ANNUAL ENFORCEMENT REPORT 2023/2024

INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

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Foreword

Chief Executive Oficer
Imre Nagy

As we reflect on the enforcement activities that the Independent Regulatory Board for Auditors (IRBA) undertook during the 2023/2024 financial year, it is imperative to acknowledge the pivotal role that enforcement plays in maintaining the integrity and credibility of the auditing profession. Consequently, this report provides an in-depth review of the IRBA's enforcement efforts, highlighting key trends in auditor conduct, common compliance failures and the regulatory actions taken to uphold public confidence in the profession and the audit product.

The auditing profession is a cornerstone of financial accountability and it ensures that stakeholders – including investors, regulators and the broader public – can rely on the accuracy of financial statements. However, our enforcement activities this year have once again demonstrated that continued vigilance is required to address recurring patterns of non-compliance. The 43% increase in finalised enforcement matters, therefore, underscores the IRBA's commitment to efficient and effective regulatory processes that are aimed at strengthening audit quality and ethical standards within the profession.

A concerning trend observed during the reporting period is the persistent failure of some auditors to obtain sufficient appropriate audit evidence and exercise the necessary professional scepticism. These shortcomings compromise the reliability of financial reporting and ultimately erode public trust. The IRBA, though, remains steadfast in its mission to ensure that registered auditors uphold the highest standards of diligence and professional responsibility in all audit engagements.

Another critical area highlighted in this report is the prevalence of material misstatements in financial statements. Our investigations have revealed that in many cases these are due to inadequate risk assessments, flawed qualitative evaluations and over-reliance on management representations. This then makes it critical to continuously emphasise the need for rigorous audit procedures that adhere to international auditing standards, to ensure that financial statements accurately reflect the economic realities of the entities under review.

The issue of auditor independence also remains a priority, with several cases of self-review threats, conflicts of interest and breaches of ethical guidelines coming under scrutiny. Independence is a fundamental pillar of audit credibility, and auditors must remain vigilant in recognising and mitigating any threats to their objectivity. The IRBA are bound to hold auditors accountable for any compromises to their independence that could impair the integrity of the audit process.

In addition to enforcing compliance through disciplinary measures, the IRBA is committed to fostering a culture of continuous learning and professional development. To that end, this report not only details enforcement outcomes, but also serves as a resource for auditors to understand key lessons from past transgressions. By identifying common pitfalls and sharing best practices, we seek to proactively mitigate improper conduct and elevate the standards of audit execution in South Africa.

While enforcement remains a necessary regulatory function, our ultimate goal is to drive systemic improvements that enhance audit quality across the profession. Therefore, the IRBA is actively engaging with stakeholders, including professional bodies, training institutions and firms, to reinforce the importance of ethical conduct, compliance with auditing standards and robust quality control measures. Our collaborative efforts will help shape the regulatory environment into one that balances accountability with the promotion of sustainable, high-quality audit practices.

Looking ahead, we recognise that the challenges facing the auditing profession continue to evolve, requiring a dynamic and responsive regulatory approach. To that end, the IRBA remains committed to refining its enforcement processes, leveraging technology to enhance investigative capabilities and integrating a risk-based approach in prioritising enforcement actions. By doing so, we aim to build a more resilient, effective and trustworthy auditing profession.

As we publish this Annual Enforcement Report, we extend our gratitude to the dedicated professionals within the IRBA who uphold the integrity of the enforcement process as well as to the statutory committees and the Enforcement Committee (ENCOM). Their commitment to thorough investigations, prosecution, fair adjudications and transparent reporting is instrumental in maintaining the credibility of the profession. We also commend those auditors who diligently comply with regulatory requirements and contribute to elevating industry standards.

In conclusion, the IRBA remains unwavering in its commitment to fulfil the mandate to enforce compliance, protect the public interest and strengthen confidence in the auditing profession. We encourage all stakeholders to engage with this report, reflect on its findings and take proactive steps to ensure that South Africa's auditing profession continues to maintain the highest levels of ethical and professional excellence.

Imre Nagy
Chief Executive Officer

Preface

Director Investigations
Jillian Bailey

The Investigations Department is committed to ensuring the highest standards in audit quality. We aim to conduct diligent investigations that uphold the integrity of the profession, while adhering to the due process, as prescribed in the Auditing Profession Act, as amended, and the Rules. By fostering a culture of accountability, we promote compliance with the auditing standards and the IRBA Code of Professional Conduct for Registered Auditors.

We believe that meaningful reform transcends mere punitive measures, especially since the complexity of appropriate sanctioning has always been a contentious issue. While many factors are taken into account during sanctioning, the consideration of mitigating factors provides valuable insights into a registered auditor's circumstances. Additionally, the importance of non-monetary sanctions, such as targeted training, must be emphasised because those not only assist in professional development, but also notably reduce the likelihood of future infractions.

Significant progress has been made in addressing backlog matters. Through the recruiting of additional resources, we have substantially reduced our backlog and have successfully met our targets for investigations finalised in the financial year. We anticipate clearing the rest of the backlog within the next financial year.

Ultimately, we recognise that our endeavour relies on the co-operation of registered auditors. While we engage with only a small percentage of these professionals during investigations, the effects of co-operation, taking accountability and avoiding recurrences nurture a resilient auditing profession.

I extend my thanks to all departments within the IRBA that specifically support the investigations' function; my team, for the hard work and ongoing dedication in attending to matters; and the committee members, for their unwavering independence and commitment to ensuring fair and equitable outcomes. Together, we aim to uphold the highest standards of professionalism, ensuring that the principles of transparency and integrity remain at the heart of our work.

Jillian Bailey
Director Investigations

Preface

Director Legal
Rebecca Motsepe

The effective management of disciplinary processes is central to the IRBA's enforcement mandate, as it supports both the protection of the public interest and the integrity of the auditing profession. Entrusted with the prosecution of disciplinary matters, the Legal Department remains committed to ensuring that these matters are finalised efficiently and effectively. Our focus is on driving cases from referral to conclusion with agility – minimising unnecessary delays, costs and inefficiencies – while securing outcomes that uphold public confidence, mitigate risk and preserve the integrity of the IRBA and its processes.

Our disciplinary processes are underpinned by the principles of fairness, transparency and accountability. In holding registered auditors accountable for breaches of auditing and ethical standards, we are committed not only to enforcing standards, but doing so in a manner that is open and accessible. This includes conducting public hearings and sharing disciplinary outcomes with all stakeholders, thereby reinforcing our accountability.

It is in this spirit that we present this report, which incorporates key highlights from the Disciplinary Committee's activities, including notable decisions, enforcement trends and process improvements that have enhanced our operational efficiency and impact. At the beginning of the year, the Legal Department had 27 open disciplinary matters that it was managing. During the year, 13 additional matters were referred to us, bringing the total caseload to 40 – a substantial increase requiring strategic prioritisation, procedural streamlining and a highly committed team.

Through focused and co-ordinated efforts, the department successfully finalised 22 matters – the highest number concluded in a single year. This achievement is a direct result of the ongoing implementation of our disciplinary strategy, which prioritises agility and timely resolution.

Up to 86% of the finalised matters were concluded without the need for a formal disciplinary hearing, through admissions of guilt or negotiated settlements. Only 14% proceeded to hearings. While this approach significantly reduced delays and associated costs, a notable trend was the number of respondents who initially declined to settle, only to opt for an admission of guilt at a later stage. One such case involved a respondent who was initially offered a settlement with a proposed R200 000 fine and no cost order. The respondent insisted on a hearing, but ultimately conceded guilt on the day of the hearing, by which point legal costs in excess of R3 million had been incurred and attributed to him. Such outcomes, while procedurally fair, are avoidable and underscore the importance of early, informed decision-making. As such, respondents are encouraged to seek sound legal advice, particularly where the prospects of a viable defence are slim.

Beyond agility, our focus on the quality of outcomes remains unwavering. Except for one matter in which charges were withdrawn, guilty findings were secured in all finalised cases. Cost orders were obtained in cases involving formal disciplinary processes or the use of external legal counsel. These outcomes support our efforts to hold auditors accountable for their transgressions, while enabling us to recover the costs expended through such processes.

Looking ahead, a key challenge is the growing tendency of respondents to litigate, even where evidence against them is strong. This results in unnecessary delays and increased costs. To address this, we will strengthen early engagement efforts, which have already shown positive results. Where a resolution is not possible, the IRBA will continue to pursue formal disciplinary action to uphold professional standards.

I, too, wish to extend my sincere appreciation to the Legal team members for their solid dedication to implementing our disciplinary processes strategy; the committees for their robust and fair processes; the respondents who have constructively engaged with us; and the broader IRBA team for invaluable support in facilitating effective enforcement processes.

This report, therefore, reflects the collective efforts of many across the organisation. We hope it serves as a meaningful resource that highlights not only the outcomes of our enforcement work, but also the lessons learnt and the continuous progress we are making to uphold the integrity of the auditing profession. Essentially, it reaffirms our enduring commitment to the highest standards of professional conduct.

Rebecca Motsepe
Director Legal

Acronyms and Definitions

The following abbreviations and definitions that are used in this report will, unless otherwise stated or clearly inconsistent with the context in which they appear, bear the meanings set out below.

Administration of Estates Act	Administration of Estates Act No. 66 of 1965.
AOG	Admission of guilt process, in terms of Section 51 of the Auditing Profession Act, as amended, and the Rules.
APA	Auditing Profession Act No. 26 of 2005, as amended.
Auditor or Registered Auditor	An individual or firm registered as an auditor with the IRBA.
Board	The Board of the Independent Regulatory Board for Auditors composed of non-executive members appointed by the Minister of Finance in terms of Section 11 of the APA.
Committees	Collectively, the Investigating Committee, the Enforcement Committee and/or the Disciplinary Hearing Panel.
Companies Act	Companies Act No. 71 of 2008.
DISCOM	Disciplinary Committee, a statutory committee established in terms of Section 20(f) of the APA.
ENCOM	Enforcement Committee, a statutory subcommittee of the Board established in terms of Section 24B of the APA.
IFRS	International Financial Reporting Standards as set by the International Accounting Standards Board.
Income Tax Act	Income Tax Act No. 58 of 1962.
INVESCO	Investigating Committee, a statutory committee established in terms of Section 20(e) of the APA.
IRBA	The Independent Regulatory Board for Auditors established in terms of Section 3 of the APA.
IRBA Code	IRBA Code of Professional Conduct for Registered Auditors.
ISAs	International Standards on Auditing, as set by the International Auditing and Assurance Standards Board.
Mero motu	Investigations initiated by the IRBA of its own accord.
Reporting Period	This is from 1 April 2023 to 31 March 2024.
Rules/Disciplinary Rules	IRBA Disciplinary Rules.
Trust Property Control Act	Trust Property Control Act No. 57 of 1988.

Note:

In this report, please be advised that natural persons, regardless of their gender, are referred to as “he” or “him”; and all references to natural persons include juristic persons, and vice versa.

Purpose and Limitations of the Report

PURPOSE OF THE REPORT

During the 2023/2024 financial year, the IRBA addressed a number of matters dealing with improper conduct that had been perpetrated by auditors. These matters revealed recurring patterns of non-compliance with regulatory requirements, emphasising the need for continued auditor training and the critical role of enforcement in upholding the public interest.

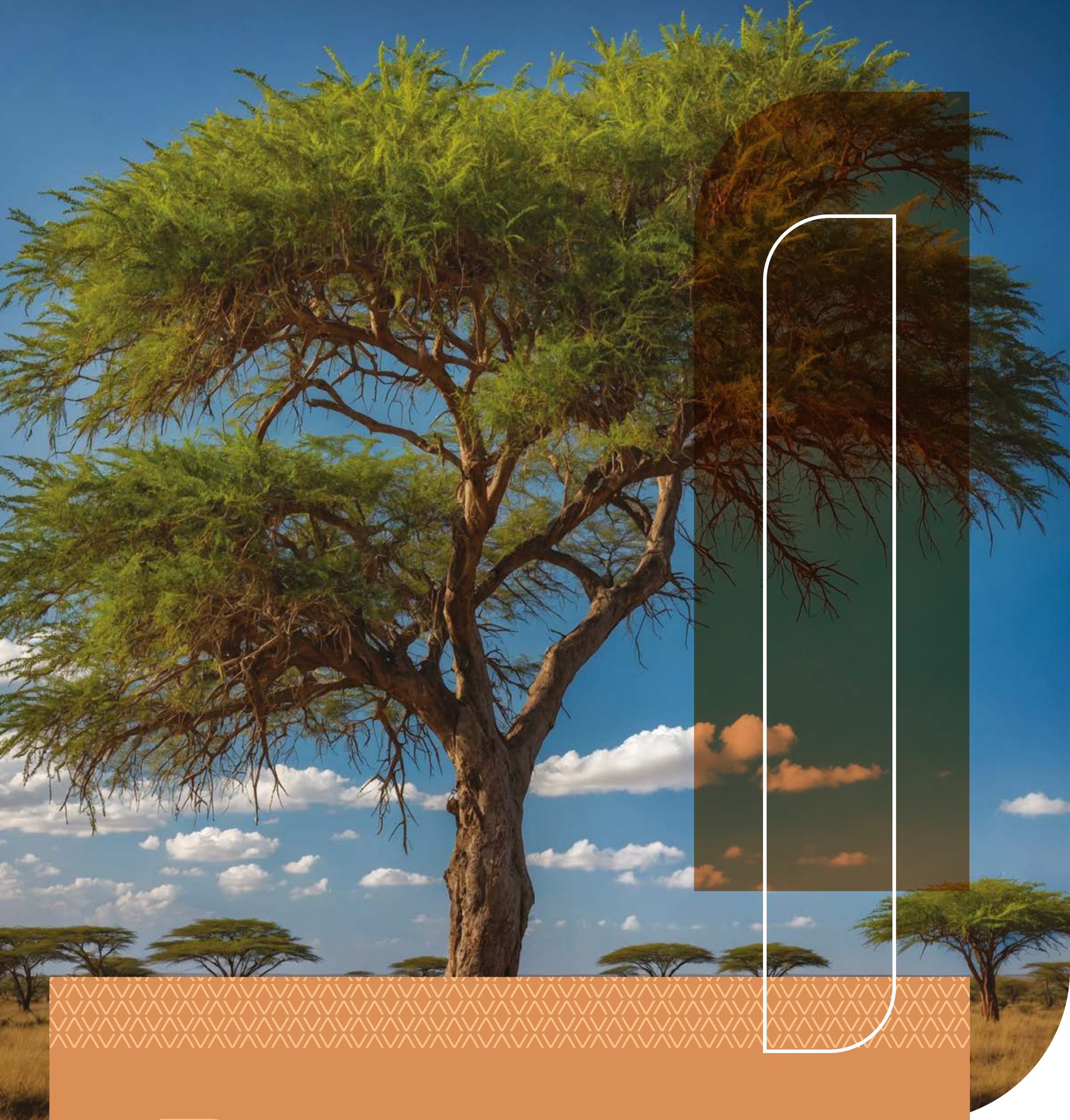
Thus, this report outlines the IRBA's enforcement activities during the reporting period, concentrating on investigation outcomes and disciplinary measures taken in response to improper conduct. It provides insights into audit quality challenges, areas of non-compliance and the manner in which the IRBA's enforcement mechanisms have addressed these issues.

The primary objective of this report is to leverage enforcement cases and outcomes, so as to provide auditors with key lessons from past transgressions.

By identifying common pitfalls, clarifying auditor responsibilities and demonstrating best practices for compliance, the IRBA aims to proactively mitigate improper conduct through knowledge-sharing initiatives, such as this publication.

REPORT LIMITATIONS

This report specifically focuses on the IRBA's investigation and disciplinary processes. The outcomes of inspections are dealt with separately in the annual Public Inspections Report that the Inspections Department publishes. Additionally, the statistical data presented covers the period from 1 April 2023 to 31 March 2024.



Enforcement Framework

In line with Section 4 of the Auditing Profession Act, as amended (APA), part of the IRBA's primary mandate is to promote the integrity of the auditing profession by enforcing compliance through investigations and disciplinary proceedings. To support these enforcement functions, the APA has established the following three independent committees:

a) Investigating Committee (INVESCO) – responsible for investigating allegations of improper conduct against auditors and making recommendations to the Enforcement Committee on whether an auditor should be charged with improper conduct or not.

b) Enforcement Committee (ENCOM) – reviews the INVESCO's recommendations and determines the appropriate course of action. It decides whether the auditor should be charged; and if so, whether the matter should proceed through an admission of guilt process or be referred to the Disciplinary Committee for a formal hearing.

c) Disciplinary Committee (DISCOM) – conducts formal hearings to assess charges of improper conduct. If an auditor is found guilty, it imposes the necessary sanctions to ensure accountability and uphold professional standards.

These committees play a vital role in ensuring auditors adhere to regulatory requirements, thereby reinforcing public confidence in the auditing profession.

Enforcement Process

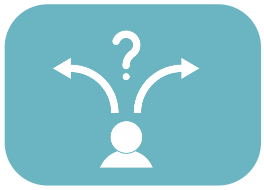
The enforcement process consists of distinct but interconnected stages that are aimed at ensuring that allegations of improper conduct are thoroughly assessed and addressed in line with the provisions of the APA and the Disciplinary Rules. This process starts when a complaint is received and ultimately culminates into an appropriate outcome, which can be either a dismissal of the complaint or an imposition of a sanction.

An Overview of the Enforcement Process

Complaint:
Received from the public, regulators, court or the IRBA.

Investigation:
Collation and analysis of the evidence.

Investigation Outcome:
The INVESCO recommends whether the auditor must be charged or not; and if charged, the process to be followed.



Desision to Charge:
The ENCOM decides whether the auditor must be charged or not; and if charged, whether to follow an admission of guilt (AOG) process regarding the disciplinary procedures.

Admission of Guilt:
If the auditor pleads guilty and an AOG process is recommended, a sanction is imposed and the matter is finalised.

Disciplinary Hearing:
If the auditor pleads not guilty or an AOG process is not recommended, a disciplinary hearing is convened and evidence is heard by the DISCOM panel.

Disciplinary Outcome:
The DISCOM issues a ruling; and if the auditor is found guilty, a sanction hearing is convened, followed by an imposition of sanctions.

As depicted above, upon receipt of a complaint, the Investigations Department collates the relevant information, analyses it and present its findings to the INVESCO, which then considers the documentation presented and formulates a recommendation to the ENCOM on whether the auditor should be charged with improper conduct or not. If the recommendation is to charge the auditor, it will also recommend whether an admission of guilt process should be followed or the charges warrant a referral to the DISCOM for the consideration of a sanction of suspension from practice, removal from the register or permanent disqualification from registration.

However, prior to tabling the recommendation before the ENCOM, the auditor is provided with an opportunity to point out any factual inaccuracies in the formulated charge(s) and support that with evidence. Once the recommendation is before the ENCOM, this committee will make the final decision on the charges and whether an admission of guilt or referral to the DISCOM is warranted. It is important to note that even if the ENCOM may have taken the view that an admission of guilt process should be followed, where an auditor denies the charges, the matter will still be referred to the DISCOM for a disciplinary hearing via the Legal Department.

The disciplinary hearing is a structured process where both parties present their evidence before a DISCOM panel, which then assesses the evidence, determines liability and, if necessary, imposes the appropriate sanctions. The possible outcomes of a hearing include either a dismissal of the charges (in which case the matter is concluded) or a finding of guilty that leads to the determination of an appropriate sanction, which can be a reprimand, fine, suspension from practice or permanent disqualification from registration, depending on the severity of the improper conduct.

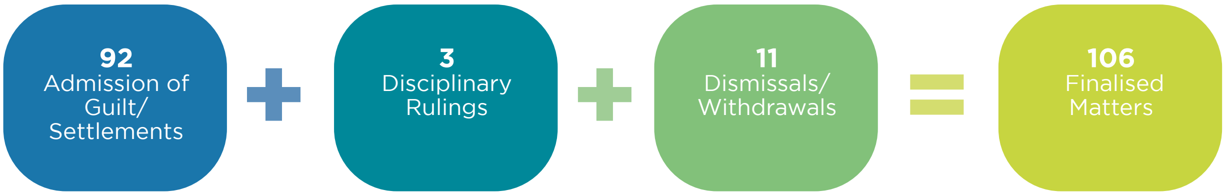
Overview of the 2023/2024 Enforcement Matters

Overview of the 2023/2024 Enforcement Matters

This section of the report provides an outline of the enforcement matters finalised during the reporting period. A total of 106 matters were finalised, reflecting a notable increase from 74 in the prior year. The 43% increase in the number of matters finalised is attributed to several strategic initiatives that the IRBA implemented to support the agility of its enforcement processes.

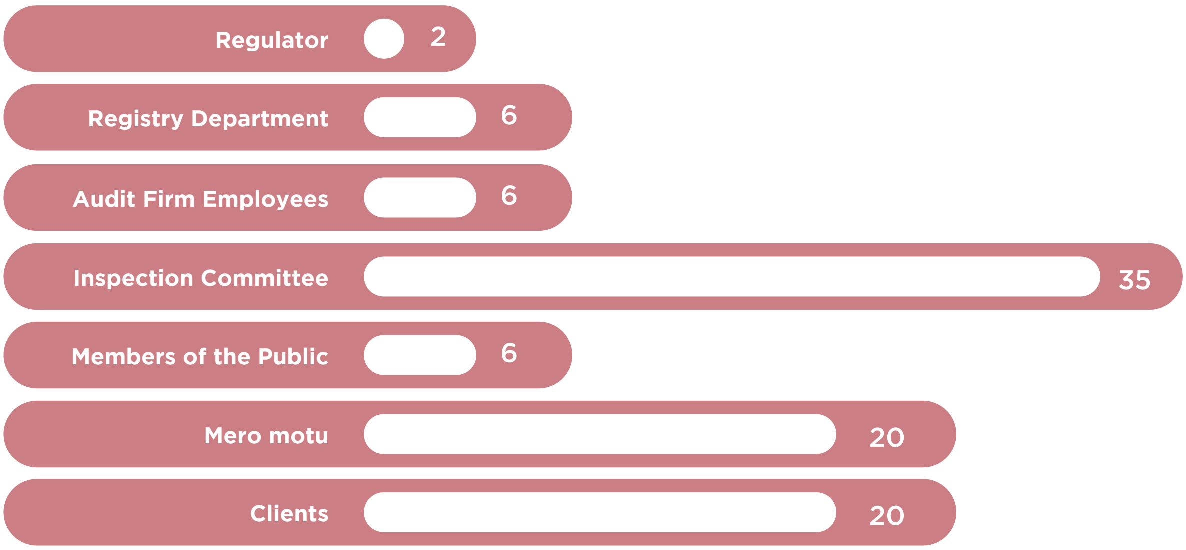
Of the finalised 106 matters, 92 were resolved through an admission of guilt and/or settlement process, where the ENCOM determined that the charges warranted a sanction other than suspension or deregistration. Out of these matters, 18 had initially been referred for a hearing, but were finalised before the commencement of the proceedings. Additionally, three matters were concluded following disciplinary hearings, with charges having been withdrawn in respect of one matter. The remaining 10 matters were dismissed after investigations because there was no improper conduct found, the auditor provided a reasonable explanation or there were insufficient prospects of success in pursuing the allegations.

A Breakdown of the Finalised Matters



In all 95 matters that were finalised through the admission of guilt processes, settlements and/or disciplinary hearings, the auditors were found guilty and sanctioned accordingly. Below is a more detailed analysis of these matters, excluding dismissals and withdrawals.

Complainants



The enforcement processes culminating in findings of guilt were initiated through complaints from various sources. Of those complaints, 64% originated from within the IRBA, with the Inspections Committee referrals accounting for 37%, mero motu (self-initiated) investigations being 21% of the matters and referrals from the Registry department sitting at 6%. This signifies the regulator's ongoing commitment to enforce compliance and improve audit quality. The remainder of the complaints were from external stakeholders, with audit clients accounting for 21% of the referrals, which complaints were directly related to audit services auditors had rendered to clients. Other regulators submitted 2% of the complaints, with 6% originating from members of the public and the remaining 6% emanating from audit firms. The complaints from audit firms are reflective of internal controls within some firms, which are able to detect improper conduct and proactively report to the regulator. These audit firms' efforts are commended and encouraged.

Respondents

The majority of auditors charged with improper conduct were individuals, with only 9% of the respondents being audit firms. Mainly, the charges against the audit firms related to quality control issues, inclusive of independence infractions. This trend is consistent with the previous year. The data underscores that while firms are responsible for the implementation of quality control measures, ultimate responsibility for engagement compliance and professional conduct rests with individual auditors.

As shown in the graphic below, 80% of the matters where auditors were found guilty of improper conduct related to assurance work they had performed, with most of these relating to audit work and only 2% involving independent reviews. This emphasises the IRBA's focus on its core mandate of ensuring audit quality.

Assurance vs Non-assurance

The remaining 20% of the matters related to non-assurance work – including accounting services, as well as executor and trustee services – or non-compliance with the requirements for professional behaviour, audit firm policies, legislation, etc. The IRBA's reach in respect of such matters is imperative for maintaining the integrity of the profession as a whole. This ensures that all professional responsibilities entrusted to auditors are performed with the requisite due care and that auditors, at all times, conduct themselves in accordance with the requirements of the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code).

While most of the matters related to audits, only 24% were public interest matters, with 76% relating to non-public interest matters.

Public Interest Split

Note:

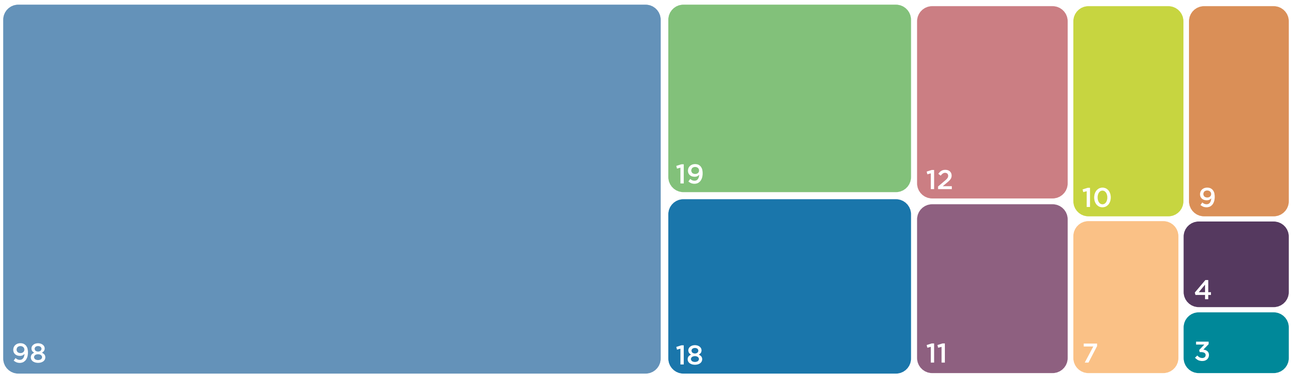
Public interest matters are related to audit services rendered to listed companies, state-owned companies and/or financial institutions.

Charges of Improper Conduct

As indicated above, following the dismissal of 10 matters and the withdrawal of one, 95 culminated into charges of improper conduct being preferred against auditors. It is important to note that a single matter often involves more than one charge of improper conduct; accordingly, the 95 matters involved 191 charges. Below is an overview of the relevant charges.

Nature of the Charges

- Insufficient audit evidence/documentation (98)
- Unprofessional behaviour (19)
- Independence (12)
- Assurance Work declarations (10)
- Tax/accounting services (9)
- Material misstatements (18)
- Reportable Irregularities (11)
- Quality Control (7)
- Failure to correspond professionally (4)
- Failure to assemble audit file (3)



The most common charge involved failure by auditors to obtain sufficient appropriate evidence and/or to adequately document audit procedures undertaken, accounting for 51% of the total charges. This aligns with the previous year's statistics, where this issue was also the most frequent, representing 42% of all charges. The continued prevalence of this problem highlights the ongoing challenge auditors face in complying with professional evidentiary standards.

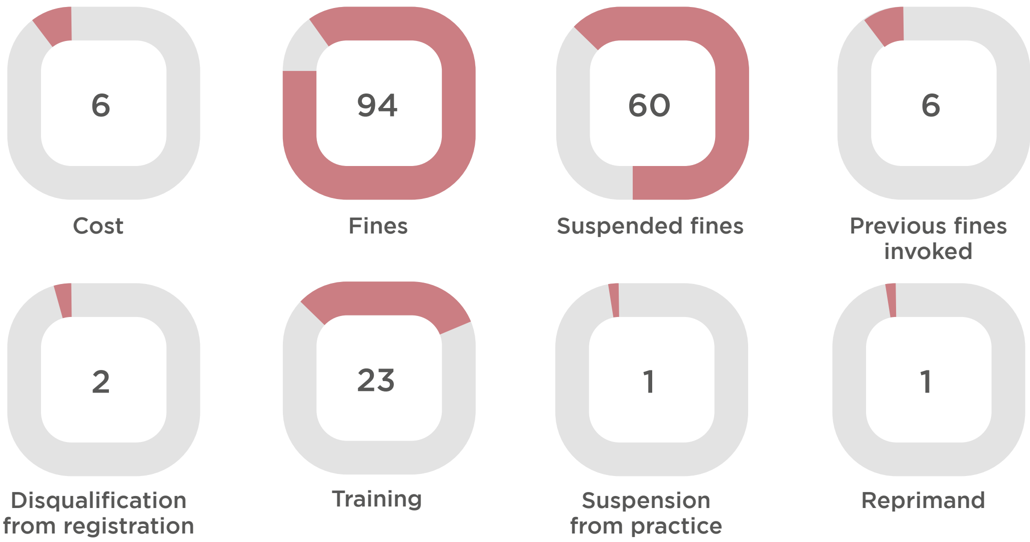
Charges related to unprofessional behaviour ranked second at 10% (compared to 7% in the previous year), followed by failures to identify/address material misstatements at 9%. Independence-related breaches remained a concern, even though they reflected a decline of 2% in the current reporting period, coming in at 6% in comparison to 8% in the prior year. The remaining charges related to auditors' failures to consider or promptly report reportable irregularities; honestly declare assurance work conducted; ensure due diligence in the provision of tax and/or accounting services; comply with quality control standards and requirements; and/or act professionally, as required by the provisions of the IRBA Code.

Save for the one matter wherein charges were withdrawn, auditors were found guilty of all 191 charges preferred against them. This outcome underscores the effectiveness of the investigation processes, which rigorously assess each charge against the available evidence and then invite the respondent to submit evidence to contradict any of the charges, prior to the final charge sheet being tabled before the relevant committee, thus ensuring fair and just outcomes.

Sanctions

In terms of Sections 51 and 51B of the APA, both the ENCOM and the DISCOM have the power to impose more than one sanction in respect of the charges of improper conduct. These committees are also authorised to suspend a sanction, or a portion thereof, for a specified period or until a particular event occurs; or to impose conditions on sanctions. Additionally, the committees may require an auditor to cover reasonable costs that the IRBA incurred in respect of the investigation and/or disciplinary hearing. In exercising these powers, the committees have imposed the sanctions outlined in the graphic below in relation to the 95 matters, specifically the charges in respect of which auditors were found guilty.

Sanctions Imposed



Note:
Two auditors were permanently disqualified from registering with the IRBA as auditors, while one was suspended from practice. Fines were imposed in 94 of the matters, with a portion thereof suspended in respect of 60 matters, subject to the auditors not being found guilty of improper conduct during the suspension period. Suspended sanctions are intended to disincentivise auditors from committing further improper conduct during the suspension period, thus acting as a deterrent. To this end, previously suspended fines were invoked in six matters, wherein auditors were found guilty of improper conduct during the suspension period.

Training directives were issued in relation to 23 of the matters, with this varying from specialised audit training, such as for body corporates, attorney trust accounts and pension funds, to that on the Quality Management standards, the International Financial Reporting Standards (IFRS), the practical application of auditing standards and the IRBA Code. These directives aim to capacitate auditors for improved audit quality.

At least 11 matters were referred to the South African Institute of Chartered Accountants' (SAICA) Professional Conduct Committee for the purpose of determining the auditors' fitness to continue to practice as chartered accountants. These referrals occurred in circumstances where the committees took the view that the relevant improper conduct warranted a sanction of removal from the register, but due to the auditor having resigned from the IRBA prior to the finalisation of the matter, that sanction was no longer available to the IRBA, leaving the IRBA with only monetary and other non-monetary sanctions at its disposal.

While a caution or reprimand was issued in one matter, this was in conjunction with other sanctions.

Costs were awarded in six matters, and this was a 100% increase from the previous period. Also, costs were awarded in matters finalised following a referral for a disciplinary hearing.

R24 935 000
Fines imposed

R360 000
Previously suspended fines invoked

R4 305 000
Suspended fines

R6 235 112
Cost orders

The ENCOM directed the publication of specific details relating to 42 matters finalised through the admission of guilt process. This is in line with the provisions of Section 51(6) of the APA, which grants this committee the discretion to request the IRBA to publish the name of an auditor that admitted guilt, along with the charge and the imposed sanction or cost order. These matters involved either public interest entities or repeat offenders. In all other instances, publication was done in general terms, without specific references to the details of the relevant auditors.

On the other hand, three matters wherein auditors were found guilty following disciplinary hearings were published in terms of Section 51B(5). This section mandates the IRBA to publish on its website – and if deemed necessary, through other appropriate channels – the name of an auditor found guilty after a disciplinary hearing, along with a summary of the charges, the finding, the sanction and the cost order imposed by the Disciplinary Hearing Panel.

To access the published matters, refer to the **IRBA News**.

Analysis of the Enforcement Themes

In this part of the report, we provide a detailed review of the improper conduct charges preferred against auditors. This includes an examination of recurring themes in regulatory enforcement, highlighting breaches of professional standards, ethical lapses and deficiencies in audit execution.

The analysis is framed by key regulatory instruments such as the IRBA Code, the International Standards on Auditing (ISAs) and other applicable standards, with a focus on the importance of ethical conduct, sound judgement and adherence to professional best practices. The findings presented serve as a basis for identifying systemic challenges, reinforcing regulatory expectations and recommending measures to enhance audit quality and auditor professional behaviour.

INSUFFICIENT APPROPRIATE EVIDENCE AND/OR INADEQUATE DOCUMENTATION OF THE AUDIT PROCEDURES CONDUCTED

Relevant Prescripts

- Paragraph 15 of ISA 200 states that the auditor shall plan and perform an audit with professional scepticism, recognising that circumstances may exist that cause the financial statements to be materially misstated.
- Paragraph 6 of ISA 500 calls on the auditor to design and perform audit procedures that are appropriate in the circumstances, for the purpose of obtaining sufficient appropriate audit evidence.
- Paragraph A5 goes on to state that audit evidence is necessary to support the auditor's opinion and report. Audit evidence is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit.
- Paragraph A8, read together with paragraph A9, additionally indicates that the sufficiency and appropriateness of audit evidence are interrelated. Sufficiency is the measure of the quantity of audit evidence that is affected by the auditor's assessment of the risks of misstatement (i.e. the higher the assessed risks, the more audit evidence is likely to be required) and the quality of such audit evidence (i.e. with higher quality, less may be required). Appropriateness is the measure of the quality of audit evidence, that is, its relevance and reliability in providing support for the conclusions on which the auditor's opinion is based.
- Paragraph A12 of ISA 500 states that more assurance is ordinarily acquired from consistent audit evidence obtained from different sources, or those of a different nature, than from items of audit evidence considered individually. For example, corroborating information acquired from a source that is independent of the entity may increase the assurance the auditor obtains from audit evidence that is generated internally. This is echoed by the provisions of paragraph 2 of ISA 505.
- Paragraph 8 of ISA 230 further requires auditors to prepare audit documentation that enables an experienced auditor, with no prior connection to the audit, to understand the nature, timing and extent of the audit procedures performed in compliance with the ISAs, the applicable legal and regulatory requirements, the results of those procedures performed and the audit evidence obtained, as well as any significant matters arising during the audit, the conclusions reached and the significant professional judgements made in reaching those conclusions.
- Paragraphs 10, 11 and 13(d) of ISA 700 (Revised) obliges auditors to form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. To form such an opinion, auditors are required to evaluate whether, in view of the requirements of the applicable financial reporting framework, the information presented in the financial statements is relevant, reliable, comparable and understandable. Then, they have to conclude if reasonable assurance has been obtained as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error.

Analysis of the Charges

Obtaining appropriate and sufficient audit evidence is crucial to ensuring the reliability and credibility of an audit. Strong evidence enhances audit quality by supporting accurate conclusions and reducing the risk of material misstatements. It also ensures compliance with regulatory and professional standards, while minimising audit risk and the likelihood of issuing an incorrect opinion on financial statements. However, various enforcement matters have revealed deficiencies, exposing auditors' failure to obtain and document sufficient appropriate audit evidence to perform the necessary audit procedures that support audit opinions, and/or to exercise the requisite professional scepticism during an audit. These shortcomings have significantly affected the accuracy of audit opinions, particularly regarding the fair presentation of relevant financial statements.

An investigation on audits conducted in relation to a specific group of companies over a number of years by different auditors revealed similar deficiencies in relation to the performance of appropriate audit procedures, the collation of sufficient and appropriate evidence and/or the documentation thereof.

These deficiencies were noted at various stages and in respect of several areas of the audit. Specifically, the investigation found that sufficient and/or appropriate procedures were not performed in relation to independence assessments, group risk assessment and the group auditor's involvement in the work of significant component auditors, as required by ISA 600. On the other hand, the investigation revealed that the auditors had failed to demonstrate appropriate professional scepticism in key areas such as intangible assets; the appropriateness of consolidating and/or not consolidating certain entities in the group financial statements; recognition of rebate income; recognition and presentation of accounts receivable; as well as the presentation and disclosure of financial guarantees. Additionally, shortcomings relevant to the documentation of audit procedures, evidence and/or conclusions were noted on aspects relating to the evaluation of the appropriateness of the management expert's work as audit evidence; the omission of material disclosures in the financial statements; auditors' evaluation of the impact of different accounting treatments of items of property, plant and equipment by the group and a subsidiary; and auditors' considerations of foreign laws and regulations that may have had a material impact on the group financial statements.

In defence of the various shortcomings highlighted above, the auditors' submissions were that at a group level, reliance was placed on the work performed by component auditors; and those relevant component auditors did not report any irregular transactions. Further that, restatements on the financials were due to fraud by senior executive management and directors colluding with third parties, which was only discovered during a forensic investigation, with such information not having been available nor provided to the auditors during the audits.

The committees acknowledged possible reliance on the work of component auditors; however, they highlighted the duties of group auditors as per ISA 600, which requires the group auditor to perform group risk assessments and be involved in the work of component auditors. Thus, the finding was that the auditors concerned had failed to sufficiently obtain all critical group deliverables from component auditors, as per their obligation in terms of ISA 600. Further that, despite the auditor's claim that component auditors found no irregular transactions and lacked information during audits, evidence considered revealed instances where the group auditors did not follow up on possible irregularities and accounting issues reported by the component auditors. Additionally, while the committees appreciated the difficulty in identifying fraud, especially where there had been collusion and fraud is perpetrated by senior management, the evidence clearly reflected the auditors' failure to exercise professional scepticism in circumstances where it was necessary to do so. In particular, the auditors simply failed to probe and/or investigate red flags emanating from the audit and/or component auditors.

In another matter, the auditor's failure to conduct appropriate audit procedures, obtain sufficient evidence and/or document, traversed areas such as impairment assessments as they relate to property, plant and equipment; the existence and valuation of revalued spares; the disclosure of restrictions imposed on assets pledged as security for loans; and management's failure to derecognise replaced parts of items of property, plant and equipment. Additionally, over-reliance was placed on management representations regarding the recoverability of value-added tax (VAT) receivable and the initial measurement of non-current assets held for sale. Ultimately, the audit report issued by the auditor was not in accordance with the auditing pronouncements.

It was the auditor's case that it is normal for derecognition to not take place when parts are replaced, as the original parts would ordinarily have had a zero-book value due to being fully depreciated. He further submitted that management had processed the VAT reclassification as a late adjustment. Also, he was uncertain of the validity and recoverability of the VAT receivable and was advised by the engagement quality control reviewer to request management to make representations, due to a tight reporting deadline. He then indicated that the representation made by management relating to non-current assets held for sale was not sole evidence, but rather used as corroborative evidence.

Despite the defence that the auditor put forward, the committees noted that the replaced parts that were not derecognised still had a book value on the fixed asset register. It was further held that constrained reporting deadlines are not sufficient reasons for the auditor not to obtain sufficient appropriate audit evidence in support of his opinion. Moreover, the investigation had found that there was no audit work documented in the audit file regarding the valuation of the non-current assets held for sale; therefore, the auditor's assertion that the management representation letter was corroborating other evidence was not supported by evidence. Accordingly, the committees could not accept the defence put forward.

There were other matters that revealed the auditors' failure to conduct appropriate audit procedures, obtain sufficient evidence and/or document the evidence obtained and the procedures performed. These failures were identified throughout the audit cycle and in respect of several key areas of the audit, including:

(a) Engagement acceptance and continuance;
(b) Audit planning;
(c) Assessment of risks of material misstatements;
(d) Opening balances for initial audits;
(e) Understanding of the entity and its environment;
(f) Determination of materiality for the engagement;
(g) Assessment of the completeness and/or verification of ownership of investments;
(h) Projection of misstatements on errors found in the representation samples of the population selected for testing;
(i) Related party transactions and disclosures;
(j) Testing of accruals and recoveries relating to municipal charges;
(k) Testing of significant components in relation to group audits;
(l) The consolidation of the financial statements;
(m) Rights and obligations related to income tax;
(n) Assessment of the impact of the revised materiality on audit work already performed;
(o) Compliance with applicable laws and regulations;
(p) Impact of adverse media articles on the audit client not considered during the audit;
(q) Material departure from the accounting framework;
(r) Casting errors on financial statements;
(s) Identification of, and addressing, material misstatement in the financial statements;
(t) Omission of restatement disclosures; and
(u) Going concern assumptions.

The extent of the abovementioned shortcomings noted in testing, evidence collation and documentation underscores critical lapses throughout the various stages of an audit and non-compliance with auditing standards. Ultimately, this compromises audit quality and the credibility of the audit opinion.

Conclusion

Users of financial statements place significant reliance on the assurance that auditors provide in relation to financial statements, to make informed decisions about the entities involved. As detailed above, auditing standards require auditors to obtain sufficient and appropriate audit evidence to support their opinions on the financial statements.

Obtaining sufficient and appropriate audit evidence is key in an audit because it reduces the risk of material misstatements, improves audit quality and allows auditors to express an informed and impartial opinion about the financial statements they are engaged to audit. In turn, this enables auditors to provide appropriate assurance to users of financial statements and reduces the risk of legal liability for the auditors in relation to possible claims by stakeholders resulting from incorrect audit opinions expressed.

Notwithstanding the above, enforcement matters dealt with herein highlighted significant flaws in the conduct of audit procedures, evidence collection and documentation, exposing weaknesses in audit quality and compliance with professional standards. The auditors' failure to exercise due diligence, professional scepticism and adherence to auditing standards has, in a number of cases, led to incorrect audit opinions, undermining the credibility of financial reporting. While some of the auditors acknowledged the deficiencies in respect of their audits and did not present any defence, others cited reliance on component auditors, management representations and time constraints as their defence. The committees found these justifications inadequate, emphasising that proper audit procedures and sufficient evidence are fundamental to maintaining the integrity of an audit.

The widespread nature of these shortcomings, spanning multiple engagements and key audit areas, underscores the urgent need for a stronger commitment to adherence to auditing standards, enhanced oversight and professional scepticism. Addressing these issues is critical in improving the reliability of financial reporting for stakeholders and restoring confidence in the audit product.

Learnings and Recommendations

Appropriate and sufficient audit evidence provides a solid foundation for the auditor's conclusions; aids in detecting fraud and errors; and supports credible reporting in respect of financial statements. Furthermore, well-documented audit evidence serves as a solid backing for auditor conclusions, while empowering auditors to adequately respond to regulatory and/or legal scrutiny, thus minimising the risk of liability.

Despite the availability of auditing pronouncements and guidance, auditors frequently deviate from their duties and obligations that are outlined in the standards. The above analysis highlights critical deficiencies in audit execution that could be attributed to inadequate planning; insufficient risk assessment; lack of professional scepticism; over-reliance on management representations; an inadequate understanding of the client's business or industry; inadequate involvement in component audits; lack of appreciation of the requirements set out in the standards; and/or ineffective audit procedures in key areas. This emphasises the need for auditors to strengthen their approach to audit procedures, evidence collection and professional scepticism. The key learnings noted below can be drawn from the above analysis.

Proper Planning and Risk Assessment: Each engagement must begin with a clear plan, enabling the engagement team to gain a thorough understanding of the entity, its environment and key risk areas. This will enable auditors to properly identify the nature, timing and extent of the evidence required to support a proper audit.

Adherence to Auditing Standards: Auditors have to strictly comply with the standards. Professional development must always be aimed at capacitating auditors in respect of their appreciation of the requirements of various standards, especially given the evolving complexity of financial reporting and auditing standards. On the other hand, firms must enable and enforce compliance with standards.

Professional Scepticism: Auditors must be equipped in and intentional about challenging management assumptions, investigating red flags and avoiding undue reliance on representations without satisfying themselves as to the appropriateness thereof.

Sufficient and Appropriate Audit Evidence: Auditors must ensure that all material transactions, valuations and financial disclosures are substantiated with verifiable audit evidence. This should not be discharged by simply placing reliance on management and/or component auditors.

Audit Quality Management: Audit firms should implement internal quality control systems, to regularly assess the adequacy of their audit procedures and methodologies. These reviews should focus on ensuring that sufficient and appropriate audit evidence is gathered and properly evaluated.

Comprehensive Documentation: Auditors should maintain thorough records of all audit work, to demonstrate compliance with auditing standards and the basis for the professional judgements made.

It remains the auditor's primary obligation to provide an independent and objective assurance that an entity's financial statements are free from material misstatement and fairly presented in accordance with applicable financial reporting frameworks. While deadlines are an operational reality, they do not exempt auditors from obtaining sufficient and appropriate evidence. Quality must never be compromised due to reporting pressures, and the latter should never be offset by placing undue reliance on management and/or others. Despite the circumstances, auditors must remember that it is a prerequisite for them to be *satisfied* prior to issuing an opinion.

By internalising these learnings, auditors can enhance their professional competence, uphold audit integrity and contribute towards rebuilding confidence in financial reporting.

MATERIAL MISSTATEMENTS

Relevant Prescripts

- Paragraph 17 of ISA 200 states that to obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level, enabling them to draw reasonable conclusions on which to base their opinion.
- Paragraph 13(c) of ISA 200 defines audit risk as the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated, which includes the risk of material misstatement and detection risk.
- Paragraph 24 of ISA 330 requires an auditor to perform audit procedures to evaluate whether the overall presentation of the financial statements is in accordance with the applicable financial reporting framework.
- Paragraph 11 of ISA 450 states that the auditor shall determine whether uncorrected misstatements are material, individually or in aggregate.
- Paragraphs 10, 11 and 13(d) of ISA 700 (Revised) obliges auditors to form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. To form such an opinion, auditors are required to evaluate whether, in view of the requirements of the applicable financial reporting framework, the information presented in the financial statements is relevant, reliable, comparable and understandable. Then, they have to conclude if reasonable assurance has been obtained as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error.

Analysis of the Charges

The identification of material misstatements is fundamental to conducting an audit of financial statements. For an auditor to provide assurance on the credibility of financial statements, they must perform adequate and appropriate procedures to ensure the financial statements are free from material misstatements. This assurance is vital for the users of financial statements in making informed commercial decisions.

Despite how critical it is to identify material misstatements, the IRBA has encountered numerous instances where auditors were charged with improper conduct, due to failures in identifying, assessing or documenting material misstatements, resulting in breaches of the relevant auditing standards. One prevalent issue involved cash flow statements. Auditors often failed to identify material non-cash items, such as proceeds from the disposal of intangible assets, dividends, management fees and accrued but unpaid interest, which were incorrectly included in the cash flow statements. Additionally, classification errors between operating and investing activities were frequently overlooked.

Auditors defending such errors argued that the misclassifications had minimal impact on users of financial statements, suggesting that cash flow statements or classifications were not heavily relied upon for economic decision-making. Others contended that these misstatements were not qualitatively material, as their correction would result in a net-zero effect on cash movements.

These defences were deemed inadequate. Including non-cash items in the cash flow statement is a clear departure from the applicable financial reporting framework. When such departures result in misstatements, the auditor must assess and document their impact. The committees referenced paragraph A19 of ISA 450, which emphasises that material misstatements in individual financial statement items cannot be offset by equivalent misstatements in other items without impacting the overall financial statements. Consequently, auditors were found to have failed in performing sufficient and appropriate audit procedures to identify non-cash items included in the cash flow statement and their effects on the financial statements.

Other often overlooked material misstatements involved equity, revenue, cost of sales, inventory, depreciation, financial instruments and related disclosures. Defences ranged from the complexity of transactions, reliance on component auditors, misjudged qualitative assessments of unadjusted misstatements to perceived minimal impact on users and errors stemming from classification, calculation or systems. These justifications were insufficient, as auditors are obligated to undertake appropriate procedures to reduce audit risk and identify misstatements to provide a credible opinion.

In one notable case, an engagement team identified an uncorrected misstatement that exceeded the final materiality threshold. However, they deemed it immaterial due to its insignificance relative to non-current assets and equity, the judgemental nature and lack of impact on profit. The team also noted that materiality had been set lower, as it was the first audit engagement for the entity. The committees rejected this assessment, concluding that the misstatement was quantitatively material and not a classification issue.

In some cases, misstatements spanned multiple years; and in others, the failure to identify these led to the issuance of incorrect audit opinions. Additionally, in several instances, the lack of proper documentation of auditors' assessments in the audit file undermined defences, regardless of their apparent validity.

Conclusion

The recurring issues in audit engagements highlight significant deficiencies in identifying and addressing material misstatements. These deficiencies often stem from insufficient audit evidence, an inadequate evaluation of misstatements and non-compliance with the standards. The committees found that auditors' assessments were often flawed, leading to incorrect audit opinions.

The defences put forward, whether grounded in perceived immateriality or reliance on external factors, underscored a disconnect between auditors' assessments and the expectations set by the relevant standards. Additionally, many defences were undermined by inadequate documentation in the audit file, further eroding their credibility.

A key takeaway from the committees' decisions is that the perception of insignificant direct impact on users does not absolve auditors of their responsibilities.

Learnings and Recommendations

Despite the identification and proper assessment of material misstatements being at the core of every audit of financial statements, the above analysis highlights recurring failures by auditors in identifying and addressing material misstatements.

The root causes for auditors' failure to identify or properly assess misstatements can be attributed to several key factors, and inadequate appropriate audit procedures rank high in this regard. The incorrect application of standards, such as the IFRS, ISAs or other relevant frameworks, reflects gaps in technical knowledge and adherence. Deficient judgement and qualitative assessments are further contributing factors that demonstrate auditors' failure to appropriately apply qualitative considerations when determining materiality thresholds. Then, there is inadequate team supervision that is characterised by insufficient direction, oversight and performance reviews, as well as the insufficient documentation of assessments and considerations, which compromises the thoroughness and accuracy of the audit process.

To address these shortcomings, auditors can adopt the key learnings that are highlighted below.

Risk Assessment: There should be comprehensive risk assessments conducted to identify the areas that are prone to misstatements, including financial instruments, cash flows and related disclosures, with audit procedures being tailored to address the identified risks effectively.

Appropriate Audit Procedures: Auditors must develop stringent procedures to identify material misstatements, particularly those arising from the inclusion of non-cash items in cash flow statements. An enhanced focus must be applied on testing and evaluating the classification and presentation of such items. They must scrutinise the key inputs and assumptions, to ensure that they align with the applicable financial reporting framework.

Materiality Thresholds: Consideration must be given to both quantitative and qualitative factors when assessing materiality thresholds and potential misstatements, and evaluating the broader implications of misstatements on financial statement reliability and user decision-making.

Audit Documentation: Auditors must ensure that all audit procedures, evaluations and conclusions are thoroughly documented, ensuring the maintenance of clear and comprehensive evidence to support their judgements and decisions.

Technical Competency: Regular training must be conducted on the IFRS, ISAs and other relevant frameworks, to ensure the accurate application of standards. Auditors may consider leveraging technical resources or consulting specialists when dealing with complex accounting or auditing issues.

Team Supervision and Review: Team oversight and performance reviews within the audit engagement team must be strengthened, to ensure a proper execution of the procedures.

By implementing these learnings, auditors can significantly improve their ability to identify, assess and address material misstatements, thereby enhancing the credibility of their opinions and the reliability of financial reporting.

THREATS TO INDEPENDENCE

Relevant Prescripts

Auditors play a crucial role in maintaining public trust and confidence in financial reporting, and their conduct is governed by stringent ethical and professional standards that emphasise the importance of maintaining auditor independence. The provisions below collectively establish a framework to safeguard auditor independence and uphold the credibility of both the audit product and the profession.

- Paragraph 110.1A1 of the IRBA Code outlines five fundamental principles of ethical behaviour. Three of these principles focus on integrity, objectivity and professional behaviour. Integrity requires auditors to be straightforward and honest in all professional and business relationships. Objectivity ensures that auditors do not compromise their professional or business judgements due to bias, conflicts of interest or undue influence. Professional behaviour inter alia obligates auditors to avoid any conduct that they know or should know might discredit the profession.

Relevant Prescripts (continued)

- Paragraphs 120.6 A3 and A4 specify that threats to compliance with the fundamental principles fall into one or more of the following categories: (a) Self-interest threat; (b) Self-review threat; (c) Advocacy threat; (d) Familiarity threat; and (e) Intimidation threat. Certain circumstances might create more than one threat, and a threat might affect compliance with more than one fundamental principle.
- Paragraph R950.7, in view of the above, mandates a firm to determine, prior to accepting an engagement to provide a non-assurance service to an audit client, to assess whether providing such a service would create a threat to independence.
- Paragraph 11(a) of the International Standard on Quality Control 1 (ISQC I) now replaced by ISQM1 and ISQM2, obliges each audit firm to establish and maintain a system of quality control, to provide it with reasonable assurance that the firm and its personnel comply with professional standards as well as the applicable legal and regulatory requirements.
- Paragraph 21, read together with paragraph A10, then calls on firms to establish policies and procedures that provide reasonable assurance that the firm, its personnel and, where applicable, others, subject to independence requirements (including network firm personnel), maintain independence in accordance with the applicable ethical standards. These policies and procedures must enable firms to communicate their independence requirements to the relevant personnel, as well as identify and evaluate circumstances and relationships that create threats to independence. Where such threats arise, the firm must take appropriate action to eliminate or reduce them to an acceptable level through the application of safeguards or withdrawal from the engagement, where necessary and legally permissible.
- Paragraph 22, read together with paragraph A10, requires firms to establish policies and procedures to ensure compliance with independence requirements. These policies must mandate engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to assess their impact on independence. Personnel must promptly notify the firm of any circumstances or relationships that create a threat to independence, allowing for appropriate action to be taken. Additionally, the firm must accumulate and communicate the relevant information to the appropriate personnel to determine compliance with independence requirements, maintain and update independence records and take necessary action to address any identified threats that are not at an acceptable level.
- Paragraph 23, read together with paragraph A10, introduces an obligation for firms to establish policies and procedures that ensure they are notified of breaches of independence requirements and can take appropriate actions to resolve those infractions. These policies must require personnel to promptly report any independence breaches they become aware of, and the firm must communicate the identified breaches to the engagement partner responsible for addressing the issue, as well as to other relevant personnel within the firm or network who need to take corrective action. Also, the engagement partner and other involved individuals must promptly inform the firm of the actions taken to resolve the identified breaches, enabling it to determine whether further measures are necessary.
- Paragraph 16 of ISA 220 mandates engagement partners to assess compliance with the independence requirements applicable to the audit engagement. To do so, the engagement partners must obtain the relevant information from the firm and, where applicable, network firms to identify and

Relevant Prescripts (continued)

evaluate any circumstances or relationships that create threats to independence. Additionally, they must review any identified breaches of the firm's independence policies and procedures, to determine whether they pose a threat to the audit engagement. If such threats exist, the engagement partner must take appropriate action to eliminate or reduce them to an acceptable level through safeguards or, if necessary, withdraw from the engagement, where permitted by law or regulation.

Analysis of the Charges

When auditors are independent, they are better positioned to identify signs of fraud, errors or misstatements in financial statements. Independence promotes professional scepticism, which is the mindset auditors need to have for a critical assessment of financial data and the identification of potential issues that could otherwise go unnoticed.

Despite this, a number of enforcement matters indicate that firms frequently struggle to identify and appropriately mitigate threats to independence.

This includes instances where audit firms fail to recognise self-review, self-interest and/or advocacy threats, resulting in failure to adopt adequate safeguards to mitigate the relevant threats. This gives rise to conflict of interest and undermines the objectivity of engagements, which is a core requirement of both ISQC 1 and the IRBA Code, in addition to being integral to quality management.

In one of the matters dealt with, the respondent firm (Firm A) was charged for having failed to appropriately assess its network status, resulting in a breach of independence requirements when providing tax services to an audit client within the network. The respondent argued that it was not part of a network, citing the absence of legislative prohibitions in a registered auditor holding dual partnerships; the independence of a shared quality control manager who was utilised by both firms on a separate contract; limited staff-sharing arrangements used on a contract basis; a retained portion of an office space now transferred to Firm B for convenience; shared server usage necessitated by server challenges experienced by Firm B; and the absence of profit sharing between the firms. However, the committees found this defence unsustainable under the IRBA Code.

They noted evidence of common management and shared ownership from the dual partnership held; and shared quality control procedures arising from the use of the same quality control technical manager, as well as professional staff, office premises and IT infrastructure between Firm A and Firm B.

These factors indicated a broader network structure enabling Firm A to provide services to Firm B's audit clients. Accordingly, the incorrect network assessment resulted in tax services being provided without the appropriate safeguards, giving rise to a self-review threat and a consequent breach of the independence requirements.

The committees rejected the respondent's claim that the tax services income was insignificant, and emphasised the need for accurate independence assessments and proper safeguards.

In another matter, an auditor that was employed in the same office as an engagement partner of a bank that was the firm's audit client failed to disclose, in line with the firm's risk management policies, that his wife and the engagement partner's wife each held 50% shareholding and dual directorship in a company that had a significant credit facility with the bank audited by the engagement partner. This was despite the facility not having been made at arm's length, as contemplated in the IRBA Code. It was the auditor's defence that there was no duty to disclose, as he did not directly have an interest in the company which held a loan with the audit client; and that the interest was held by his wife, to whom he was married out of community of property, meaning their finances were separate.

In addition, he submitted that the facility was granted to the company at arm's length. The committees pointed out that according to the firm's policy, an auditor's spouse was defined as a "connected person" whose interest in an audit client would trigger a duty to disclose.

Moreover, it was clear from the various documentation before the committees that both the auditor and the engagement partner were in fact involved in the management of the relevant company, having applied for the applicable facility, administered the company bank accounts and engaged with the company's clients. In addition, the company's bank statement revealed an overdraft facility held with the audit client at the initial value of R3 million, which was subsequently increased to about R9 million, without the facility ever being serviced and/or repaid by the company. This, it was found, was indicative of a facility that was not on normal lending terms and conditions. Accordingly, the facility created a threat of self-interest, which ought to have been disclosed to the firm, to enable it to employ the appropriate safeguards to mitigate the risk. The auditor's failure to disclose such significant financial interests thus directly violated the independence requirements as set out in the IRBA Code and ISQC 1.

Another case revealing a threat of self-interest was one where an auditor and managing partner of a firm obtained a significant loan from one company to purchase majority shareholding in the firm, then later accepted an audit engagement from a related company. The auditor argued that the loan was from an independent company, with a separate legal personality from the audit client. Further, he was not a member of the audit team in relation to the audit.

The relevant committee found that the respondent's immediate termination of the audit engagement upon being alerted to a potential independence threat, as an assent to an independence threat, was indicative of his failure to conduct appropriate client acceptance procedures in line with the requirements of ISQC 1. It reiterated the duty of an auditor, when taking on new clients, to assess the firm and the engagement team's independence and take appropriate action to either eliminate or reduce any threats to independence.

The committee stated that the auditor should have been aware that he was undertaking an audit engagement with a company related to the one to which he was significantly indebted. Yet, he failed to identify this threat and accordingly failed to alert the engagement team, which he was a member of by virtue of his position as the chief executive officer (CEO), of the possible independence threat, leaving the threat unmitigated.

Other independence infractions stemmed from an incorrect assessment of corporate finance services (due diligence, incorporating recommendations) as agreed-upon procedures, leading to advocacy threats. There was also the provision of non-assurance services, such as internal audit, accounting services and/or acceptance of multiple simultaneous appointments as auditor, trustee and/or executor without identifying and mitigating threats to independence, leading to conflicts of interest and self-review threats.

In one of the instances, a former partner of the firm accepted an appointment as chief financial officer (CFO) for the firm's audit client before the audit was completed, creating a self-interest threat and compromising the firm's independence.Self-interest threats also arose in matters where the firm earned significant audit fees (more than 15% of the total audit fees in two consecutive years) from one audit client, and yet failed to disclose a possible threat to independence to those charged with governance and adopt the appropriate safeguards to adequately mitigate the risks. On the other hand, an advocacy threat was presented by an auditor's procurement of legal advice on behalf of an audit client.

Some of the defences provided for these infractions included submissions to the effect that the work rendered was not classified as non-assurance services and did not create independence threats; use of independent personnel, often the CEO or managing director, for the review or performance of non-assurances services, to address potential conflicts; and/or lack of legislative or regulatory prohibition in relation to such services. The committees did not uphold these defences on the basis of the clear direction in the IRBA Code that outlines circumstances that may give rise to threats of independence. The use of a CEO as a safeguard could also not be upheld because the CEO is a member of the engagement team, as stipulated in the Code and in light of his probable influence on audits.

Further violations included cases where a network firm director acted as a public officer for an audit client; an auditor accepted an appointment as the CFO of an audit client, while still engaged in audit activities; and an auditor failed to observe the required 12-month cooling-off period before engaging with a former engagement partner who became the CFO of an audit client.

Undoubtably, these independence violations have an adverse impact on the effectiveness, reliability and credibility of audits.

Conclusion

An overview of these threats to independence highlights significant breaches of professional ethics and standards by auditors, compromising the credibility of the audit process. The IRBA Code, along with international auditing and quality control standards, emphasises the importance of maintaining independence to preserve public trust in financial reporting. The breaches identified, including conflicts of interest, failure to disclose financial interests and the provision of non-assurance services, demonstrate a prevalent disregard for independence prescripts. These violations not only undermine the integrity of the auditing profession, but also expose audit clients to risks that could impact the accuracy and reliability of financial statements. Ultimately, that could negatively affect those who place reliance on audit opinions to make financial decisions.

The findings herein underscore the need to enforce stringent independence requirements and ensure auditors adhere to ethical standards that are aimed at preventing conflicts of interest and maintaining the objectivity and quality of their work. It is imperative that firms implement and uphold robust internal controls to identify, evaluate and resolve any threats to independence.

Learnings and Recommendations

As already alluded to above, independence allows auditors to assess financial statements without bias or external influence. This objectivity is fundamental to producing accurate and reliable audit results, ensuring that the audit opinion reflects the true state of a company's financial position. When auditors report accurately, stakeholders are inclined to rely on the audit product and the profession gains credibility.

Despite the value of auditor independence to stakeholders, the committees have had to contend with various breaches of independence that have compromised audits and the profession. These matters are indicative of clear conflict between the auditors' duty to maintain professional integrity and the reality of their actions. Disregard for professional standards, lack of appreciation of the purpose served by independence, lack of appreciation of the proper application of standards, self-interest and poor controls are, among others, the root causes for deviations that are relevant to independence. These deviations highlight the need for a deeper understanding and better adherence to the ethical and regulatory framework designed to safeguard auditor independence. Learning from these breaches can provide valuable insights into how to avoid similar mistakes in the future and improve the robustness of independence controls.

The value of continuous professional development, in as far as the understanding and appreciation of applicable regulatory requirements are concerned, cannot be undervalued. As such, the recommendations noted below may aid the firms' efforts in ensuring compliance with independence requirements,

Declarations: Introduce self-assessment questionnaires that auditors must fill out periodically to identify and disclose any personal or financial relationships with clients. This should also be part of the audit process and undertaken by the engagement team at the commencement and during the course of the engagement.

Client Acceptance and Continuance Procedures: Perform a thorough review of the client's history and relationships before agreeing to take on an audit engagement, and in subsequent years.

Independent Review and Oversight: Implement internal quality control systems that include regular reviews of audit work by senior professionals. This will help ensure that auditors adhere to professional standards and their work is free from undue influence. Firms can also undergo periodic external reviews by independent third parties, to assess the adequacy of their independence policies and audit practices.

Clear Separation between Consulting and Auditing Services: Auditors (specifically engagement team members) should avoid providing non-assurance services to audit clients, as that can create conflicts of interest. This is particularly important for public interest entities. If non-assurance services are provided, there should be strong safeguards in place to ensure that these services do not compromise the auditor's independence.

Documentation: Maintain clear, thorough documentation for all decisions related to independence, including assessments of conflicts of interest and safeguards adopted to mitigate any threat to independence.

Awareness: Regularly educate staff about the different types of threats to independence and the appropriate safeguards, so that they can recognise and manage these threats effectively.

These additional recommendations aim to further strengthen the existing framework for maintaining independence and ensuring that auditors are equipped to handle potential threats. By implementing a range of proactive measures, audit firms can reduce the risk of ethical breaches.

NON-COMPLIANCE WITH QUALITY CONTROL STANDARDS OR REQUIREMENTS

Relevant Prescripts

The obligations of audit firms to comply with quality control standards are rooted in ISQC 1 (which has now been replaced with ISQM1 and ISQM2). The standard mandates firms to establish and maintain systems of quality control to ensure compliance with professional standards and regulatory requirements, thereby safeguarding the integrity and reliability of audits. Key provisions of ISQC 1 emphasise several critical aspects, as highlighted below.

- Paragraph 18 outlines leadership responsibilities for quality within the firm and requires firm leadership to promote a culture that recognises the importance of quality in engagements.
- Paragraph 32 addresses engagement performance and necessitates the implementation of policies that provide assurance that engagements comply with professional standards and legal requirements, ensuring that reports are appropriate in their context.
- Paragraph 48 details monitoring responsibilities and obliges firms to establish robust monitoring systems to ensure the effectiveness of their quality control measures.
- Paragraph 5 of ISA 230 is another relevant prescript in the context of quality management because it outlines the auditor's responsibility to prepare audit documentation for an audit of financial statements. Compliance with this standard requires audit documentation to achieve several objectives, which include that it must provide evidence of the auditor's basis for conclusions about the achievement of the overall objectives of the engagement. Additionally, it must demonstrate that the audit was planned and performed in accordance with ISAs as well as the applicable legal and regulatory requirements. Also, the documentation must be sufficiently clear and detailed to enable an experienced auditor, with no prior connection to the audit, to understand the results of the audit procedures performed and the evidence obtained. Finally, the documentation must be completed within 60 days after the date of the auditor's report. Audit documentation is thus central to maintaining the integrity, reliability and professionalism of the audit process, and helps in ensuring the overall quality of the audit.

While the duties outlined in the standards are clear, challenges nonetheless continue to arise in areas that are relevant to quality management.

Analysis of the Charges

Quality control standards are essential for upholding the credibility of the auditing profession and fostering public trust in audit opinions. However, non-compliance often reveals systemic weaknesses in firm practices, primarily in client acceptance and continuance, including breaches of independence requirements, as well as quality control processes relative to engagement performance and monitoring.

An analysis of the relevant enforcement matters indicates that despite the significance of independence as a control in effective engagement quality management, firms frequently struggle to identify and mitigate threats to independence, particularly when providing non-assurance services to audit clients. This includes instances where audit firms failed to recognise *self-review threats* emanating from the provision of internal audit and/or accounting services; advocacy threats presented by the provision of legal advice or financial due diligence assessments incorporating recommendations; *self-interest threats* emanating from close relations between the CEO and the auditee; significant audit fees earned from one audit client; overdue audit fees or the payment of audit fees being contingent upon the realisation of an investment by a client managed by the audit firm; and *familiarity threats* perpetuated by the firm's failure to rotate auditors, as per the requirements of the Companies Act, or the provision of CFO services by a former partner of the firm to an audit client. Failure to put in place adequate safeguards in such circumstances undermined the objectivity of engagements, a core requirement of both ISQC 1 and the IRBA Code. While firms often argued that safeguards (such as the appointment of independent partners or limited reliance on internal audit work) mitigated risks, the committees held that the inadequate documentation of these measures raised questions about their actual implementation and effectiveness[2].

Additionally, the various matters considered herein revealed that many firms lack sufficient mechanisms to monitor compliance with their own quality management policies. Despite a clear direction in their policies, there was evidence of failure to conduct the required annual audits of independence systems, to appropriately utilise the engagement quality control (EQC) reviewers, and ensure adequate documentation and timeous archiving of files. Most auditors pleaded compliance, only admitting lack of documentation, with others pleading a recent adoption of policies in respect of which compliance was forthcoming. These defences did not constitute an adequate justification, and the committees found that in the absence of evidence of compliance with the preceding policies and/or adequate documentation, there was no way of proving compliance with the requisite quality management requirements. This further emphasised that lack of monitoring shortcomings in this regard not only allowed non-compliances to persist, but also undermined the credibility of quality control practices.

Important to note is that EQC reviews, designed to ensure the integrity of significant judgements in audits, often failed to identify key deficiencies. In some cases, reviews were either not conducted, despite being necessary, or recommendations were not implemented, leading to flawed audit conclusions.

In one specific matter, the investigation revealed significant findings related to various audit components, such as revenue, related parties and compliance with legislation. Notably, the engagement quality control review process was ineffective, as the EQC reviewer failed to identify key findings within the scope of work, casting doubt on the firm's ability to evaluate the significant judgements made by the engagement team. The respondent firm provided no defence in this regard.

In numerous other instances, firms' quality management systems were found to have insufficient controls to ensure partner rotation, detect independence breaches and provide management with assurance of compliance with legislative and regulatory requirements in audit engagements. These deficiencies bring to question, the reliability of the firms' quality control systems.

In one of the matters revealing various quality management breaches, the respondent firm was charged with improper conduct arising from its failure to comply with ISQC 1, in respect of 12 of its audit engagements. The breaches related to:

- An inadequate assessment of independence breaches arising from close relationship between the CEO and an audit client, which presented independence issues.
- Significant audit fees generated from one client viewed against the firm's total audit fees, giving rise to independence issues.
- Non-compliance with the firm's policies regarding the resolution and documentation of consultations relating to a difference in opinion; the mandatory annual audit of global independence systems; use of engagement quality control reviewers, where required; and/or the implementation of EQC recommendations.

In its defence, the firm submitted that the CEO relationship, which was distant, was disclosed to the client's audit committee; and, having considered that the CEO was not a member of the audit team, no conflict was identified. The firm further submitted that the total audit fees for the relevant client were not more than 15% for two consecutive years, when considering the total income earned by both the audit and the consultancy parts of the business. On this basis, the firm concluded that there was no duty to disclose to those charged with governance. In relation to compliance with its quality management manual, the firm submitted that this was updated in the relevant year of inspection and the global independence systems audit was planned for the same year. Furthermore, the EQC was not used, due

2 Refer to the detailed analysis of independence breaches on pages 29 - 34.

to an internal monitoring that was conducted; and the failure in this regard was the lack of documentation. The firm then submitted that there was no difference of opinions as recorded in the file; rather, there was a revision necessitated by further information received from management.

The committees reiterated that the CEO is a member of the engagement team, as prescribed in the IRBA Code, because of his ability to influence the audit. Accordingly, the personal relationship between him as a member of the engagement team and a client will give rise to a threat of self-interest and encroach on the independence requirements, if no safeguards are applied. Also, the Code explicitly requires disclosure to those charged with governance and the adoption of the appropriate safeguards where the total audit fees earned from one client for two consecutive years are more than 15% of the total audit fees generated by firms. Thus, fees are calculated on the basis of audit fees only and not the consolidated earnings from other businesses. While the committees recognised that there was a new quality management manual in place, they highlighted that there was no evidence of compliance with the old manual as it relates to the annual audit of global independence systems. On the failure to use the EQC reviewer, the committees reiterated that the file in question required the use of an EQC reviewer, as per the firm's policy; and that despite this, there was no documented evidence of such use or internal monitoring. In other instances, there was no documented evidence of the implementation of EQC recommendations. Finally, despite differing opinions noted in the file, there was no evidence documented in respect of the procedure followed in addressing the differences, as required by the firm's policies. This was a clear dereliction from the quality management standards.

The above analysis confirms existing shortcomings in quality management, underscoring the need for stricter effective systems, compliance and monitoring.

Conclusion

Overall, the charges and findings discussed above highlight significant lapses in quality management across firms and various areas, including systems, client acceptance and continuance, as well as monitoring.

While firms often sought to escape liability on the basis of lack of documentation, instead of admitting to the various non-compliances that called into question their quality management systems, the committees clearly indicated that without the appropriate documentation of considerations and evidence in audit files, compliance would not be accepted on a mere submission by a respondent. Moreover, they reinforced the principle that where a firm binds itself, through its own policies, to comply with certain quality management requirements, deviation will often not be acceptable, unless rational and documented.

The findings thus emphasise the need for improved quality control systems, as well as the proper documentation and strict adherence to quality management policies and the IRBA Code, to ensure high standards of professional conduct and quality audits ultimately.

Learnings and Recommendations

Despite the importance of quality management practices in ensuring the quality of audits, the matters before the committees indicated significant deficiencies in this area. This cast doubt on the effectiveness of firms' quality control practices and the ability of their leadership to obtain reasonable assurance that professional standards are complied with and audits are at a consistent high level of quality in accordance with ISQC 1.

The deficiencies could be attributed to a lack of understanding of the relevant standards or requirements, leading to incorrect assessments and conclusions; the failure to prioritise quality control in firm culture; disregard for firm policies; insufficient training in respect of standards and firm policies; as well as ineffective monitoring and a lack of enforcement in relation to non-compliances. Ethical issues such as self-interest may also be a challenge.

Unfortunately, these issues, when left unaddressed, compromise audit quality and also risk eroding public confidence in the audit product and the profession. Consequently, this calls for the urgent need to embed quality control into every aspect of the audit practice and/or cycle. The adoption of the measures noted below may assist auditors and firms in driving compliance.

Tone at the top: Firm leadership must actively promote a culture where quality and compliance are non-negotiable. This includes setting a clear tone at the top and holding partners accountable for lapses in compliance.

Quality management policies: The firm should review its quality management policies and align them to its environment, so as to bolster its ability to comply.

Communication and training: Embed quality control standards and the firm's quality management policies through regular engagements and training, to ensure awareness, understanding and compliance.

Internal controls: Enhance and/or implement robust internal controls to detect and prevent non-compliance, including the following:

- The implementation of appropriate monitoring processes, encompassing regular supervision, independent reviews and root cause analyses for deficiencies, which is critical to identifying and addressing weaknesses proactively;
- Leveraging technology, data analytics (to detect patterns of non-compliance or threats to independence) and/or the automation of tools that will enable real-time quality assurance checks on audit engagements; and/or
- The establishment of internal quality control functions to support compliance.

Engagement Quality Control: Put measures in place to ensure the appropriate qualification of the EQC reviewers, to support effective reviews.

Documentation: Improve documentation practices across all audit areas, including the considerations made, the assessments conducted and the conclusions drawn.

Policies: Strengthen independence policies by implementing tools to track financial interests, relationships and engagements for potential conflicts; and to clearly define and limit permissible non-audit services to audit clients.

Engagement Partner rotation: Implement partner rotation, to avoid familiarity threats.

By combining robust policies, training, technology and leadership commitment, firms can enhance compliance, build trust and maintain high professional standards, thus reinforcing audit quality.

UNPROFESSIONAL BEHAVIOUR

Relevant Prescripts

The IRBA Code outlines the standards by which auditors are expected to conduct themselves. At its core is the obligation for auditors to act in the public interest, requiring them to place the welfare and trust of the public above the interests of individual clients. This means auditors must inter alia carry out their responsibilities with integrity, objectivity and professionalism.

- Paragraph R111.1 therefore stresses the importance of integrity, requiring auditors to be honest and straightforward in all professional and business relationships.
- Paragraph R112.1 sets out various principles of objectivity, emphasising the auditors' responsibility to remain objective, comply with the relevant laws and regulations, and ensure their professional judgement is not influenced by bias, conflicts of interest or undue pressure.

Relevant Prescripts (continued)

- Paragraph R115.1 A1 states that actions that could discredit the profession, such as those that might negatively impact its reputation in the eyes of a reasonable and informed third party, are unacceptable.

Upholding these principles is essential to maintaining the credibility and reliability of audits, ensuring auditors comply with legal requirements and make decisions based on facts and professional judgement, rather than external pressures.

These standards reflect the high expectations placed on auditors to act impartially, ethically and professionally, free from external influences. The duty to uphold these principles applies to all registered auditors, regardless of their position within the firm or organisation, and across all levels of professional interaction.

While these duties are generally clear, there may be specific exceptions or limitations in certain situations. For example, the IRBA Code permits the use of professional judgement when conflicting duties arise or in extraordinary circumstances, where specific actions may be required. However, any such exceptions must be carefully considered within the framework of the overarching principles of integrity and professional behaviour. Notably, conduct that could discredit the profession, as highlighted in paragraph R115.1 A1, cannot be excused, even in complex or exceptional situations.

Analysis of the Charges

The public holds auditors in high regard, with the expectation that their behaviour should mirror the standards of the profession to which they are affiliated. Exemplary professional conduct enhances public and investor confidence, and fosters trust in both the individual auditor and the profession. Accordingly, auditors should consistently demonstrate professional behaviour in all their professional and business relationships, avoiding any actions that could potentially tarnish the reputation of the auditing profession.

Despite ethical and professional behaviour being a high watermark of the profession, auditors charged under this theme deviated from the expected standards and breached several fundamental principles of professional behaviour.

In one matter which revealed significant deviations from the required standard, the auditor was charged and found guilty of fronting, arising from his purchase and holding of audit firm shares on behalf of an undisclosed nominee who was not an auditor. This was despite the requirements of Sections 38(3) and 41(6)(e) of the APA that preclude non-auditors from having an interest or sharing in the profits of a registered audit firm.

The relevant committee found that the conduct of the auditor not only sought to obscure the true ownership of the firm, but expressly contravened legislative requirements.

Further that, by his conduct, the auditor was not straightforward and honest in his professional and business relationships with the firm, the public, the clients of the audit firm and/or the IRBA, thereby contravening the provisions of the IRBA Code. Additionally, the auditor was found in breach of his obligation to act in the public interest, having entered into professional relationships through the conclusion of a loan agreement, for the purchase the relevant shares, with entities that had been implicated in state capture. While the auditor indicated that he was not aware of the entities' reputation, as he was too busy to consider media reports, the Disciplinary Hearing Panel found his explanation falling short of the requirements of the Code. It stated that had he undertaken an appropriate assessment, as required by the Code, it would have been abundantly clear that the transaction he was about to embark on would, in all probability, be to the detriment of the auditing profession.

It is accordingly incumbent on auditors to conduct the necessary due diligence in relation to the reputation and background of their clients, prior to entering into a business relationship. This is necessary to ensure compliance with the provisions of the Code and, importantly, to avoid potential conflicts of interests and bringing the profession into disrepute.

In other cases, auditors were found guilty of having breached the principles of professional behaviour, as a result of their non-compliance with the relevant laws and regulations. For instance, one auditor was found guilty of contravening the provisions of the IRBA Code, due to his failure to satisfy his outstanding tax debt as per the requirements of Section 89(1) of the Income Tax Act, and despite his argument that returns were submitted to the South African Revenue Service (SARS), albeit late. The committee found that his failure to timeously rectify his personal income tax matters, in spite of SARS prompting him to do so, demonstrated unprofessional conduct. Another auditor was found guilty of improper conduct, as a result of his failure to comply with a ruling issued by the Commission for Conciliation, Mediation and Arbitration (CCMA) in terms of the Labour Relations Act, requiring his firm to compensate a dismissed employee. The auditor's argument was that the issues adjudicated before the CCMA pertained to a labour dispute and did not constitute a breach of the Code. The committee stated that paragraph R115.1 of the IRBA Code clearly obliges auditors to comply with all relevant laws and regulations. Thus, the auditor's failure to comply with the CCMA's final and binding order, as stipulated in Section 43(3) of the Labour Relations Act, constituted non-compliance with that Act and, consequently, the relevant provisions of the Code mandating auditors to comply with laws and regulations. Similarly, another auditor was found guilty of non-compliance with laws and regulations because of his failure to comply with an order of the Community Scheme Ombud Services, issued in terms of the Community Scheme Ombud Services Act.

A matter that exhibited obvious disregard for the professional standards expected of auditors involved a practitioner found guilty of unlawfully misappropriating R17.8 million from a deceased's estate, in respect of which he was appointed an executor. The auditor admitted to the misappropriation when confronted by the complainant, the beneficiary of the estate, citing personal financial challenges. The committee held that the auditor's conduct fell hopelessly far from the high ethical standards required of auditors, and it not only constituted dishonesty, but also brought the profession into disrepute.

There were also matters wherein the committees had to contend with breaches of the principle of objectivity, culminating into improper conduct. In one such instance, the auditor was charged for lack of objectivity arising from him having billed a client for responding to an IRBA complaint relating to services he had rendered to the client. While he argued that the client independently offered to pay, it was found that by issuing an invoice to the client for his regulatory responsibilities, a self-interest and/or financial interest threat was created. The auditor failed to conduct an objective assessment of the impact of the invoice issued and the payment received, thereby breaching the fundamental principle of objectivity.

Another auditor was found guilty of lack of integrity, having failed to observe a restraint of trade provision in his employment agreement. He claimed that no restraint of trade agreement existed and there was no signed employment contract containing such a clause.

He further asserted that all engagements with clients resulted from competitive bidding, wherein entities independently approached him for audit services. On consideration of the employment contract placed before the relevant committee, a restraint of trade clause was established. The committee held that while the contract was signed before the auditor's promotion to director, it remained valid and enforceable at the time of his resignation. Furthermore, in terms of this contract, the auditor was prohibited from soliciting the firm's clients for a period of 12 months after his resignation – a restriction he failed to adhere to, thereby contravening the principle of integrity. There was also a matter where an auditor had used the firm's stationery to issue an invoice to a client for services rendered in his personal capacity; and another where, subsequent to his resignation from the firm, the auditor had used the firm's stationery to resign from the firm's audit client. The committee similarly found such conduct lacking the requisite integrity.

Other matters involving unprofessional behaviour were those where auditors had been found guilty for:

- Holding the client's SARS eFiling account as lien for unpaid fees;
- Failing to satisfy debts owing to third parties and failing to make arrangement for the payment of such debts;
- Failing to answer or appropriately deal with, in a reasonable timeframe, communication that conceivably required a reply or other response, including correspondence from the IRBA; and
- Unprofessional communication with clients.

The conduct of auditors, as exhibited in the abovementioned cases, underscores a clear violation of the core principles of professional behaviour. The breaches identified are not isolated incidents, but are compounded by a series of transgressions, each contributing to a broader pattern of improper conduct. These actions, individually and even collectively, undermine the integrity and trust that are foundational to the auditing profession.

Conclusion

The breaches identified, ranging from lack of integrity and objectivity to non-compliance with the relevant laws and regulations, demonstrate a failure to uphold the core principles of professional behaviour and the calling to act in the interest of the public. These actions not only compromise the credibility of the individual auditors involved, but also damage the reputation of the auditing profession as a whole.

The committees have taken a firm stance in addressing these transgressions, emphasising the need for auditors to consistently uphold the IRBA Code, as well as demonstrate objectivity and integrity in their professional and business relationships. As envisaged by the committees' decisions, compliance with laws and regulations is not limited to the performance of an audit; it applies in all other respects, such as employer-employee relations, and in relation to other legislative obligations vesting on the auditor in his personal capacity. Similarly, a breach of a contract other than an audit engagement may translate to unprofessional behaviour. This is because such conduct, when committed by an auditor, may negatively taint the auditing profession, bringing it into disrepute.

Additionally, the committees reiterated the obligation for auditors to conduct risk assessments when onboarding new clients, continuing existing relationships and/or concluding business relations. This is key to identifying risks of association and mitigating the impact thereof on the reputation of the profession.

Through their decisions, the committees have reinforced that breaches of ethical and professional standards are not to be taken lightly and must be met with the appropriate disciplinary action. It is clear that greater vigilance, adherence to the IRBA Code and a commitment to professional behaviour are essential for the prevention of such breaches.

Learnings and Recommendations

The importance of maintaining the highest standards of professional conduct cannot be overstated, as auditors are entrusted with responsibilities that directly impact public trust and financial integrity. Ultimately, the profession's reputation relies on the unwavering commitment of auditors to act with the utmost professionalism in all their dealings. Despite this, auditors have failed to fully appreciate the consequences of unprofessional behaviour.

Simply put, the deviations from the requisite professional behaviour may be attributed to self-interest, lack of ethics and/or the inability to distinguish between right and wrong. It is therefore imperative for auditors to develop a keen awareness of ethical standards, their responsibilities in relation thereto and the potential impact of unprofessional behaviour to the profession and their reputation.

The analysis of the relevant cases offers several key learnings for auditors that are essential for ensuring the integrity and trustworthiness of the profession. These learnings, as noted below, provide guidance for firms and auditors, to avoid improper conduct and adhere to the highest standards of professionalism.

Policies and Procedures: Develop and implement clear policies, procedures or guidelines that aim to create a culture of professional behaviour that incorporates honest and ethical communication with clients, colleagues and regulatory bodies, as well as compliance with laws.

Due Diligence and Risk Assessment: Conduct a thorough due diligence in all professional relationships, especially when dealing with clients or business transactions that may have potential conflicts of interest. Transparency in business dealings is essential to avoiding actions that could undermine public confidence or bring the profession into disrepute.

Continuing Professional Development (CPD): Ongoing education and awareness of updates to the IRBA Code, the relevant laws and industry best practices are essential, if auditors are to stay current and uphold the highest standards of ethical behaviour.

Consequence Management: Implement the appropriate consequence management processes within firms.

Self-reporting: Have self-reporting measures in place, to swiftly address risks and for effective consequence management.

By internalising these learnings, auditors can contribute to the profession's continued respect and trustworthiness, ensuring that their work maintains the integrity required to serve the public interest and uphold the profession's fundamental values.

FAILURE TO DECLARE ASSURANCE WORK

Relevant Prescripts

Section 47(6) of the APA mandates auditors to submit, on an annual basis, the information or returns that the IRBA requests, which includes completing and submitting Annual Assurance Work Declarations. To support the preparation and submission of these declarations, the regulator provides an Explanatory Memorandum each year, outlining all the necessary information to guide auditors in compiling complete and accurate declarations. Declarations are categorised into high-risk and low-risk assurance work and require a disclosure of the assurance work undertaken as of a specified date within the reporting period, along with the corresponding fees earned.

Analysis of the Charges

Auditors charged under this theme either omitted to include certain assurance work in the declaration or failed to correctly categorise their assurance work. Some omitted certain assurance engagements, with the number of undeclared services ranging from one to five. In other cases, these omissions extended over multiple years.

Most auditors conceded to the charges without putting forward a defence and/or cited human error. However, there was one specific matter where the auditor's reason for the failure to declare was based on his assessment of the audit client's public interest score, as per the Companies Act, to be below 100. According to the auditor, this absolved him of the duty to declare the work undertaken. The relevant committee, though, did not uphold this defence simply because the Explanatory Memorandum for the applicable period clearly classified the relevant assurance services as low-risk assurance work, thus necessitating the disclosure thereof.

The matters relating to the auditors' failure to submit accurate declarations were primarily as a result of an incorrect categorisation of high-risk assurance work as low risk. In one such matter, the firm had conducted five audits on financial service providers, but went on to categorise this work as low risk in the declaration. This was despite the guidance provided in the Explanatory Memorandum. The general response received from auditors in these instances was that the inaccuracies were due to human error.

Overall, the committees found conduct associated with the failure to completely and/or accurately declare assurance work constituted non-compliance with the IRBA Code. This was on the basis that the conduct denoted failure to adhere to the principle of professional competence and due care in instances of negligence or resulted in an auditor knowingly associating himself with reports, returns, communications or other information containing materially false or misleading statements. Moreover, it was found that such conduct could constitute dishonesty and, consequently, represent non-compliance with the principles of integrity and professional behaviour.

Therefore, the duty to ensure proper, accurate and complete declarations rests squarely with auditors.

Conclusion

The auditors' failure to provide complete and accurate assurance declarations to the IRBA, whether intentional or due to negligence, represents a significant breach of the IRBA Code. Attributing errors to human oversight does not absolve the auditors from their responsibility to adhere to the principles of professional competence and due care.

Learnings and Recommendations

The information provided in the Annual Assurance Work Declaration is critical for the IRBA to effectively carry out its monitoring functions, which are guided by a risk-based approach. This approach relies on the accuracy of the work declared by firms and its categorisation as either high-risk or low-risk assurance work. Additionally, the accuracy and completeness of these declarations are essential for calculating the assurance fees payable to the IRBA, which directly support its regulatory functions.

Despite the significance of this process, instances persist where auditors withhold or falsely declare assurance work performed. While human error may account for some discrepancies, evidence suggests that in certain cases there may be intentional attempts to under-report fees generated or evade the inspection of high-risk assurance work. Such actions represent serious breaches of ethical duties, bordering on dishonesty, and could result in severe consequences that could include the cancellation of the auditor's registration.

The analysis of assurance work declarations has underscored several key learnings that are vital for promoting compliance with ethical and professional standards. These insights emphasise the necessity of accuracy, integrity and thoroughness in submitting declarations to the IRBA. Accordingly, the measures indicated below are recommended, to ensure the observance of auditor obligations as they relate to declarations.

Adherence to Professional Standards: Auditors must ensure full compliance with the requirements set forth in the Annual Assurance Work Declaration process, including the accurate categorisation of assurance work as either high or low risk. Familiarity with and adherence to the guidance provided in the Explanatory Memorandum are essential, to avoid errors and non-compliance.

Application of Professional Competence and Due Care: The application of the principle of professional competence and due care when compiling declarations is critical. This involves thorough reviews and checks to identify and rectify potential errors before submission.

Integrity and Professional Behaviour: Auditors should disassociate themselves from any action linked to the submission of dishonest information or conduct that lacks integrity, as this goes to the core of auditor ethics.

Responsibility to Ensure Compliance: The obligation to submit accurate and complete declarations rests entirely with auditors. The delegation of tasks or reliance on team members does not absolve the firm or the responsible auditor from this obligation.

Effective Internal Controls: Audit firms should implement robust internal control systems to ensure accurate record-keeping, a timely submission of declarations and reviews, as well as adherence to regulatory requirements. Regular training sessions can help minimise errors and enhance compliance.

By internalising these lessons, auditors can enhance their practices, minimise instances of non-compliance and uphold the profession's integrity and reputation.

FAILURE TO CORRESPOND WITH THE IRBA AND OTHERS IN A PROFESSIONAL MANNER

Relevant Prescripts

The applicable standards and rules that govern auditors' responsibilities to respond to communications are outlined in Rules 2.9 and 2.10 of the Rules Regarding Improper Conduct.

- Rule 2.9 requires auditors to appropriately and promptly respond to any correspondence or communication from the IRBA or other relevant parties. The rule underscores the importance of responsiveness to maintain professionalism and trust in the profession.
- Rule 2.10 obliges auditors to comply, within a reasonable time, with orders, requirements or requests from the IRBA, thus ensuring accountability and adherence to regulatory procedures.

Therefore, the duty to respond to communications is fundamental to maintaining professional conduct that supports accountability, transparency and adherence to the relevant regulatory framework. Auditors, then, are expected to engage in professional, clear and timely communication with clients, regulators and in all other professional dealings.

Analysis of the Charges

Undeniably, effective communication is essential for fostering trust among auditors, clients and the IRBA, while bolstering the credibility of the profession. Accordingly, non-compliance with the requisite standard undermines client relationships, the auditors' credibility and the IRBA's ability to fulfil its regulatory functions, ultimately encroaching on the public's confidence in the profession.

Despite the importance of professional communication, some auditors were found to have overlooked their responsibilities in this regard, leading to charges of improper conduct being preferred against them. Several charges arose as a result of auditors having ignored communications from the IRBA relating to allegations of improper conduct against them, pending investigations and/or requests for documentation necessary for the performance of regulatory functions. Other charges related to auditors' failure to reply timeously, or at all, to client inquiries relating to, among others, audit documentation, performance of engagement or contractual responsibilities, billing, etc.

In one of the matters, the audit client sent queries to the auditor relating to overbilling and items in the financial statements. While the auditor's firm was in the middle of a sale transition and the auditor had forwarded the enquiry to the new partners for their reply, he had failed to communicate this to the client. Moreover, despite four additional follow-up emails sent to the auditor on the same issue, he simply failed to respond to the client and/or follow up with the new partners. His defence was that there was a verbal agreement with the new partners that they would address the issue with the client, thus releasing him from his obligations. This conduct, it was found, fell short of the responsibilities of the auditor as a contracted engagement partner. It was the relevant committee's view that since the engagement letters for the audit of financial statements were between the auditor's firm and the audit client, as the engagement partner, the auditor bore the responsibility to respond to client queries, and his failure to do so could not be excused by what his expectations were of the new partners or his reliance on the alleged verbal agreement. Either way, he did not respond to the client.

Overall, the charges dealt with herein highlight a systemic issue of undervaluing the importance of communication in professional practice, calling for strengthened education and enforcement.

Conclusion

In some matters, auditors simply failed to put forward an explanation for their conduct, which is simply indicative of a disregard for their professional duties. In others, there was an attempt to deflect responsibility or rely on practical challenges to compliance, citing verbal agreements purporting to release auditors from their duties, reliance on others to respond to queries, transitions with firms and/or misplaced documentation.

These defences were generally deemed insufficient to absolve the auditors from their professional responsibilities. The reasons were that the documentation presented did not support the defences advanced; the number of follow ups from clients and/or the IRBA that the auditors did not respond to were overwhelming; and there was disregard for the clearly outlined duties of auditors in relation to engagements, clients and audit documentation.

The committees took the view that the lack of responsiveness not only breached professional obligations, but also caused significant delays and frustration for clients. Also, they attributed the conduct of ignoring communication or requests from the regulator to be the auditors' disdain of the IRBA regulatory framework.

Therefore, ignoring correspondence not only erodes trust in the auditor-client relationship, but it diminishes the IRBA's ability to maintain effective oversight of the profession.

Learnings and Recommendations

At the core of professionalism is the manner in which one deals with clients and other professional stakeholders. Accountability demands that one explains his conduct when called upon to do so, especially by those with regulatory authority. Both professionalism and accountability are embedded in the behaviour expected of auditors; thus, the conduct they exhibited under this theme reflects harshly on a profession that is held in high regard.

A closer analysis of the facts giving rise to the charges dealt with herein and/or the defences advanced suggests that the root causes for the lack of professional and timely communication can easily be attributed to a pure disregard for auditor responsibilities. This is in light of the number of matters where auditors, despite numerous follow ups, elected to not engage clients or the IRBA. In some instances, the conduct could be attributed to a lack of clear internal processes or policies for handling correspondence or retaining documentation, which led to delays or non-responsiveness.

Therefore, in appreciation of the fact that persistent non-compliance with professional communication could lead to reputational damage and a diminished public trust in the profession, auditors must understand that responsiveness is not just a procedural requirement. It is a fundamental component of professional accountability and credibility.

The adoption of the following measures may assist auditors in improving compliance:

- Develop internal processes for timely and appropriate responses to all correspondence from the IRBA or clients.
- Introduce tracking systems for outstanding correspondence and the escalation of unresolved matters.
- Provide regular training on communication standards and regulatory obligations, to ensure awareness and promote compliance.
- Foster a culture of professionalism and transparency that includes responsive interactions and effective communication.
- Implement policies and processes that are relevant to the retention of documentation, as required by the standards.

In determining what constitutes a "reasonable time" to respond to correspondence, auditors are urged to consider the nature and urgency of the correspondence in question, as well as the possible impact of delayed responses to clients, the IRBA processes and/or others.

Where correspondence is sent to multiple persons within the firm, creating ambiguity in relation to the responsibility to respond, firm processes must be followed in responding to such. If there are no prescribed processes, every auditor who receives the correspondence must assume responsibility in respect thereof. This could simply mean engaging internally and nominating the person to respond and then following up on the responses.

By implementing the above measures, firms can improve client satisfaction, among others. Proactive communication enhances transparency and accountability, which are key tenets of a trusted professional service.

BREACHES OCCASIONED IN THE PROVISION OF OTHER (NON-AUDIT) PROFESSIONAL SERVICES

Relevant Prescripts

The IRBA Code has critical principles and obligations that govern the conduct of registered auditors in their professional and business relationships. It emphasises the principle of integrity, which obligates auditors to act with honesty, fairness and truthfulness in all dealings. Furthermore, it provides specific guidance on the custody of client assets, requiring compliance with the applicable legal and regulatory framework to safeguard client assets.

Additionally, the International Standard on Related Services 4410 (ISRS 4410) outlines the responsibilities of practitioners during compilation engagements, emphasising the need for a thorough understanding of the entity's operations, the proper documentation of significant matters and obtaining clear acknowledgments of management's responsibilities.

Relevant Prescripts (continued)

- Paragraphs R111.1 and 111.1 A1 of the IRBA Code specifically state that the principle of integrity implies fair dealing and truthfulness, as well as imposes an obligation on auditors to be straightforward and honest in all professional and business relationships.
- Paragraph R350.3 prohibits auditors from assuming custody of client monies or other assets, unless permitted to do so by law; and if so, that must be done in compliance with any additional legal duties imposed on a registered auditor holding such assets. Paragraph 350.6SA states that, where an auditor, in the course of providing professional services, is entrusted with client monies belonging to others, he is required to maintain one or more bank accounts with institutions that are registered in terms of the Banks Act 94 of 1990 and that are separate from his own bank account.
- Paragraph 28 of ISRS 4410, on the other hand, obligates a practitioner to obtain sufficient understanding to be able to perform the compilation engagement, specifically in relation to the entity's business and operations, including the entity's accounting system, accounting records, as well as the relevant financial reporting framework and its application in the entity's industry.
- Paragraph 38, read together with paragraphs 37 and 40(k), requires a practitioner to incorporate specific documentation as part of the engagement. This includes significant matters arising during the compilation engagement and how they were addressed; a record of how the compiled financial information reconciles with the underlying records and information provided by management; a copy of the final version of the compiled financial information that management or those charged with governance have taken responsibility for; and the practitioner's report, which must be in writing and duly dated.

The relevant provisions of the IRBA Code and ISRS 4410 are aimed at promoting ethical and professional behaviour, which is essential to maintaining the integrity of other professional services that auditors render.

Analysis of the Charges

Auditors charged under this theme exhibited a wide range of professional failures across various professional services rendered to clients, including those related to executor services; trustee services; company administration services; accounting services; compilation engagements; and tax-related services. While these instances of improper conduct varied in nature, they commonly reflected a lack of professional competence, due care and skill expected of auditors and/or non-compliance with the relevant laws and regulations.

In one matter that exhibited serious dereliction from the requisite professional behaviour, an auditor appointed to provide professional services as both a trustee and executor, failed to do so in accordance with the relevant professional standards and applicable laws. Specifically, in relation to his role as a trustee, he failed to comply with the trust deed and the Trust Property Control Act, as a result of his failure to ensure that the annual trust financial statements for five consecutive years were timeously prepared and approved; the beneficiaries of the trust who had attained the age of majority were appointed as trustees in line with the deed; and requests from the trust beneficiaries and/or the Master of the High Court's office relating to certain trust documentation were responded to timeously. Then, in relation to his role as an executor, he failed to comply with his duties in terms of the Administration of Estates Act, as a result of his failure to timeously compile and file the liquidation and distribution account; ensure that the estate's assets were transferred to the trust, as per the deceased's will; respond to the Master's request for the liquidation and distribution account; as well as account to the beneficiaries of the estate and adhere to the Master's directive disallowing executor fees. In view of his excessive deviation from his duties as both a trustee and executor, the Master removed him from both appointments.

The auditor denied the charges preferred against him, arguing that the IRBA lacked jurisdiction to entertain the matter because the APA only applies to services rendered in one's capacity as an auditor and does not cover his duties as a public accountant, trustee and/or executor. He thus claimed that the IRBA exceeded its jurisdiction by bringing charges related to his work under the Trust Property Control Act and the Administration of Estates Act, which he argued fall outside the scope of the APA. He further argued that he had a co-trustee and executor and did not act alone. He did not prefer any defence in relation to the substance of the charges.

The committees found that the auditor is bound, in terms of the IRBA Code, to apply the principles of professional behaviour, which include due care, competency, professionalism, as well as compliance with applicable laws and regulations, in the provision of any professional service. Adherence to the requisite standard of professional behaviour is paramount to the preservation of the integrity of the profession.

By freely assuming the position of an auditor, he bound himself to comply with the provisions of the Code, which extend to conduct other than that relating to auditing and thus could not escape liability through a post facto jurisdiction argument. Moreover, it is irrelevant whether the auditor acted alone or with others; what is important for the purpose of the IRBA's enforcement powers is that those who are bound by the Code and fall within the regulator's jurisdiction, comply with it or do not associate themselves with situations that could hinder their compliance. Had the co-trustee or executor been an auditor, then the IRBA would have imputed liability on him and charged him accordingly. However, the fact that a co-trustee or executor did not fall under the IRBA's jurisdiction did not absolve the auditor from liability in terms of the Code.

On the other hand, there were deviations noted in relation to compilation engagements, where auditors failed to comply with the requirements of ISRS 4410.

Such non-compliance included failure to obtain or document an understanding of the company's accounting system; management's acknowledgment of responsibility for the final compiled financial information; significant matters raised during the engagement and how they were resolved; and/or insufficient records on how the compiled financial information reconciled with underlying management records.

There were several other matters highlighting significant deviations from professional behaviour standards, including cases where auditors appointed to provide tax-related services failed to timeously provide clients with specialist tax advice sought for the purpose of making business decisions, and/or to timeously file returns on behalf of clients. Additionally, there were issues relating to improper accounting for funds transferred from a client's bank account into the auditor's personal account; inaccurate statements in the accounting officers' report; failure to action client instructions, as they related to the closure of companies/business; and failure to respond promptly to requests from the IRBA or clients.

Conclusion

The analysis of the charges under this theme highlights significant failures to adhere to professional standards set out in the IRBA Code, giving rise to issues such as an improper handling of client funds, delayed financial statements and non-compliance with legislative requirements. These breaches not only reflect a lack of competence and due care in performing various professional services, but also indicate a failure to comply with the relevant laws and regulations governing the provision of these services by auditors. Whether in their roles as trustees, executors or in performing compilation and tax-related engagements, the affected auditors demonstrated neglect in meeting the required standards of professionalism.

The committees' determination to hold auditors accountable reinforces the importance of upholding the integrity of the profession, regardless of whether these practitioners worked independently or with others or provided audit or non-audit services.

The abovementioned matters serve as a reminder that auditors must consistently meet the highest standards of ethical conduct and legal compliance in every aspect of their practice.

Learnings and Recommendations

Sound professional behaviour is fundamental to the auditing profession, as it directly impacts its integrity and trustworthiness. This is why auditors have a duty to act honestly, maintain professional competence and ensure compliance with the applicable regulatory frameworks, even outside their pure audit functions. The breaches occasioned under this theme reflect a pattern of negligence and disregard for fundamental responsibilities, leading to regulatory scrutiny and disciplinary action.

A key learning from these cases is the need for auditors to establish clear boundaries between their roles and responsibilities when acting in multiple capacities, such as trustees, executors or accountants. Auditors must recognise that their professional obligations extend beyond the scope of statutory audits and apply to all professional engagements where ethical and legal compliance is required. An adoption of the measures that follow may assist auditors in driving compliance.

Risk Assessment: Before accepting engagements involving specialist services, such as tax, trust and estate administration, auditors should conduct a risk assessment, including an understanding of the framework regulating the field in respect of which the service will be provided.

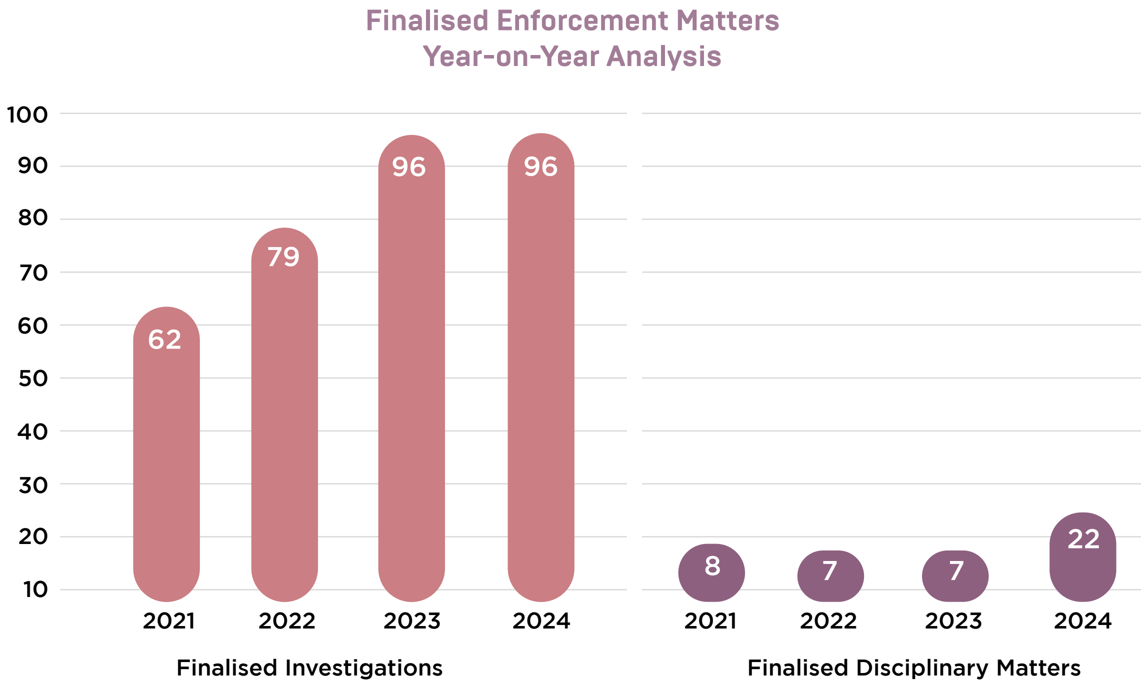
Leveraging Technology: Auditors should implement automated systems to track tax submission deadlines, financial reporting due dates and other compliance-related obligations. This will reduce the risk of missed deadlines and associated penalties.

Continuing Professional Development: There should be strict adherence to annual CPD assessments and implementation, which should be aimed at keeping auditors up to date with the relevant standards and ethical requirements, while addressing competency gaps.

Implementing these recommendations will foster a culture of ethical behaviour, compliance and professional diligence, ensuring that auditors render quality services and can safeguard their reputations.

Concluding Remarks

The enforcement function remains a cornerstone of the profession, safeguarding its integrity through the administration of compliance, which ensures that auditors uphold the highest professional and ethical standards. Over the past year, we have seen significant progress in the finalisation of enforcement matters, reflecting the impact of our strategic initiatives and process efficiencies.



As already indicated, one of the key achievements in the reporting year has been the record-high number of finalised disciplinary matters, reflecting a 214% increase from the prior year. This increase is a direct result of the disciplinary strategy the Board adopted in 2020 that emphasises agility, efficiency and the effectiveness of disciplinary processes.

The dismissal of about 10 matters is testament to the effectiveness of the enforcement process, which is able to clear auditors of unfounded allegations. Similarly, the findings of guilt in respect of all matters wherein charges were preferred cement the robustness of the investigation processes, which ensure that charges are only preferred where warranted and supported by evidence.

As discussed in the overview section of the report, 87% of the finalised matters were concluded through admission of guilt and/or settlement processes. This speaks to the accountability of auditors, who are willing to admit where they have erred and take responsibility for their wrongdoing. This is the very accountability that must be embedded in auditors, because it is only through reflection that previous wrongs may not be repeated.

The fact that most of the investigations were initiated at the IRBA's instance is reflective of the regulator's proactive approach in identifying and addressing areas of non-compliance, so as to promote audit quality and protect the public interest. Additionally, the nature of the charges preferred against individual auditors reinforces the type of responsibilities within the remit of individuals, namely, engagement quality and professional behaviour, against those within the purview of firms, i.e. quality management.

The number of finalised investigations has risen since 2022, moving to 96 finalised matters for two consecutive years (2023 and 2024), and demonstrating the effectiveness of the now fully capacitated team. The redirection of regulatory enforcement efforts towards the IRBA's primary mandate, being the regulation of audits is reflected by the high percentage (80%) of audit-related matters finalised in the reporting period. This is a direct outcome of the 2021 APA amendments, which empowered the IRBA to refer non-audit matters to accredited professional bodies for investigation and disciplinary processes. This has undoubtably resulted in the effective utilisation of the regulatory resources to further the regulator's main objective.

While the IRBA continues to prioritise high-profile matters with direct public interest, these only reflect a fraction of the enforcement matters, with the majority (76%) being non-public interest matters.

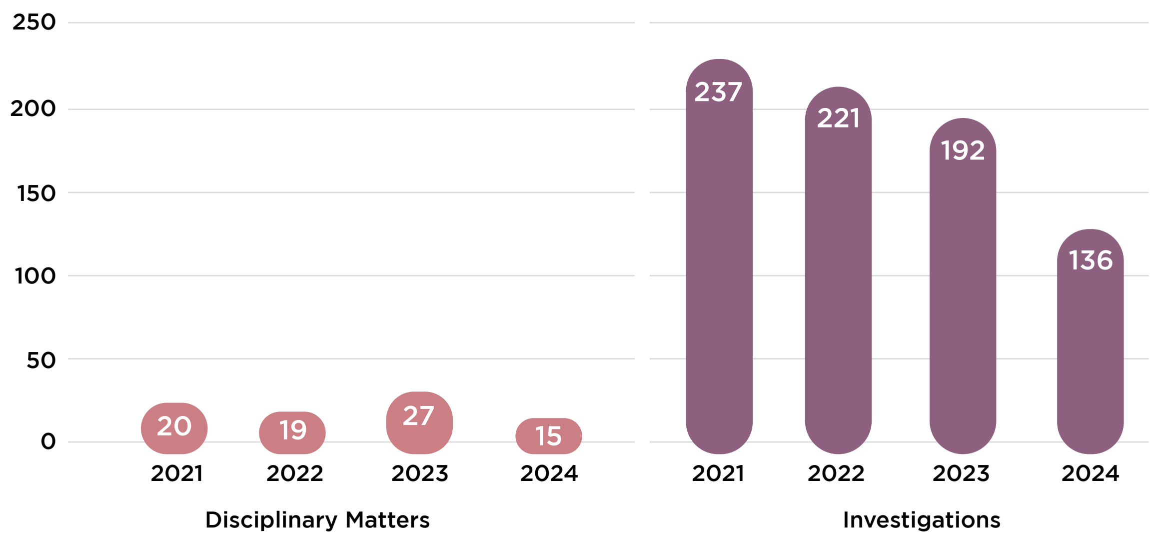
Audit evidence and documentation continues to present challenges for auditors in relation to audit engagements. This area of non-compliance increased from 42% to 51% in the current year, despite the direct requirements of the standards and the clear direction provided by the IRBA. We trust that the committees' stance in this regard, as well as the learnings and recommendations provided in the theme analysis section of the report, will aid compliance by auditors. Similarly, in relation to quality management, independence infractions persistently come up high, demanding that auditors should remind themselves that while they run businesses, the core of such businesses is public interest. Thus, auditors must at all times stand back, reflect and approach every client acceptance and/or continuance with the requisite ethical conduct.

Despite the above, only one matter presented charges related to fraud, with only six matters addressing breaches related to dishonesty. This is an indicator that the majority of the breaches contended with relate to the application of professional standards and the requirements of the IRBA Code, which can easily be addressed through CPD, as reflected by the training directives the committees issued. Accordingly, it can be inferred that the profession is not laden with integrity issues, but there is a gap in the education and development of auditors.

It is in view of the above that the IRBA is committed to effective CPD monitoring, issuing practical guidance and hosting webinars to capacitate auditors and improve audit quality. This report is also considered as a learning tool for auditors.

Overall, the IRBA continues to improve the agility of its enforcement processes, in a bid to address non-compliance swiftly and without delay. The previously reported investigations backlog is being steadily addressed, as reflected by a 29% decline in the number of pending investigations at year-end, compared to the prior year.

Pending Enforcement Matters Year-on-Year Analysis



Similarly, in respect of disciplinary matters, the prior-year backlog that was perpetuated by the delayed APA amendments has since been cleared, resulting in a 44% decline in the number of pending disciplinary matters as at year-end.

Undoubtably, the IRBA has made significant strides to improve its overall enforcement processes. We trust that this report will garner the confidence of stakeholders in relation to the IRBA's continued commitment to upholding the integrity of the profession through rigorous enforcement mechanisms. In the same light, we trust that it will support auditors in their ability to decipher the proper application of the requirements of the relevant professional standards and the IRBA Code, enabling them to improve audit quality and effectively protect the public interest.

NOTES

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