

This is a summary of the IRBA webinar held on 9 October 2024. The event's objective was for the speakers to share their knowledge and experience, to equip practitioners with some tools to effectively manage their practices.

This paper has been prepared for information purposes only and is not authoritative. The external presenters' views are solely those of the individuals and do not necessarily reflect the views or opinions of the IRBA.

## INSIDE A SMALL AND MEDIUM PRACTICE: A PRACTITIONER'S DAY IN FOCUS

The vital role that the sustainable, competent, small and medium practice (SMP) sector plays in the local audit landscape, especially amid the increasing demand for quality audits, cannot be overemphasised. Experts have identified small business development across all industries as being critical for improved economic growth and helping the country tackle the unemployment crisis.

While running an SMP firm could come with many and unique challenges, it is through sharing best practices and strategies that owner-practitioners can start to fully realise the opportunities that equally exist for this sector. This viewpoint is what led the Independent Regulatory Board for Auditors (IRBA), in October 2024, to host a webinar themed "Inside a Small and Medium Practice: A Practitioner's Day in Focus".

### What is at the Core of an Efficient Audit Department?

The short answer to this question is a technical team, according to **Delia Mc Lean**, who spoke on Scaling Success: Crafting a Cutting-Edge Technical Team. Actually, she sees technical teams as a necessity, not a luxury. "No matter how small your audit firm is or how limited your budgets are, we are all still required to comply and stay up to date with the changes in legislation and regulations. This is why we need a technical team," she argued.

The composition and functions of these teams, though, may be different from those of large firms, as they will likely consist of a partner or manager. Even so, someone has to be specifically tasked with keeping the firm up to date with all relevant regulations and best practices. In putting together a strong technical team, the following elements have to be considered:

- **Technical Knowledge:** Ensure that the team has a solid grounding in auditing standards, financial reporting and the relevant local tax laws. For industry-specific engagements, have the right technical expertise. Another key area is a clear grasp of the firm's methodology, audit software, audit approach and how to design audit procedures for specific clients using a risk-based approach. An understanding of scalability is also vital, as the teams need to know how procedures can be adjusted for smaller businesses, without compromising the quality and compliance of an audit.
- **Quality Management System:** Peer reviews and compliance monitoring are important in ensuring an ongoing alignment with regulatory standards. That means, the office policies and procedures must be implemented by everyone.



TEAMS NEED  
TO KNOW HOW  
PROCEDURES  
CAN BE  
ADJUSTED FOR  
SMALLER  
BUSINESSES

- **Training:** Managers can provide on-the-job guidance and support, while suitable external service providers might be utilised for further training. Also, take advantage of what can be gained from the available industry associations, technical networks, publications and community involvement. Encourage team members to pursue relevant certifications in areas such as data analytics and cybersecurity.
- **Communication:** Good internal collaboration and open dialogue within the team can help to identify and address challenges early, and also foster innovation. Furthermore, it is important that audit findings are communicated in a more effective manner to clients – and that could mean translating technical terms into practical insights. Basically, all communication should be clear, understandable and transparent.
- **Feedback and Adaptation:** Perform regular reviews to identify areas of improvement; offer constructive feedback; and create a culture where this is seen as a tool for growth rather than criticism.

### **Talent Acquisition, Effective Onboarding and Staff Retention**

The conventional ways of seeking out talent now need to be heavily supplemented with how today's world of technology operates. For instance, a social media presence is proving to be one of the most instrumental ways for firms to showcase themselves and attract talent, as **Emma Mashilwane and Dr. Tumeka Matshoba-Ramuedzisi** noted during their discussion on Building Your Audit Team: Recruitment and Retention. Other strategies are briefly highlighted below.

- Get involved with universities and collaborate with them through career expos and guest lecturing sessions.
- Organise, if possible, workshops that are aimed at helping prepare those students who are gearing up for the workplace.
- Make provision for vacation work, that offers students practical experience in how an audit firm operates and opportunities for professional advancement.
- To bridge the generational gap, be open to allowing the youngsters to teach you how to train and work with them.
- It is important to understand your teams and not be scared to appropriately delegate.
- Keep in mind that support for trainees can be either financial or non-financial. An example of non-financial support would be a mentorship programme where trainees are partnered with senior managers for skills and knowledge transfer.
- Intentionally integrate the development of hard skills (job-specific abilities gained through education and training) and soft skills (personality traits and behaviours), as the two co-exist. Also, soft skills tend to be the accelerator in terms of how well one will do technically.

Overall, the audit skills shortage has become a reality, as the number of those leaving the profession continues to be a major concern.

So, effective onboarding and retention strategies need to recognise the importance of rewarding innovative solutions and contributions that enhance the audit processes. They should also identify diversity as a strength in driving innovation and problem-solving; and promote an environment where individuals can experiment with new ideas and technologies, without any fear.

## Plan for the Future

Though there might be a lot of uncertainty in the business landscape for practitioners, proper planning for the future is a major step towards sustaining practices. Some of the most important considerations in that planning – as **Coen Stokes** highlighted while presenting on The Journey from Today to Your Future – include developing technological know-how; understanding the market; an honest reflection on the ecosystem and how to respond to it; and human capital. As he noted, unnecessary risks are more likely where planning is not prioritised.

With all these abovementioned competing priorities that owners and practitioners have to face on a daily basis in carrying out their responsibilities, stress has become part and parcel of their work environment. Speaking on the topic of whether stress is an aid or hindrance, **Zuleka Jasper** highlighted the importance of creating a balance and utilising methods that can help to lower the pressure and boost performance.

One of those pressure points that tend to create stress for practices are the external inspections that the IRBA conducts. The approach that the IRBA is increasingly adopting, – and in response to needs expressed by some SMPs – is to be more visible through finding opportunities to interact with these practitioners outside of the inspections process. This is because it is acknowledged that conducting inspections alone will not achieve the goal of improving audit quality and protecting the public, as **Melanie Bodha** pointed out while presenting on the Key IRBA Inspection Observations: Audit Quality at SMPs.

Some of the key observations, which have been detected at large firms as well, over the past two years include the following:

- Assembly and archiving of audit files – there is often no evidence of a file being archived in time, with all the working papers included. Also, modifications on files have been noted between the audit report signing date and the assembly period, and sometimes even after the final assembly period.
- Lack of methodology/guidance – while constraints are a reality in this area, when samples are selected and testing is performed, it is often not clear how the sample size (extent of testing required) is determined such that it will reduce the associated risk to an acceptable level.
- Inappropriate risk assessment/evaluation of the risks associated with the particular line item being tested, due to a lack of a proper understanding of the client environment.
- Information produced by the entity not tested for reliability – whenever you use any information provided by the client, you need to test it for reliability to be able to place reliance on it.
- No proper understanding of the information technology environment to fully determine if reliance can be placed on controls.

### Practical Tips on How to Improve Performance

- ✓ Celebrate the successes and not only put more emphasis on failures.
- ✓ Recognise that there will always be curveballs and pressure points on the way.
- ✓ Put in place plans and action that will counteract those challenges and help you create more sustainable performance levels.

- Significant auditor judgements not documented – this entails the reason or rationale for doing something, the extent of the testing required versus the associated risk being addressed.
- Challenges with the implementation of the International Standard on Quality Management (ISQM) – a number of smaller firms struggled with capacity and not knowing how to approach the implementation of the standard. ISQM templates were not appropriately tailored to meet the firm specific nature, environment or client profile.

“Don’t be disappointed or discouraged when findings are reported. Instead, please try to see the benefits of an inspection. When an inspection is performed, you get to learn from another reviewer’s perspective. You also get valuable insights into your own processes, especially at the firm level, that you wouldn’t ordinarily come across,” she noted.

A recording of the webinar is accessible on the [IRBA website](#).