
**INDEPENDENT REGULATORY BOARD FOR AUDITORS
INSPECTIONS DEPARTMENT**

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As part of the IRBA's processes for ensuring that audit firms satisfactorily address inspection findings that were reported to the audit firm or its practitioners, the Inspections Committee (INSCOM) requests a written undertaking to the Director: Inspections that appropriate remedial action will be applied for all unsatisfactory findings. The written undertaking should include a detailed root-cause analysis and remedial plan in respect of the inspection findings. The IRBA will review the detailed root-cause analysis and remedial plan and communicate with the firm or the practitioner if not deemed appropriate, for example if it only addresses the symptoms rather than the cause.

There appears to be uncertainty surrounding what a root-cause analysis is and how the written undertaking should be set out. Written responses reviewed are generally high level, superficial, unclear or lacking the necessary detail, for instance, no analysis per finding. This communication aims to resolve any uncertainty relating to the root-cause analysis.

The results of internal reviews and external inspections show that many findings recur year after year. Audit firms and the IRBA need to gain clearer understanding of the causes underlying these deficiencies. A root-cause analysis helps to develop solutions that address the underlying problem rather than the symptoms. A root-cause analysis therefore determines the underlying cause for the finding whereas a remedial plan is developed in response to the root-cause analysis. The remedial plan is the solutions that should prevent the recurrence of the finding. The remedial plans should be specific and linked to the underlying causes.

Examples of possible root-causes are:

- Tone at the top;
- Culture;
- Guidance;
- Templates;
- Training;
- Workload;
- Human error;
- Professional skepticism;
- Time pressures;
- Fee pressures;
- Experience;
- Staff continuity;
- Team structure;
- Monitoring tools;
- Unfamiliar industry;
- Lack of resources;
- Planning;
- Behavioral aspects; and
- Methodology and tools.

Remedial actions not based on a root-cause analysis might cure the symptoms, but will not lead to lasting solutions. The expectation is that thorough and unbiased root-cause analysis leads to more effective remediation, with the necessary involvement of the firm's leadership.

The suggested format of the written undertaking is in a table format, indicating per finding in the inspections report: the finding, the root-cause and the remedial action.

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