

IRBA launches audit quality indicators report

The Independent Regulatory Board for Auditors (IRBA) has launched its [*Feedback Report on Audit Quality Indicators*](#) (AQIs). This report provides feedback on a set of measures that audit firms reported on to the regulator, as well as provides audit committees with insights relevant to the appointment, performance, independence and reappointment of the auditor.



Image source: Getty/Gallo

The project to develop the measures included engagement with users of audit services as well as with the audit firms. These measures cover the thematic areas of independence, audit tenure, internal firm quality review processes, workload of engagement partners and managers, span of control, technical resources and training. These criteria may all be linked to audit quality.

"The IRBA believes this report and the agreed audit quality indicators will enable audit committees to compare quality related indicators of their auditors against others in the market. This will contribute to formalising the review process between the committee and the firm and increase the transparency around quality at firm and engagement level. We also believe it will assist audit committees and firms to have open conversations about audit quality and what changes could be put in place to satisfy the audit committee that the firm it engages can meet the audit committee's requirements and quality management standards," says Imran Vanker, director: standards of the IRBA.

Projects

The AQI project was one of more than 30 projects identified by the IRBA as key to restoring confidence in the audit product and the audit profession. The association also commenced with a project to introduce the publication of transparency reports by audit firms to assist clients to understand better how audit firms operate and to evaluate their commitment to audit quality.

"The IRBA currently follows a risk-based selection of engagements for inspections of audit quality which run on a three-year cycle. However, as the AQL information will be delivered at least annually to the IRBA, we will also be able to develop a deeper understanding of where there may be risks in the audit market. At the moment, all JSE-accredited audit firms have been included in the roll-out. Market participants like audit committees are encouraged to solicit this information directly from the current and prospective auditors to assist in their oversight of the external audit function," says Imre Nagy, director: inspections.

Another project, which the IRBA was asked to assist National Treasury with, was research into comprehensive regulation models which would see all those in the financial reporting chain, including directors of companies and audit committees, maintain a professional registration and come under some oversight. The aim is to improve overall financial reporting and controls throughout the financial reporting process, and to ensure that all role-players take responsibility for high quality reporting.

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