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# INDEPENDENT REGULATORY BOARD FOR AUDITORS

## INSPECTIONS DEPARTMENT

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### Inspections Findings Newsflash

Johannesburg / 12 November 2015

In the quarter ending June 2015, the most common engagement inspection findings were identified in the following areas:

1. Property, plant and equipment valuation: No or insufficient documented assessment of useful lives, residual values, method of depreciation and componentisation.
2. Revenue completeness: No documented verification, insufficient documented verification, or inappropriate direction of testing/source documentation.
3. Sample sizes: No link to risk assessment, or not in accordance with firm methodology, and insufficient size.
4. Property, plant and equipment completeness: No or insufficient documented verification.
5. No documented testing of the design and implementation of controls for significant risks (ISA 315).

Practitioners are urged to reassess their engagement audit programmes, especially in respect of property, plant and equipment completeness and inappropriate direction of testing for completeness of revenue. They are also advised to ensure that there is sufficient appropriate audit evidence documented in support of the conclusions and the audit opinion.

The following findings continue to be reported at firm level and need urgent attention. Additional medium-risk findings are identified during our re-performance of the firms' engagement quality control reviews (EQCR) and/or monitoring engagement reviews. Some smaller firms and practitioners still do not recognise the difference between a pre-issuance and a post-issuance quality review, as required by the International Standard on Quality Control (ISQC) 1. As a consequence, this resulted in the most firm level re-inspections.

**Imre Nagy**  
**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.*