

2023 SURVEY REPORT AUDIT QUALITY INDICATORS

Insights that Advance Audit Quality

DISCLAIMER

Data from selected audit firms is the basis for the content in this report. The Independent Regulatory Board for Auditors (IRBA) has not verified this data, though, and the report is for information purposes only. The IRBA does not accept any responsibility or liability for any claim of any nature, whatsoever, arising out of or relating to this report. Appendix 1 provides a description of the IRBA's methodology for collecting the data and observations about the quality of the data.

HOW TO USE THIS REPORT

Audit Quality Indicators (AQIs) provide insights; they are context specific. High or low ratios may mean different things to different users and be interpreted in various ways, when correlated with other statistics. Some AQIs are quantitative, while others are qualitative. As these indicators are also based on the data provided by firms, they are useful when compared to those of other firms. Better quality data may produce more accurate results. Users may consider how AQIs that firms present at an engagement or firm level compare to the indicators that are presented in this report. Such comparisons can lead to further discussions and enquiries with auditors and provide deeper insights into relevant factors that impact audit quality.

This report does not set out to establish benchmarks. Therefore, the context of the AQIs should be carefully considered at all times.

The AQIs discussed in this report are neither exhaustive nor the only indicators of audit quality that could be considered. However, these AQIs grow in relevance and value, as multi-year data is collected and presented.

The references to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code)¹ are not exhaustive either.

Users of this report should also consider the full suite of the International Auditing and Assurance Standards Board's International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (International Standards), along with the IRBA Code and applicable legislation.

COPYRIGHT

Copyright © November 2023 by the Independent Regulatory Board for Auditors (IRBA). All rights reserved. Permission is granted to make copies of this work, provided that such copies, in whichever format, are for the purpose of registered auditors discharging their professional duties; for use in academic classrooms or personal use; for use by those charged with governance, firm leadership and the IRBA; are not sold or disseminated; and further provided that each copy bears the following credit line:

"Copyright © November 2023 by the Independent Regulatory Board for Auditors. All rights reserved. Used with the permission of the IRBA." Otherwise, written permission from the IRBA is required to reproduce, store, transmit or make other similar uses of this document, except as permitted by law.

¹ The IRBA Code of Professional Conduct for Registered Auditors is available on the [IRBA website](#).

CONTENTS

Foreword	4
Overview of the AQI Categories	5
Background to the AQIs	6
AQI Observations	8
Independence: Non-audit Fees (%)	8
Independence: Fee Recovery (%)	9
Tenure: Firm (years)	11
Tenure: Partner Experience (years)	12
Review: EQ Review Partner Hours and EQ Review Team Hours (%)	13
Review: Firm Review Processes	15
Review: Internal Review Results (%)	17
Review: Partner Coverage (%)	20
Workload: Engagement Partner Role (%)	22
Workload: Manager Supervision (%)	23
Span of Control: Professional Staff (ratio)	24
Technical Resources Partner (ratio)	25
Training (hours per person)	27
Staff Turnover (%)	28
Transformation	31
Way Forward	33
Appendices	34
Appendix 1: Our Approach	34
Appendix 2: Definitions and Parameters of the Data Collected	36

FOREWORD

Our 2023 Audit Quality Indicators (AQIs) Survey Report reflects, to some degree, on a year that has shown progress in the auditing profession in South Africa. In fact, our observations indicate that in relation to the relevant quality indicators, firms have stayed on course in their commitment to transparency and continuous improvement.

The report is a critical tool for understanding and enhancing audit quality. It offers quantitative and qualitative measures of the factors that contribute to the quality of an audit, providing valuable insights for audit firms, those who appoint them and other stakeholders. The report relies on information gathered from audit firms that are accredited by the Johannesburg Stock Exchange (JSE), specifically for their audits of public interest entities.

AQIs serve as a valuable resource for stakeholders within the financial reporting ecosystem. They offer a chance to employ tangible and measurable data for meaningful conversations on what influences audit quality.

Given the plans to remove the JSE Auditor Accreditation Model from both the JSE Listings Requirements and the JSE Debt Listings Requirements, audit committees can also utilise this report as one of the tools to inform their decisions regarding the selection of auditors.

In the report, we present an analysis of over a dozen AQIs, including firm tenure, the proportion of non-audit fees relative to the total audit fees and training hours. In the period under review, we have observed encouraging trends in these areas, indicative of the sector's commitment to quality and excellence. Notably, this commitment to quality has been evident through the implementation of new features in firms' internal monitoring systems, along with the recent introduction of the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.

One observation in this year's report that confirms anecdotal evidence is the reported increase in staff turnover across all three categories of personnel, with firms grappling with higher rates. The restrictive availability of skilled resources and the subsequent impact on audit quality now pose a significant global challenge. As the Independent

Regulatory Board for Auditors (IRBA), we have taken some proactive measures by increasing our involvement in public and academic events, and fostering deeper connections with professional organisations, universities and firms. These efforts aim to enhance the appeal of auditing as a career choice. To reinforce these initiatives, we urge firms to explore strategies to retain their talent by, among others, considering factors such as benefits, work-life balance, flexible work arrangements and talent management. Reducing staff turnover in audit teams may contribute to the enhancement of audit quality.

Another indicator worth noting is a decline in the internal monitoring results at most audit firms. This could suggest that either more robust internal monitoring processes are detecting further issues, or there is an increase in deficiencies in audit quality within the engagements that were reviewed by firms.

The report, however, is not just about numbers and trends; as such, care should always be taken when interpreting the AQIs. Instead, it is about our commitment to transparency, accountability, continuous improvement and our collective responsibility to uphold the highest standards of audit quality and integrity. It highlights our role in enhancing trust in the financial reporting process and how that contributes to the stability and growth of our economy.

As we look ahead, we are confident that the insights from this report will guide our efforts to further enhance audit quality. We are committed to working with all stakeholders, including audit firms, those who appoint them and other interested parties, to drive continuous improvement in the auditing profession.

Our gratitude goes to all the audit firms for their cooperation and commitment to improving audit quality. Together, we can continue to raise the bar for audit quality and have a positive impact on the country's economic growth.

We invite you to not only read this report, but to reflect on its findings and join us on this journey towards excellence in audit quality.

Imre Nagy
Chief Executive Officer

OVERVIEW OF THE AQI CATEGORIES



BACKGROUND TO THE AQIs²

What are Audit Quality Indicators?

AQIs refer to a portfolio of quantitative and qualitative measures provided by an audit firm to a client, an audit committee or those charged with governance (TCWG) of their client or future client, or other interested stakeholders, for use in providing insights about audit quality. These measures could be used to enhance dialogue about, and sharpen the understanding of, auditors and their audits, including how to evaluate their audit quality. That way, users benefit from better information about key matters that may contribute to the quality of an audit (both at the audit firm and audit engagement levels). This could be to the benefit of TCWG in discharging their oversight responsibilities over financial and other reporting, including the appointment or reappointment of the external auditor.

Furthermore, embedding AQIs within the audit firm's system of quality management will provide more real-time, measurable insights that will enhance the firm's ability to monitor audit quality. AQIs are also an effective way to be transparent with key stakeholders about the firm's commitment to audit quality, and could be a prominent feature in transparency reports.

The IRBA considers AQIs as a source of information for business intelligence gathering and risk-based selections for its inspections process, and to monitor the overall trends of audit quality in the profession.

What are the benefits of using AQIs?

- These indicators facilitate efficient and effective dialogue among management, TCWG and auditors, leading to improved oversight and project management of the audit.
- AQIs can help create a mutual understanding of the roles and responsibilities of each of the parties that have a stake in audit quality.
- These indicators focus discussions on those areas and factors of the audit that impact quality the most.
- AQIs offer improved knowledge of the audit process as well as a more efficient measurement and an evaluation of audit quality, with a proactive focus on potential weaknesses.

To make meaningful decisions that will promote high audit quality, the context of each AQI should be understood as it is interrogated.

- Also, the indicators help to identify risk and monitor the overall trend of audit quality in the profession.

What are the challenges of using AQIs?

- AQIs could be misinterpreted, if context is not provided and/or considered.
- Determining the appropriate and relevant AQIs for the specific engagement and the firm.
- There can be difficulties with understanding unexpected AQI outcomes.
- The collection of AQI information is complex. Data quality has to be considered. (Refer to the observations about data quality in Appendix 1, and the need for further improvement.)
- Due to the varying mix of clients among firms, some firms may benefit or be prejudiced when compared to others for certain AQIs. For example, firms that have a concentration of large corporate clients that are structured as multiple components (parents and subsidiaries) may be more towards the left in the graphs for AQIs that focus on the individual partner, reviewer or manager involvement. This is because only the individual engagement partner, engagement quality reviewer or manager's time is measured as a ratio of the total engagement team's time. The size of an engagement team for such large clients could be exponential when compared to the individual signing off on the entire group.

What kinds of decisions can AQIs help users make?

- Asking the appropriate questions, regarding potential weaknesses in the audit quality value chain.
- Requesting remedial adjustments to be made, e.g. to audit resourcing.
- Which auditors to appoint (tendering process – compare AQIs across firms).
- Whether the auditor should be reappointed.
- Whether any areas require a closer focus or remediation.

² Refer to Appendix 1 for details on our approach; data quality and systems limitations; understanding the graphs; limitations; definitions and parameters; as well as key observations and learnings.

Further Resources

- [The Transparency Reporting and Audit Quality Indicators](#) page provides examples of transparency reports, guidance or other information currently available regarding transparency reports and AQIs.
- [IRBA Public Inspections Reports on Audit Quality](#).
- [IRBA Annual Enforcement Report](#).



AQI OBSERVATIONS

Independence: Non-audit Fees (%)

Description/purpose

Non-audit fees billed (rands invoiced) to the audit client as a percentage of the total audit fees billed (rands invoiced) to the audit client for completed audit engagements.

How to interpret the AQI

This is a measure that may indicate threats to independence. It is an indicator that measures the extent to which the firm is dependent on a particular client for audit versus non-audit fees. The indicator is presented as an average per firm.

A higher percentage indicates that the firm receives more fees for non-audit services, such as taxation and consulting, than what it receives for audit services. This may create the impression of diminished independence, and independence threats may jeopardise audit-related quality and decision-making.

Also, a higher percentage may indicate a higher demand (sanctioned by audit committees) from the firm's audit clients for non-audit services.

The King IV Report on Corporate Governance for South Africa, 2016, recommends that the audit committee should take on the role of overseeing the provision of non-audit services by the external auditor.

The Companies Act 71 of 2008 requires that the auditor must be acceptable to the company's audit committee as being independent of the company. Furthermore, the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) places the responsibility for the determination of independence on the auditor.

IRBA Code considerations

Section 410 of the IRBA Code addresses fee dependencies and their impact on independence for audit and review engagements.³

R411.4: A firm shall not evaluate or compensate a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client. This requirement does not preclude normal profit-sharing arrangements between partners of a firm.

R600.4: Before a firm or a network firm accepts an engagement to provide a non-assurance service to an audit client, the firm shall determine whether providing such a service might create a threat to independence.

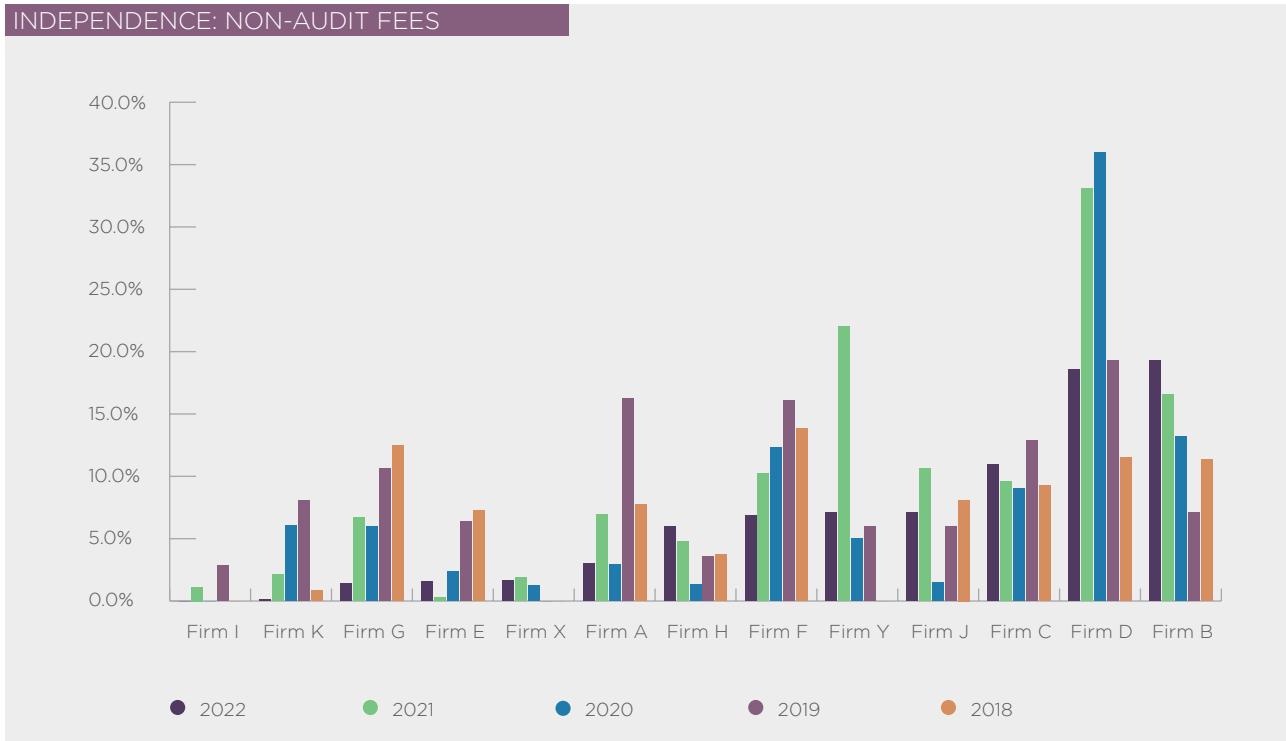
600.5 A4: A firm or network firm might provide multiple non-assurance services to an audit client. In these circumstances, the consideration of the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.



Key Observations	2022	2021	2020	2019	2018
Lowest	0%	0%	0%	3%	1%
Average	6%	10%	7%	10%	9%
Highest	19%	33%	36%	19%	14%

³ Substantive changes to the fee-related paragraphs in the IRBA Code became effective for audits of financial statements for periods beginning on or after 15 December 2022. [Click here](#) for more details.

INDEPENDENCE: NON-AUDIT FEES



Firm I: 0% in 2022, 2020 and 2018.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum public interest entity (PIE) threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Statutory non-audit fees

Statutory non-audit fees describe engagements other than those that relate to International Standards on Auditing (ISAs) engagements, and are limited to those engagements required by law and/or regulation. An example would be the assurance work performed on regulatory returns for a bank audit. The independence AQI includes the effect of statutory non-audit engagements and voluntary non-audit engagements.

Some firms are on the higher end of the range, and this is due to a presence of such statutory engagements. In the current year, the following firms performed statutory non-audit engagements for audit clients in excess of 1% of the fees charged for the audit: Firm A (2.3%); Firm B (3.1%); Firm C (6.5%); Firm D (18.6%); Firm F (3.6%); Firm H (3.9%); and Firm X (1.6%).

Independence: Fee Recovery (%)

Description/purpose

Total audit fees billed (rands invoiced) to the audit client as a percentage of the total audit fees (rands) internally charged to the audit client for completed engagements.

How to interpret the AQI

A low percentage indicates that a firm has charged less for its actual services (time spent); therefore, fees have been “written off” and not recovered. This may indicate, among other reasons, inefficiencies in supervision and project management (time wasted on an audit) or lowballing (discounted fees or fee pressures).

AQI OBSERVATIONS CONTINUED

A high percentage indicates that a firm has recovered more or most of the actual services (hours spent on the engagement) it has provided; therefore, fees have been recovered. This may indicate better efficiencies in supervision and project management. The firm may have budgeted more accurately, and the final average time spent on the engagement may have been more in line with the budget.

This AQI is presented as an average per firm.

IRBA Code considerations

300.6 A1 (a): Self-interest Threats (arise when):

- A registered auditor quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional

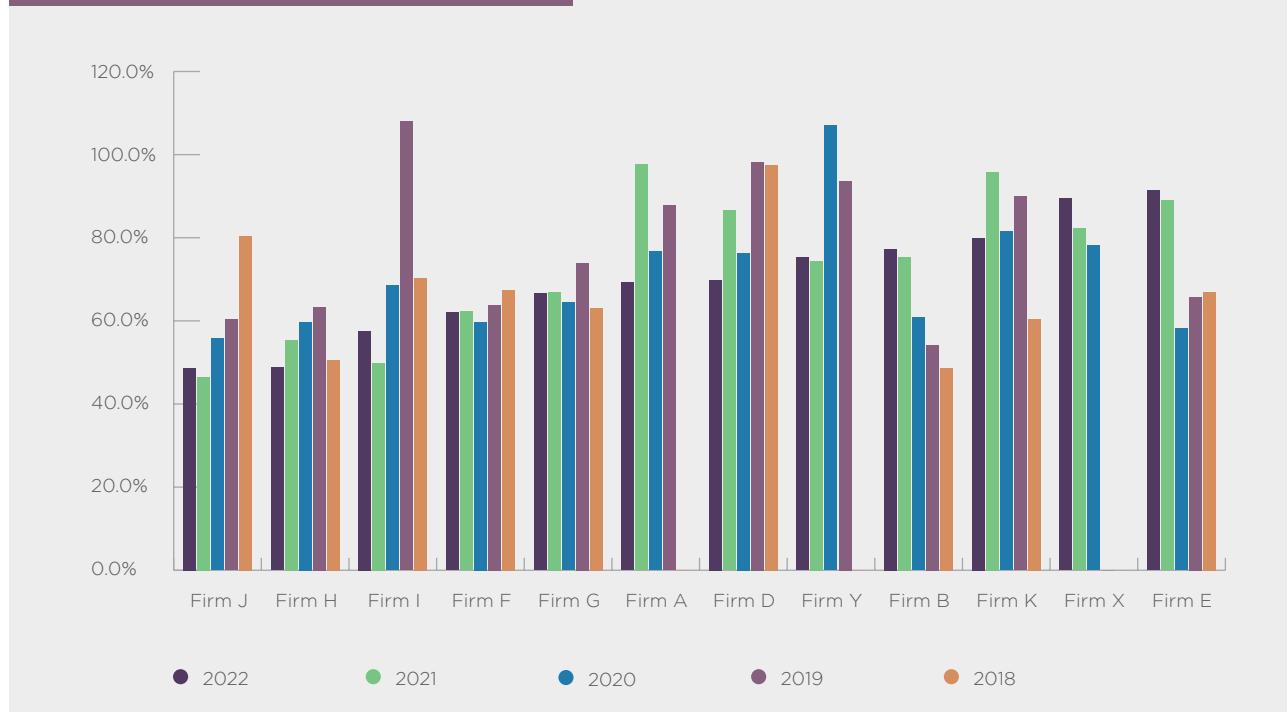
service in accordance with applicable technical and professional standards for that price.

330.3 A1: The level of fees quoted might impact a registered auditor's ability to perform professional services in accordance with professional standards.

330.3 A2: A registered auditor might quote whatever fee is considered appropriate. Quoting a fee lower than another registered auditor is not in itself unethical. However, the level of fees quoted creates a self-interest threat to compliance with the principle of professional competence and due care, if the fee quoted is so low that it might be difficult to perform the engagement in accordance with applicable technical and professional standards.

Key Observations	2022	2021	2020	2019	2018
Lowest	49%	47%	56%	54%	49%
Average	70%	74%	71%	78%	67%
Highest ⁴	91%	98%	107%	108%	98%

INDEPENDENCE: FEE RECOVERY



Firm A: Excluded in 2018, due to data quality concerns.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

⁴ Percentages in excess of 100% represent fees recovered in excess of the budget.

Tenure: Firm (years)

Description/purpose

Average number of completed years as the audit firm for the audit client. This is an indicator of independence or a familiarity threat.

How to interpret the AQI

The longer the tenure, the greater the familiarity threat to independence. Alternatively, the shorter the

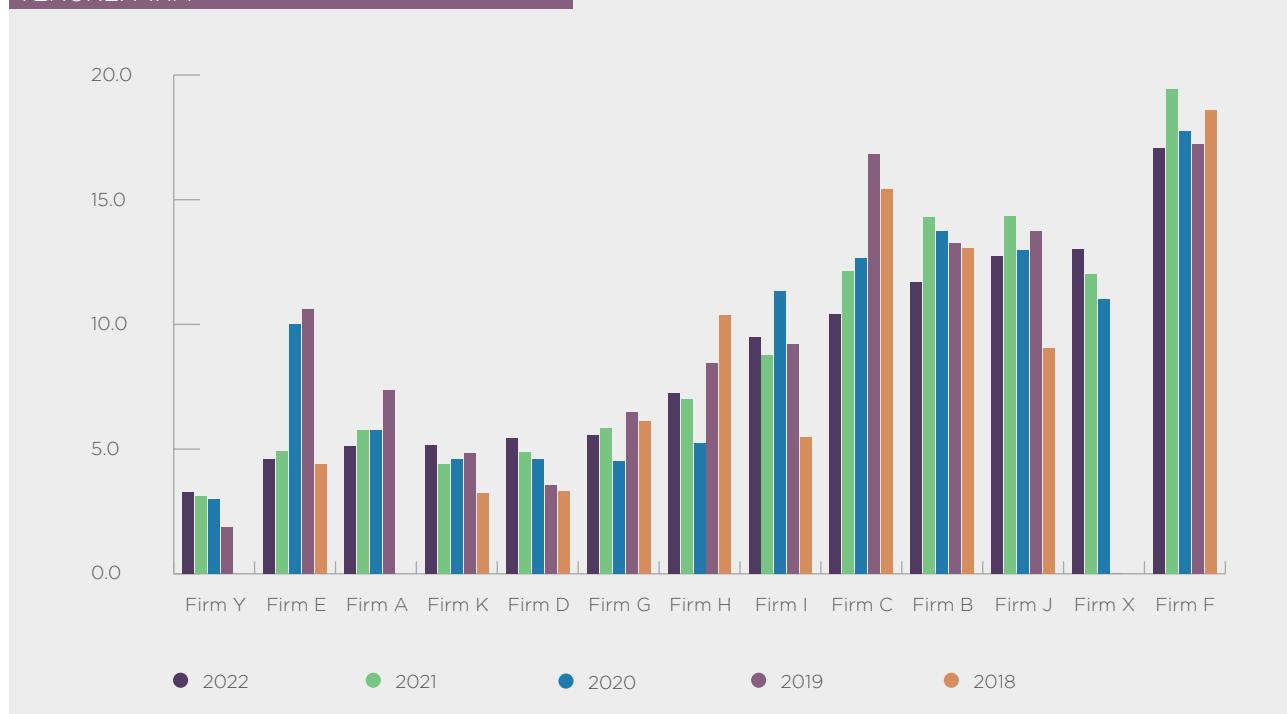
tenure, the less the experience and knowledge of the business. This indicator is presented as an average per firm. It should also be considered in conjunction with the IRBA Rule relating to the Disclosure of Audit Firm Tenure on an Audit Client⁵.

IRBA Code considerations

Familiarity threat – the threat that due to a long or close relationship with a client, a registered auditor will be too sympathetic to that client's interests or too accepting of their work.

Key Observations	2022	2021	2020	2019	2018
Lowest	3.3	3.1	3.0	1.9	3.2
Average	8.5	9.0	9.0	9.4	8.9
Highest	17.1	19.4	17.7	17.2	18.6

TENURE: FIRM



Firm A: Excluded in 2018, due to data quality concerns.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

⁵ Available on the [IRBA website](#).

AQI OBSERVATIONS CONTINUED

Tenure: Partner Experience (years)

Description/purpose

An average tenure as an engagement partner (in years). This is an indicator of years of experience as an engagement partner. Information is included for all registered auditors in the firm who work on audit clients and not just public interest entities. This may include, for example, technical partners and chief executive officers, where their time is not directly booked to audit clients.

How to interpret the AQI

The greater the number of years, the more experience the engagement partner is likely to have obtained. In understanding this AQI, considerations could be given to whether the engagement partner has kept

up to date with Continuing Professional Development requirements and the type of experience gained as an engagement partner.

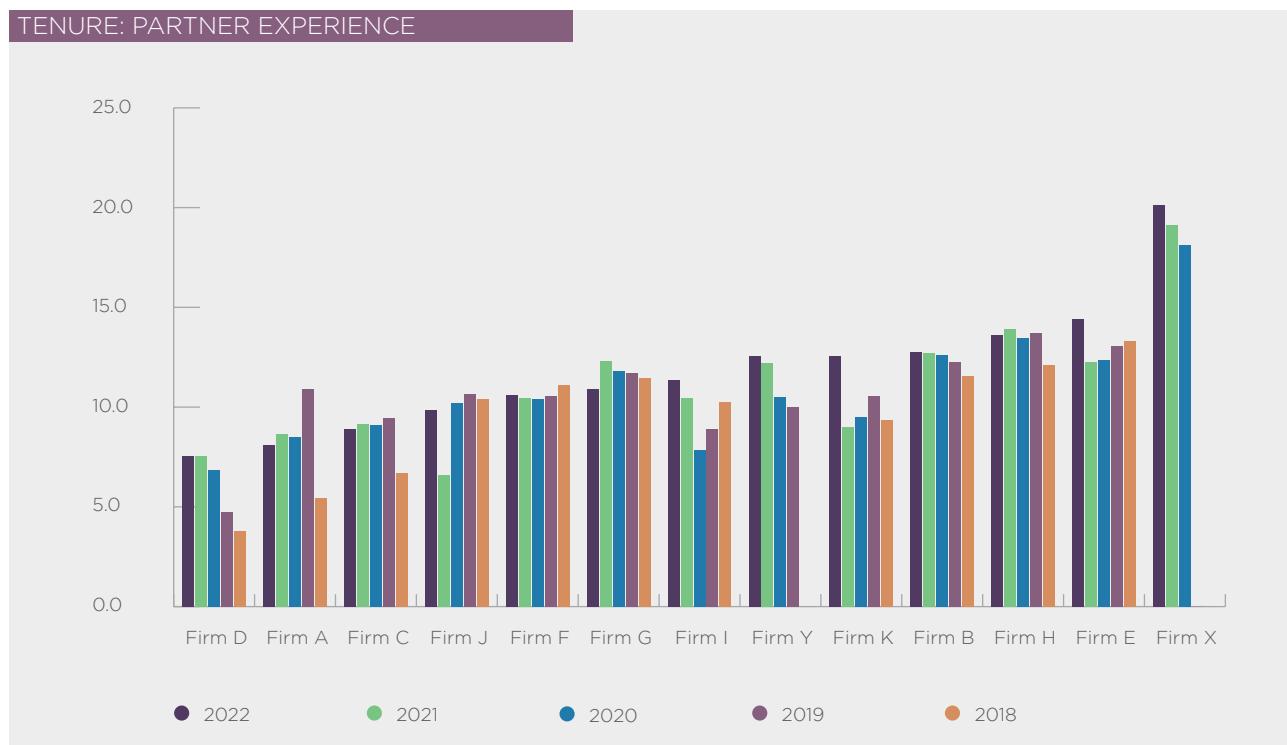
This AQI is presented as an average per firm.

IRBA Code considerations

R113.1 A registered auditor shall comply with the principle of professional competence and due care, which requires a registered auditor to:

- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

Key Observations	2022	2021	2020	2019	2018
Lowest	7.5	6.6	6.8	4.7	3.8
Average	11.8	11.1	10.9	10.5	9.6
Highest	20.1	19.1	18.1	13.7	13.3



Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.
Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Review: Engagement Quality (EQ) Review Partner Hours (%) and EQ Review Team Hours (%)

Description/purpose

The EQ review partner hours and the EQ team hours charged to the audit client by the EQ review partner and the EQ team as a percentage of the total audit hours charged to the audit client for completed engagements.

How to interpret the AQI

This provides a measure of the extent of pre-issuance EQ reviews, measured by time spent. Higher percentages indicate a greater involvement of the EQ review partner and, potentially, a greater number of areas of significant judgement covered in an audit file.

Higher percentages may also be indicative of overreliance on the EQ reviewer to resolve issues that should have been identified and addressed by the engagement partner. Alternatively, lower percentage may indicate that the EQ review partner spent insufficient time on the engagement or areas of significant judgement were not adequately addressed.

This measure is not an indicator of the eligibility and objectivity of the EQ reviewer.

This AQI is presented as an average per firm.

Key Observations - EQ Partner	2022	2021	2020	2019	2018
Lowest	0.7%	0.7%	0.4%	0.5%	0.2%
Average	1.3%	1.6%	1.3%	1.2%	0.7%
Highest	3.4%	4.6%	2.5%	3.5%	1.9%

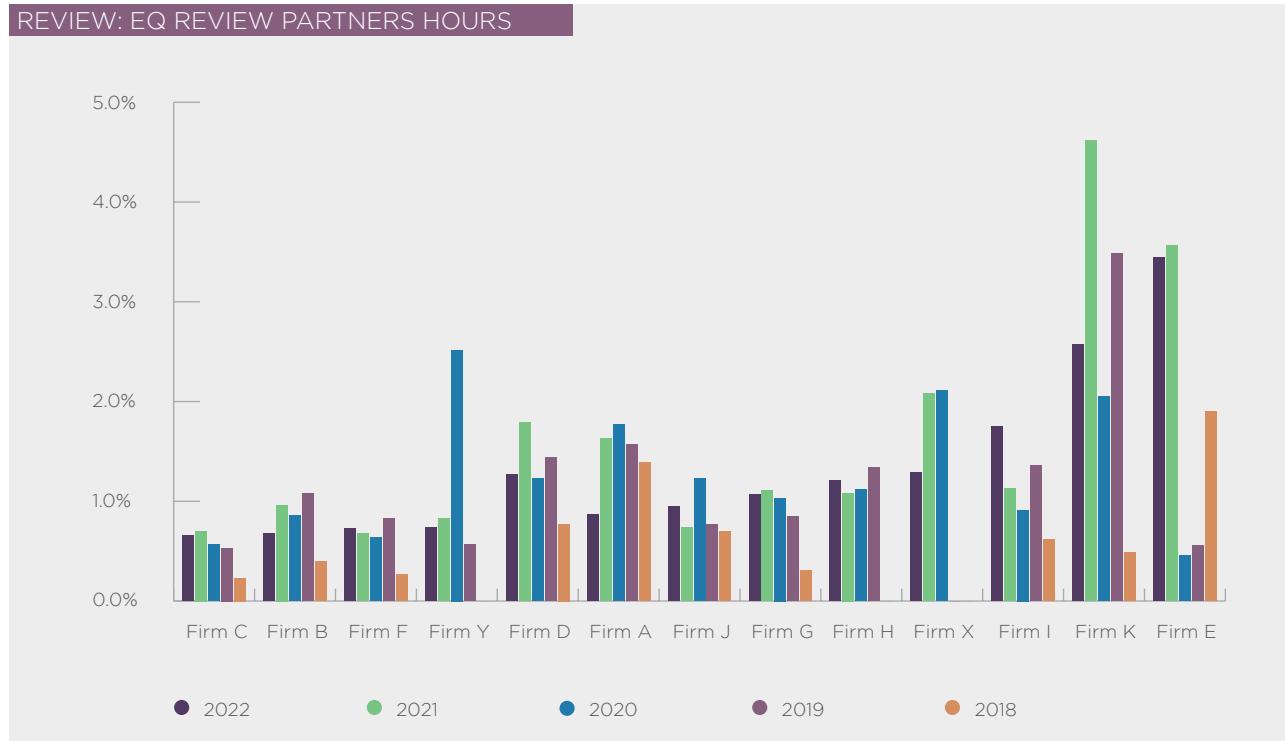
Key Observations - EQ Team⁶	2022	2021	2020	2019
Lowest	0.7%	0.9%	0.4%	0.6%
Average	1.8%	2.2%	1.4%	1.4%
Highest	4.1%	7.7%	2.5%	3.5%



⁶ Data collection for this AQI only began for the 2019 period onwards.

AQI OBSERVATIONS CONTINUED

REVIEW: EQ REVIEW PARTNERS HOURS

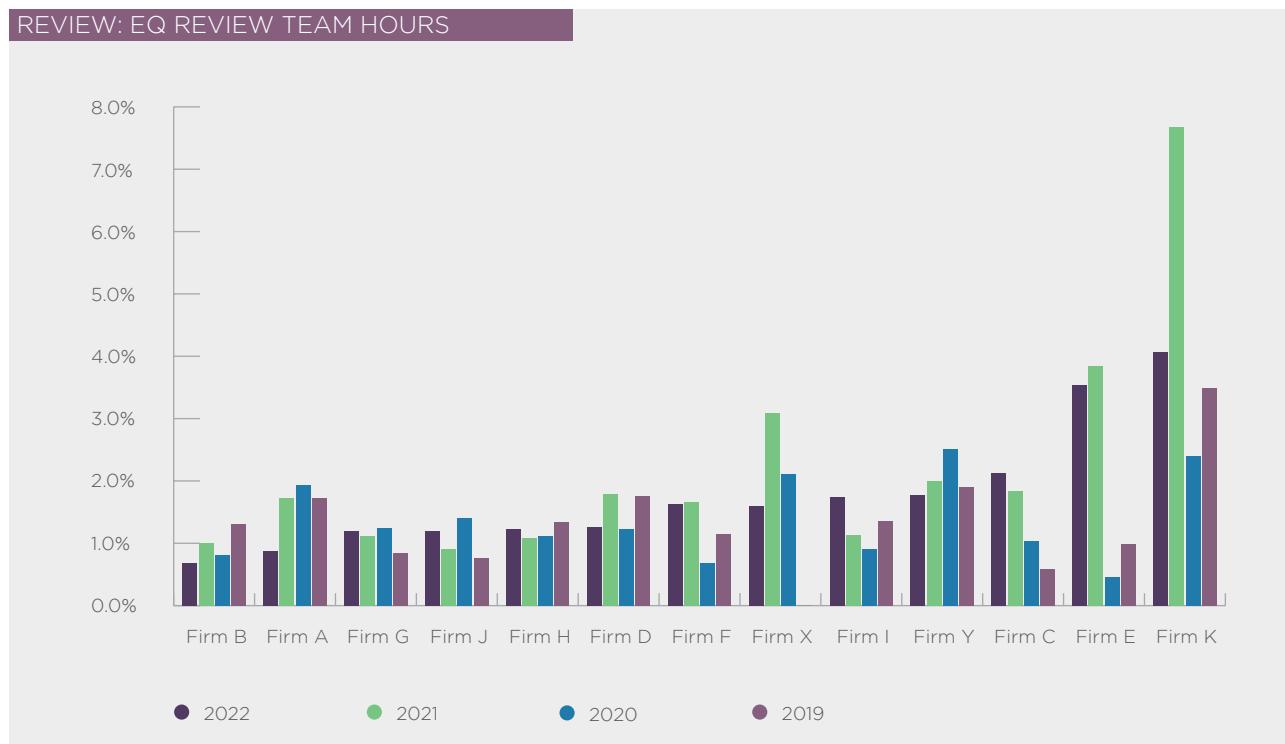


Firm H: Excluded in 2018, due to data quality concerns.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

REVIEW: EQ REVIEW TEAM HOURS



Firm X: Excluded in 2019, due to not meeting the minimum PIE threshold.

Review: Firm Review Processes⁷

Description/purpose

A description of and conclusions on engagement-related reviews performed by the firm (by personnel outside the engagement team), including the nature of the reviews, how many partners were covered and the frequency of the reviews. Compared to the previous year, most of this summary has remained consistent.

How to interpret the AQI

This can be used to assess the firm's internal quality management processes (e.g. internal monitoring systems) as well as the quality of engagement performances (the outcome/findings of the internal monitoring systems). Satisfactory results could indicate that the quality of the engagements is adequate. These internal quality management results can also be compared to the external inspection results (obtainable from the firm).

Key Observations

Common features of the majority of firms' internal monitoring systems

- Evidence of the application of International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*; and ISA 220, *Quality Control for an Audit of Financial Statements*.

Selection of partners to be reviewed

- A review of engagement partners takes place at least every three years.
- There is a potential for a partner to be reviewed multiple times within a given cycle, based on risk factors.
- Firms with only a few partners, in some cases, review all the engagement partners every year.
- Several firms described how they select partners to review for a specific year, and the factors they considered included:
 - New partners (whether promoted or newly employed).
 - Partners with high-risk clients, such as large,

complex, multi-locational, initial, joint and/or regulated industries engagements.

- Partners with unsatisfactory internal or external review results, including the IRBA inspection results.
- Several firms mentioned that the selection of partners to be reviewed is done by an independent party (independent of the office, partner and engagement); and the review is also performed by an independent party. Reviewers may include members from the global team.

Firms provided the following examples of the review scope (but not all of the areas listed below are included in each firm's reviews):

- Acceptance and continuance considerations;
- Independence and ethical considerations;
- Planning and completion considerations (all or parts thereof);
- Risk assessment procedures;
- Communication with management and those charged with governance;
- Audit/assurance evidence obtained for all material amounts, high-risk or significant-risk areas;
- Consultations, if any;
- Corrected and uncorrected misstatements;
- Overall conclusions;
- Matters that led to reportable irregularities;
- Audit report, especially where opinions were qualified or modified;
- Annual financial statements;
- Full engagement review for a partner's first review; and
- Re-reviews (prior-year unsatisfactory results) may be the full scope of the engagement or focus area.

Review results and implications

- All firms have a rating process, generally from 1 to 3 (with some variations). A rating of 1 would be for satisfactory results, 2 for some low-risk findings and 3 for unsatisfactory results. Most firms perform re-reviews of partners, if reviews showed unsatisfactory results within a year.
- Where a firm is part of a global network, the global policies and procedures are used and adapted for the South African firm. Monitoring of the process occurs at a global level. The reporting on results is at the local, regional and global levels.

⁷ Changes from the prior year have been highlighted in red on the next page.

AQI OBSERVATIONS CONTINUED

- To decide on results, some firms use panels, quality management teams or moderators that are independent member firms.
- Several firms noted that they consider unsatisfactory results in their remuneration and promotion decisions.
- Most firms provided information on plans to address significant or common findings through firm-level improvement plans and remediation action.
- Several firms provided information on communication with staff, and this included emails, training and additional guidance.

Less common features of firms' internal monitoring systems

- Several firms include an element of surprise (random selection) in selecting file reviews. For example, one firm selects partners to be reviewed based on the above-listed factors. In addition, it performs a few random reviews every year, without giving the selected partner any prior notification.
- One firm reviews all partners on listed engagements every year.
- Another firm has appointed an independent external consultant to perform the reviews.
- One firm mentioned that it performs a Root Cause Analysis (RCA) of findings, and positive elements are also included in the analysis. These positive elements are then communicated to audit teams and may also be built into the quality management system.
- During the RCA of monitoring findings, one of the firms implemented a quantitative analysis to enhance the remediation process. Data points analysed included partner involvement, EQ involvement, quantitative metrics about the partner portfolios, retention information and leverage (including partner-to-manager and professional staff ratios). This process was then extended to review wider metrics across the firm. The results of this firm-level assessment of the causal factors are used, along with the outcomes of the RCA, to develop firm-level action plans, based on a consideration of the firm's quality priorities and how these apply geographically.

- One firm indicated that the data compiled for audits, both with and without deficiencies, is compared to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours recorded on the audit; whether key engagement team members are in the same geographical area as the client; the number of years that key engagement team members have been on the engagement; the number of other audits that engagement partners are involved in; whether the engagement was subject to a pre-issuance review; and the timing of when the audit work was performed.

In-flight reviews

- Firms were asked about whether their systems of quality control included an element of in-flight review, in addition to the engagement quality control review required by ISQC 1.
- Few firms noted that currently they include such reviews in their systems.
- Key features of such reviews cover the following:
 - Reviews are only conducted once the engagement team considers a specific section to be complete.
 - Such reviews prioritise a quality and coaching approach, as opposed to a punitive one; **for example, no ratings are awarded.**
 - Files are selected for review on a risk basis, as determined by the quality control team.
 - The engagement partner is ultimately responsible for ensuring that the review findings are addressed.
 - Significant findings may be escalated, if the reviewer feels that these are not appropriately addressed.
- One firm's policy included having the EQ reviewer within the engagement team. Another firm, though, specifically excluded the EQ reviewer from the engagement team that was subject to these types of reviews.
- One firm indicated that such reviews do not result in rated outcomes. Therefore, quantitative results were not provided.

Review: Internal Review Results (%)

Description/purpose

An average percentage of all result ratings of engagement partners, subject to internal reviews during the calendar year.

How to interpret the AQI

All firms have a rating process, usually from 1 to 3 (with some variations). A rating of 1 is for satisfactory results, 2 for some low-risk findings and 3 for unsatisfactory results. The ratings have been standardised for the purpose of the graphs below. For example, where a firm has a rating system of 1 to 4, ratings 3 and 4 have been included in this standardised rating of 1 to 3.

Results have been depicted as a percentage of review results. For example, 35% of a firm's engagement partners received a satisfactory review rating of 1; 45% a low-risk finding review rating of 2; and 20% an unsatisfactory review rating of 3.

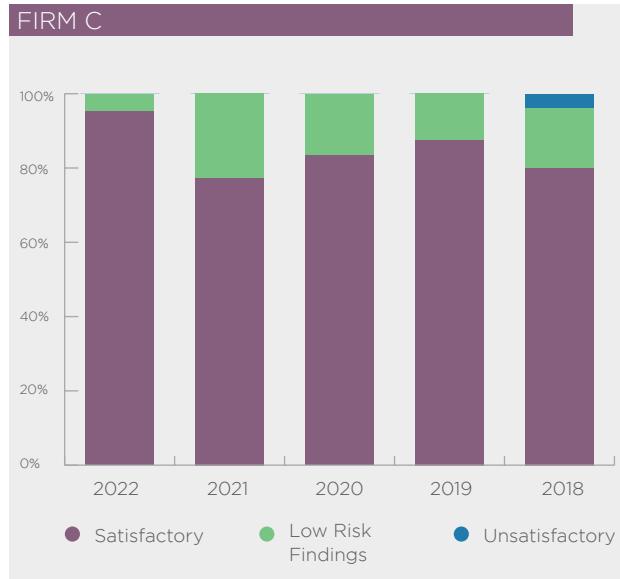
The internal review process is an important risk identification tool. A high percentage of unsatisfactory ratings may indicate a robust internal monitoring process or a lack of audit quality on the engagements reviewed. On the other hand, a low percentage of unsatisfactory ratings may indicate a weak internal quality process for the firm or a series of high-quality engagements.

The correlation of a firm's internal review results with the firm's IRBA (external) inspection results (obtainable from the firm) may indicate the effectiveness of the firm's internal monitoring process.

Key Observations	2022	2021	2020	2019	2018
Highest percentage of rating 1 - satisfactory	95%	93%	83%	90%	93%
Highest percentage of rating 2 - low-risk findings	100%	69%	33%	56%	100%
Highest percentage of rating 3 - unsatisfactory	100%	100%	100%	82%	100%

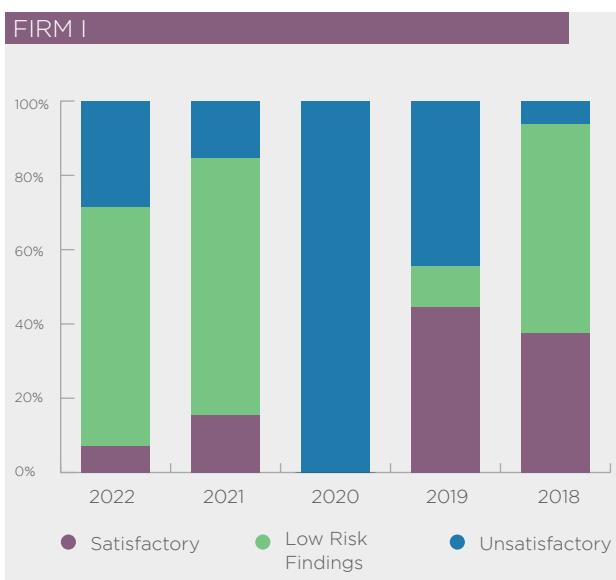
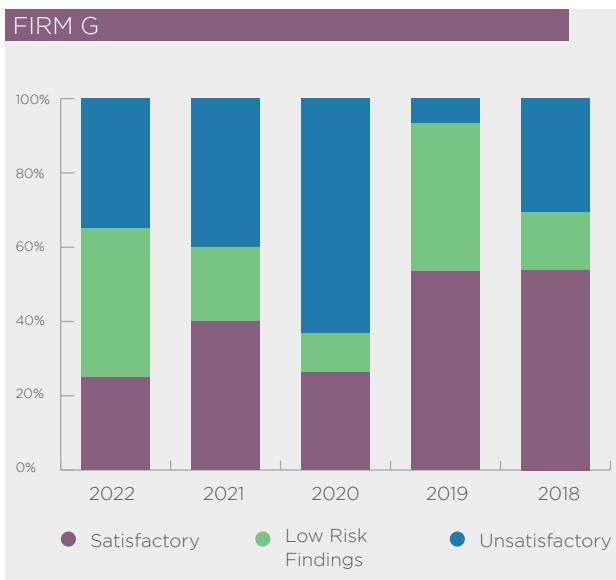


AQI OBSERVATIONS CONTINUED

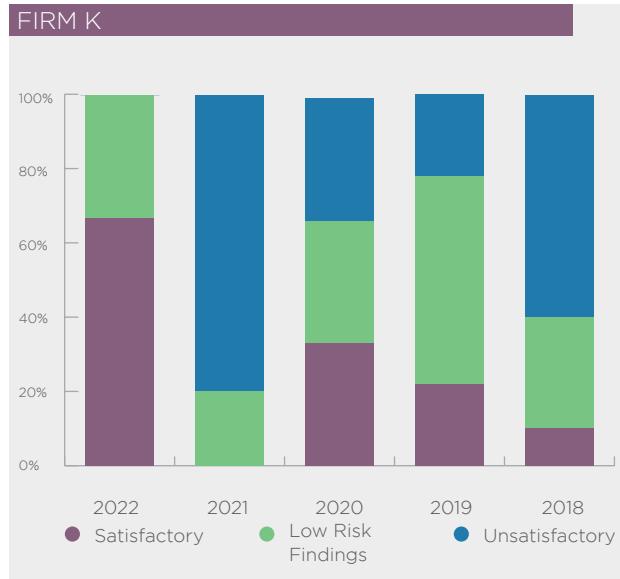


Firm D provided the results of its internal reviews for 2021 on request, subsequent to the publication of the previous AQI Survey Report, though. Therefore, the results could not be included, because they were not finalised in time for the submission of the AQI information to the IRBA.

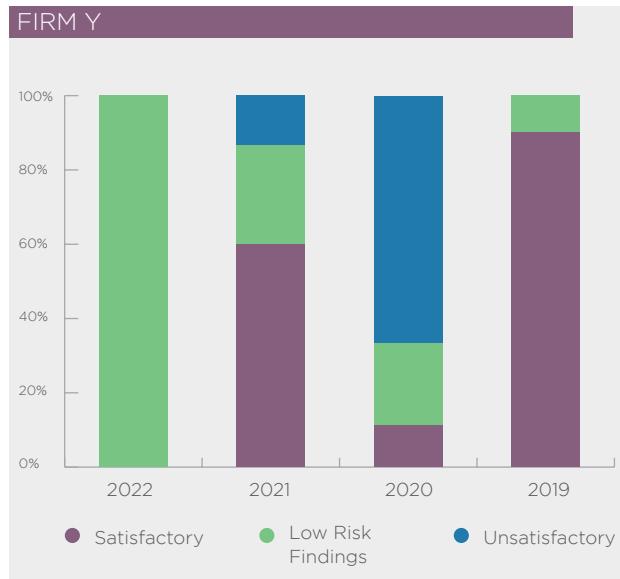




AQI OBSERVATIONS CONTINUED



Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.



Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.



Review: Partner Coverage (%)

Description/purpose

A percentage of engagement partners subject to internal reviews during the calendar year. This is the internal monitoring coverage.

How to interpret the AQI

The higher the percentage, the greater the proportion of engagement partners subjected to a firm's internal quality reviews during the period. Therefore, the firm is making a larger investment in monitoring, and the likelihood of detecting shortcomings in audit quality may be higher. However, this does not indicate the quality of the audit engagements (consider the

“internal review results” AQI) or the effectiveness of the internal review.

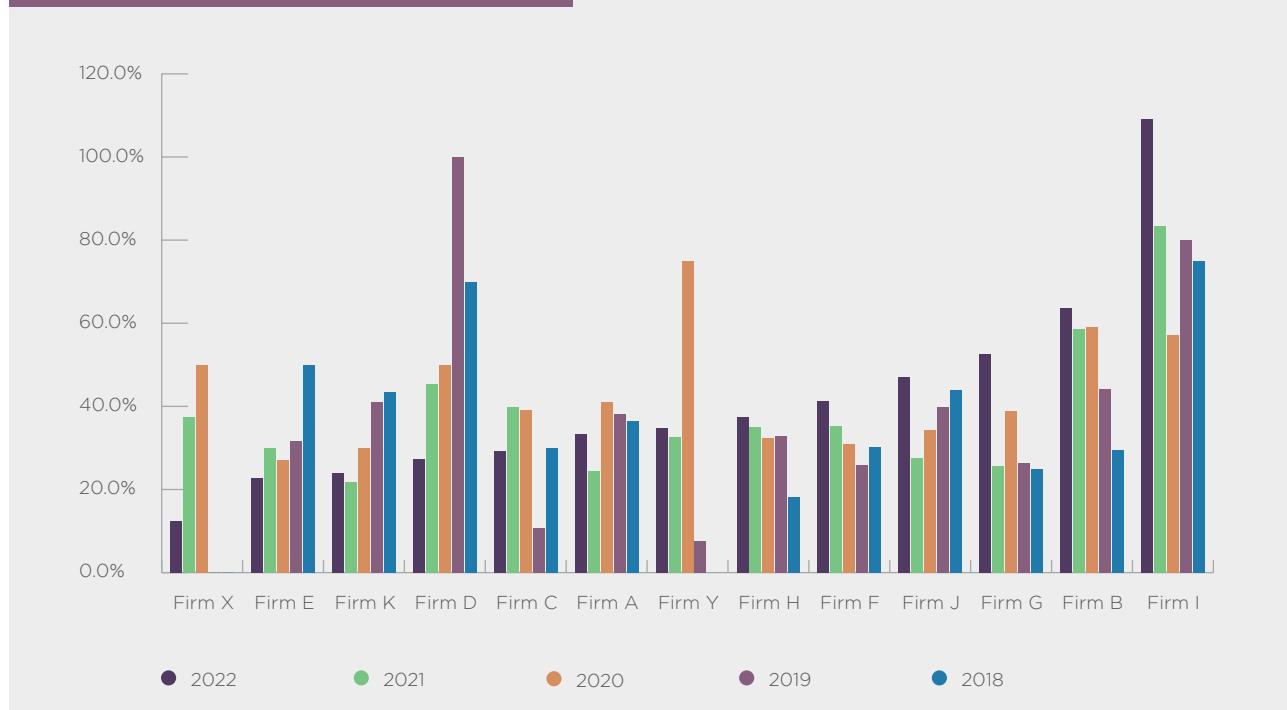
IRBA Code considerations

400.4: ISQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethics requirements. ISAs and ISREs [International Standards on Review Engagements] establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organisation. Many of the provisions of

this part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. A firm is required to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issues reports that are appropriate in the circumstances. Firms therefore assign responsibility for a particular action to an individual or a group of individuals (such as an audit team), in accordance with ISQC 1. In addition, an individual registered auditor remains responsible for compliance with any provisions that apply to that registered auditor’s activities, interests or relationships.

Key Observations	2022	2021	2020	2019	2018
Lowest	13%	22%	27%	8%	18%
Average	41%	38%	44%	40%	41%
Highest	109% ⁸	83%	75%	100%	75%

REVIEW: PARTNER COVERAGE



Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.
Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

⁸ Percentages above 100% are possible where a single partner was reviewed more than once during the calendar year.

AQI OBSERVATIONS CONTINUED

Workload: Engagement Partner Role (%)

Description/purpose

Engagement partner (excl. EQ review partner) hours charged to the audit client as a percentage of total audit hours charged to the audit client for completed engagements. This provides a measure of the level of involvement by the engagement partner.

How to interpret the AQI

Higher ratios indicate a greater involvement of the engagement partner and may be indicative of a higher-quality audit file, or an audit with more areas of significant judgement. Alternatively, high ratios may indicate an understaffed or inexperienced engagement team, or other execution issues. This indicator is presented as an average per firm.

This ratio can be compared to the workload to manager supervision (%) ratio and the EQ review partner hours (%) ratio.

IRBA Code considerations

“Professional Competence and Due Care” is one of the Fundamental Principles in the IRBA Code.

110.1 A1: Professional Competence and Due Care – to:

- (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client

receives competent professional service, based on current technical and professional standards and relevant legislation; and

- (ii) Act diligently and in accordance with applicable technical and professional standards.

Section 320, Client and Engagement Acceptance, acknowledges that there might be a self-interest threat when accepting a new engagement, due to complexity, experience and technical knowledge, among others. Paragraph 320.3 A5 includes the following examples of safeguards that address competencies and time on the engagement:

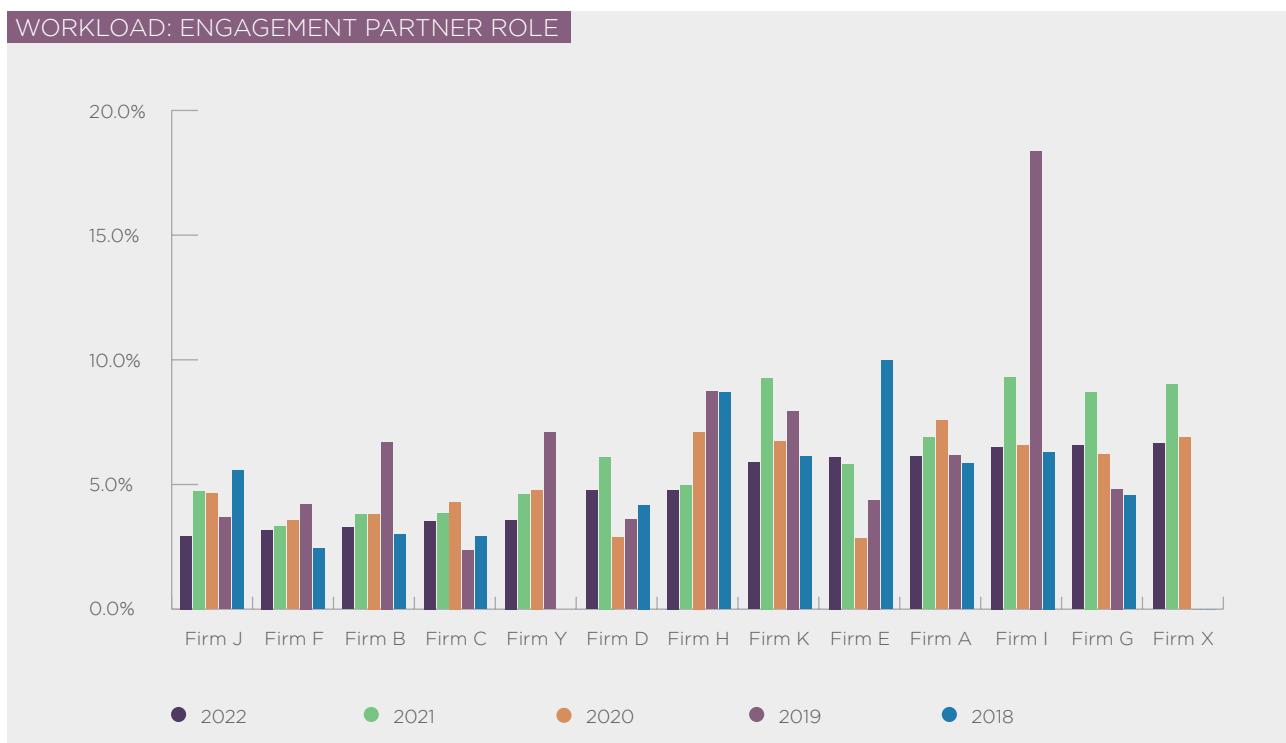
- Assigning sufficient engagement personnel with the necessary competencies.
- Agreeing on a realistic timeframe for the performance of the engagement.

In paragraph 300.8 A2, where safeguards to self-interest threats are discussed, the following action that in certain circumstances might be a safeguard to address threats is mentioned:

- Assigning additional time and qualified personnel to required tasks when an engagement has been accepted might address a self-interest threat.

Key Observations	2022	2021	2020	2019	2018
Lowest	2.9%	3.3%	2.7%	2.3%	2.4%
Average	4.9%	6.2%	5.2%	6.5%	5.4%
Highest	6.6%	9.3%	7.6%	18.4%	10.0%

WORKLOAD: ENGAGEMENT PARTNER ROLE



Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.
Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Workload: Manager Supervision (%)

Description/purpose

Total audit manager hours charged to the audit client as a percentage of total audit hours charged to the audit client for completed engagements.

How to interpret the AQI

Higher percentages indicate a greater involvement of the audit manager(s), and there may be many reasons for such involvement. Alternatively, high percentages may indicate a lack of review and involvement by the engagement partner and/or an understaffed engagement team. In understanding this AQI, the firm's model and nature of engagements would need to be considered.

IRBA Code considerations

"Professional Competence and Due Care" is one of the Fundamental Principles in the IRBA Code.

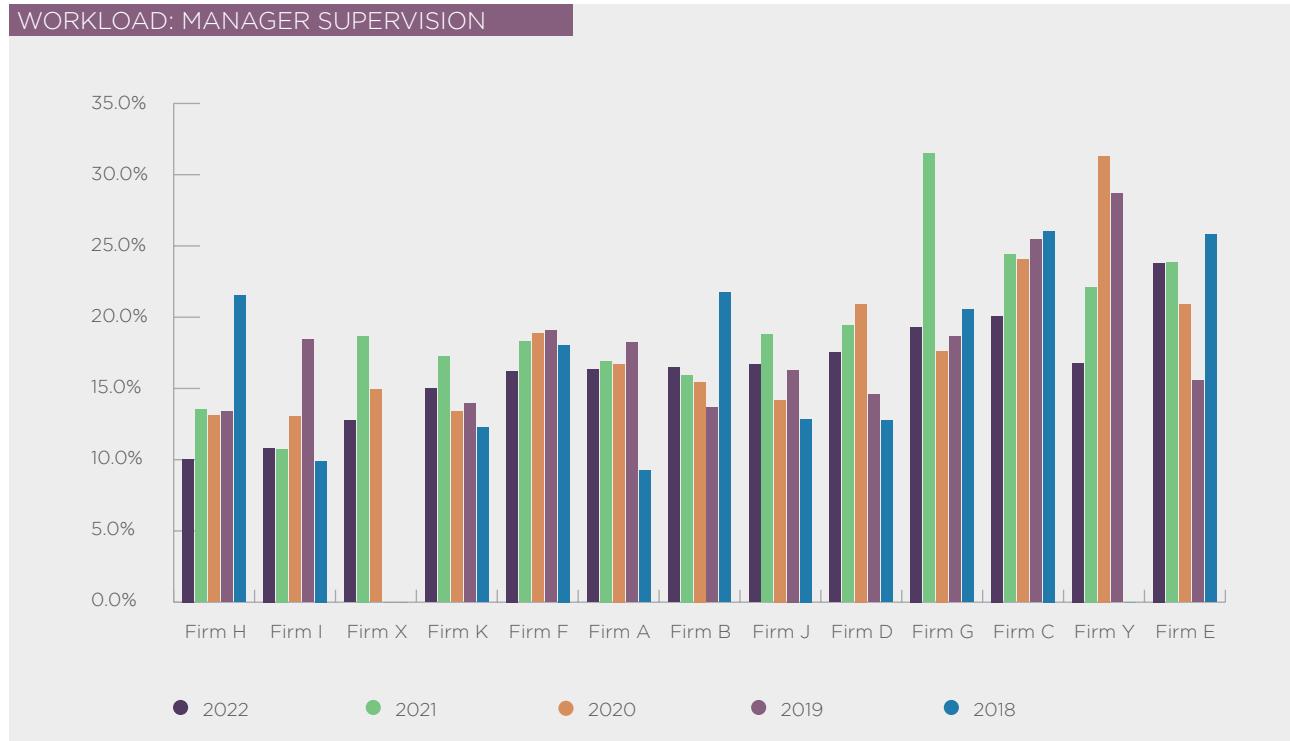
110.1 A1: Professional Competence and Due Care – to:

- (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (ii) Act diligently and in accordance with applicable technical and professional standards.

Key Observations	2022	2021	2020	2019	2018
Lowest	10.1%	10.8%	13.0%	13.4%	9.2%
Average	16.6%	19.3%	18.1%	18.0%	17.3%
Highest	23.8%	31.5%	31.3%	28.7%	26.1%

AQI OBSERVATIONS CONTINUED

WORKLOAD: MANAGER SUPERVISION



Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.
Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Span of Control: Professional Staff (ratio)

Description/purpose

Audit professional staff headcount (accounting, audit and risk) as a ratio to partners in the audit firm. This indicates the capacity of partners to supervise junior audit team members in the audit firm, and the level of professional staff support for audit partners.

How to interpret the AQI

Higher ratios may indicate that a partner has more responsibilities. That may also suggest possible related time pressure, as more people need to be managed, which may distract the partner from giving appropriate attention to a particular audit engagement. Higher ratios may also indicate either relatively few partners or a firm that is

better resourced with professional staff to support partners. In addition, higher ratios may imply that the partners manage their professional staff better, or their professional staff are more skilled and require less supervision.

IRBA Code considerations

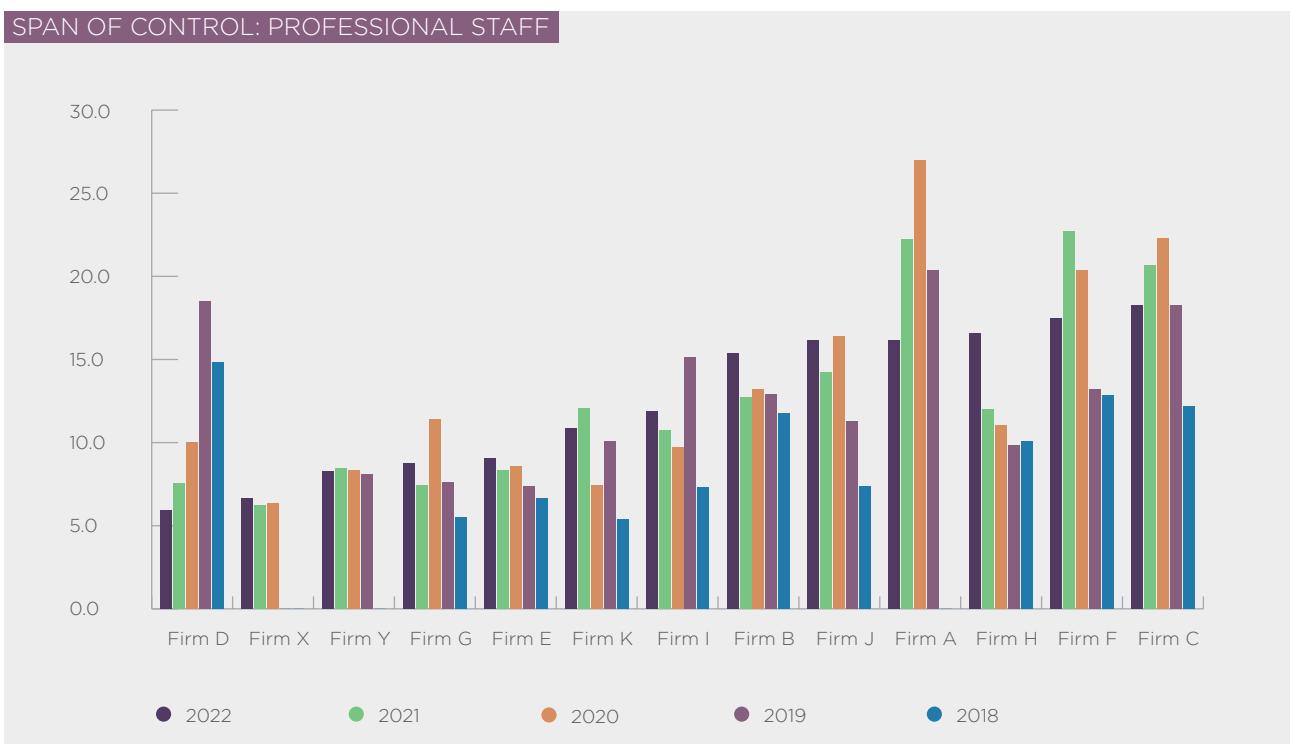
“Professional Competence and Due Care” is one of the Fundamental Principles in the IRBA Code.

110.1 A1: Professional Competence and Due Care – to:

- (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (ii) Act diligently and in accordance with applicable technical and professional standards.

Key Observations	2022	2021	2020	2019	2018
Lowest	6	6	6	7	5
Average	12	13	13	13	9
Highest	18	23	27	20	15

SPAN OF CONTROL: PROFESSIONAL STAFF



Firm A: Excluded in 2018, due to data quality concerns.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Technical Resources: Partner (ratio)

Description/purpose

Engagement partner to technical partner ratio.

How to interpret the AQI

The higher the ratio, the more engagement partners a technical partner serves. Therefore, a high ratio may mean that an engagement partner does not have as much access to a technical partner resource as would be the case for an engagement partner in a firm with a lower ratio. In understanding this ratio, the nature of the firm as well as the nature and scope of engagements are also relevant.

IRBA Code considerations

“Professional Competence and Due Care” is one of the Fundamental Principles in the IRBA Code.

110.1 A1: Professional Competence and Due Care – to:

- (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (ii) Act diligently and in accordance with applicable technical and professional standards.

The IRBA Code highlights the importance of technical support by including in the definition of audit team:

AQI OBSERVATIONS CONTINUED

- (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement.

The need to obtain technical expertise is also applicable when exercising professional judgement as follows:

120.5 A3: In exercising professional judgement to obtain this understanding, the registered auditor might consider, among other matters, whether:

- There is a need to consult with others with relevant expertise or experience.

In paragraph 300.6 A1 of the IRBA Code, under the discussion on threats to compliance with the

fundamental principles, the following is mentioned as an example of a fact and circumstance that might create an intimidation threat:

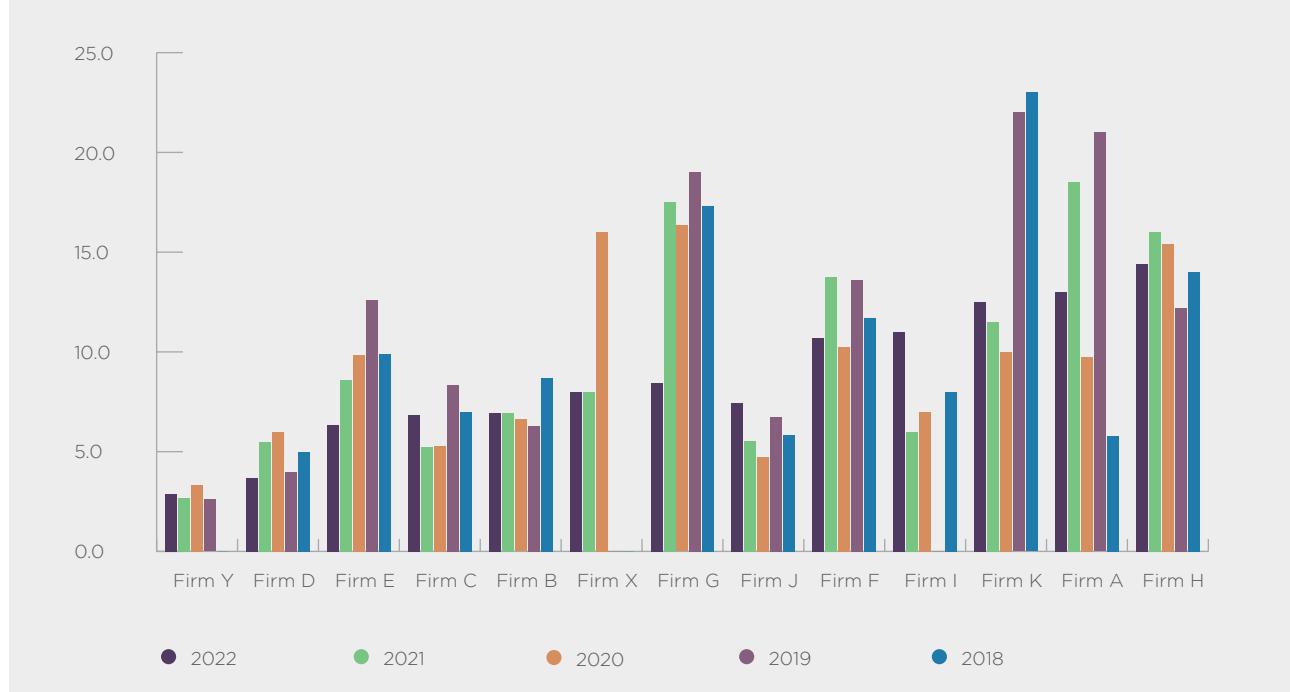
- A registered auditor feeling pressured to agree with the judgement of a client because the client has more expertise on the matter in question.

Additionally, paragraph 400.53 A3 elaborates on “professional resources” under the network firm discussion and includes the following:

- Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements.

Key Observations	2022	2021	2020	2019	2018
Lowest	3	3	3	3	5
Average	9	10	9	12	11
Highest	14	19	16	22	23

TECHNICAL RESOURCES: PARTNER



Firm I: No technical partners in 2019, therefore 0%.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Training (hours per person)

Description/purpose

Total hours of structured training delivered for audit professional staff for the previous calendar year as a ratio to average (monthly) audit professional staff for the previous calendar year.

How to interpret the AQI

The level of investment in formal training is one indicator of the firm's investment to improve audit quality and maintain professional knowledge. In understanding this AQI, the type, quality and relevance of the training should be considered, as well as whether it is input- or output-based (attendance versus the demonstration of knowledge gained).

IRBA Code considerations

R113.2: In complying with the principle of professional competence and due care, a registered auditor shall take reasonable steps to ensure that those working in a professional capacity under the registered auditor's authority have appropriate training and supervision.

Exercise of Professional Judgement

120.5 A1: Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved. In relation to undertaking professional activities, the exercise of professional judgement is required when the registered auditor applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances.

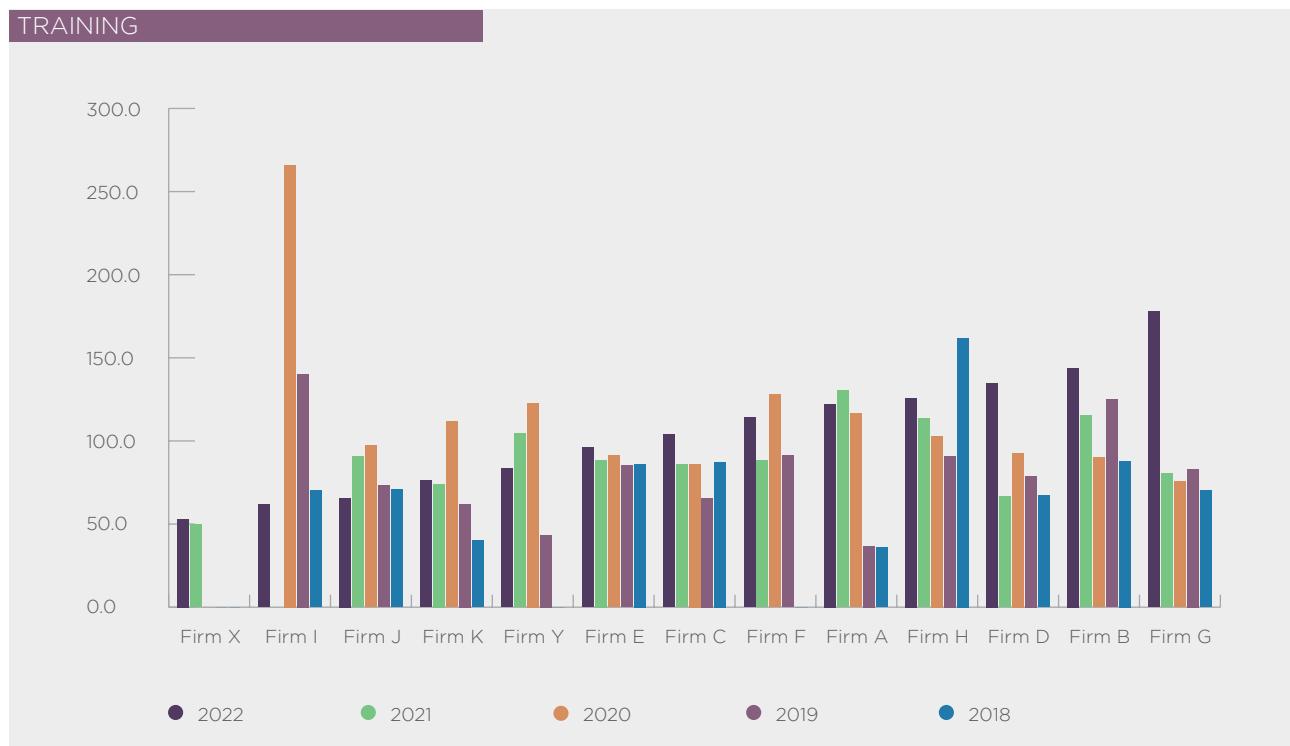
When discussing the firm and its operating environment, paragraph 300.7 A5 of the IRBA Code considers the following as an example of a factor that the registered auditor will consider when evaluating a threat to the fundamental principle:

300.7 A5: A registered auditor's evaluation of the level of a threat might be impacted by the work environment within the registered auditor's firm and its operating environment. For example:

- Educational, training and experience requirements.

Key Observations	2022	2021	2020	2019	2018
Lowest	53	50	76	37	36
Average	105	91	115	81	78
Highest	178	130	266	140	162

AQI OBSERVATIONS CONTINUED



Firm I: Excluded in 2021, due to data quality concerns.

Firm X: Excluded in 2019 and 2018, due to not meeting the minimum PIE threshold.

Firm Y: Excluded in 2018, due to not meeting the minimum PIE threshold.

Staff Turnover (%)

Description/purpose

The percentage of staff who have left the firm, excluding those whose training contracts have ended, in the categories of engagement partners, audit managers and audit supervisors, based on the opening number of staff in each of the three categories. Promotions between ranks are not to be considered. Staff turnover is calculated as the total number of leavers divided by the average number of staff for the year (that is, the monthly average over the calendar year).

How to interpret the AQI

The level of staff turnover is an indication of the consistency of the firm's engagement teams. Consistent teams may help with sustainability or improving audit quality and maintaining professional knowledge within the firm. Firms may want to

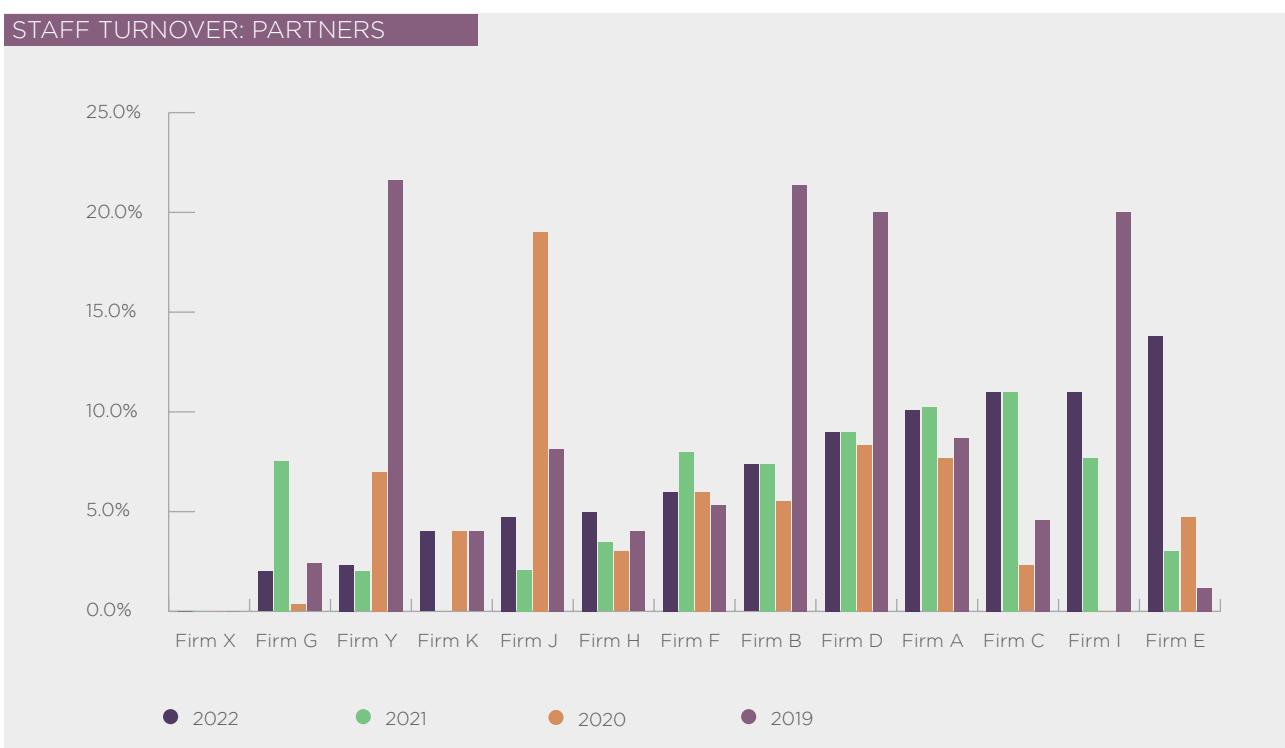
maintain a balance between retaining staff and adding new personnel to promote new and fresh ideas, to ultimately improve and maintain high audit quality.

Firms that experienced close to zero turnover have been shown separately in the graphs that follow, to avoid distortions that may be caused when interpreting the results. Firm F's work structure does not include supervisors; therefore, it is omitted for this category of staff turnover.

Restatements

During the data validation process, it was identified that Firms C and D had used a different formula to calculate turnover percentages. To ensure consistency and improve on comparability among firms, Firm D was requested to provide the turnover AQIs, calculated in accordance with the standard formula used in this AQI report, for the periods 2019 to 2022.

Key Observations - EQ Team	2022	2021	2020	2019
Highest – Audit Partner	13.8%	11.0% ⁹	19.0%	21.6%
Highest – Audit Manager	52.0%	48.0%	21.0%	57.0%
Highest – Audit Supervisor	81.4%	71.0%	31.0% ¹⁰	40.6% ¹¹



Firm I: 0% in 2020.

Firm K: 0% in 2020. Furthermore, comparatives have been restated, due to the incorrect formula applied previously.

Firm X: 0% in 2022, 2021 and 2020. Excluded in 2019, due to not meeting the minimum PIE threshold.

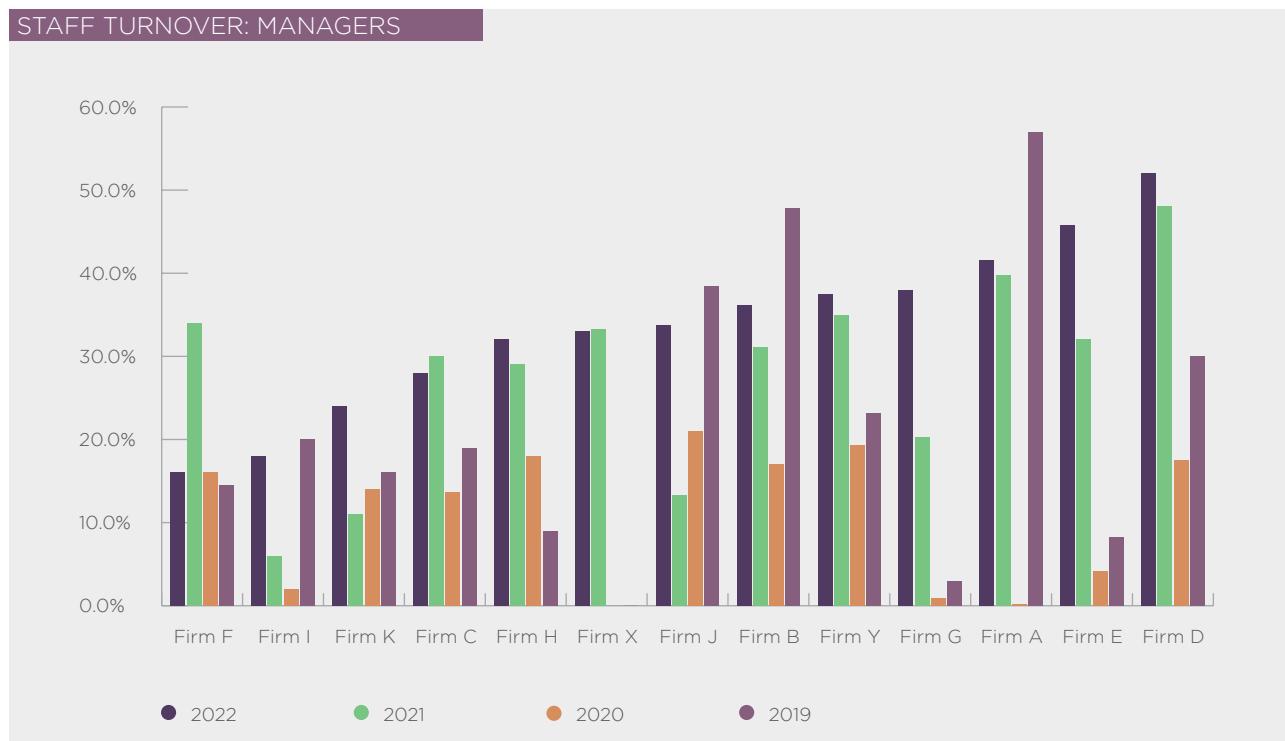
⁹ Firm C: Comparatives have been restated, due to the incorrect formula applied previously.

¹⁰ Firm K: Comparatives have been restated, due to the incorrect formula applied previously.

¹¹ Firm C: Comparatives have been restated, due to the incorrect formula applied previously.

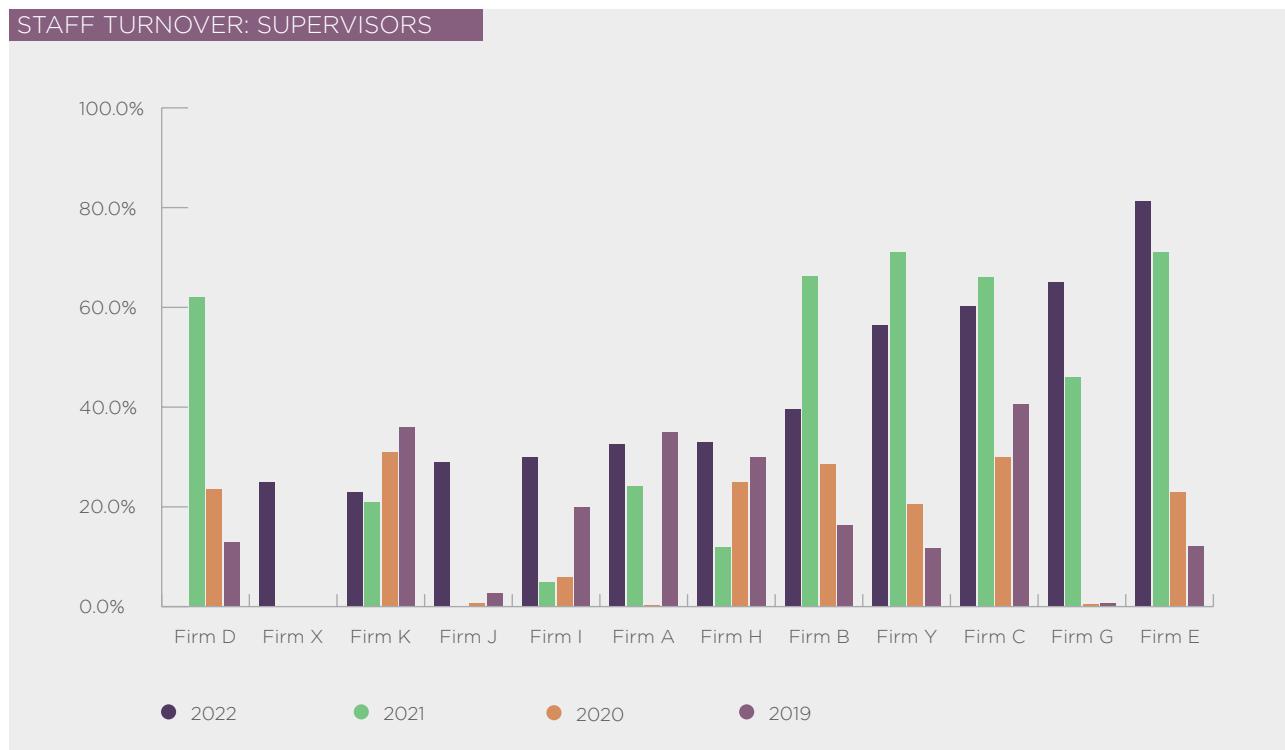
AQI OBSERVATIONS CONTINUED

STAFF TURNOVER: MANAGERS



Firm K: Comparatives have been restated, due to the incorrect formula applied previously.
Firm X: 0% in 2020. Excluded in 2019, due to not meeting the minimum PIE threshold.

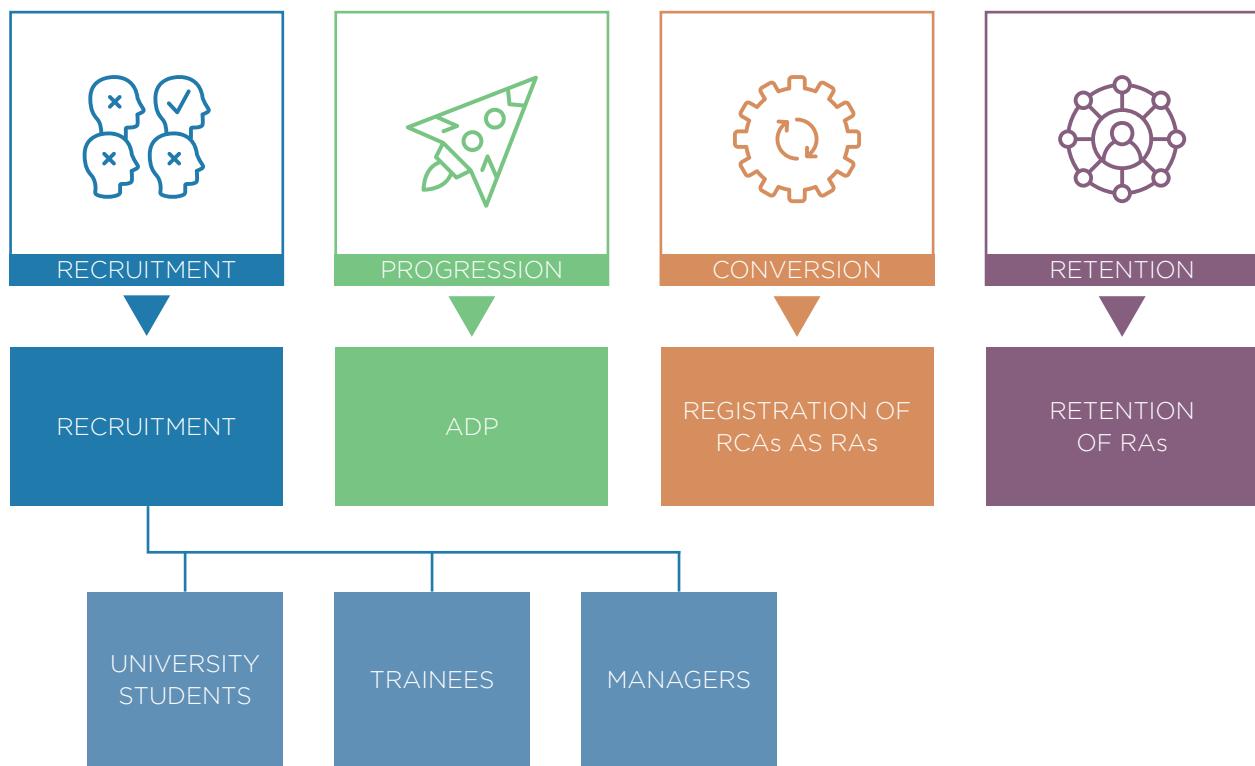
STAFF TURNOVER: SUPERVISORS



Firm D: 0% in 2022.
Firm F: Does not provide information at this level, as there are no supervisors appointed.
Firm J: 0% in 2021.
Firm K: Comparatives have been restated, due to the incorrect formula applied previously.
Firm X: 0% in 2021 and 2020. Excluded in 2019, due to not meeting the minimum PIE threshold.

TRANSFORMATION

One of the IRBA's key strategic objectives is to facilitate transformation in the auditing profession. To that end, the IRBA has implemented targeted initiatives that are aimed at identifying and addressing barriers at various stages of the registered auditor (RA) pipeline that is demonstrated in the graphic below.



The desired outcomes of the transformation initiatives are to increase and improve:

- Awareness of the auditing profession among students;
- Interest in the auditing profession from students, trainees and managers;
- Awareness of the career path to become an RA among students and trainees;
- The number of registered candidate auditors (RCAs) registering on the Audit Development Programme (ADP);
- Completion rates of RCAs;
- The conversion rate of RCAs to RAs; and
- The retention rate of RAs.

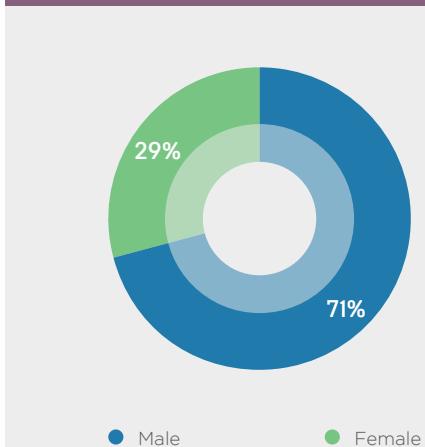
During our scanning of the market for developments in AQIs, we came across various international and local publications with transformation data that ranges from personnel counts to percentages of totals on various types of diversity categories. In addition to being a key prerogative in the South African socioeconomic context, the IRBA also recognises that transformation in the auditing profession is needed for improved audit quality and to set a sound base for future RAs. Furthermore, routinely publishing transformation-related AQIs in this report may help raise awareness of the linked initiatives that have been implemented by local firms. Therefore, transformation data is under consideration as an addition to the next round of AQI information requests.

TRANSFORMATION CONTINUED

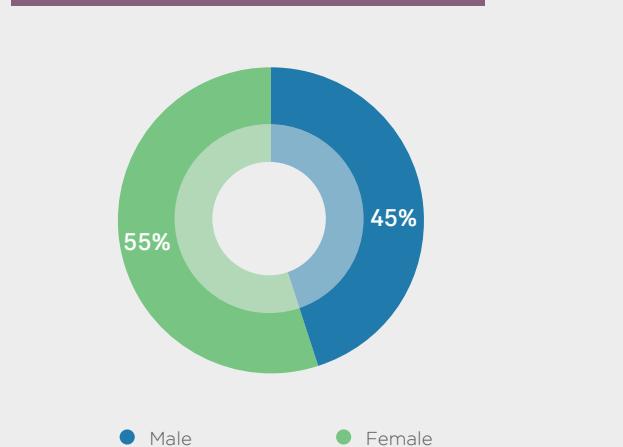
To provide context about the nature of the transformation data being considered, the following information in the graphs below has been presented on an aggregated basis. This information was also published in the 61st issue of IRBA News¹³. Unlike the other AQIs, the data below has been based on information within the IRBA's Registry department. Therefore, this information may not fully align to

the transformation statistics presented in the audit firms' transparency reports. Also, it may not be representative of the figures at calendar year-end. Some of the variances can be attributed to differences in timing of when the data was extracted, the level of disaggregation between the various levels of staff per firm and the specific diversity categories used.

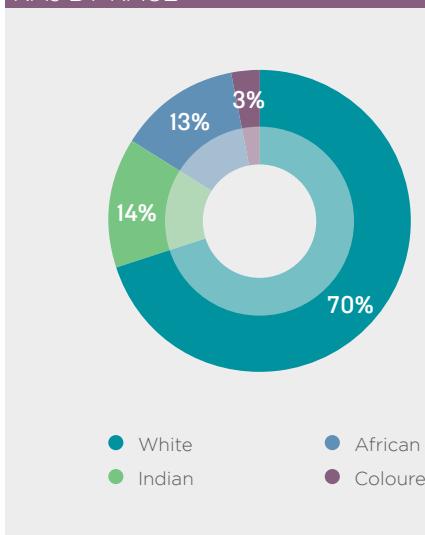
RA SPLIT BY GENDER



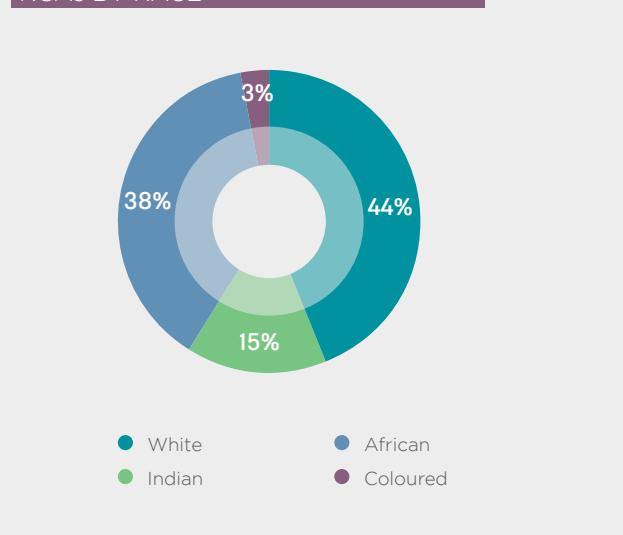
ACTIVE RCAs BY GENDER



RAs BY RACE



RCAs BY RACE



¹³ IRBA News Issue 61.

WAY FORWARD

As at the date of this report, the IRBA plans to request AQI information again from audit firms, but only from JSE-accredited firms, for the same category of clients (public interest entities). Where there were interpretation issues for definitions and guidelines, these will be clarified.

On 4 May 2023, the JSE proposed amendments to the JSE Listings Requirements and that has the potential to remove the Auditor Accreditation Model¹⁴. The intention of this AQI Survey Report is to focus on those entities and audit firms that are considered to carry the highest level of public interest. Therefore, although the removal of the Auditor Accreditation Model may materialise in the coming years, the list of firms subjected to the AQI process is not expected to significantly change in the short- to medium-term.

Firms will still be requested to provide evidence of a quality review of the data submitted, with authorisation (sign off) by a suitable senior firm representative. Firms are expected to provide the IRBA with complete and accurate information.

Selected information received will be cross-checked against other sources. For instance, this may entail checking the tenure to audit reports, as well as cross-checking the number of partners against the Registry department database and the list of JSE-accredited firms against the JSE Limited.

Firms are encouraged to embed the AQI system in their procedures, as this will be an ongoing process.

In addition, we note the following changes that are expected to impact AQI data collection and measurement going forward:

1. **IRBA Adoption of the Suite of the International Auditing and Assurance Standards Board's (IAASB) Quality Management Standards,** including:

- The replacement of ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, with International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- The introduction of the new ISQM 2, *Engagement Quality Reviews*; and
- Significant revisions to ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

Systems of quality management in compliance with ISQM 1 were required to be designed and implemented by 15 December 2022. These three Quality Management standards may be downloaded from the **IRBA website**. Valuable implementation resources are also available on the IRBA's dedicated Quality Management **webpage**.

For any questions or suggestions regarding this report, please email us at standards@irba.co.za.

¹⁴ The announcement is available on the [JSE website](#).

APPENDIX 1: OUR APPROACH

The Independent Regulatory Board for Auditors (IRBA) requested information that is related to Audit Quality Indicators (AQIs) for audits of public interest entities (PIEs¹⁵) only, specifically from firms that are accredited with the Johannesburg Stock Exchange (JSE) Limited. This category of firms was chosen because it has the generally larger and medium-sized firms that have more sophisticated systems in place from which to extract the relevant information; and these firms usually audit higher-risk clients and clients with a high public interest. Such firms are the only ones that are accredited with the JSE Limited to perform audits of listed companies.

Number of audit firms accredited with the JSE Limited, from whom information was requested: 16¹⁶ (2021: 19)

Of these, the number of firms that were analysed in this report: 12¹⁷ (2021: 13)

Approximate total number of PIEs (including groups or corporate structures) where audits were completed: 469 (2021: 500)

Average number of PIEs (and related entities) audited by the four biggest firms: 76 (2021: 74)

Average number of PIEs (and related entities) audited by the other firms: 21 (2021: 19).

The IRBA consulted extensively with various stakeholders while researching global developments on AQIs. Consequently, the AQIs selected were developed based on those that were raised frequently locally, by other regulators and certain parties we consulted. These selected AQIs provide valuable information to the IRBA and other stakeholders, to better identify some indicators of ethics/independence and audit quality, and to help make better informed assessments of risks. We also considered the practicality, for firms, of collecting and collating the information.

Data Quality and Systems Limitations

The IRBA understands that there are system maturity and data quality concerns in relation to the information submitted to us. In our consultations

with several firms, a number of them had committed to improve the quality of the information requested.

As the AQIs are interrogated and used by decision-makers, the data quality could be expected to improve over time.

It is also understood that some data was identified or summarised differently between firms. For example, internal cost accounting may differ between firms (i.e. charge-out rates differ, some firms use standard costing, others use fully absorbed costing, while some may have different charge-out rates for different divisions or offices). This is a practical reality of a data collection exercise, and this feedback has also featured in responses to requests for comments from other regulators.

Comparatives

The AQIs published have been limited to those firms that performed audits on more than two PIEs. This parameter is consistent with the prior years.

Furthermore, data quality issues prevented the publication of some of the AQIs in the previous year. As such, the current year report only includes comparative information where these were part of the previously published reports.

Definitions and Parameters

The definitions and parameters used in the data submitted by firms are listed in Appendix 2. The overarching parameters were:

- JSE-accredited audit firms only.
- Regarding client data, information for PIEs only (and related entities).
- Regarding registered auditor data, information for engagement (signing) partners only.
- Information for audit engagements only, unless otherwise stated (e.g. non-audit fees).
- Information for engagements completed (opinions signed off) during the calendar year only (1 January to 31 December).

¹⁵ Refer to Appendix 2 for the definition of public interest entities.

¹⁶ Firms accredited with the JSE Limited, including network firms.

¹⁷ Four firms were removed from the analysis, as they had completed the audits of either only 0, 1 or 2 PIEs in the specified period.

Key Observations and Learnings

Results

The purpose of this report is to provide the results of and observations on the data submitted. The data went through a desktop-based data cleansing exercise. The results and observations are depicted in graphical formats, with some notes on statistics such as the highest or lowest measure.

Results are anonymous, as firms have not been identified.

Survey data quality

All sizes of firms reported that obtaining the data was, in many cases, difficult; and the information often had to be manually extracted from existing systems. Consequently, our analysis indicates where data quality challenges were encountered. Despite the limitations of the data described elsewhere in this report, we were encouraged that the data submitted by firms remained sufficiently usable to generate this version of the report.

The lack of a quality check on the data submitted was evident in some of the submissions. In summary, the IRBA performed the following three rounds of data quality checks:

1. An analysis of firm-specific data.
2. A comparison of data across the various firms.
3. A comparison of data against the previous year's submissions.

After each round of quality checks, certain outliers and anomalies identified were queried directly with the respective firms. Responses from the firms at each stage resulted in confirmations of data accuracy or minor corrections being made.

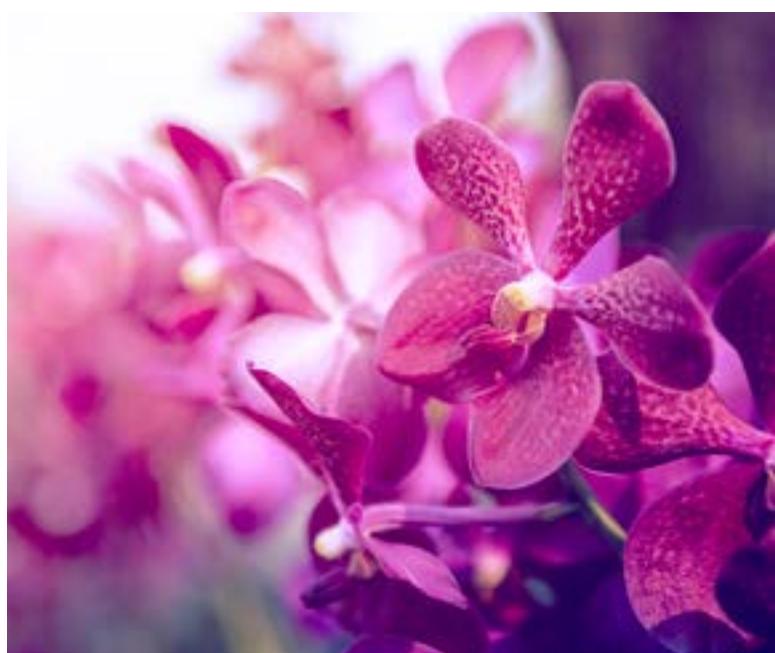
As a result, our review of the data finally submitted indicates some improvement in accuracy and consistency across most of the firms, when compared to the previous year's submissions. However, there is room for further improvement.

Examples of data quality and consistency issues identified included the following:

- One of the firms had calculated an AQI by including data for multiple partners on an

engagement, instead of the single assigned engagement partner. It was noted that firms with a concentration of large corporate clients that are structured as multiple components (parents and subsidiaries) may appear on the left in the graphs for some AQIs. This is because only the individual engagement partner, engagement quality reviewer or manager's time is measured as a ratio of the total engagement team's time. The size of an engagement team for such large clients could be exponential when compared to the individual signing off on the entire group.

- Data provided revealed errors in the prior-year numbers submitted, due to inconsistent formulas being used. However, it should be noted that such occurrences have dropped over the years, and it appears that the maturity of data collection systems at the firms has improved.
- Incomplete information: Sometimes this was explained; in other cases, the data was not provided and there was no explanation for that. Eventually, the firms submitted the information, after the first round of data validation checks.
- Inconsistent data: Most firms included an element of non-signing partners in the calculation of registered auditors, if such partners had worked on the audit engagements. These partners include technical partners and chief executive officers. A few firms only included signing partner tenures in their submissions.



APPENDIX 2: DEFINITIONS AND PARAMETERS OF THE DATA COLLECTED

The following definitions and parameters apply:

Definition	Description
Audit	Financial statement audit only (those engagements that require the application of International Standards on Auditing (ISAs)).
Audit manager	Anyone designated as an audit manager (or equivalent) in the firm, network or firm in a network, who was part of the engagement team.
Audit professional staff	Audit managers, supervisors and trainees only, including staff in technical roles related to audit quality (International Financial Reporting Standards (IFRS), ISAs, Risk).
Billed and/or invoiced (rands)	Excludes disbursements, expenses and taxes.
Calendar year	Previous calendar year ending on 31 December.
Client	An individual statutory entity or group for which an audit report has been issued.
Engagement	Audit engagements only.
Engagement partner	As defined in the International Auditing and Assurance Standards Board (IAASB) Handbook. Engagement partners should be interpreted as signing partners, meaning this should also include, for example, associate directors who sign off audit reports. The information requested for engagement partners includes all such partners within the firm and is not limited to those partners who have engaged with public interest entities.
Engagement team	As defined in the IAASB Handbook.
Engagement quality (EQ) review hours	Include all EQ review hours charged by the EQ review partner, NOT hours related to the cyclical inspection of files, in-process reviews or other forms of engagement monitoring. This also includes EQ review hours charged by an external EQ review partner (an external service provider).
EQ review partner	The partner performing the engagement quality reviews; the individual, whether from the network firm, in the network or an external service provider, who is responsible for the review.
EQ review team	The team performing the engagement quality reviews (including the individual, whether from the network firm, in the network or an external service provider) that is responsible for assisting the EQ review partner in performing the review.
Firm tenure	Calculated as per the guidance in the Independent Regulatory Board for Auditors' communique dated 4 December 2015 ¹⁸ and Section 90 of the Companies Act 71 of 2008.
Hours charged	This includes hours recorded on the firm's time-keeping system, and these may be more or less than the hours billed.
Industry	A particular form or branch of economic or commercial activity. A predefined list of industries has been provided on the accompanying spreadsheet. Where a group operates within multiple industries, a single industry should be selected, based on the size and significance of the operations within that industry and in relation to the group's activities as a whole.
In-flight reviews	Reviews completed during the performance of an audit engagement. These types of reviews are not to be confused with the engagement quality control reviews. They are similar to the post-issuance monitoring reviews, but are performed during the audit engagement, before the audit opinion is signed.
Internally charged (fees)	The fees based on the actual time spent by the firm on the specific engagement; the amount that best represents the actual cost of an audit. The amount may differ from the amount invoiced/billed to the client. For example, some firms may charge time to a "work-in-progress" billing schedule, which would provide a view of the actual time and cost spent.
Job description of the registered auditor	High-level title, e.g. engagement partner, technical partner, risk advisory partner, etc.
Monthly average of the audit professional staff for the calendar year	An average should be calculated for the calendar year, taking into consideration the month-end staff during the year.
Nature of the engagement	This should always be for the year-end audit of the financial statements, but it may include an explanation that it is a joint audit or a subcontracted part of the audit. Also, indicate who the other party is in the engagement.
Non-audit fees	Relate to fees of engagements other than those that relate to ISA engagements.

¹⁸ The tenure guidance can be downloaded from the [IRBA website](#).

Definition	Description
Partner	This includes the individuals who, legally, are directors of firms that are incorporated companies. It is also applicable to partners in leadership and in technical roles in audit practice, and partners included in the engagement team (as defined in the IAASB Handbook).
Partner hours	Include partner hours from the network and the firms in the network.
Public interest entities	Definition as per the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).
Reviews	Formal internal firm reviews, as defined in the firm's policies.
Staff turnover	A percentage measure that should be based on the formal grade of the staff. Where staff fall between grades, e.g. assistant manager, these individuals should be grouped into the lower grade, for reporting purposes. This excludes promoted staff, as they are still considered to be part of the firm and resources that are available to perform audits. Training contracts that have been completed should be excluded as well.
Statutory non-audit fees	Relate to fees of engagements other than those that relate to ISA engagements, but are limited to those required by law and/or regulation.
Technical partners	Partners designated as firm IFRS specialists, dedicated to the firm's technical department and responsible for firm risk and independence matters that are part of the audit firm and the network firm (excluding external service providers). For partners with mixed roles, then determine full-time equivalents.
Time period	Unless otherwise stated, information should be provided for completed engagements during the previous calendar year. For example, for the April 2023 AQI submission, the time period refers to engagements completed during 2022. For information regarding non-audit engagements, the period used should match the one used for the completed audit engagement.
Total audit hours	The hours charged by all engagement team members (as defined in the IAASB Handbook).
Training	Total hours of structured training. This includes formal training events provided by the firm and recorded for attendance and time. Training events exclude academic courses for trainees, such as the South African Institute of Chartered Accountants (SAICA) board courses. The type of structured training activities included should follow SAICA's Continuing Professional Development requirements, and primarily comprise the following focus areas that are perceived to have the most significant impact on audit quality: audit, accounting, ethics and others (report writing, leadership, etc.). Training includes both internal and external training, i.e. training provided by external service providers.





Physical address:

Building 2, Greenstone Hill Office Park,
Emerald Boulevard, Modderfontein, 1609

GPS Co-ordinates:

26°7'0"S, 28°8'54"E

Postal address:

PO Box 8237, Greenstone, 1616

Telephone: 010 496 0600

Email: board@irba.co.za