

IRBA publishes fourth Audit Quality Indicators Survey Report:

Talent turnover at manager and supervisory level is a growing risk to audit quality

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The Independent Regulatory Board for Auditors has published its fourth annual Audit Quality Indicators Survey Report (AQI Report). The report is based on data collected from JSE-accredited audit firms. Statistical analysis on data from 13 audit firms from 2018 to 2021 is included in the report.

An area that stands out in this year's AQI Report is the sharp increase in staff turnover at supervisory and managerial level with several firms experiencing unusually high staff turnover. South African audit firms, not unlike global firms, are reporting that the battle for talent has intensified.

The profession is being impacted by the "great resignation" and the risk to audit quality cannot be underestimated. The IRBA is intent on working with the profession to increase the attractiveness of the career, while firms themselves will need to employ retention strategies, looking at benefits, work-life balance, and talent growth strategies.

The lockdown period has seen the average fee recovery dropping from 78% (2019) to 71% in 2020 with only a marginal recovery to 74% in 2021. Non-recovery of fees may indicate, among other reasons, inefficiencies in supervision and project management (time wasted on an audit) or lowballing (discounted fees or fee pressures).

Stakeholders are reminded that undue downward pressure on audit fees and the inability of firms to recover the full cost of an audit may limit the scope of the audit and negatively impact audit quality. The cost of audit quality cannot be discounted - ensuring that firms can allocate an adequate number of hours and appropriately skilled resources to the audit and across audit risk areas is necessary to reduce audit risk to an acceptable level and ensure high audit quality.

The IRBA has been at the forefront of the AQIs conversation and was among the first audit regulators in the world to adopt this approach. Increasingly, more international audit regulators have initiated similar projects, recognising the value that AQIs present.

AQIs are a valuable tool for stakeholders in the financial reporting ecosystem, with the AQI Report providing greater transparency and insights into the activities of the firms, particularly how audit quality is supported in firms. It is an opportunity for these stakeholders to use visible or quantifiable data, for meaningful and robust discussions about factors that drive audit quality.

High audit quality is directly related to the integrity of financial markets. It facilitates increased stakeholder confidence in financial statements and enhances the credibility of decision-making. While its importance cannot be understated, audit quality exists within a reporting and governance

ecosystem that must also demonstrate exemplary commitment to quality and integrity by all role-players.

The 2022 AQI Report can be downloaded [here](#).

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Chief Executive Officer

About the IRBA

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