.A. BCO SANTANDER (BRASIL) S.A. BCO SOFISA S.A. BRB BCO DE BRASÍLIA S.A. CHINA CONSTRUCTION BANK (BRASIL) BCO
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BCO ESTADO DO PARA S.A. BCO ESTADO DO RIO GRANDE DO SUL S.A. BCO INDUSVAL S.A.	MULTIPLO S.A. ITAU UNIBANCO HOLDING S.A. ITAUSA INVESTIMENTOS ITAU S.A. PARANA BCO S.A.
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Chart 3 – List of financial institutions with audit report publications of 2016, 2017 and 2018.

These financial institutions were chosen because they represent 25% of the shares that make up the Bovespa Index (IBOVESPA) in 2020, which demonstrates the importance of the segment to the Brazilian economy (B3, 2020). The period of collection of audit reports was established, from 2016 to 2018, as it is the time interval between the beginning of the nbc TA 700 term and the publication of the last available financial statements. The audit reports collected represent a total of 67, distributed in 2016 (22), 2017 (23) and 2018 (22). Bco Sofisa S.A. and China Construction Bank (Brazil) and Banco Múltiplo S.A. were removed from the sample for not presenting their audit reports from 2016 to 2018. Banco Inter S.A. joined the Stock Exchange only in 2017 and BRB BCO de Brasília S.A. did not publish the independent auditors' report for 2018, so the analysis of these companies was partially performed.

3.2 DATA COLLECTION AND ANALYSIS

The collection of audit reports from financial institutions occurred on *B3's website*, from January to May 2019, based on financial statements for the fiscal years ended in 2016, 2017 and 2018. After collection, the PAAs contained in these reports were classified into spreadsheets, tabulating the information presented in the PAA section of the audit reports according to the year and the audit firm. To quantify the number of PAA, per year and per audit company, absolute frequency was applied.

The statistical analysis used links the mean, standard deviation, coefficient of variation and Kruskal-Wallis test, with the aid of the Statistical Package for the Social Sciences (SPSS) software. The coefficient of variation corresponds to a standard measure of dispersion of a distribution of frequencies or probabilities and its variation can be less than 0.10 (high precision), between 0.10 and 0.20 (good accuracy), 0.20 to 0.30 (low precision) and above 0.30 (very low precision) (Gomes, 2000). The Kruskal-Wallis test was used to investigate the existence of significant differences in the amounts of information highlighted in the PAA section in each period and by audit report according to the independent audit firm.

The limitation of this study is linked to the use only of the PAA section, contained in the audit reports. In addition, the results are limited to the segment studied and the corporations covered, in this sense, the results cannot be generalized.

4 ANALYSIS OF RESULTS

4.1 ANALYSIS OF THE SUBJECTS OF THE PAA SECTION

The audit companies with the highest expression were KPMG and PricewaterhouseCoopers (PwC) and they had a growth in the analysis period (Graph 1). Ernest & Young (EY) and BDO RCS lost market space in the period, in corporations of activities linked to financial institutions.

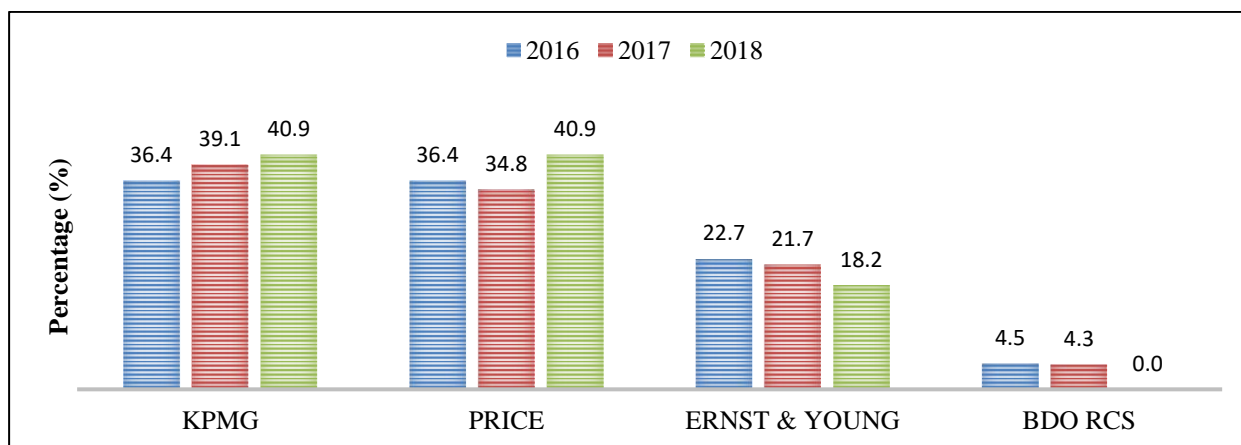


Chart 1 – Audit firms that issued the audit report

The studies of Gambetta *et al.* (2018), Gonçalves (2018), Santos, Machado, & Machado (2019) and Vargas and Bianchi (2019) also identified that the independent auditing companies with the highest market concentration are the Big Four, i.e. Deloitte, EY, KPMG and PwC. The concentration of the independent audit market in the Big Four may impair the independence of the auditor, loss of audit quality, increased probability of results management, among others (Marques, Louzada, Amaral, & Souza, 2018).

In terms of PAA, KPMG released in their reports a total of 62 between 2016 and 2018. These PAAs were distributed 19 in 2016, 20 in 2017 and 23 in 2018. Contingent provisions and liabilities – labor, tax or civil are the topics most addressed by KPMG in the audit reports, in the three periods analyzed (Graph 2). Provisions of this nature also had a greater number of occurrences in corporations in the utilities and communications sectors, listed in B3, by KPMG, in 2017 (Vargas & Bianchi, 2019).

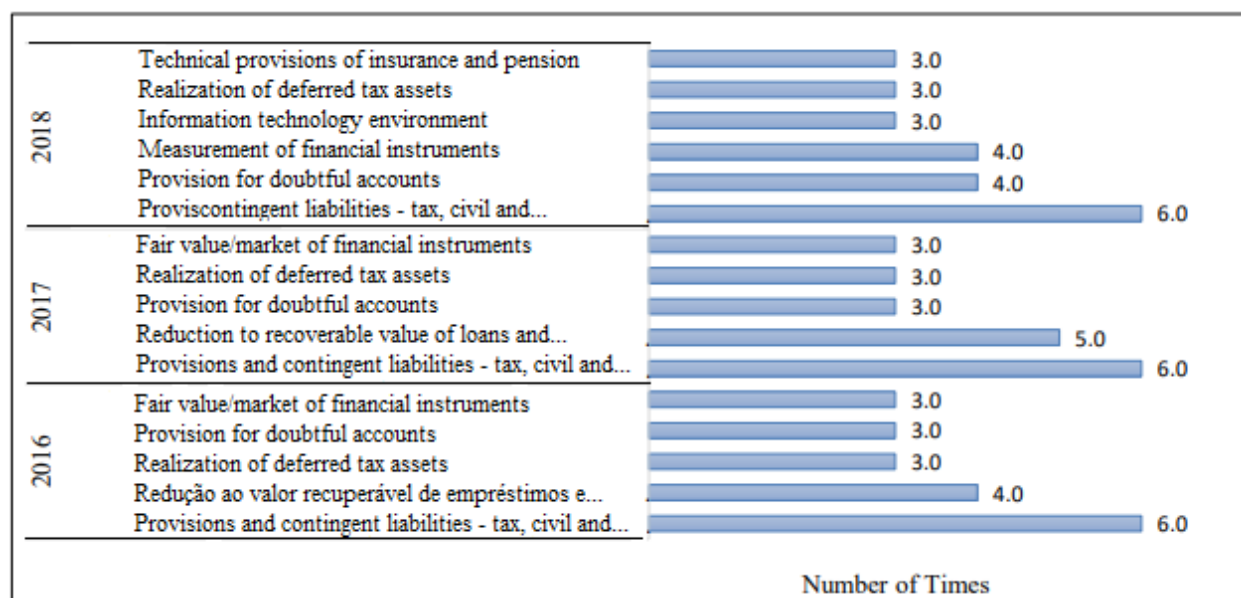


Chart 2 - The most reported topics in audit reports issued by KPMG

The PAAs most addressed by PwC relate to technology environments, tax credits and provisions and contingent liabilities (Chart 3). PwC had a total of 76 PAAs in the period between 2016 and 2018. These PAAs had the distribution, i.e. 24 in 2016, 25 in 2017 and 27 in 2018.

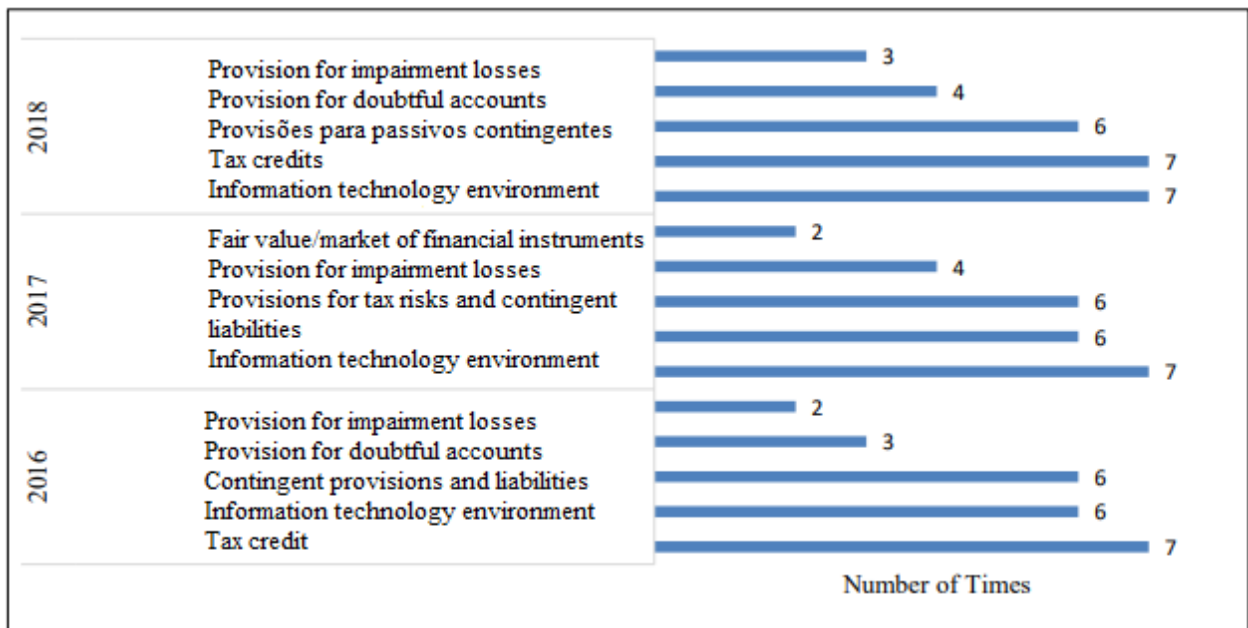


Chart 3 – The five most reported topics in the audit reports issued by PwC

Silva and Teixeira (2017) identified the PAA in reports issued by PwC, even though they were in financial institutions, different from those ordered by the number of times presented in Graph 3, the issues most often include the provision for doubtful settlement credits, provision of contingent liabilities - labor, civil and fiscal and information technology environment. Although they are not in the same order as the number of occurrences, they are part of the five themes most described in this research.

EY showed in its reports a total of 43 PAA in the period studied, with a greater focus on the technology environment and the provision for doubtful accounts (Graph 4). These PAAs were arranged at 15 in 2016, 16 in 2017 and 12 in 2018.

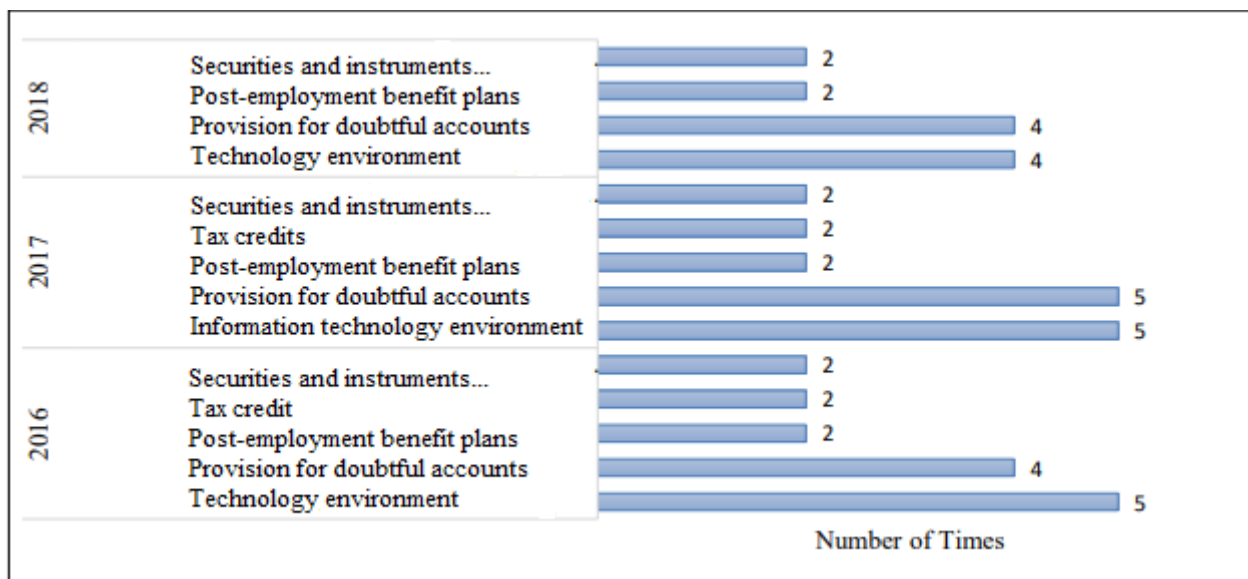


Chart 4 – The five most reported topics in audit reports issued by EY

The study by Silva and Teixeira (2017) also points to the technology environment and

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provisions for doubtful accounts, as of higher occurrence, in the PAA section of the independent audit reports of financial institutions, issued by EY.

The consolidated results for the three years indicate as PAA of higher frequency, the themes: information technology environment, provisions and contingent liabilities – tax, civil and labor and provision for doubtful accounts. These findings converge with the researches of Marques e Souza (2017) and Santana *et al.* (2019).

Previous studies were conducted in companies from other sectors of the Brazilian economy and have achieved different results from these sectors. When researching construction companies, Gonçalves (2018) identified the recognition of revenue/cost as PAA of greater occurrence. Silva, Bianchi and Venturini (2018) analyzed the PAA section of the reports of independent auditors, from companies in the electricity sector, listed on B3. The PAA most frequently identified by the study were revenues and concession and sectoral assets and liabilities.

Mota and Martins (2018) analyzed the information from the audit reports, in particular, from the PAA section of companies in the Brazilian air sector, and revealed that the most frequent PAAs are related to revenue recognition and fleet renewal. Vargas and Bianchi (2019) evaluated the independent audit reports of corporations in the utilities and telecommunications sectors and point out that the issues most frequent in the PAA section are related to revenue, concession and sector assets and liabilities and contingencies.

In view of the above, it can be inferred that the sector, as well as the segment in which the audited companies operate can define the nature of the PAA that will be disclosed by the audit. In the case of banks, control over the information technology environment is a sensitive issue since a relevant part of the financial transactions of account holders are carried out over the Internet. On the other hand, the provisions for doubtful accounts are related to the liquidity of the receivables of financial institutions, which are important assets. Therefore, any significant irregular situation on these topics, which is not detected by audit, may generate relevant distortions about the financial statements interfering in the decision of users of accounting information.

4.2 MULTIVARIATE ANALYSIS

4.2.1 Analysis of averages per audit firm

Descriptive analysis reveals that the number of PAA sections presented by an audit firm is heterogeneous, i.e., it presents a high dispersion as a function of the result of the coefficient of variation (Table 1).

Seganfredo's (2019) study conducted in B3-listed corporations identified that the average PAA per audit firm is 2.77 for KPMG, 2.98 for PwC and 3.00 for EY. On the other hand, the research of Gambetta *et al.* (2018), with a sample of companies listed on the London Stock Exchange, revealed an average PAA, per audit firm, of 3.7 for KPMG, 5.0 for PwC and 3.9 for EY. Both results differ from the findings shown in Table 1.

GROUPS	STATISTICS	KPMG	PWC	EY
2016	Average	3.75	4.25	4.20
	Standard deviation	1.98	2.05	1.10
	Coefficient of variation	0.53	0.48	0.26
2017	Average	3.44	4.38	4.20
	Standard deviation	1.74	1.60	1.10
	Coefficient of variation	0.51	0.36	0.26
2018	Average	3.56	4.33	4.25
	Standard deviation	1.59	1.32	1.26

	Coefficient of variation	0.45	0.31	0.30
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Table 1 – Descriptive analysis of the amount of PAA sections

The *Kruskal-Wallis* test, in the comparison of the subject means in the PAA section between the three groups (Table 1), revealed that KPMG ($p=0.936$), Price ($p=0.978$) and Ernst & Young ($p=1.000$) did not show significant differences. Marques and Souza (2017) applied the *Kruskal-Wallis test* to verify significant variations between the number of occurrences of PAA subjects by economic segment and a significant difference was also not evidenced.

4.2.2 Analysis of general averages

The number of PAA sections presented per audit report is also heterogeneous, i.e., there is a high dispersion as proven with the coefficient of variation (Table 2). Ibracon (2018) pointed out general means of subject occurrence, in the PAA section, in the audit reports of financial institutions, of 3.83 and 3.71 in the years 2016 and 2017, respectively. These results are lower than that shown in Table 2. Seganfredo (2019) evaluated the number of PAA subjects in financial institutions, establishing a general average of 3.52, that is, lower than that found in this study.

Gambetta *et al.* (2018) describe that it could be argued that in the first year of the adoption of the APA auditors tend to include a smaller number of PAA and to the extent that they gain experience, in the following years, the number of PAAs would increase. This phenomenon was not identified in the companies listed on the London Stock Exchange, as well as in the financial institutions that make up the sample of this study.

	2016	2017	2018
Average	5.80	6.00	5.87
Standard deviation	4.48	4.41	4.32
Coefficient of variation	0.77	0.73	0.74

Table 2 – Descriptive analysis of the number of sections per year

The *Kruskal-Wallis test*, in the comparison of the means of PAA sections presented, considering the different years of analysis, revealed a $p=0.949$, in this case they did not present significant differences between the periods.

5 FINAL CONSIDERATIONS

This study aimed to analyze the subjects of the sections related to THE PAA in the reports of the independent auditors regarding the financial statements of financial institutions, listed in B3, of the years 2016, 2017 and 2018. From the collection of these reports, the PAAs were classified by year and by audit company. Absolute frequency was applied to quantification of PAA. Also, statistical analyses of mean, standard deviation, coefficient of variation and *Kruskal-Wallis* test were performed.

Based on the methodology employed, it was identified that the information technology environment, contingent provisions and liabilities – tax, civil and labor and the provisions for doubtful accounts are the MOST disclosed by the auditors in the reports of financial institutions. In addition, the number of PAA remains regular as long as the duration of NBC TA 701 (2016). Finally, in comparing the means of subjects in the PAA section, between the years and between audit firms, no significant differences were identified.

The study contributes in academic and practical terms, as it highlights the nature of the PAAs defined by the independent auditors, when they perform work in financial institutions, in a

longer period of time. It also allows us to understand the behavior of the number of PAA disclosed, after the validity of NBC TA 701 (2016). Finally, it makes it possible to deduce that the audited sector can be a determinant to establish the PAA that will be communicated to users of accounting information.

For future studies, it is suggested to expand the sample to other sectors in a longer period of time. In addition, relating the influence of the PAAs in terms of the auditors' fees and in the quality of the profits of the corporations.

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