
INDEPENDENT REGULATORY BOARD FOR AUDITORS

INSPECTIONS DEPARTMENT

Latest Public Inspections Report Shows Minor Improvements in Addressing the Rapid Changes and Complexity in the Environment

Johannesburg / 2 February 2024

The Independent Regulatory Board for Auditors' (IRBA) *2023 Public Inspections Report on Audit Quality* (PIR) has just been released. This latest issue provides insights into the themes, and the outcomes thereof, that were the focal point for the inspections conducted during the 2023 financial year.

The report represents a critical component of our commitment to transparency, accountability and the continuous improvement of audit quality in South Africa. It also provides observations from the outcomes of the Inspections Committee's deliberations on the inspections performed. The report not only summarises the results of these inspections, but also offers valuable observations on the state of audit quality in the country.

As we navigate through an environment that is characterised by continuous changes and complexity, our regulatory responsibilities are becoming more critical than ever. Therefore, the IRBA is fully dedicated to nurturing a culture of sustained improvement, and we are working closely with audit firms to discuss areas of concern and promote a culture of consistent and sustainable high audit quality.

The PIR underscores the significance of audit quality in sustaining public trust in the financial reporting ecosystem. Also, it reaffirms the IRBA's commitment towards fostering a culture of collaboration with key stakeholders, to address the challenges the profession faces.

Inspections Approach

The Inspections Department continued its hybrid approach, balancing remote work with face-to-face interactions. While the PIR highlights the success of this approach, it also emphasises the value of in-person discussions. The firm leadership responsibilities and the inspections approach to the new suite of Quality Management (QM) standards, in particular, are discussed in the report, and they underline our practical efforts towards ensuring compliance and addressing deficiencies.

Firm-level Inspections

The PIR noted the dominance of larger audit firms in the audit of listed entities, with 93% of these audited by the 10 larger audit firms. However, the outcomes of firm-level inspections revealed positive trends, including a decrease in referrals for investigation on ethical matters and independence, specifically, indicating a commitment to the improvement of audit quality at a firm level and in producing high-quality audits. Concerns, though, persist in areas such as engagement performance, which is indicator that the quality controls systems of the firm may not be operating effectively on a consistent basis.

Inspection of Engagement Files

The positive trend of a reduction in referrals for investigations was also observed at an engagement level. However, there were decreases observed in the "some improvement" or "no further action

required" outcomes, while the "significant improvement required" outcome remained concerningly high. Most of the deficiencies are recurring themes, and the PIR further highlights a lack of professional scepticism, especially in areas that require significant auditor judgement.

General Outlook

Overall, we are pleased with our observations on good practices that include measures auditors have introduced in efforts to improve audit quality. These incorporate the enhanced efforts in evaluation of independence; the increased use of automated/technological tools and techniques; training, specifically technology-driven and skills-focused learning; ongoing engagement file reviews; and the continuous growth of technical departments and their resourcing.

We encourage all stakeholders to carefully review the themes/findings and outcomes presented in this report and then engage with us constructively, to drive positive enhancements in the profession.

The IRBA remains steadfast in its mission to protect the interests of the investing public and maintain the highest standards of audit quality in South Africa. Consequently, we are confident that this report will contribute to our collective efforts to build a stronger, more resilient and trustworthy auditing profession.

The PIR can be downloaded from our [website](#).

Ntlambi Gulwa

Director: Inspections

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.