



INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

**2024**

**6<sup>th</sup> ANNUAL SURVEY REPORT  
AUDIT QUALITY INDICATORS**

INSIGHTS THAT ADVANCE AUDIT QUALITY

## DISCLAIMER

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

## HOW TO USE THIS REPORT

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

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

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

The references to the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) (the [IRBA Code](#)) are not exhaustive either.

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

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# FOREWORD

It is with great pleasure and anticipation that we present the sixth edition of the Audit Quality Indicators (AQIs) Survey Report. This annual survey is a vital instrument in our ongoing commitment to enhancing audit quality and transparency within the auditing profession. By focusing on specific quality indicators, the survey provides a robust framework for collecting and analysing data, enabling stakeholders to gain deeper insights into the activities and performance of audit firms.

The primary objective of the survey is to collect and analyse data on key quality indicators, offering a year-over-year comparison that reveals trends, highlights areas of progress and identifies opportunities for further enhancement. This rich repository of information serves as a critical resource for stakeholders, including audit firms, regulators, investors, audit committees and the broader public, fostering a deeper understanding of the activities and performance of firms in relation to audit quality. This enables stakeholders to make informed decisions that drive continuous improvement and uphold the highest standards of integrity.

In this latest survey, we have introduced a new quality indicator that offers valuable insights into the profession's transformation journey, as reflected in the registered auditor and registered candidate auditor register per firm. This addition underscores our dedication to fostering diversity, equity and inclusion within the industry, reflecting the evolving landscape of the auditing profession in South Africa. Furthermore, this aligns with our broader strategic objectives and highlights the importance of transformation as a key component of audit quality. By providing detailed insights into the progress and impact of transformation initiatives within firms, this indicator will help stakeholders to better understand and support the ongoing efforts to create a more inclusive and dynamic auditing profession locally.

Globally, there has been a resurging interest in AQIs, with regulatory bodies such as the Securities and Exchange Commission and the Public Company Accounting Oversight Board proposing to rename these indicators as "firm and engagement metrics". This underscores the growing recognition of the importance of these indicators in promoting audit quality and transparency. In South Africa, we have taken significant steps to align with these global developments and have, for example, introduced mandatory [Transparency Report](#), which aims to further enhance the transparency and accountability of audit firms.

Positive trends in specific AQIs have been noted.

For instance, this is the third consecutive year of a decrease in non-audit fees (AQI 1) and firm tenure (AQI 3), which may be indicative of a move towards improved independence within the profession. These are encouraging signs of the profession's commitment to maintaining high standards of audit quality and independence, which are critical to building and sustaining public trust.

As we look back on the past six years, it is clear that this survey has contributed significantly to the advancement of audit quality. Each report builds on the insights of previous years, creating a cumulative body of knowledge that informs and guides the profession. This year's report promises to be no exception, as it offers rich statistics and nuanced analyses that will be invaluable to all stakeholders. The survey is not merely a tool for annual comparison, but a cornerstone for continuous improvement. By examining year-over-year data, stakeholders can identify trends, pinpoint areas for enhancement and celebrate achievements. This comprehensive analysis helps to illuminate the path forward, guiding firms towards higher standards of audit quality and reinforcing the integrity of the profession.

As the Independent Regulatory Board for Auditors (IRBA), we encourage readers to view this report in conjunction with other annual publications, such as our Public Inspections Reports and the firms' Transparency Reports. Collectively, these documents provide a holistic view of the state of audit quality in South Africa, offering multiple perspectives and layers of information that enhance understanding and support effective decision-making.


We extend our sincere gratitude to all the firms that have participated in this survey over the years. Your commitment to transparency and continuous improvement is vital to the success of this initiative and the broader goal of enhancing audit quality. We also thank all the stakeholders who engage with this report and use its insights to drive positive change within the profession and the overall financial reporting ecosystem.

In conclusion, we are confident that this sixth edition of the AQIs Survey Report will provide valuable insights and foster meaningful dialogue among stakeholders. By working together, we can continue to build a more robust, accountable and transformative auditing profession that is equipped to meet today's challenges and effectively exploit tomorrow's opportunities, while ensuring that it remains a cornerstone of trust and accountability in our society.

**Imre Nagy**  
*Chief Executive Officer*

# OVERVIEW OF AQI CATEGORIES


## INDEPENDENCE

- 
1. Non-audit Fees (%)
  2. Fee Recovery (%)


## TENURE

- 
3. Firm (years)
  4. Partner Experience (years)


## REVIEW

- 
5. EQ Review Partner (%)
  6. EQ Review Team Hours (%)
  7. Firm Review Processes (%)
  8. Internal Review Results (%)
  9. Partner Coverage (%)

## WORKLOAD

- 
10. Engagement Partner Role (%)
  11. Manager Supervision (%)

## RESOURCES AND OTHER

- 
12. Span of Control:  
Professional Staff (ratio)
  13. Technical Resources: Partner  
(ratio)
  14. Training (hours)
  15. Staff Turnover (%)
  16. Transformation (%)

# BACKGROUND TO THE AQIs<sup>1</sup>

## What are Audit Quality Indicators?

AQIs refer to a portfolio of quantitative and qualitative measures provided by an audit firm to a client, an audit committee or those charged with governance (TCWG) of their client or future client, or other interested stakeholders, for use in providing insights about audit quality.

These measures can be used to enhance dialogue about, and sharpen the understanding of, auditors and their audits, including how to evaluate their audit quality. That way, users benefit from better information about key matters that may contribute to the quality of an audit (both at the audit firm and audit engagement levels). This could be to the benefit of TCWG in discharging their oversight responsibilities over financial and other reporting, including the appointment or reappointment of the external auditor.

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

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

## What are the benefits of using AQIs?

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

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

## What are the challenges of using AQIs?

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

## What kinds of decisions can AQIs help users make?

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

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

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



## FURTHER RESOURCES

- The [Transparency Reporting and Audit Quality Indicators page](#) provides examples of transparency reports, guidance or other information currently available on transparency reports and AQIs.
- [IRBA's Four Rules Arising from the International Standards on Quality Management.](#)
- [The IRBA Public Inspections Reports on Audit Quality.](#)
- [The IRBA Annual Enforcement Report.](#)
- [Reportable Irregularities Report 2022-2023.](#)

# AQI OBSERVATIONS

## 1. INDEPENDENCE: NON-AUDIT FEES (%)

### Description / Purpose

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

### How to interpret the AQI

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

A higher percentage signifies that the firm receives more fees for non-audit services, such as taxation and consulting, than what it gets for audit services. This may create the impression of diminished independence, and independence threats may jeopardise audit-related quality and decision-making. Also, a higher percentage may indicate a higher demand (sanctioned by the audit committee) from the firm's audit clients for non-audit services.

The King IV Report on Corporate Governance for South Africa, 2016, recommends that the audit committee should take on the role of overseeing

the provision of non-audit services by the external auditor. Likewise, the Companies Act 71 of 2008 requires that the auditor must be acceptable to the company's audit committee as being independent of the company. Furthermore, the IRBA Code places the responsibility for the determination of independence on the auditor.

### IRBA Code considerations

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

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

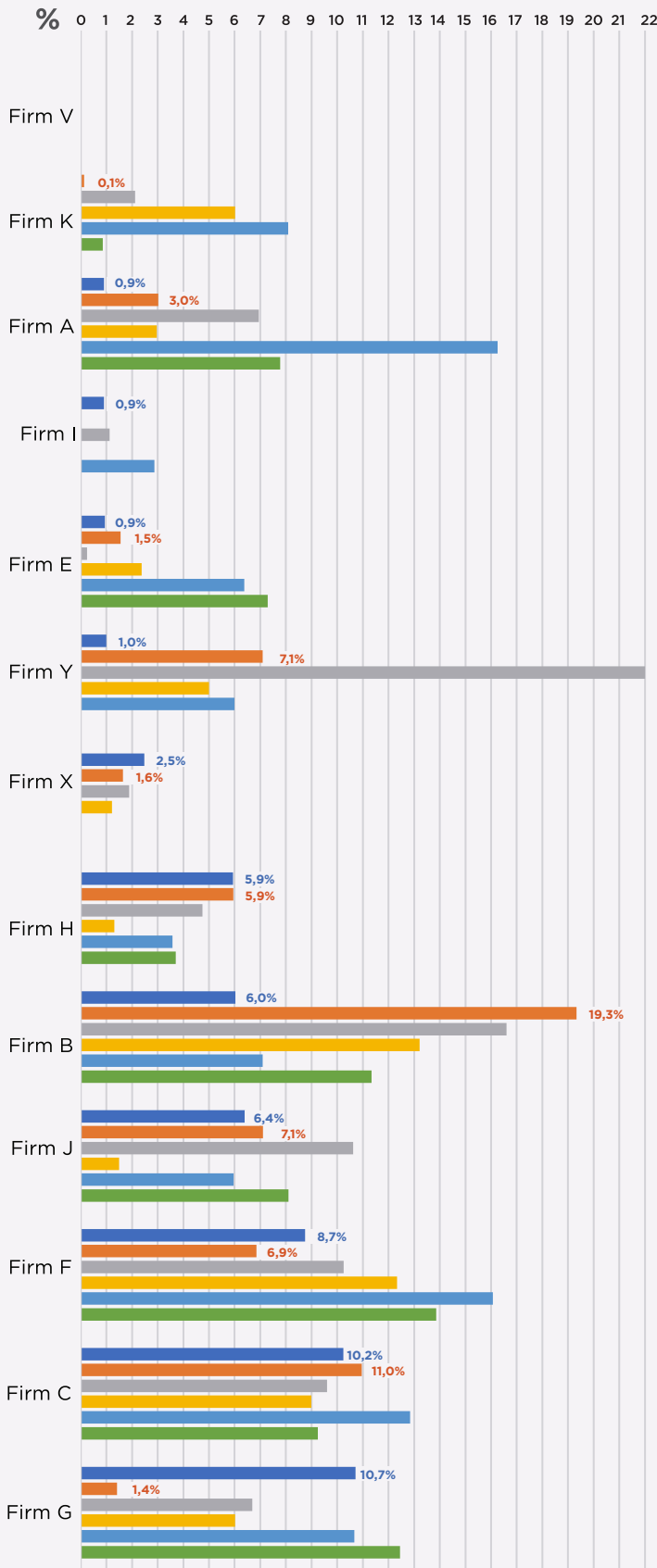
**R600.8:** Before a firm or a network firm accepts an engagement to provide a non-assurance service to an audit client, the firm shall apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by providing that service.

**R600.12:** When a firm or a network firm provides multiple non-assurance services to an audit client, the firm shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to independence.

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 0%   | 0%   | 0%   | 0%   | 3%   | 1%   |
| Average          | 4%   | 6%   | 10%  | 7%   | 10%  | 9%   |
| Highest          | 11%  | 19%  | 33%  | 36%  | 19%  | 14%  |



# 1. INDEPENDENCE: NON-AUDIT FEES



Firm V: 0% in 2023; and excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum public interest entity (PIE) threshold.

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

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

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

## STATUTORY NON-AUDIT FEES

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

Some firms are on the higher end of the range because of the presence of such statutory engagements. In the current year, the following firms performed statutory non-audit engagements for audit clients in excess of 1% of the fees charged for the audit: Firm G (1.3%), Firm X (2.5%), Firm B (3.7%), Firm H (3.8%), Firm F (5.3%) and Firm C (6.0%).

# AQI OBSERVATIONS (continued)

## 2. INDEPENDENCE: FEE RECOVERY (%)

### Description / Purpose

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

### How to interpret the AQI

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

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

This AQI is presented as an average per firm.

### IRBA Code considerations

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

- A registered auditor quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.

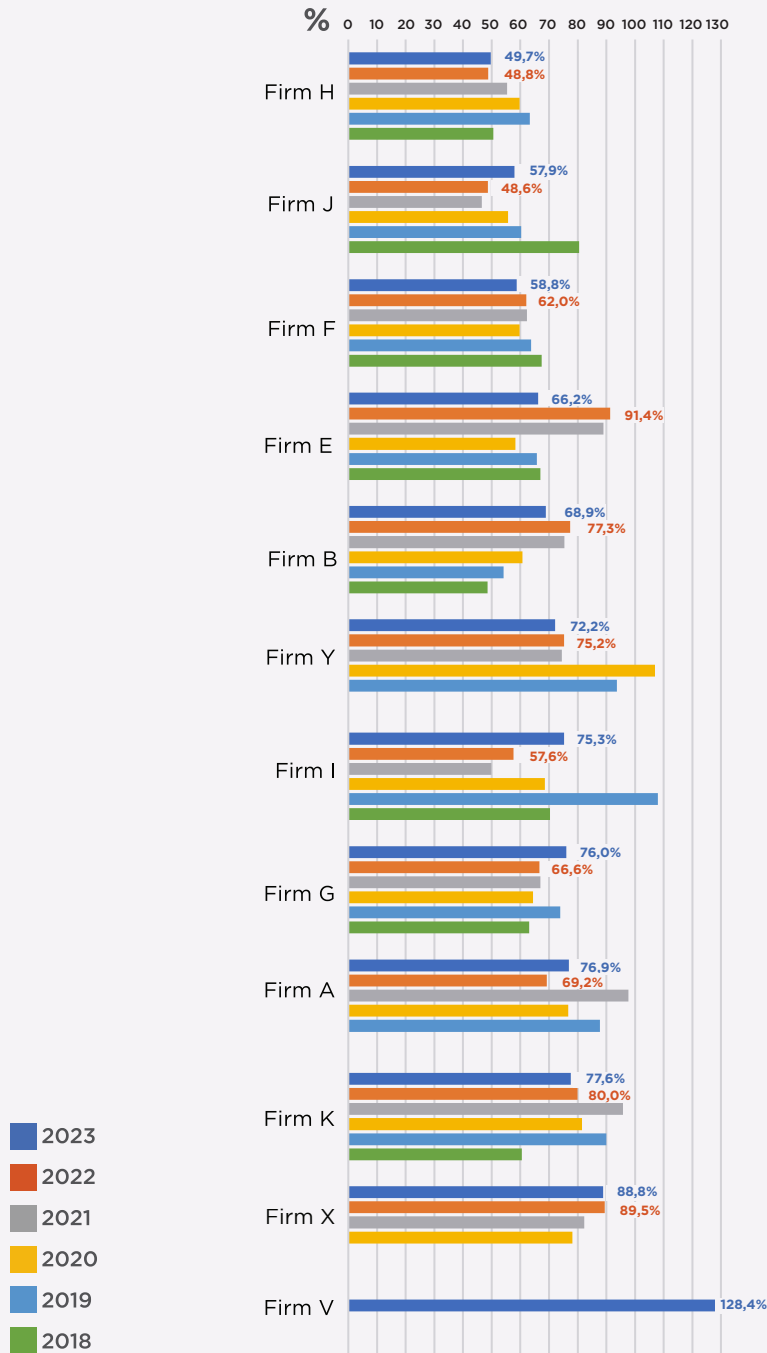
330.3 A1: The level of fees quoted might impact a registered auditor’s ability to perform professional services in accordance with technical and professional standards.

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

| Key Observations | 2023              | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|-------------------|------|------|------|------|------|
| Lowest           | 50%               | 49%  | 47%  | 56%  | 54%  | 49%  |
| Average          | 75%               | 70%  | 74%  | 71%  | 78%  | 67%  |
| Highest          | 128% <sup>2</sup> | 91%  | 98%  | 107% | 108% | 98%  |

<sup>2</sup> Firm V obtained the highest rate of recovery. However, this firm only had a few PIE engagements and the most significant driver of this AQI was a single subcontracting engagement.

## 2. INDEPENDENCE: FEE RECOVERY %



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

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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

## AQI OBSERVATIONS (continued)

### 3. TENURE: FIRM (YEARS)

#### Description / Purpose

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

#### How to interpret the AQI

The longer the tenure, the greater the familiarity threat to independence. Alternatively, the shorter the tenure, the less the experience and knowledge of the business. This indicator is presented as an average per firm. It should also be considered in conjunction with the IRBA Rule relating to Disclosure of Audit Firm Tenure on an Audit Client<sup>3</sup>.

#### IRBA Code considerations

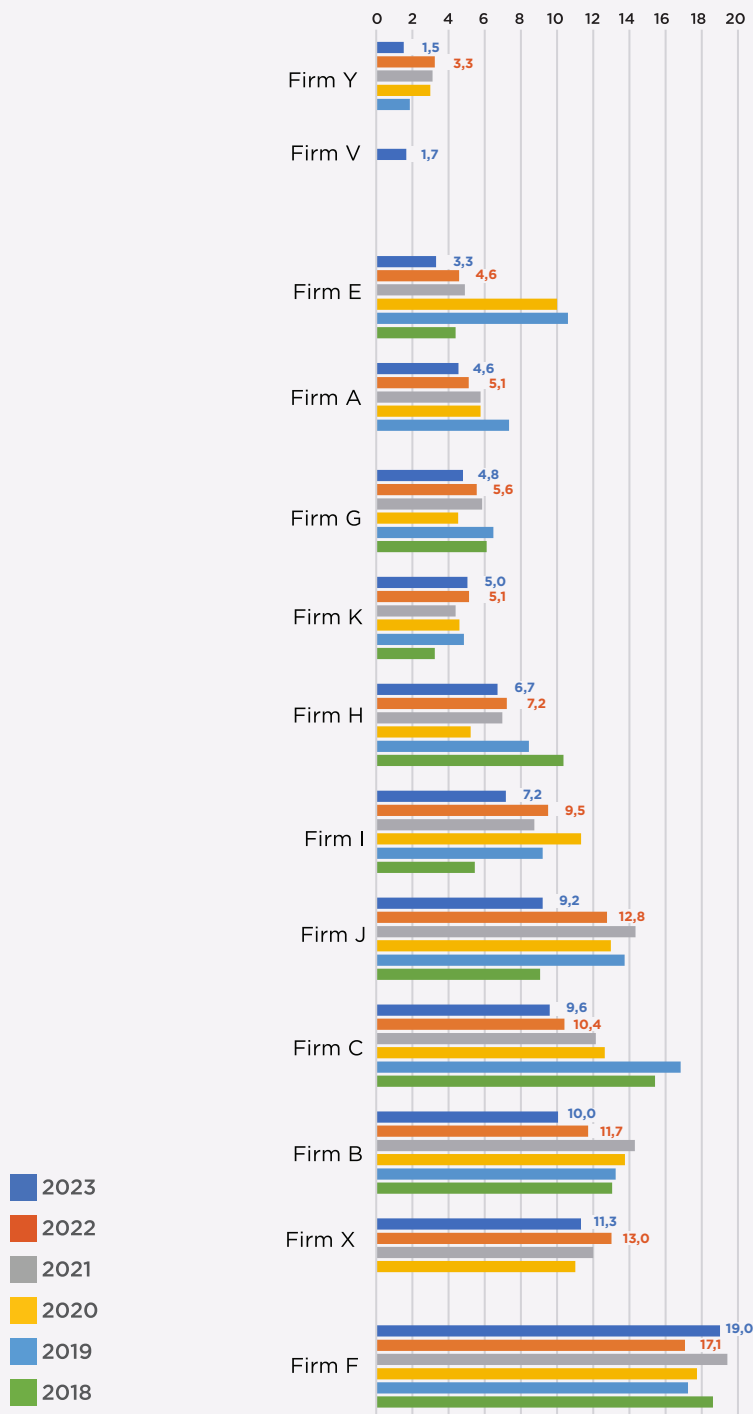
Familiarity threat - the threat that due to a long or close relationship with a client, a registered auditor will be too sympathetic to that client's interests or too accepting of their work.

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 1.5  | 3.3  | 3.1  | 3.0  | 1.9  | 3.2  |
| Average          | 7.2  | 8.5  | 9.0  | 9.0  | 9.4  | 8.9  |
| Highest          | 19.0 | 17.1 | 19.4 | 17.7 | 17.2 | 18.6 |

<sup>3</sup> Available on the [IRBA website](#)



### 3. TENURE: FIRM



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

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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

## AQI OBSERVATIONS (continued)

### 4. TENURE: PARTNER EXPERIENCE (YEARS)

#### Description / Purpose

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

#### How to interpret the AQI

The greater the number of years, the more experience the engagement partner is likely to have obtained. In understanding this AQI, considerations could be given to whether the engagement partner has kept up to date with Continuing Professional Development requirements and the type of experience gained as an engagement partner.

This AQI is presented as an average per firm.

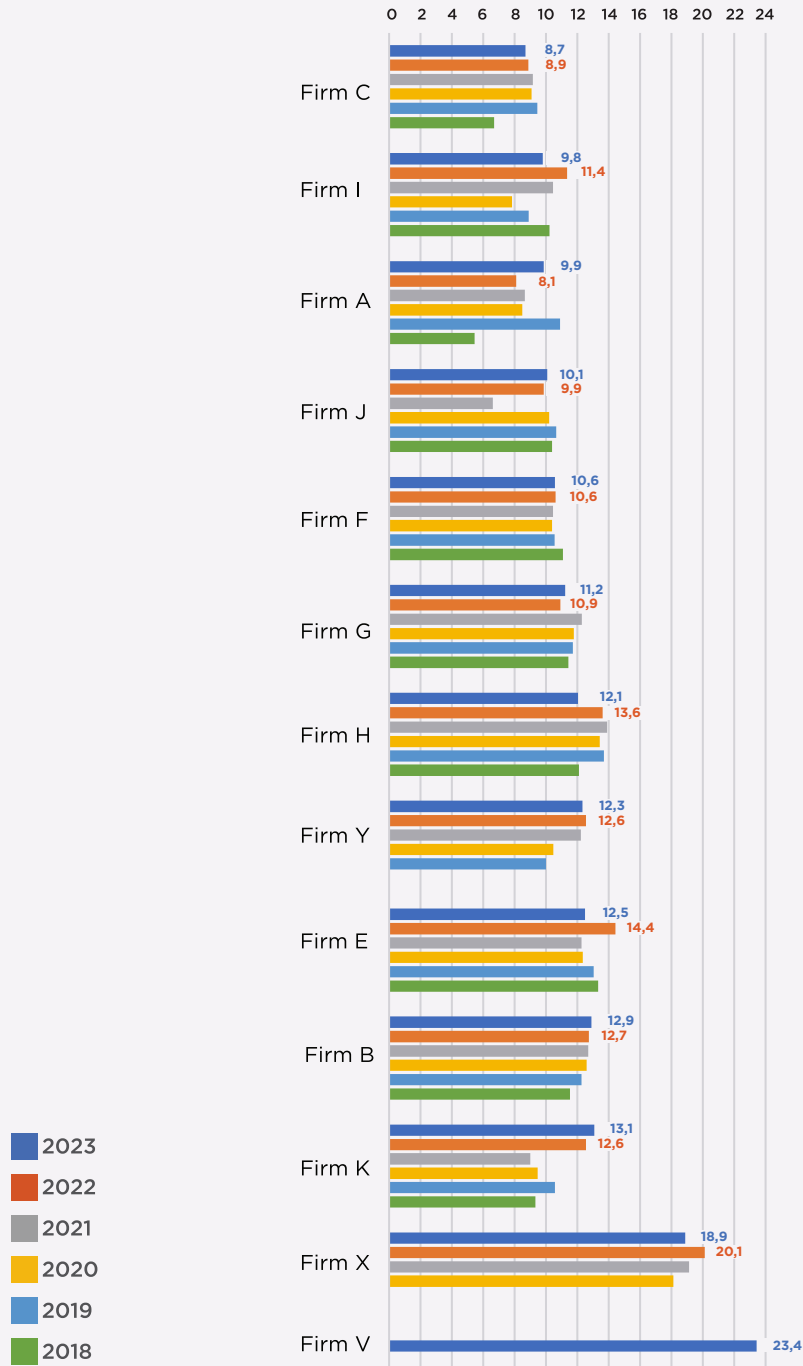
#### IRBA Code considerations

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

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

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 8.7  | 7.5  | 6.6  | 6.8  | 4.7  | 3.8  |
| Average          | 12.7 | 11.8 | 11.1 | 10.9 | 10.5 | 9.6  |
| Highest          | 23.4 | 20.1 | 19.1 | 18.1 | 13.7 | 13.3 |

#### 4. TENURE: PARTNER EXPERIENCE



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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 5. REVIEW: EQ REVIEW PARTNER HOURS (%)

### Description / Purpose

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

### How to interpret the AQI

This provides a measure of the extent of pre-issuance EQ reviews, measured by time spent. Higher ratios indicate a greater involvement of the EQ review partner and, potentially, a greater number of areas of significant judgement covered in an audit file. Higher ratios may also be indicative of overreliance on the EQ reviewer to resolve issues that should have been identified and addressed by the engagement partner. Alternatively, lower ratios may be an indication that the EQ review partner spent insufficient time on the review, or areas of significant judgement were not adequately addressed.

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

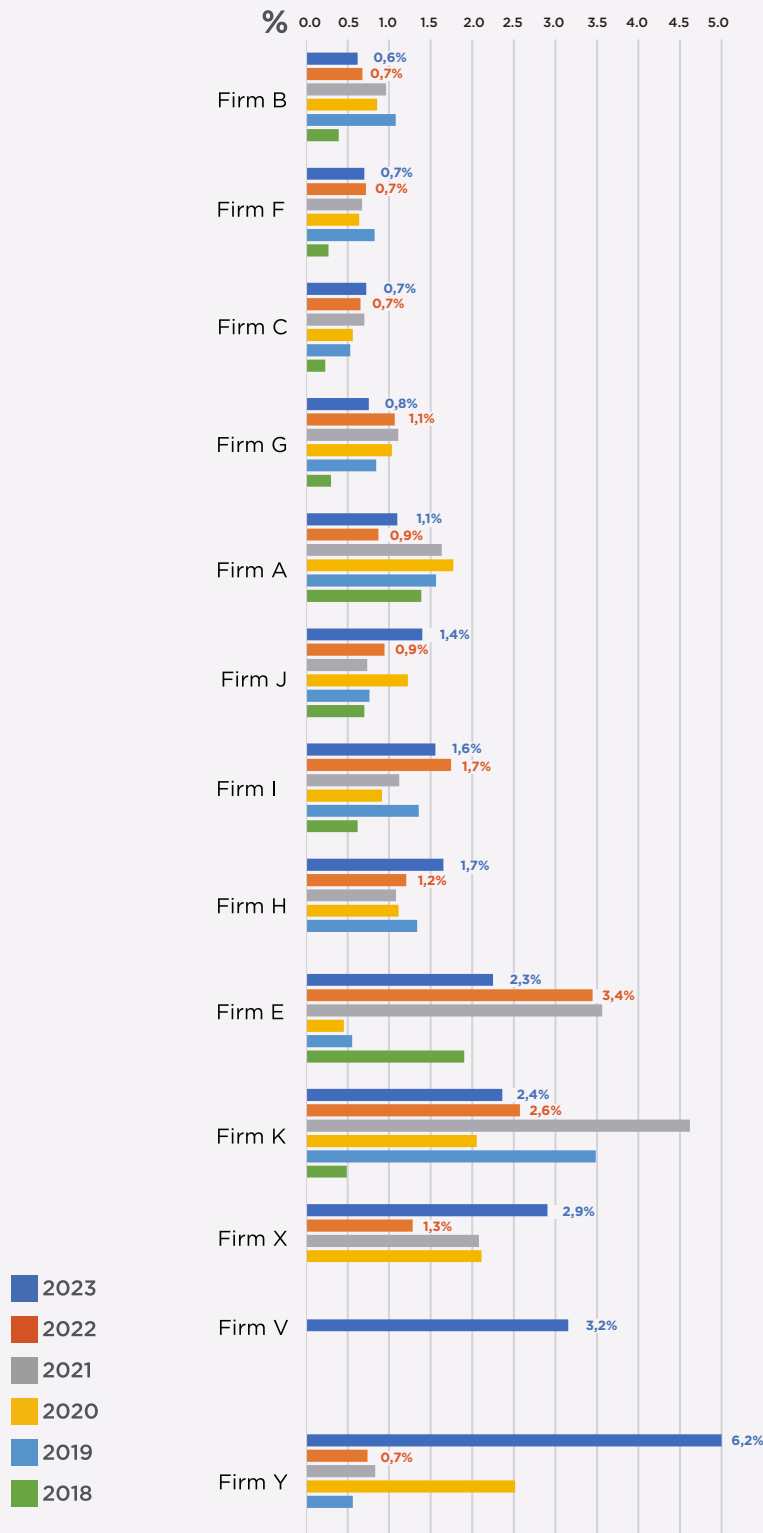
This AQI is presented as an average per firm.<sup>4</sup>

| Key Observations EQ Partner | 2023              | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------------|-------------------|------|------|------|------|------|
| Lowest                      | 0.6%              | 0.7% | 0.7% | 0.4% | 0.5% | 0.2% |
| Average                     | 2.0%              | 1.3% | 1.6% | 1.3% | 1.2% | 0.7% |
| Highest                     | 6.2% <sup>4</sup> | 3.4% | 4.6% | 2.5% | 3.5% | 1.9% |

<sup>4</sup> Firm Y was responsible for the highest observation. It had eight PIE engagements in 2022, compared to 40 in 2023.



## 5. REVIEW: EQ REVIEW PARTNER HOURS



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

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

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

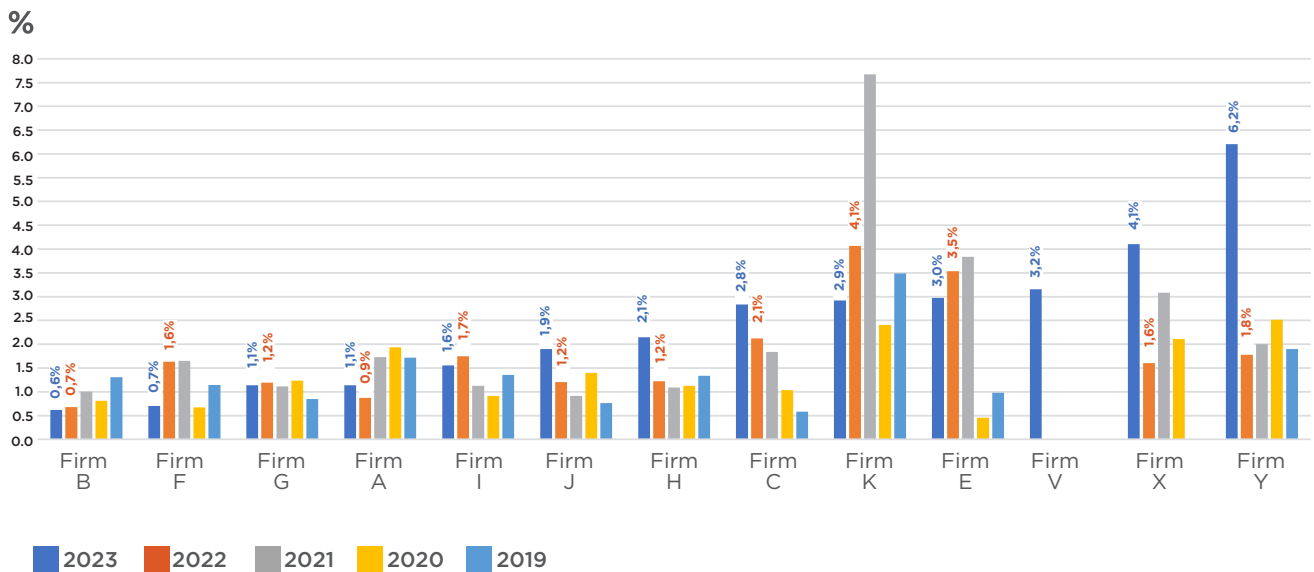
Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 6. REVIEW: EQ REVIEW TEAM HOURS (%)

| Key Observations - EQ Team | 2023 | 2022 | 2021 | 2020 | 2019 |
|----------------------------|------|------|------|------|------|
| Lowest                     | 0.6% | 0.7% | 0.9% | 0.4% | 0.6% |
| Average                    | 2.4% | 1.8% | 2.2% | 1.4% | 1.4% |
| Highest                    | 6.2% | 4.1% | 7.7% | 2.5% | 3.5% |

## 6. REVIEW: EQ REVIEW TEAM HOURS



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

Firm V: Excluded from 2022, 2021, 2020 and 2019, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 7. REVIEW: FIRM REVIEW PROCESSES

### Description / Purpose

A description of and conclusions on engagement-related reviews performed by the firm (by personnel outside the engagement team), including the nature of reviews, how many partners were covered and the frequency of reviews. There are no significant changes from the previous year and readers are encouraged to review past editions of this report, should further detailed information be required.

### How to interpret the AQI

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

### Key Observations

(New observations from the current year submissions are highlighted in red.)

#### COMMON FEATURE OF THE MAJORITY OF FIRMS' INTERNAL MONITORING SYSTEMS

Firms noted revenue as an example of the scope of the review.

#### REVIEW RESULTS AND IMPLICATIONS

- Several firms provided information on communication with staff and this included emails, training and additional guidance. Findings from the reviews are shared with other professional staff, to prompt a proactive response and promote consistent quality across the firm.
- Themes from recurring findings form the basis of future training programmes and potential review scoping areas.

#### IN-FLIGHT REVIEWS

One firm implemented manager peer reviews, where managers review each other based on checklists that incorporate the results and findings of internal and external inspections.

### Key Observations from the most recent declarations featured in previous surveys

#### COMMON FEATURES OF THE MAJORITY OF FIRMS' INTERNAL MONITORING SYSTEMS

- Evidence of the application of International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; and ISA 220, *Quality Management for an Audit of Financial Statements*.
- On the **selection of partners** to be reviewed:
  - \* A review of engagement partners takes place cyclically. Many firms adopted a three-year cycle.
  - \* There is potential for a partner to be reviewed multiple times within a given cycle, based on risk factors.
  - \* Firms with only a few partners, in some cases, review all the engagement partners every year.
  - \* Several firms described how they select partners to review for a specific year and this included:
    - New partners (whether promoted or newly employed).
    - Partners with high-risk clients, such as large, complex, multi-locational, initial, joint and/or regulated industries engagements.
    - Partners with unsatisfactory internal or external review results, including the IRBA inspection results.

- \* Several firms mentioned that the selection of partners to be reviewed and the performance of the reviews are conducted by an independent party (independent of the office, partner and engagement). Reviewers may include members from the global team.
- Firms provided the following examples of the **scope** of the review (but not all of the listed areas are included in each firm's reviews):
  - \* Acceptance and continuance considerations.
  - \* Independence and ethical considerations.
  - \* Planning and completion considerations (all or parts thereof).
  - \* Risk assessment procedures.
  - \* Communication with management and those charged with governance.
  - \* Audit/assurance evidence obtained for all material amounts, high-risk or significant-risk areas.
  - \* Consultations, if any.
  - \* Corrected and uncorrected misstatements.
  - \* Overall conclusions.
  - \* Matters that led to reportable irregularities.
  - \* Audit report, especially where opinions were qualified or modified.
  - \* Annual financial statements.
  - \* Full engagement review for a partner's first review.
  - \* Re-reviews (prior-year unsatisfactory results) may be the full scope of the engagement or focus area.
- Most firms provided information on plans to address significant or common findings through firm-level improvement plans and remediation actions.

#### **LESS COMMON FEATURES OF FIRMS' INTERNAL MONITORING SYSTEMS**

- Some firms include an element of surprise (random selection) in selecting file reviews. For example, one firm selects partners to be reviewed based on the above-noted factors. Also, it performs a few random reviews every year, without any prior notification to the selected partner.
- One firm reviews all partners on listed engagements every year.
- Another has appointed an independent external consultant to perform the reviews.
- One firm mentioned that it performs a root cause analysis (RCA) of findings, and positive elements are also included in this analysis. Positive elements are then communicated to audit teams and may also be built into the quality management system.
- During the RCA of monitoring findings, one firm implemented a quantitative analysis to enhance the remediation process. Data points analysed included partner involvement, EQ involvement, quantitative metrics about the partner portfolios, retention information and leverage (including partner-to-manager and professional staff ratios). This process was then extended to review wider metrics across the firm. The results of this firm-level assessment of the causal factors are used along with the outcomes of the RCA to develop firm-level action plans, based on a consideration of the firm's quality priorities and how these apply geographically.
- One firm indicated that the data compiled for audits, both with and without deficiencies, is compared to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours recorded on the audit; whether key engagement team members are in the same geographical area as the client; the number of years that key engagement team members have been on the engagement; how many other audits the engagement partners are involved in; whether the engagement was subject to a pre-issuance review; and the timing of when the audit work was performed.

#### **REVIEW RESULTS AND IMPLICATIONS**

- All firms have a rating process, generally from 1 to 3 (with some variations). A rating of 1 would be for satisfactory results, 2 for some low-risk findings and 3 for unsatisfactory results. Most perform re-reviews of partners, if reviews showed unsatisfactory results within a year.
- Where a firm is part of a global network, the global policies and procedures are used and adapted for the South African firm. Monitoring of the process occurs at a global level. The reporting on results is at the local, regional and global levels.
- To decide on results, some firms use panels, quality management teams or moderators that are independent member firms.
- Several firms mentioned that they consider unsatisfactory results in their remuneration and promotion decisions.





## IN-FLIGHT REVIEWS

Firms were asked about whether their systems of quality management included an element of in-flight review, in addition to the engagement quality review required by ISQM 1. Some key features of included that:

- Reviews are only conducted once a specific section is considered complete by the engagement team;
- Such reviews prioritise a quality and coaching approach, as opposed to a punitive approach; for example, ratings or overall outcomes may not be awarded;
- Files are selected for review on a risk basis, as determined by the quality control team;
- The engagement partner is ultimately responsible for ensuring that the review findings are addressed; and
- Significant findings may be escalated, if the reviewer feels that these are not appropriately addressed.

One firm's policy included having the reviewer within the engagement team. Another, though, specifically excluded the reviewer from the engagement team.

# AQI OBSERVATIONS (continued)

## 8. REVIEW: INTERNAL REVIEW RESULTS (%)

### Description / Purpose

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

### How to interpret the AQI

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

Results have been depicted as a percentage of review results. For example, 35% of a firm's engagement

partners received a satisfactory review rating of 1; 45% had a low-risk finding review rating of 2; and 20% got an unsatisfactory review rating of 3.

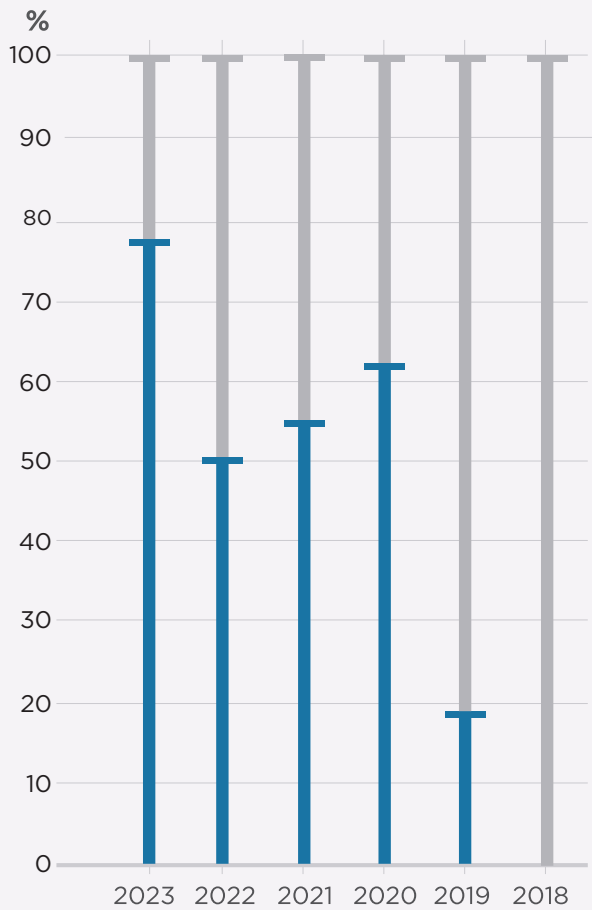
The internal review process is an important risk identification tool. A high percentage of unsatisfactory ratings may indicate a robust internal monitoring process or a lack of audit quality on the engagements reviewed. On the other hand, a low percentage of unsatisfactory ratings may indicate a weak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

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

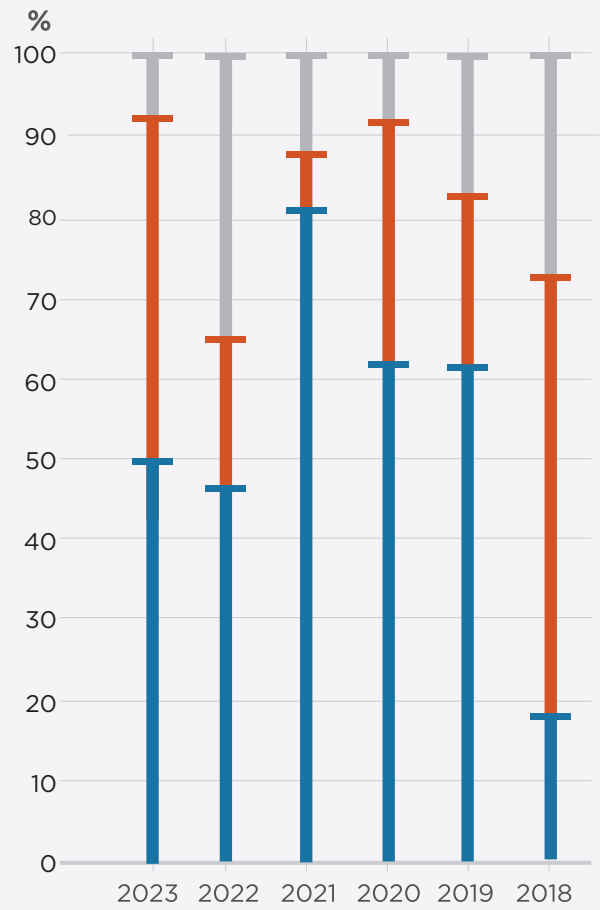
Firm X was excluded from the current report because it had not finalised any monitoring reviews by the date of submission.

| Key Observations                                   | 2023                   | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------------------|------|------|------|------|------|
| Highest percentage rating 1 – satisfactory         | 87%                    | 95%  | 93%  | 83%  | 90%  | 93%  |
| Highest percentage of rating 2 - low risk findings | 67%                    | 100% | 69%  | 33%  | 56%  | 100% |
| Highest percentage of rating 3 – unsatisfactory    | 79%                    | 100% | 100% | 100% | 82%  | 100% |
| Highest increase in satisfactory results           | <b>Firm Y</b><br>33.3% |      |      |      |      |      |
| Highest increase in unsatisfactory results         | <b>Firm E</b><br>63.6% |      |      |      |      |      |

**REVIEW:**  
Internal Review Results  
Firm A

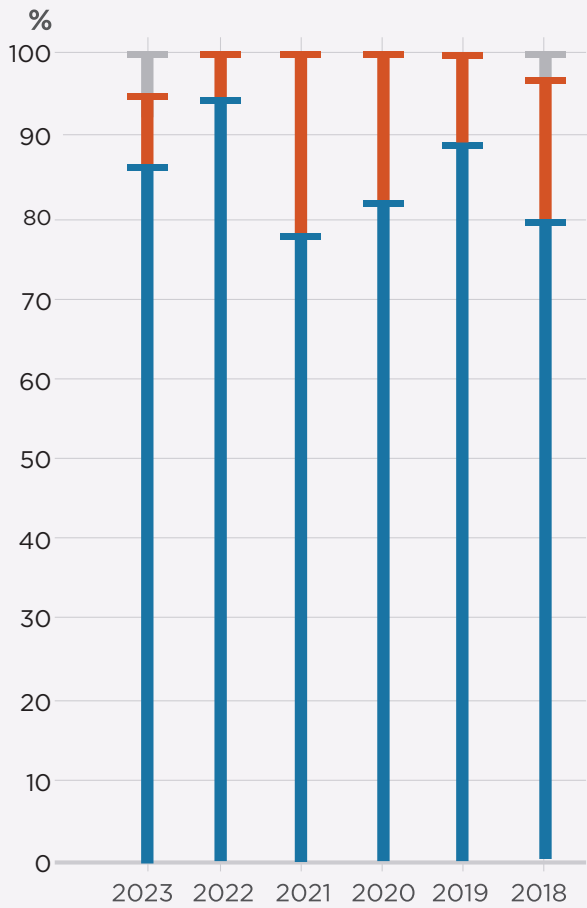


**REVIEW:**  
Internal Review Results  
Firm B

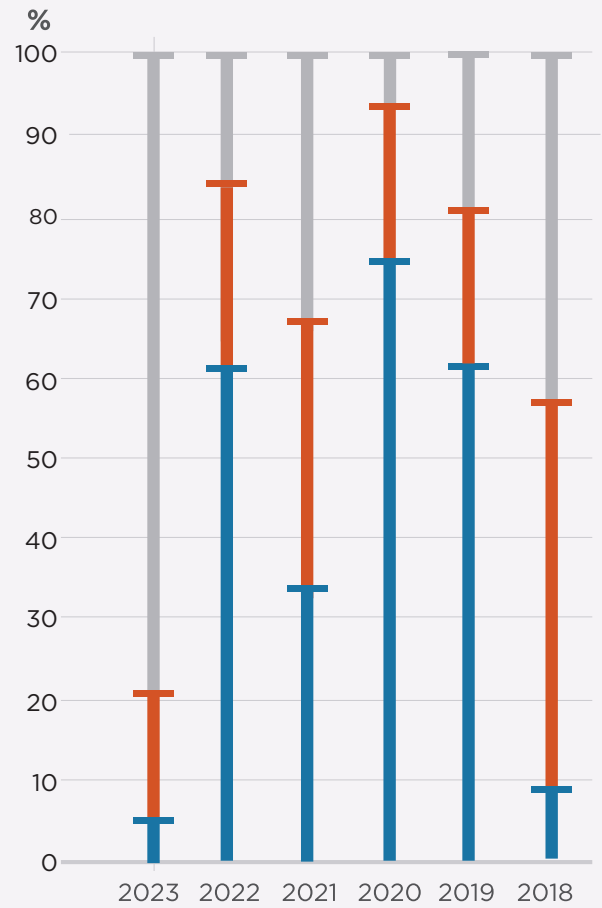


■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

**REVIEW:**  
Internal Review Results  
Firm C

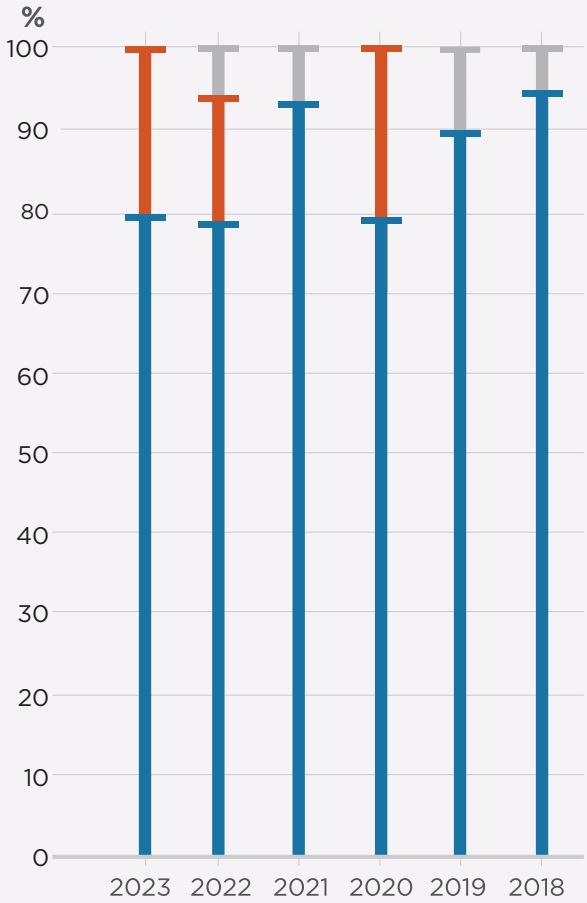


**REVIEW:**  
Internal Review Results  
Firm E

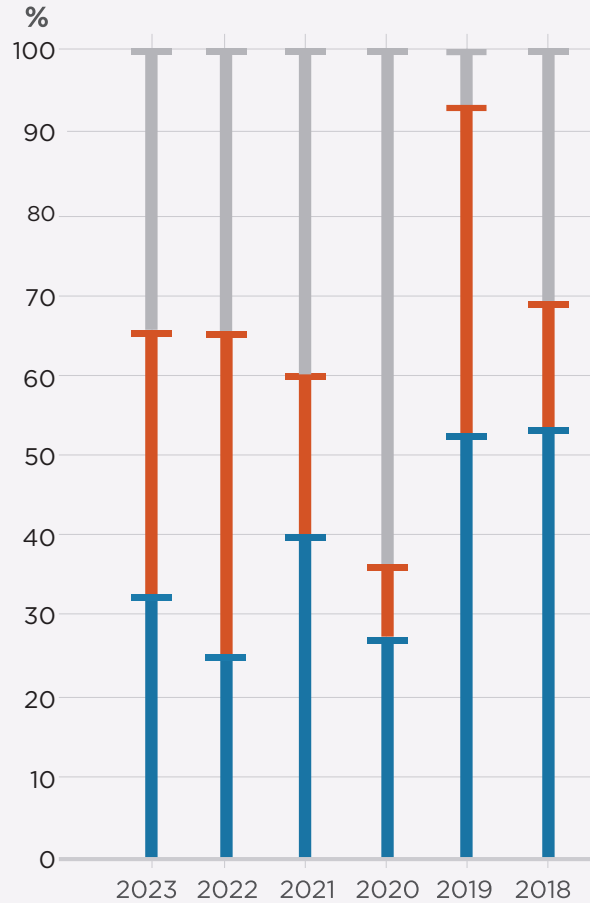


■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

**REVIEW:**  
**Internal Review Results**  
**Firm F**

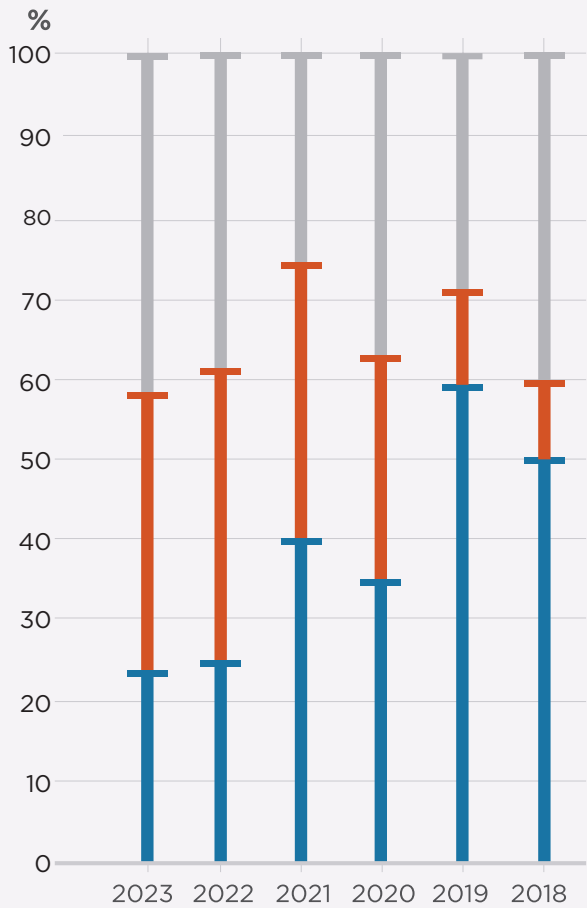


**REVIEW:**  
**Internal Review Results**  
**Firm G**

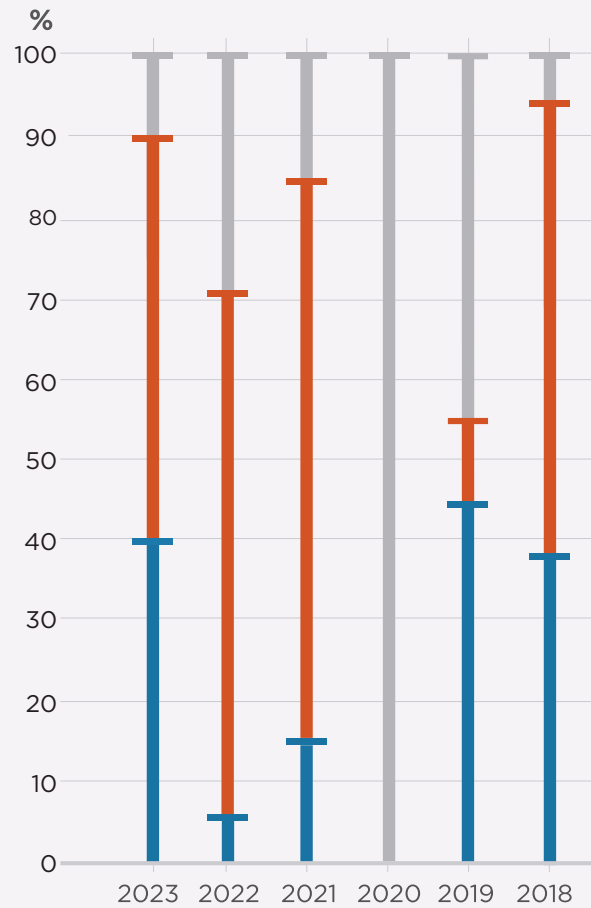


■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

**REVIEW:**  
Internal Review Results  
Firm H



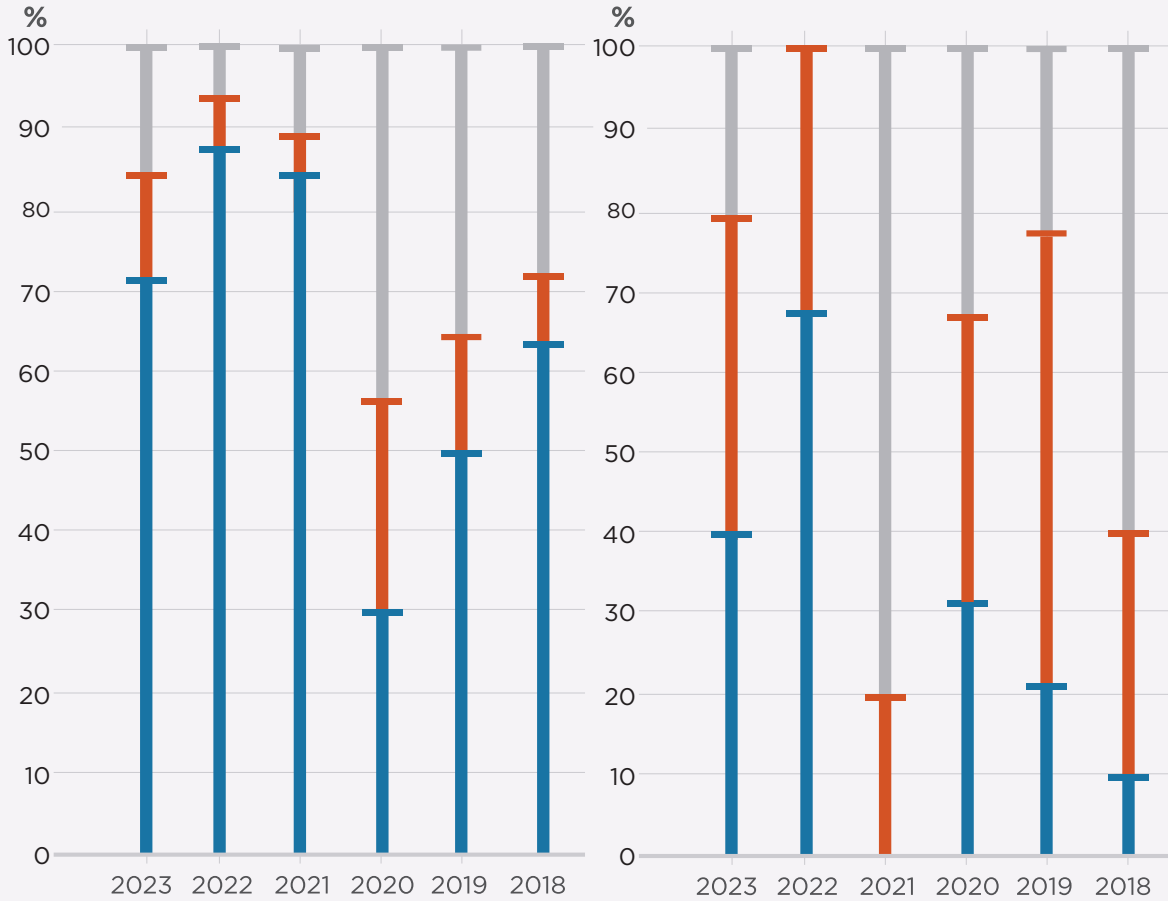
**REVIEW:**  
Internal Review Results  
Firm I



■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

**REVIEW:**  
Internal Review Results  
Firm J

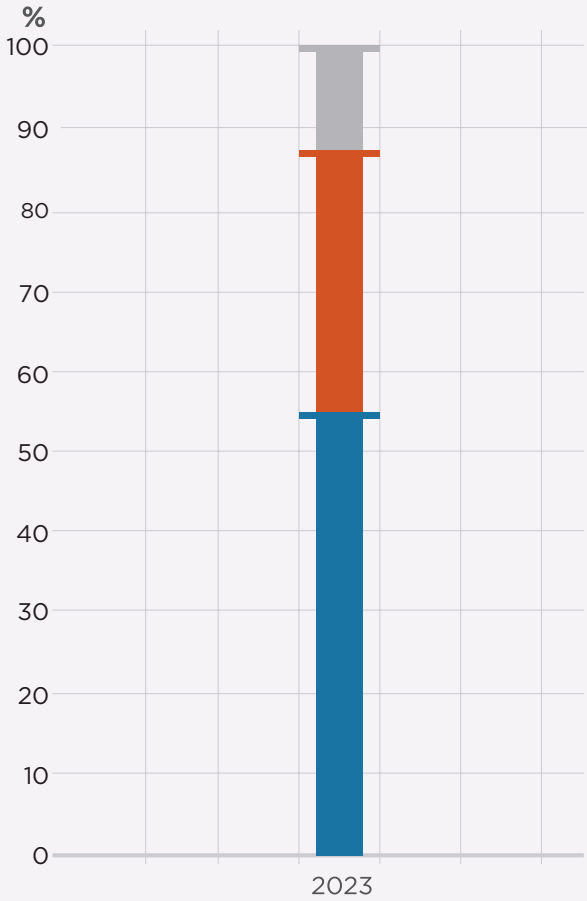
**REVIEW:**  
Internal Review Results  
Firm K



■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

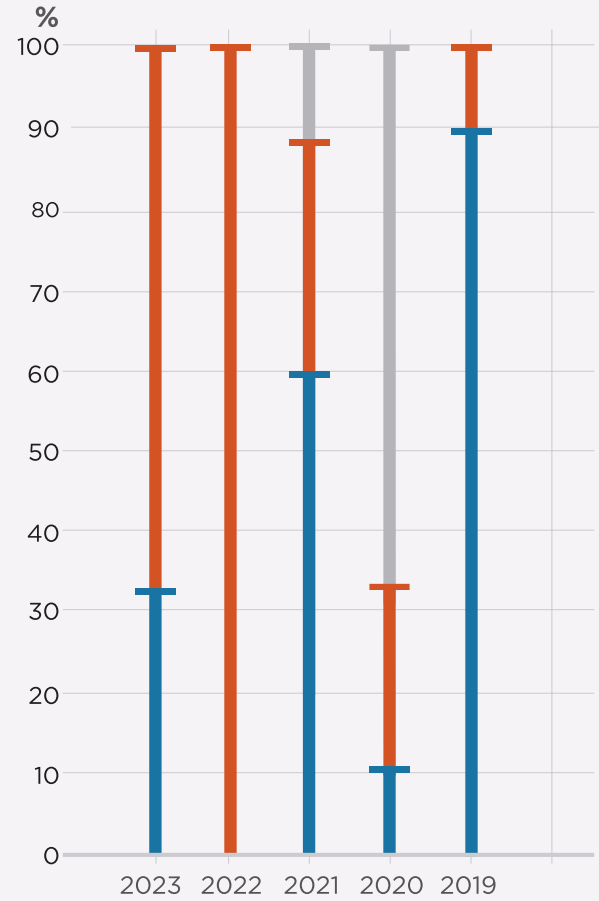


**REVIEW:**  
Internal Review Results  
Firm V



**Firm V:**  
Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

**REVIEW:**  
Internal Review Results  
Firm Y



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

■ SATISFACTORY    ■ LOW RISK FINDINGS    ■ UNSATISFACTORY

# AQI OBSERVATIONS (continued)

## 9. REVIEW: PARTNER COVERAGE (%)

### Description / Purpose

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

### How to interpret the AQI

The higher the percentage, the greater the proportion of engagement partners subjected to a firm's internal quality reviews during the period. Therefore, the firm is making a larger investment in monitoring and the likelihood of detecting shortcomings in audit quality may be higher. This, though, does not indicate the quality of the audit engagements (consider the "internal review results" AQI) or the effectiveness of the internal review.

### IRBA Code considerations

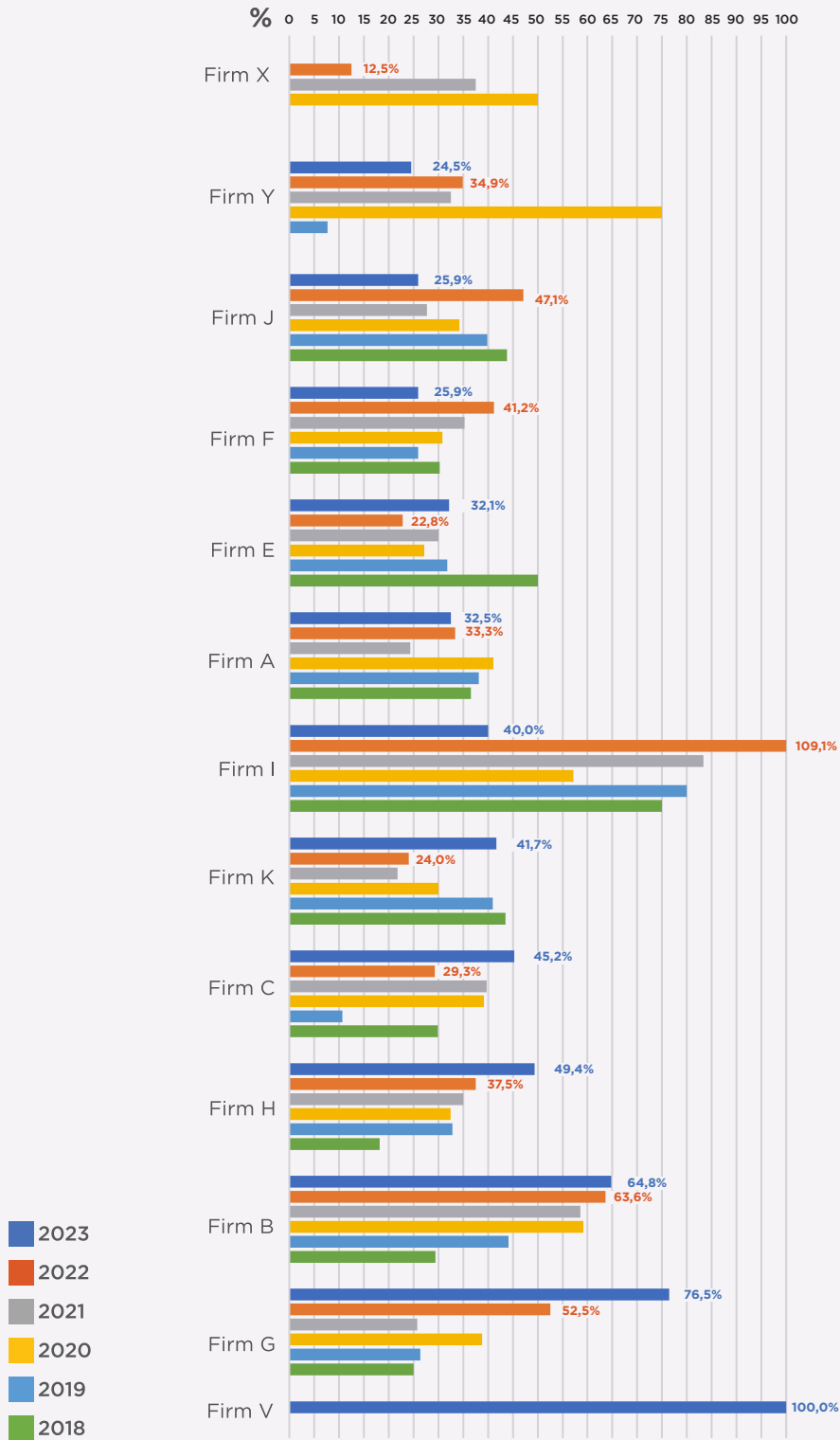
400.4: ISQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the

fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence. Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements, to which the firm and the firm's engagements are subject. ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organisation. Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference. A firm assigns operational responsibility for compliance with independence requirements to an individual(s) in accordance with ISQM 1. In addition, an individual registered auditor remains responsible for compliance with any provisions that apply to that registered auditor's activities, interests or relationships.

| Key Observations | 2023 | 2022              | 2021 | 2020 | 2019 | 2018 |
|------------------|------|-------------------|------|------|------|------|
| Lowest           | 0%   | 13%               | 22%  | 27%  | 8%   | 18%  |
| Average          | 43%  | 41%               | 38%  | 44%  | 40%  | 41%  |
| Highest          | 100% | 109% <sup>5</sup> | 83%  | 75%  | 100% | 75%  |

<sup>5</sup> Percentages above 100% are possible where a single partner was reviewed more than once during the calendar year.

## 9. REVIEW: PARTNER COVERAGE



Firm X: Excluded from 2019 and 2018, due to not meeting the minimum PIE threshold; and was nil in 2023.

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 10. WORKLOAD: ENGAGEMENT PARTNER ROLE (%)

### Description / Purpose

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

### How to interpret the AQI

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

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

### IRBA Code considerations

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

110.1 A1: Professional Competence and Due Care – to:

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

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

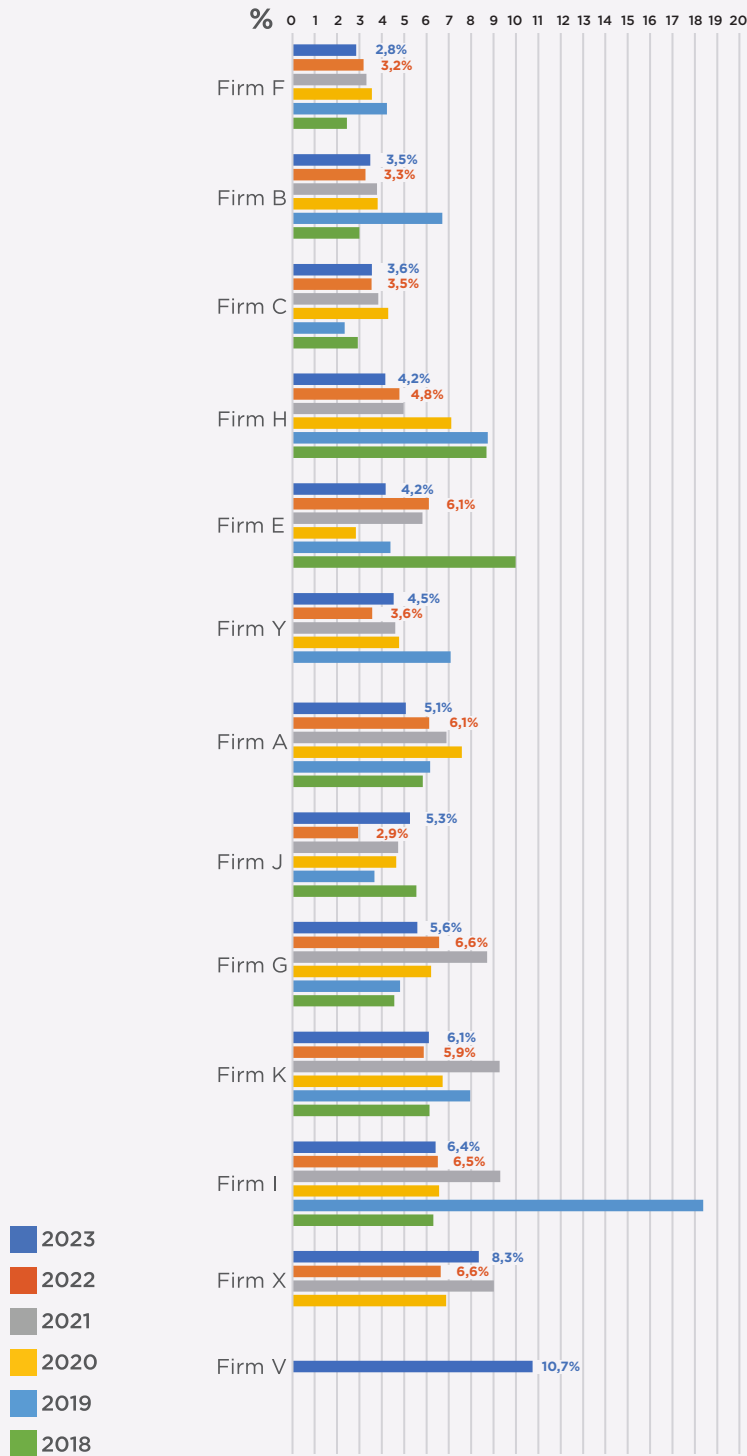
- Assigning sufficient engagement personnel with the necessary competencies.
- Agreeing on a realistic timeframe for the performance of the engagement.

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

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

| Key Observations | 2023  | 2022 | 2021 | 2020 | 2019  | 2018  |
|------------------|-------|------|------|------|-------|-------|
| Lowest           | 2.8%  | 2.9% | 3.3% | 2.7% | 2.3%  | 2.4%  |
| Average          | 5.4%  | 4.9% | 6.2% | 5.2% | 6.5%  | 5.4%  |
| Highest          | 10.7% | 6.6% | 9.3% | 7.6% | 18.4% | 10.0% |

## 10. WORKLOAD: ENGAGEMENT PARTNER ROLE



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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 11. WORKLOAD: MANAGEMENT SUPERVISION (%)

### Description / Purpose

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

### How to interpret the AQI

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

### IRBA Code considerations

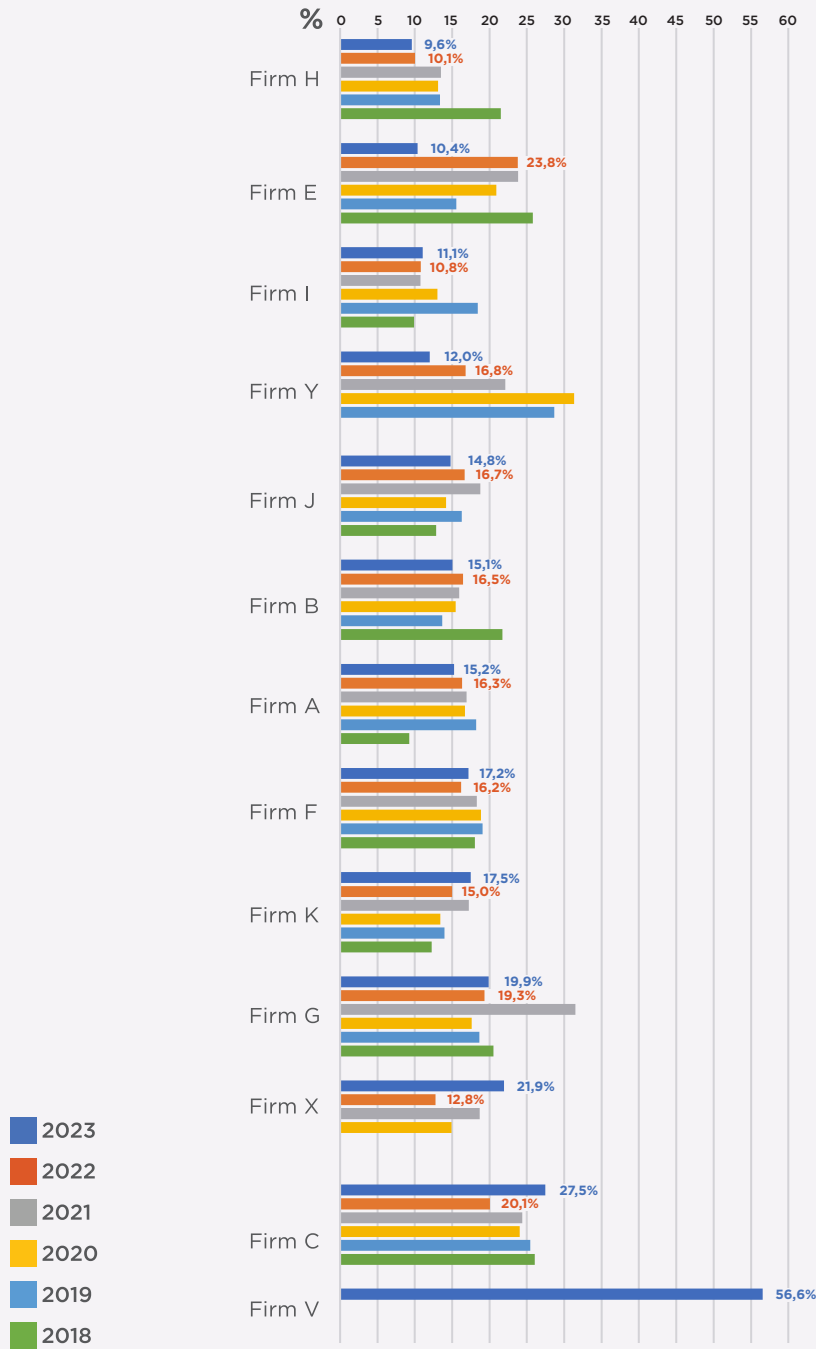
“Professional Competence and Due Care” is one of the Fundamental Principles in the IRBA Code.

110.1 A1: Professional Competence and Due Care – to:

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

| Key Observations | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  |
|------------------|-------|-------|-------|-------|-------|-------|
| Lowest           | 9.6%  | 10.1% | 10.8% | 13.0% | 13.4% | 9.2%  |
| Average          | 19.1% | 16.6% | 19.3% | 18.1% | 18.0% | 17.3% |
| Highest          | 56.6% | 23.8% | 31.5% | 31.3% | 28.7% | 26.1% |

## 11. WORKLOAD: MANAGER SUPERVISION



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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.



# AQI OBSERVATIONS (continued)

## 12. SPAN OF CONTROL: PROFESSIONAL STAFF (RATIO)

### Description / Purpose

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

### How to interpret the AQI

Higher ratios may indicate that a partner has more responsibilities. That may also suggest possible related time pressure, as more people need to be managed, which may distract the partner from giving appropriate attention to a particular audit engagement. Higher ratios may also point to either relatively few partners or a firm that is better resourced with professional staff to support partners. In addition, higher ratios may imply that the partners manage their professional staff better, or their professional staff are more skilled and require less supervision.

### IRBA Code considerations

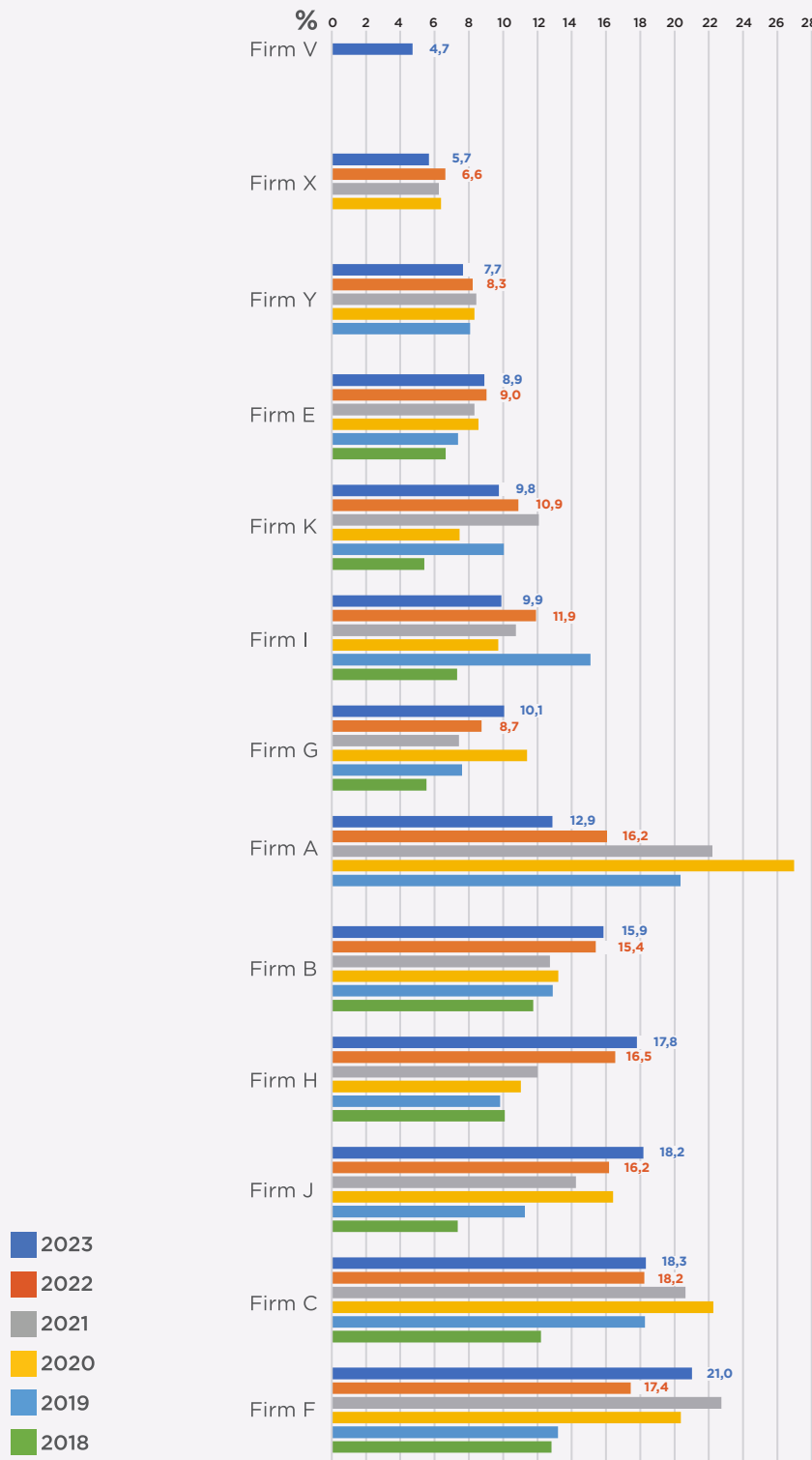
“Professional Competence and Due Care” is one of the Fundamental Principles in the IRBA Code.

110.1 A1: Professional Competence and Due Care – to:

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

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 5    | 6    | 6    | 6    | 7    | 5    |
| Average          | 12   | 12   | 13   | 13   | 13   | 9    |
| Highest          | 21   | 18   | 23   | 27   | 20   | 15   |

## 12. RESOURCES: SPAN OF CONTROL - PROFESSIONAL STAFF



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

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

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

# AQI OBSERVATIONS (continued)

## 13. TECHNICAL RESOURCES: PARTNER (RATIO)

### Description / Purpose

Engagement partner to technical partner ratio.

### How to interpret the AQI

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

### IRBA Code considerations

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

110.1 A1: Professional Competence and Due Care – to:

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

The IRBA Code highlights the importance of technical support by including in the definition of Audit Team:

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

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

120.5 A5: Professional judgement is required when the registered auditor applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the registered auditor might consider matters such as whether:

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

In paragraph 300.6 A1 of the IRBA Code, under the discussion on threats to compliance with the fundamental principles, the following is mentioned as an example of a fact and circumstance that might create an intimidation threat:

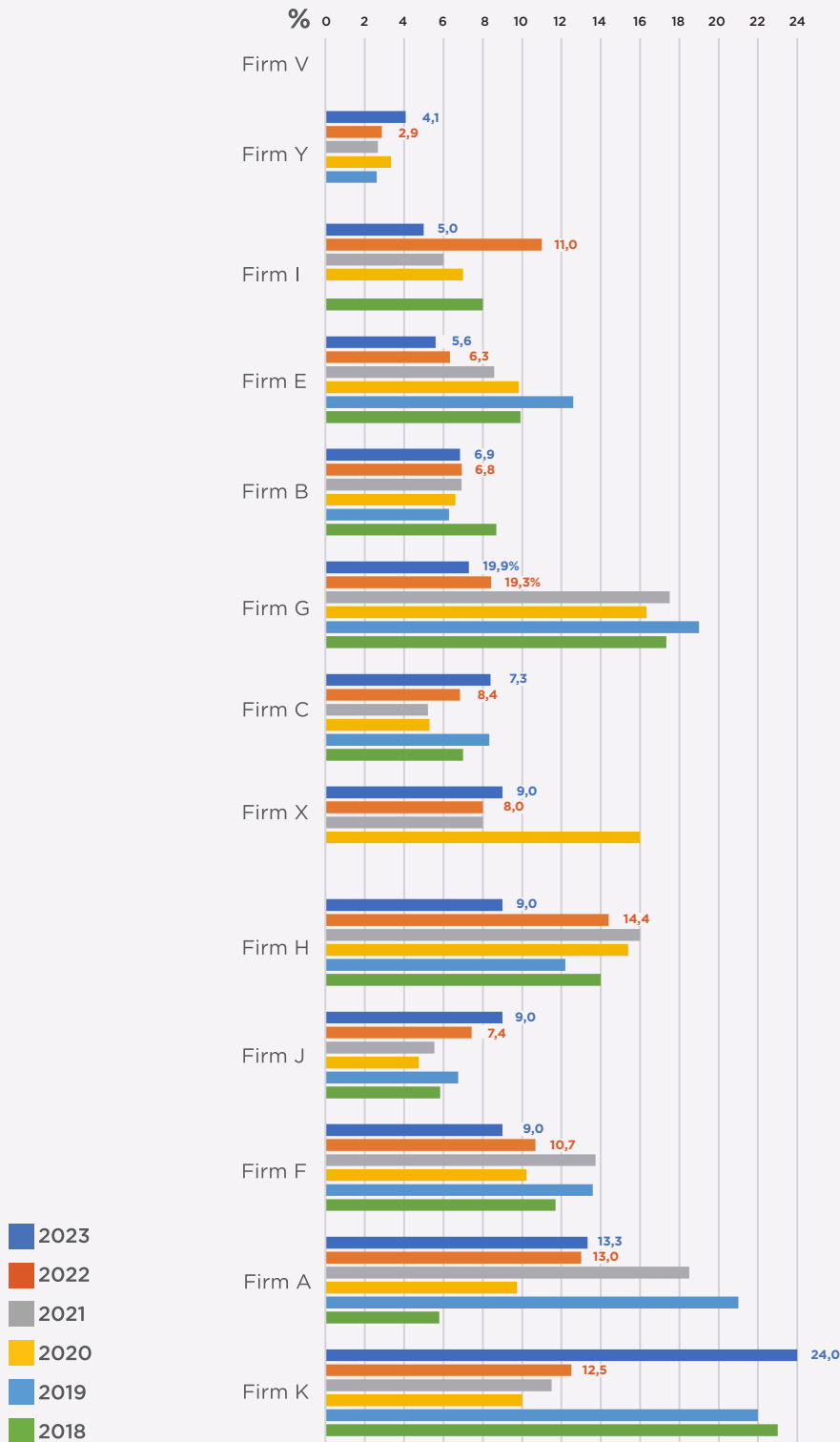
- A registered auditor feeling pressured to agree with the judgement of a client because the client has more expertise on the matter in question.

Additionally, paragraph 400.53 A8 elaborates on “professional resources” under the Network Firm discussion, and includes the following:

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

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 0    | 3    | 3    | 3    | 3    | 5    |
| Average          | 9    | 9    | 10   | 9    | 12   | 11   |
| Highest          | 24   | 14   | 19   | 16   | 22   | 23   |

### 13. RESOURCES: TECHNICAL RESOURCES - PARTNER



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

Firm V: No technical partners in 2023; and excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

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

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

# AQI OBSERVATIONS (continued)

## 14. TRAINING (HOURS PER PERSON)

### Description / Purpose

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

### How to interpret the AQI

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

### IRBA Code considerations

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

### EXERCISE OF PROFESSIONAL JUDGEMENT

120.5 A4 Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved.

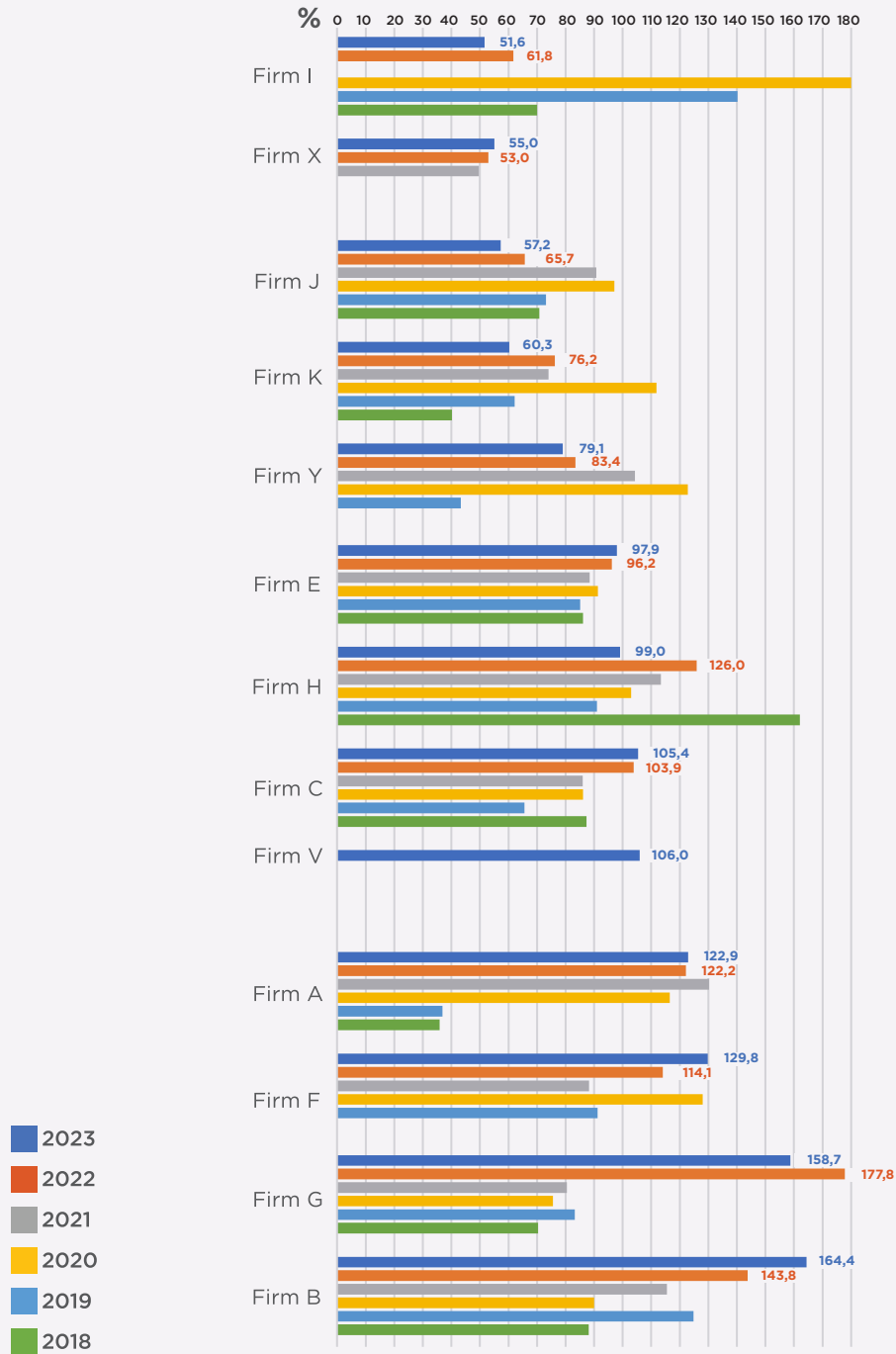
When discussing the firm and its operating environment, paragraph 300.7 A5 of the IRBA Code considers the following as an example of a factor the registered auditor will consider when evaluating a threat to the fundamental principle:

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

- Educational, training and experience requirements.

| Key Observations | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|------|------|------|------|------|------|
| Lowest           | 52   | 53   | 50   | 76   | 37   | 36   |
| Average          | 99   | 105  | 91   | 115  | 81   | 78   |
| Highest          | 164  | 178  | 130  | 266  | 140  | 162  |

## 14. RESOURCES: TRAINING



Note: The maximum has been limited to 180, to allow for effective comparison. Firm I represents the highest number with 266 in 2020.

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

Firm V: Excluded from 2022, 2021, 2020, 2019 and 2018, due to not meeting the minimum PIE threshold.

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

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

# AQI OBSERVATIONS (continued)

## 15. STAFF TURNOVER (%)

### Description / Purpose

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

### How to interpret the AQI

The level of staff turnover is an indication of the consistency of the firm’s engagement teams. Consistent teams may help with sustainability, or the improvement of audit quality and maintenance of professional knowledge within the firm. Firms may want to maintain a balance between retaining staff and adding new members to promote new ideas and ultimately improve and maintain high audit quality.

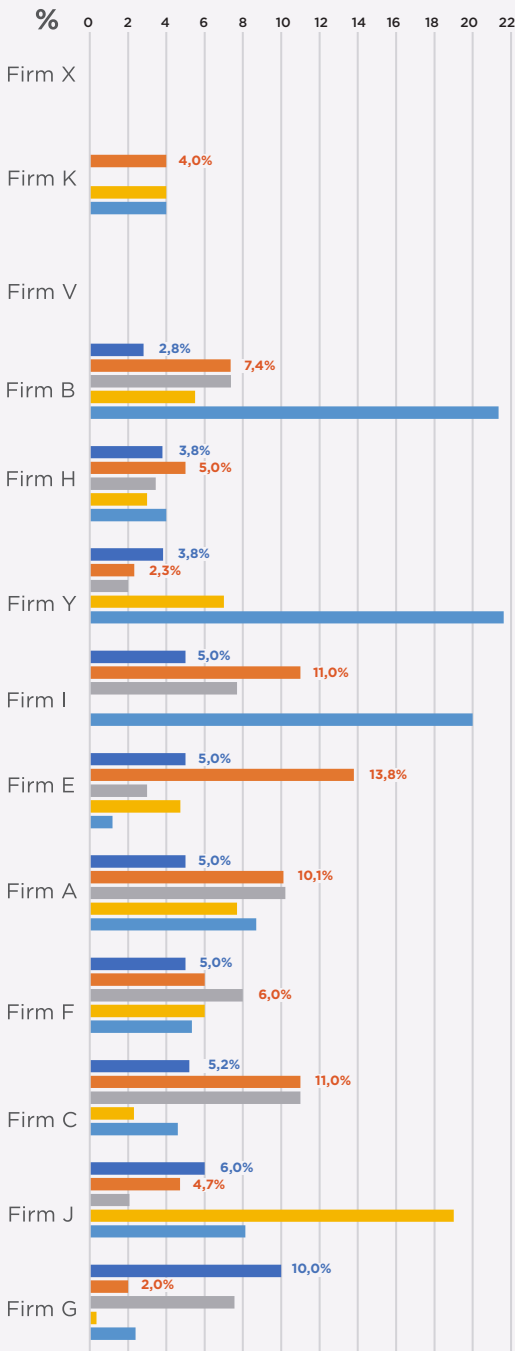
Firms that experienced close to zero turnover have been shown separately in the graphs below, to avoid distortions that may be caused when interpreting the results. Firm F’s work structure does not include supervisors; therefore, it has been omitted for this category of staff turnover.

| Key Observations           | 2023  | 2022  | 2021  | 2020  | 2019  |
|----------------------------|-------|-------|-------|-------|-------|
| Highest - Audit Partner    | 10.0% | 13.8% | 11.0% | 19.0% | 21.6% |
| Lowest - Audit Partner     | 0.0%  |       |       |       |       |
| Highest - Audit Manager    | 44.4% | 52.0% | 48.0% | 21.0% | 57.0% |
| Lowest - Audit Manager     | 0.0%  |       |       |       |       |
| Highest - Audit Supervisor | 68.3% | 81.4% | 71.0% | 31.0% | 40.6% |
| Lowest - Audit Manager     | 0.0%  |       |       |       |       |

The lowest AQIs observed will also be presented in subsequent surveys.



## 15.1 RESOURCES: STAFF TURNOVER - PARTNER



■ 2023 ■ 2022 ■ 2021  
■ 2020 ■ 2019

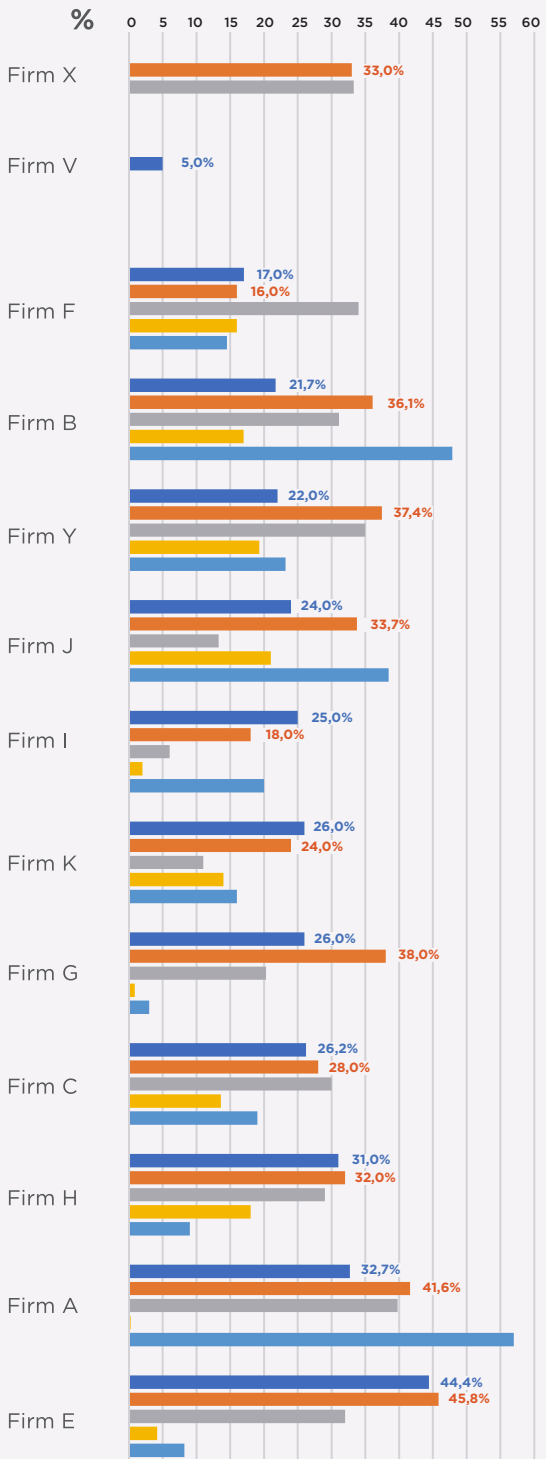
Firm I: 0% in 2020.

Firm K: 0% in 2023 and 2021.

Firm V: 0% in 2023; and excluded from 2022, 2021, 2020 and 2019, due to not meeting the minimum PIE threshold.

Firm X: 0% in 2023, 2022, 2021 and 2020. Excluded from 2019, due to not meeting the minimum PIE threshold.

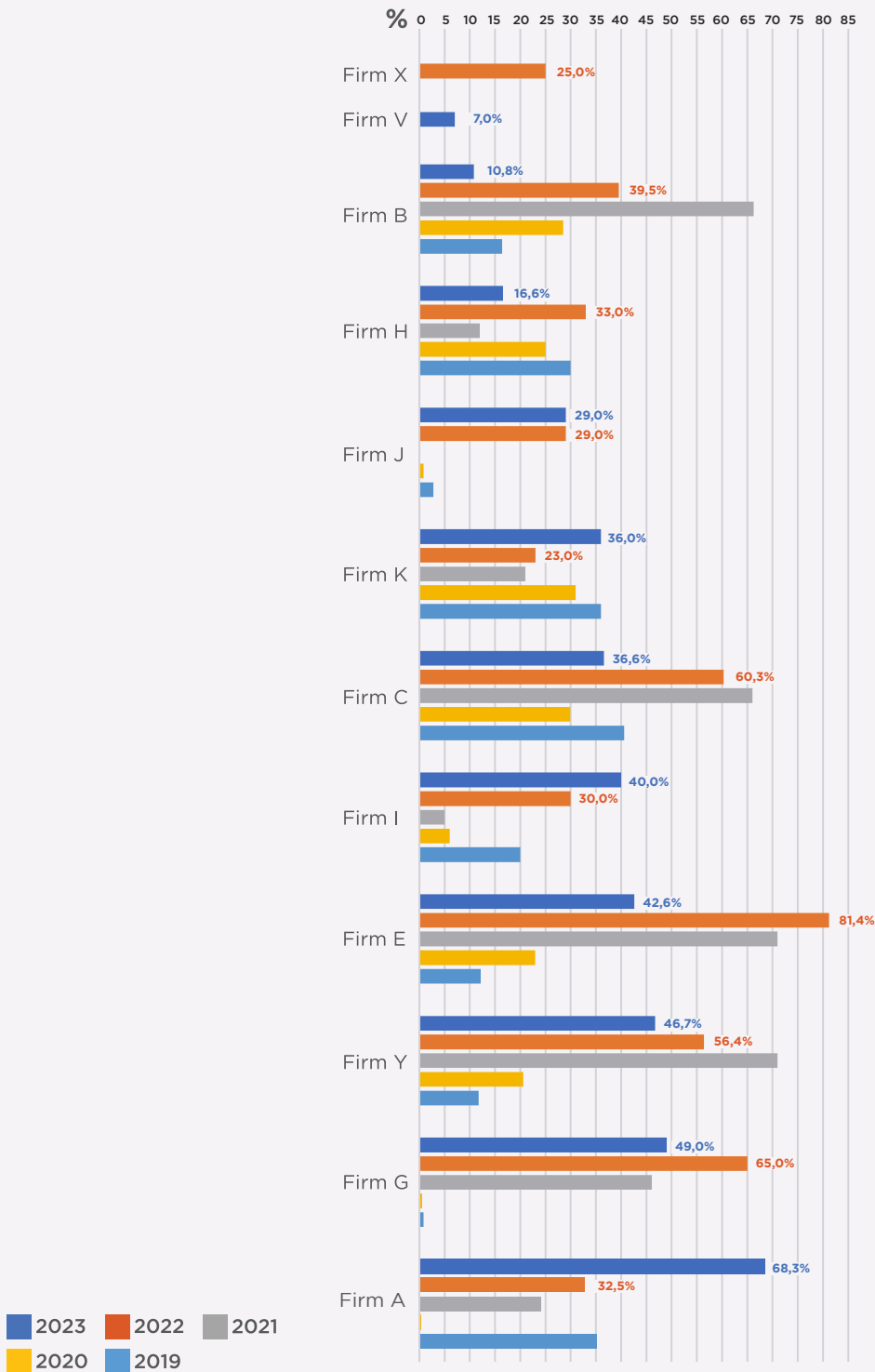
## 15.2 RESOURCES: STAFF TURNOVER - MANAGER



Firm V: Excluded from 2022, 2021, 2020 and 2019, due to not meeting the minimum PIE threshold.

Firm X: 0% in 2023 and 2020. Excluded from 2019, due to not meeting the minimum PIE threshold.

## 15.3 RESOURCES: STAFF TURNOVER - SUPERVISOR



Firm F: Does not provide information at this level, as there are no supervisors appointed.

Firm J: 0% in 2021.

Firm V: Excluded from 2022, 2021, 2020 and 2019, due to not meeting the minimum PIE threshold.

Firm X: 0% in 2023, 2021 and 2020. Excluded from 2019, due to not meeting the minimum PIE threshold.

# AQI OBSERVATIONS (continued)

## 16. TRANSFORMATION (%)

### Description / Purpose

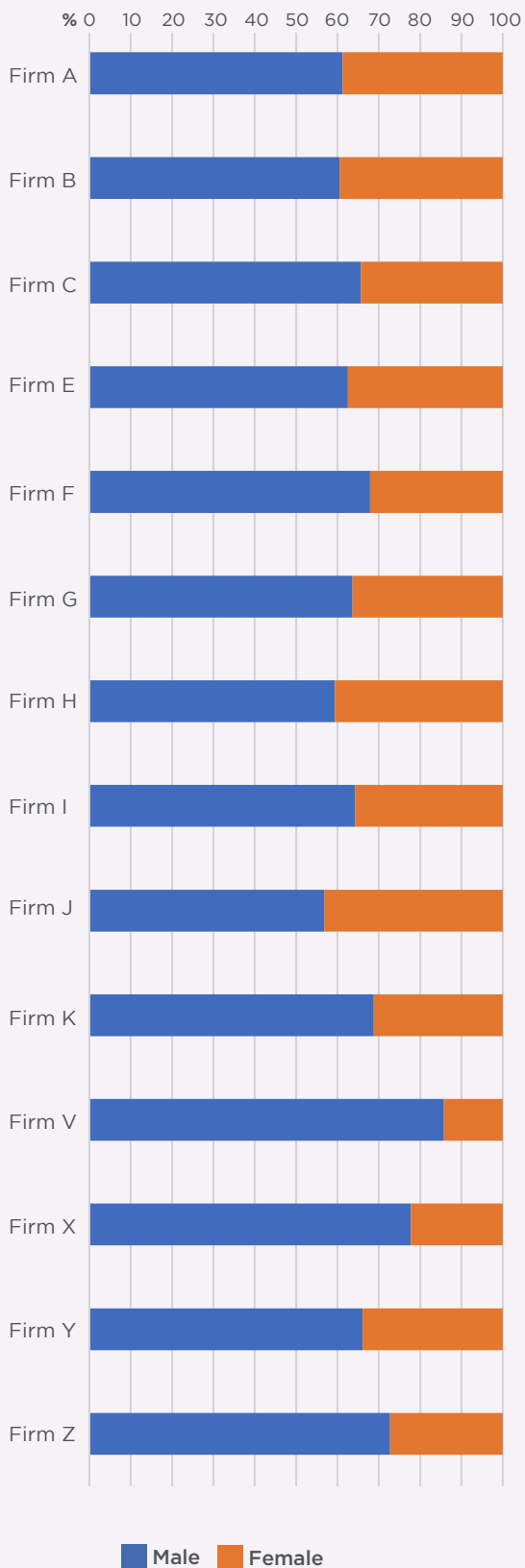
One of the IRBA's key strategic objectives is to facilitate transformation in the auditing profession. To that effect, it has implemented targeted transformation initiatives that are aimed at identifying and addressing barriers at various stages of the registered auditor (RA) pipeline. The desired outcomes of these initiatives are to increase awareness of the auditing profession among students; promote interest in the profession from students, trainees and managers; generate more awareness of the career path to become an RA among students and trainees; increase the number of registered candidate auditors (RCAs) registering on the Audit Development Programme; improve the RCAs' completion rate; boost the RCA to RA conversion rate; and improve the retention rate of RAs.

### How to interpret the AQI

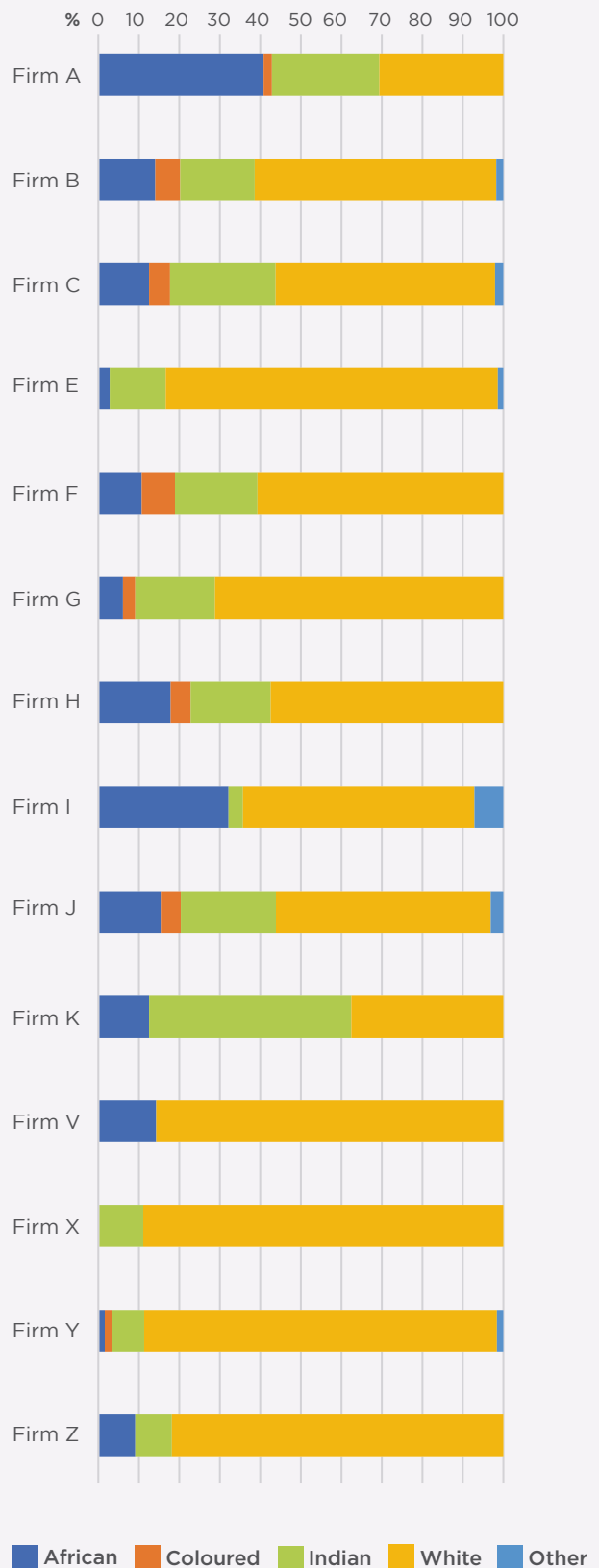
Firms had to provide detailed information on their RA and RCA staff complements, split by gender and race. The level of staff distribution between the various categories may present a view of the outcome of the several initiatives implemented by the firms. Qualitative discussions on such strategic initiatives are especially important for this AQI, as some firms could be prioritising the longer-term impact, though that may not be clear from the current view.

Furthermore, firms may use different metrics to measure their initiatives, which focus on other aspects that provide a more holistic view of transformation. For example, firms might concentrate on promoting junior staff internally; therefore, the distribution among trainees could be significantly different from that of RAs.

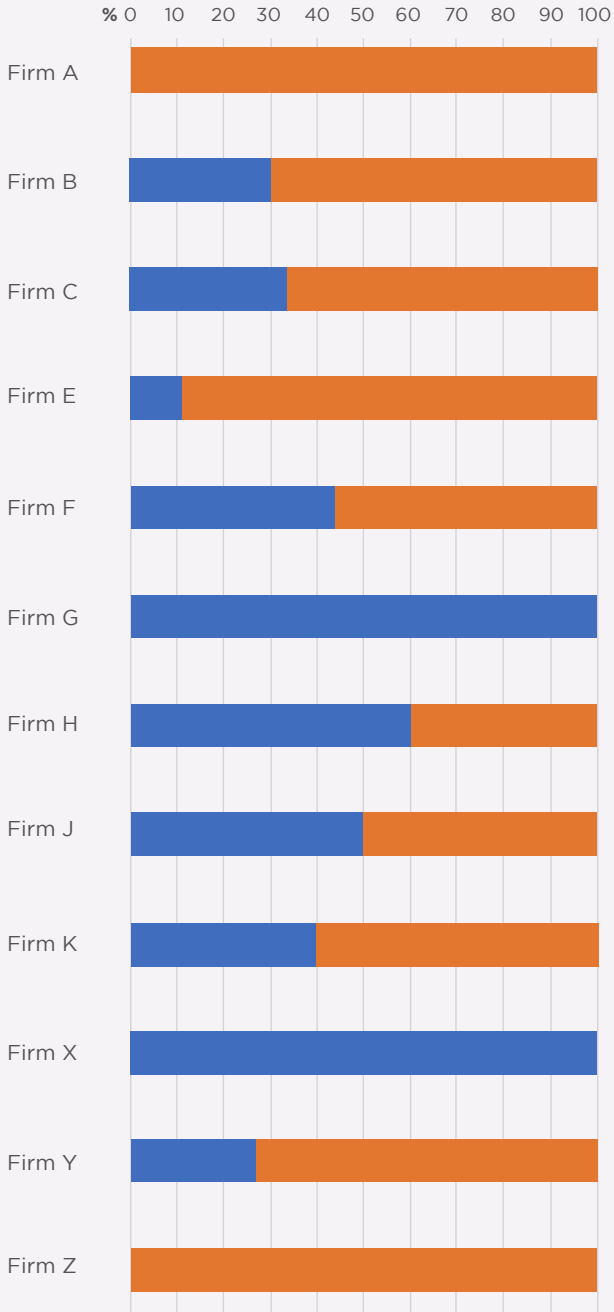
## 16.1. TRANSFORMATION: RA GENDER



## 16.2 TRANSFORMATION: RA RACE

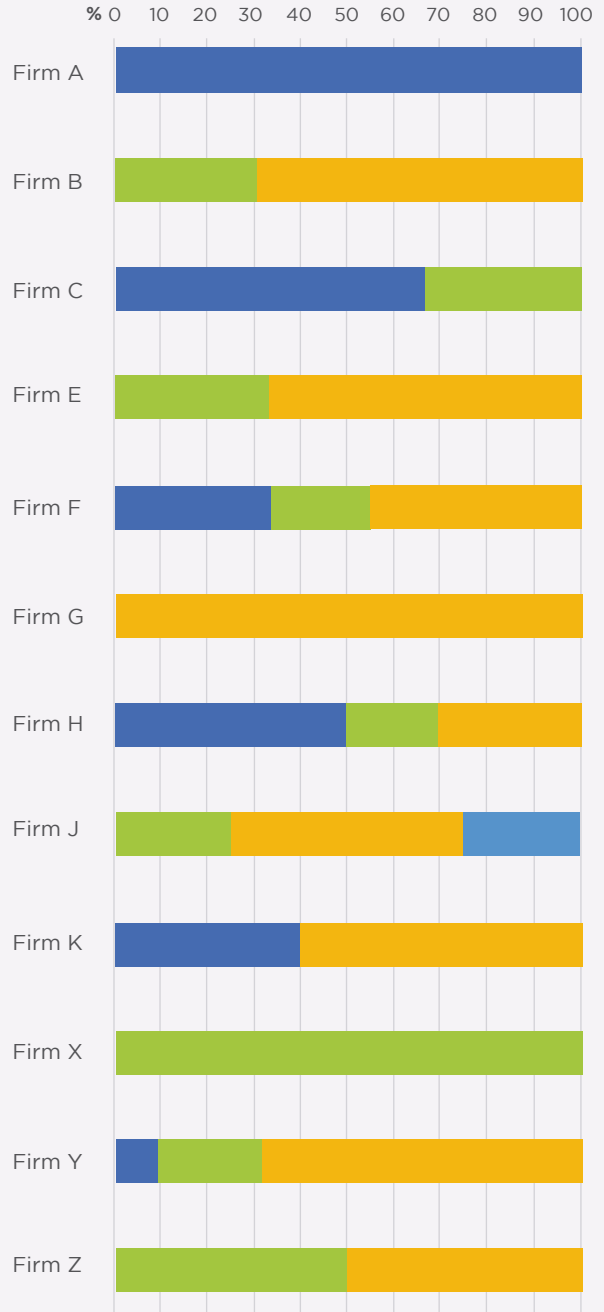


### 16.3 TRANSFORMATION: RCA GENDER



Male Female

### 16.4 TRANSFORMATION: RCA RACE



African Coloured Indian White Other

## WAY FORWARD

Once more, the IRBA will request AQI information from audit firms, for the same category of clients (public interest entities). Where there have been interpretation issues for definitions and guidelines, these will be clarified as part of an iterative data quality process.

The auditor accreditation model has been removed from the Johannesburg Stock Exchange Listing Requirements, with [effect from 4 December 2023](#). This AQIs Survey Report, though, aims to focus on those entities and audit firms that are considered to carry the highest level of public interest. Therefore, although the removal of the auditor accreditation model has materialised, the list of firms subjected to the AQI process is not expected to significantly change in the short to medium term.

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

The selected information received will be cross-checked against other sources. This may entail comparing the tenure to audit reports, as well as verifying the number of partners against the IRBA's Registry department database.

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

# APPENDIX 1

## OUR APPROACH

The Independent Regulatory Board for Auditors (IRBA) requested information that is related to Audit Quality Indicators (AQIs) for audits of Public Interest Entities (PIEs<sup>6</sup>) only, specifically from firms that are accredited<sup>7</sup> with the Johannesburg Stock Exchange (JSE) Limited. This category of firms was chosen because it has the generally larger and medium-sized firms that have more sophisticated systems in place, from which to extract the relevant information; and these firms usually audit the higher-risk clients and clients with a high public interest. Such firms are the only ones that are accredited with the JSE Limited to perform audits of listed companies.

Number of audit firms from whom information was requested: 15 (2022: 16)

Of these, the number of firms that were analysed in this report: 13<sup>8</sup> (2022: 12)

Approximate total number of PIEs (including groups or corporate structures) where audits were completed: 475 (2022: 469)

Average number of PIEs (and related entities) audited by the four biggest firms: About 71 (2022: 76)

Average number of PIEs (and related entities) audited by the other firms: About 21 (2022: 21)

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

### Data Quality and Systems Limitations

The IRBA understands that there are system maturity and data quality concerns in relation to the information submitted to us. In our consultations with the firms, some committed to improve the quality of the information requested.

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

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

### Comparatives

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

As in 2022 and earlier, data quality issues prevented the publication of some of the AQIs in previous years. As such, the current year report only includes comparative information where these were part of the previously published reports.

<sup>6</sup> Refer to Appendix 2 for the definition of public interest entities.

<sup>7</sup> The auditor accreditation model has since been removed from the JSE Listing Requirements, as of [4 December 2023](#).

<sup>8</sup> Two firms were removed from the analysis, as they had completed the audits of either only 0, 1 or 2 PIEs in the specified period.



## Definitions and Parameters

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

- Regarding client data, information for PIEs only (and related entities).
- Regarding registered auditor data, information for engagement (signing) partners only.
- Information for audit engagements only, unless otherwise stated (e.g. non-audit fees).
- Information for engagements completed (opinions signed off) during the calendar year only (1 January to 31 December 2023).

## Key Observations and Learnings

### RESULTS

The purpose of this report is to provide the results of and observations on the data submitted, which has undergone a desktop-based data cleansing exercise. The IRBA has not verified, tested or assured the data. The results and observations have been depicted in graphical formats, with some notes on statistics such as the highest or lowest measure.

Results are anonymous, as firms have not been identified.

### SURVEY DATA QUALITY

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

However, the lack of a quality check on the data submitted was evident in some of the submissions, but these were followed up and resolved with the relevant firms. In summary, the IRBA performed the following three rounds of data quality checks:

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

After each round of quality checks, certain outliers and anomalies identified were queried directly with the respective firms. Responses from the firms at each stage resulted in confirmations of data accuracy or minor corrections being made. Quality checks were carried out at various levels within the IRBA to maximise the opportunity to identify and correct errors.

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

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

- Data was provided for components of a group engagement. For audit client corporate structures that are groups, information is collected at the group level and not at the subsidiary level.
- Inconsistent data: Most firms included an element of non-signing partners (such as technical partners and CEOs) in the calculation of registered auditors, if such partners had worked on the audit engagements. A few firms only included signing partner tenures in their submissions. Alternatively, a few other firms included non-signing partner tenures where such individuals were not directly involved in the audits.
- For partner tenures, an increase of a single year from the previous submission was used as a method to test the accuracy of the submission. Some firms had made corrections to partner tenures, resulting in an increase of greater than a single year. This was not communicated or highlighted in the initial submissions and was only discovered after the first round of queries. Overall, the impact on the firms' averages were negligible and did not warrant retrospective restatements.

# APPENDIX 2

## DEFINITIONS AND PARAMETERS OF THE DATA COLLECTED

The following definitions and parameters apply:

- **Audit** – financial statement audit only (those engagements that require the application of International Standards on Auditing (ISAs)).
- **Audit manager** – anyone designated as an audit manager (or equivalent) in the firm, network or firm in a network, who was part of the engagement team.
- **Audit professional staff** – audit managers, supervisors and trainees only, including staff in technical roles related to audit quality IFRS Accounting Standards, ISAs, Risk).
- **Billed and/or invoiced (Rands)** – excludes disbursements, expenses and taxes.
- **Calendar year** – previous calendar year ending on 31 December.
- **Client** – an individual statutory entity or group for which an audit report has been issued.
- **Engagement** – audit engagements only.
- **Engagement partner** – as defined in the International Auditing and Assurance Standards Board (IAASB) Handbook. Engagement partners should be interpreted as signing partners, meaning this should also include, for example, associate directors who sign off audit reports. Information requested for engagement partners includes all such partners within the firm and is not limited to those partners who have engaged with public interest entities.
- **Engagement team** – as defined in the IAASB Handbook.
- **Engagement quality (EQ) review hours** – include all EQ review hours charged by the EQ review partner; NOT hours related to the cyclical inspection of files, in-process reviews or other forms of engagement monitoring. This also includes EQ review hours charged by an external EQ review partner (an external service provider).
- **EQ review partner** – the partner performing the engagement quality reviews; the individual, whether from the network firm, in the network or an external service provider, who is responsible for the review.
- **EQ review team** – the team performing the engagement quality reviews (including the individual, whether from the network firm, in the network or an external service provider) that is responsible for assisting the EQ review partner in performing the review.
- **Firm tenure** – calculated as per the guidance in the IRBA communique dated 4 December 2015<sup>9</sup> and Section 90 of the Companies Act.
- **Hours charged** – this includes hours recorded on the firm’s time-keeping system, and these may be more or less than the hours billed.
- **Industry** – a particular form or branch of economic or commercial activity. A predefined list of industries has been provided on the accompanying spreadsheet. Where a group operates within multiple industries, a single industry should be selected, based on the size and significance of the operations within that industry and in relation to the group’s activities as a whole.
- **In-flight reviews** – reviews completed during the performance of an audit engagement. These types of reviews are not to be confused with the engagement quality control reviews. They are similar in nature to the post-issuance monitoring reviews, but are performed during the audit engagement, before the audit opinion is signed.
- **Internally charged (fees)** – refers to the fees based on the actual time spent by the firm on the specific engagement; the amount that best represents the actual cost of an audit. The amount may differ from the amount invoiced/billed to the client. For example, some firms may charge time to a “work-in-progress” billing schedule, which would provide a view of the actual time and cost spent.
- **Job description of the registered auditor** – high level title, e.g. engagement partner, technical partner, risk advisory partner, etc.
- **Monthly average of the audit professional staff for the calendar year** – an average should be calculated for the calendar year, taking into consideration the month-end staff during the year.
- **Nature of the engagement** – this should always

<sup>9</sup> The tenure guidance can be downloaded from the [IRBA website](#).

be for the year-end audit of the financial statements, but it may include an explanation that it is a joint audit or a subcontracted part of the audit. Also, indicate who the other party is in the engagement.

- **Non-audit fees** – relate to fees of engagements other than those that relate to ISA engagements.
- **Partner** – the common term meaning in the auditing profession, and this includes the individuals who, legally, are directors of firms that are incorporated companies. It is also applicable to partners in leadership and in technical roles in audit practice, and partners included in the engagement team (as defined in the IAASB Handbook).
- **Partner hours** – include partner hours from the network and the firms in the network.
- **Public interest entities** – as defined in the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023).
- **Reviews** – formal internal firm reviews, as defined in the firm’s policies, per paragraph 35 of International Standard on Quality Management (ISQM) 1.
- **Staff turnover** – a percentage measure that should be based on the formal grade of the staff. Where staff fall between grades, e.g. assistant manager, these individuals should be grouped into the lower grade, for reporting purposes. This excludes promoted staff, as they are still considered to be part of the firm and resources that are available to perform audits. Training contracts that have been completed should be excluded as well.
- **Statutory non-audit fees** – relate to fees of engagements other than those that relate to ISA engagements, but are limited to those required

by law and/or regulation.

- **Technical partner** – partners designated as firm IFRS Accounting Standards specialists, partners dedicated to the firm’s technical department and partners responsible for firm risk and independence matters that are part of the audit firm and the network firm (excluding external service providers). For partners with mixed roles, then determine full-time equivalents.
- **Time period** – unless otherwise stated, information is provided for completed engagements during the previous calendar year. For example, for the April 2024 AQL submission, the time period refers to engagements completed during the calendar year ending 2023. For information regarding non-audit engagements, the period used should match the one used for the completed audit engagement.
- **Total audit hours** – the hours charged by all engagement team members (as defined in the IAASB Handbook).
- **Training** – total hours of structured training. This includes formal training events provided by the firm and recorded for attendance and time. Training events exclude academic courses for trainees, such as the South African Institute of Chartered Accountants’ board courses. The type of structured training activities included should follow the Continuing Professional Development requirements, and primarily comprise the following focus areas that are perceived to have the most significant impact on audit quality: audit, accounting, ethics and others (report writing, leadership, etc.). Training also includes both internal and external training, i.e. training provided by external service providers.

# APPENDIX 3

## UNDERSTANDING THE IRBA RULES FOR AUDITS OF PUBLIC INTEREST ENTITIES

### ENHANCED AUDITOR REPORTING FOR THE AUDIT OF FINANCIAL STATEMENTS OF PUBLIC INTEREST ENTITIES

The [Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities](#) (EAR Rule), published on September 2023, prescribes the following additional disclosures in the independent auditor's report on the audit of annual financial statements of public interest entities (PIEs), as defined in the IRBA Code of Professional Conduct for Registered Auditors:

- Final materiality amount and an explanation of significant judgements made by the auditor in determining this materiality;
- Scope of the audit of group financial statements;
- A description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern, where a material uncertainty related to going concern exists;
- Key Audit Matters (KAMs), as well as outcomes and observations for KAMs; and
- Fee-related matters, where the disclosure has not been made by the preparer in the annual financial statements or the annual report.

The prescription of the EAR Rule is in light of the IRBA's objective "to endeavour to protect the financial interests of South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers, in accordance with internationally recognised standards and processes". Consequently, its application is expected to provide additional transparency about the audit process, as well as promote and enhance audit quality. That should then help strengthen the reputation of the auditing profession and assist in restoring confidence in it.

This EAR Rule is effective for audits of financial statements of PIEs for periods ending on or after 15 December 2024. Early adoption is permitted.

### IRBA'S FOUR RULES ARISING FROM THE INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT

The [IRBA Rules Arising from the International Standards on Quality Management \(QM L&R Rules\)](#) arise from the objective stated above. Consequently, the application of these QM L&R Rules will promote and enhance audit quality, as they respond to provisions in the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and ISQM 2, *Engagement Quality Reviews* (QM Standards). The QM Rules are applicable as follows:

- **IRBA Rule 1** (*Ultimate Responsibility and Accountability for the System of Quality Management*), **IRBA Rule 2** (*Transparency Reports*) and **IRBA Rule 3** (*Engagement Quality Reviewer (EQR) and an Assistant to an EQR*) are effective for audits of financial statements for periods beginning on or after 15 December 2025. Early adoption is permitted.
- **IRBA Rule 4** (*Assembly and Retention of Audit Documentation*) is effective for audits of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted.

IRBA Rule 1 will require audit firms to ensure that anyone who is assigned the ultimate responsibility and accountability for the system of quality management is a registered auditor.

Further, in respect of Rule 2, the IRBA' Committee for Auditing Standards, at its August 2024 meeting approved the [South African Auditing Practice Statement \(SAAPS\) 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities Audit Engagements](#), for publication. SAAPS 7 is aimed at assisting audit firms regarding the content of a transparency report.



INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

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