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# Unravelling the minefield of audit transgressions and sanctions

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**Background:** Audit failures undermine public trust and investor confidence. The Independent Regulatory Board for Auditors (IRBA) is tasked with ensuring that regulatory audits comply with International Standards on Auditing (ISAs) and helping prevent failures by issuing sanctions for transgressions. In contrast, auditors tend to make similar mistakes repeatedly, indicating a research gap regarding the types of transgressions that result in IRBA sanctions.

**Aim:** This study investigates the types of audit transgressions and the repercussions of these transgressions on the severity of IRBA sanctions.

**Setting:** This study examines 923 audit transgressions from 01 January 2019 to 30 June 2025, and the 405 sanctions IRBA imposed to punish auditors for transgressions.

**Method:** Firstly, a retrospective document analysis of the types of audit transgressions was conducted. Secondly, a multivariable regression analysis was conducted to assess the likely repercussions of the various types of transgressions on the severity of imposed sanctions.

**Results:** Most sanctions related to non-compliance with the independence requirements of the IRBA Code and to auditors failing to obtain sufficient and appropriate audit evidence as required by ISA 500. Transgressions relating to non-compliance with Section 38(3) and 41(6)(e) of the Auditing Profession Act, Rules 2.6 and 2.7 of the Rules regarding improper conduct and ISA 705 were most influential on the value of sanctions imposed.

**Conclusion:** The focal point of this study is to highlight the nature of past transgressions that have resulted in IRBA sanctions, so that audit practitioners can avoid similar transgressions.

**Contribution:** This study provides valuable insights for practitioners, offering guidance on avoiding pitfalls that have led to past sanctions.

**Keywords:** audit transgressions; audit sanctions; regulation; fines; auditors; audit failure; Independent Regulatory Board for Auditors.

## Introduction

The Independent Regulatory Board for Auditors (IRBA), which serves as South Africa's independent audit regulator, issued 404 separate fines and cost orders to individual auditors and audit firms totalling R101 412 181 ($6 268 562 @ 17 June 2026), during the period from 01 January 2019 to 30 June 2025 (as calculated in the empirical research component of this study). A fine is a penalty for wrongdoing, whereas a cost order reimburses the regulator for expenses in handling the case. Only one offender was exempted from fines and cost orders after receiving a sanction, as the auditor was declared insolvent and permanently barred from practising (IRBA 2024b). Charges against auditors ranged from the inability to obtain sufficient and appropriate audit evidence to material misstatements that were not disclosed in audit reports, as well as judgement errors regarding compliance with independence requirements (IRBA 2024a). During the same period, the number of registered auditors in South Africa decreased from 4079 in March 2019 to 3429 in June 2025, representing a 16% decline (IRBA 2019, 2025b). This decline in the number of registered auditors may have led to a deterioration in audit quality and, consequently, to a higher incidence of sanctions imposed by the IRBA, in line with the findings of Harber (2018). To exacerbate matters, the total number of 3429 registered auditors includes 846 non-attest registered auditors (who do not provide independent audit opinions), meaning that South Africa has approximately 2583 attest registered auditors to conduct 74 319 statutory audits (IRBA 2025a), resulting in each attest registered auditor issuing, on average, 29 audit opinions annually. Unfortunately, sanctions are a double-edged sword, punishing auditors for transgressions while also contributing to the development of inflexible, complex regulations (Abrahams & Phesa 2025; Harber 2018). This inflexible and complex regulatory environment, the unattractiveness of the auditing profession to

young students, perceptions that the audit profession is not conducive to work-life harmony because of gruelling workloads, strenuous audit client experiences and the increased use of computer-assisted auditing techniques have led to a decline in the number of auditors not only in South Africa but also worldwide (Abrahams & Phesa 2025; Knechel et al. 2021). Hence, there is an intricate juxtaposition between strict regulatory enforcement and registered auditor attrition rates.

The auditing profession is the cornerstone of transparency and accountability, ensuring that stakeholders can rely on the accuracy of financial statements (IRBA 2024a). Registered auditors are in high demand as an external audit is an independent assessment of financial statements, aiming to provide the users of financial statements with reasonable assurance that an auditee's annual financial statements are free from material misstatements and that the entity complied with laws and regulations (Ege, Kim & Wang 2024; PricewaterhouseCoopers [PwC] 2023). External auditors lend credibility to financial reports. Their essential work directly influences investor confidence, trust and stakeholder decision-making by enhancing transparency and reliability while reducing information asymmetry (Baghi & Rezai 2025). The attest function is a key independent governance tool, but its effectiveness deteriorates significantly if transgressions occur (Alsughayer 2021; Dakhli 2021).

Currently, there is discourse in the South African auditing regulatory environment between the regulator (IRBA) and auditing practitioners, as the IRBA can unilaterally revise and interpret its statutory mandate (Harber, Verhoef & De Villiers 2023). Furthermore, the IRBA can enforce fines, cost orders and other disciplinary action it deems necessary to ensure that audit practitioners conform according to its strategy to 'advance the implementation of appropriate standards of competence and good ethics in the auditing profession' (Republic of South Africa [RSA] 2005:8), often resulting in a combative relationship with practitioners in South Africa in the past. This study, therefore, aims to evaluate the repercussions of audit transgressions on imposed sanctions so that practitioners can put remedial action in place to avoid similar transgressions in the future, which may assist the auditing profession in complying with regulatory requirements.

In their seminal study on neo-institutional theory, DiMaggio and Powell (1983) posited that firms are subjected to formal and informal pressures from organisations, such as government regulators, and from society at large to conform to regulations and standards in a coercive isomorphic manner. They observed that regulatory decisions are applied, making them less flexible by enforcing standard operating procedures, rules and structures, which results in legitimisation. Similarly, the South African audit profession is legitimised by requiring registered auditors to comply with the International Standards on Auditing (ISAs) and the IRBA's Code of Professional Conduct for Registered Auditors (IRBA Code) (Maroun & Gowar 2013). Accordingly, non-conformity will result in auditors being sanctioned. Wahab, Mustapha and Rahin (2022), as well as Jeriji and Nasfi (2023), stated that isomorphism is essential to ensure that firms are sustainable in the long term by preventing failures. However, they also warned that isomorphism may result in inefficiencies because of excessive bureaucratic rules and regulations, which are associated with strict compliance with laws and regulations. Likewise, this study argues that compliance with the ISAs and IRBA Code legitimises the auditing profession and may enhance the long-term sustainability of audit firms.

In contrast to neo-institutional theory, this study also indicates that if an auditor receives a sanction from the IRBA and their identity has been revealed by the IRBA, then almost half (44.7%) of respondents will cease conducting regulatory audits thereafter (Refer to Table 4 in the empirical section of this study). Consequently, several small audit firms and sole practitioners chose to deregister as auditors after being sanctioned by the IRBA, as discussed in the empirical research component of this study. Therefore, the long-term sustainability of smaller audit firms may be compromised by strict conformity.

## Literature review

Multinational audit firms frequently present themselves as warriors of honesty, due care and ethical conduct by conveying messages that: (1) their hands are clean (i.e. they are not to blame for audit failure), (2) their hands were tied (i.e. they were powerless to prevent audit failure), (3) their work was good and (4) their intentions are good (Dunne, Brennan & Kirwan 2021:101170). Paradoxically, fraud and corruption scandals, excessive greed and weak governance structures persistently plague corporations and government institutions worldwide, even though regulatory audits are conducted (Shore 2021). Sadly, auditors themselves have also been embroiled in professional misconduct, collusion, dishonesty and even fraud, which have resulted in some being fined by regulators or expelled from the audit profession, and a few even being sent to prison (Cowan 2024; IRBA 2024a; McCance 2019; Ramsarghey & Hardman 2020).

Auditing remains the primary method for reducing information asymmetry and limiting fraud and corruption by strengthening governance and oversight (Alsughayer 2021; Campa, Quagli & Ramassa 2025; Dakhli 2021; Zahid et al. 2022). As a result, there is a direct nexus between audit quality, which enables accountability and transparency, and financial stability at auditees, as defined in auditing theory (Kausar, Shroff & White 2016; Nikmah & Arjoen 2023; Zahid et al. 2022). Consequently, improved audit quality results in more credible and reliable financial statements, enhanced trustworthiness and reduced self-serving behaviour.

## Theoretical framework

Globally, governments regulate the auditing profession for several reasons, and preventing transgressions is undoubtedly one of them. Audit regulators use sanctions to,

inter alia, deter auditors from improper conduct, in accordance with deterrence theory, in addition to using sanctions to punish auditors for reckless behaviour, ethical violations and non-compliance with international auditing standards (Dharmasiri et al. 2022). Deterrence theory presumes that auditors will always act rationally and will only act improperly or transgress if it is worthwhile and profitable to do so (Cheung & Jia 2024; De Puiseau, Glöckner & Towfigh 2019; Henson, Nguyen & Olaghere 2023). The probability of non-compliance with auditing standards and improper conduct escalates with the potential savings and benefits to the auditor and, theoretically, should decline with a high probability of detection and associated severe sanctions. In accordance with deterrence theory, the IRBA's primary mandate is to conduct inspections at audit firms to verify the auditors' compliance with the ISAs and IRBA Code and issue sanctions in instances where transgressions are detected (IRBA 2025a).

Complementary to deterrence theory, proportionality theory dictates that sanctions should be just and fair, and therefore there should be an appropriate equilibrium between the monetary value of the sanction and the gravity of external harm caused by the transgression (Dachak 2021; Gruodytė & Orlauskas 2024; Raskolnikov 2019). This theory is foundational to the criminal justice system and is applied by the judiciary when sentencing offenders. However, proportionality theory has been criticised for causing unnecessary significant harm to respondents and for resulting in disparities in sanctioning, leading to unequal punishment for similar transgressions (Brown Coverdale 2025). Moreover, Ríos Carrillo (2023) accentuated that proportionality theory faces problems of measurability and comparability, as it may not always be practical to measure and compare the trade-off between the monetary value of sanctions and the value of external harm caused by transgressions. In this regard, a large multinational audit firm was sanctioned R200 000 for failure 'to comply with the requirements of the International Standard on Quality Control (ISQC) 1, as non-compliance with the ISAs was identified across several engagement files' in June 2025 (IRBA 2025a:14). In such instances, it is challenging to apply proportionality theory, as the external harm caused by this transgression is incommensurable.

There is no doubt that the fear of severe punishment will deter rational auditors from improper conduct and non-compliance with the ISAs, according to deterrence theory. However, deterrence theory has also been criticised for focusing on the severity of punishment rather than on rehabilitation (Du Preez & Muthaphuli 2019), and for the fact that harsh penalties do not stop instances of improper conduct and non-compliance with the ISAs. In this regard, it was observed that although the IRBA significantly increased the monetary value of fines from 15 June 2023, the number of charges against auditors doubled from this date onwards, contradicting both deterrence and proportionality theory (Refer to Table 5 in the empirical section of this study). A possible explanation for this phenomenon is that misconduct and non-compliance with the ISAs often result from a complex business environment, complicated accounting and auditing standards, low audit fees, a stressful work environment, inadequate communication, urgent reporting deadlines and demanding audit clients, which may compromise the registered auditor's ability to execute a fully ISA-compliant audit (Abrahams & Phesa 2025; Harber et al. 2023). These factors are not entirely within the auditor's control and therefore cannot be eliminated by increasing the severity of fines for misconduct.

## Repercussions of the auditor brain drain

The external auditing 'brain drain' has profoundly troubled audit firms and regulators internationally (Ghasemi, Mehrabanpour & Talebnia 2023). Ma et al. (2024) found that there is a direct correlation between high auditor attrition rates and audit quality failures, which will likely result in audit clients having to restate their annual financial statements. Prior period errors and restatements are deemed by investors and regulators as the most reliable indicators of audit quality failures. High auditor attrition rates also result in audit firms losing skilled and experienced auditors, which has a detrimental impact on audit quality (Hu et al. 2025).

In the United States of America, the number of accountants and auditors declined by 17% from 2019 to 2022, with more than 300 000 professionals leaving the profession. Reasons for this decline have been attributed to burnout, low salaries and difficulty in passing the Chartered Public Accountant's examinations (Ellis 2022). Similarly, the Australian Securities and Investments Commission also reported a 16.8% decline in the number of Registered Company Auditors from 2019 to 2024 (Australian Securities and Investments Commission 2025). In the United Kingdom, the number of statutory audit firms declined by 24.9%. Likewise, a decline was also observed in the number of individuals holding the audit qualification over the past decade because of an 'image problem' as high-profile auditing failures such as Carillion and Wirecard have tarnished the public's trust in auditors, in addition to auditors experiencing a highly stressful work environment and lower salaries in comparison with finance professionals (Prosser 2025). The external auditor 'brain drain' is a global phenomenon and is mostly driven by burnout, complex regulatory burdens and an exodus of young talent to other sectors. This talent flight threatens to compromise audit quality, intensify workloads for remaining staff and increase audit fees globally.

## Audit failures and transgressions

Audit regulators demand flawless audits. Consequently, external auditors use quality management mechanisms such as engagement quality reviews, partner peer reviews, monitoring reviews, manuals, checklists, technical consultations and the automation of auditing processes to prevent and detect audit errors and to avoid enforcement sanctions by regulators (Gold et al. 2022). The auditing

profession must minimise audit errors to maintain public credibility and legitimacy (Beck, Nicoletti & Stauber 2022). Nevertheless, despite the profession's best efforts to prevent audit errors, they occasionally occur because auditors are human and prone to making mistakes.

### Sanctions in South Africa

The *Auditing Profession Act, No.26 of 2005* (APA), empowers the IRBA to implement any necessary measures to protect the public in their interactions with registered auditors (RSA 2005). These steps include initiating action to promote the integrity of the auditing profession through investigating allegations of misconduct by registered auditors, conducting disciplinary hearings and imposing sanctions (RSA 2005). It is hoped that enforcement action will discourage registered auditors from committing similar transgressions henceforward (IRBA 2025c).

According to the IRBA's Fine Guideline, audit transgressions that occurred prior to 15 June 2023 could attract a maximum fine of R200 000 per charge. As of 15 June 2023, fines were increased. Individual registered auditors are subject to fines ranging from a minimum of R100 000 to a maximum of R10 million per charge, while audit firms are subject to fines ranging from a minimum of R200 000 to a maximum of R25m per charge (IRBA 2025c). On 06 June 2024, the IRBA indicated that the threshold for minimum fines would no longer apply, while the maximum fines remained unchanged (IRBA 2025c). The consequences and penalties for transgressions can be significant and severe; therefore, it is imperative that auditors ethically comply with the ISAs to avoid the IRBA's disciplinary processes and sanctions.

### Hypothesis development

Stemming from deterrence and proportionality theory, it is expected that IRBA sanctions would have declined after 15 June 2023, as higher fines are expected to discourage auditors from committing transgressions. Thus, the nature of charges the IRBA raised against respondents, such as breaches of the IRBA Code, the inability to obtain sufficient appropriate audit evidence and insufficient monitoring processes, is likely to influence the value of fines imposed. A detailed analysis of the nature of these transgressions, as well as the types of sanctions imposed by the IRBA in response, will reveal the hidden relationship between the impact of increased fines on the subsequent transgressions raised by the IRBA. The following hypothesis is formulated:

> **$H_1$:** Significant transgressions that merit sanctions are addressed uniformly and proportionally, in alignment with the principles of deterrence and proportionality.

## Methods

### Data description and population

The empirical sections of this study examine the impact of transgressions on fines and cost orders imposed by the IRBA. Initially, a retrospective document analysis of 405 disciplinary cases against registered auditors was conducted. The study included all cases where sanctions were imposed by the IRBA, as reported in quarterly IRBA newsletters from 01 January 2019 to 30 June 2025. The IRBA newsletters were obtained from the IRBA website for the period under review. Every sanction entry included the following: (1) the name of the respondent, unless the IRBA ruled that the identity of the respondent should be withheld, (2) IRBA's description of the charges against the auditor or audit firm, (3) monetary value of the fine imposed, (4) value of the cost order imposed and (5) descriptions of required addition remedial actions. The dataset used in this study represents the known population of IRBA sanctions imposed from 01 January 2019 to 30 June 2025.

### Research process: Dataset compilation

A dataset was compiled in ATLAS.ti version 25, ATLAS.ti, Berlin, Germany, from the charges as published in the quarterly IRBA newsletters. Slightly more than one-third (325/923, or 35.2%) of charges referenced a specific transgression relating to a specific auditing standard, accounting standard or section of a law for which a registered auditor received a sanction. If the IRBA explicitly references a transgression, no further hand coding was performed for that charge. For sanctions for which no specific law or transgression was explicitly stated, the researcher coded the transgressions based on the narrative description of the charges drafted by the IRBA. Furthermore, the IRBA often raised more than one charge against a registered auditor, yet only one sanction was imposed against an auditor or audit firm for all charges combined. As such, the number of charges exceeds the number of sanctions that auditors had received. In instances where more than one charge was raised against an auditor, the associated charges were coded separately, even if only a single combined sanction was issued for all the separate charges. Transgressions associated with non-compliance with ISAs, International Standard on Quality Management (ISQM), ISQC standards and legislation may result in IRBA Code violations simultaneously. This results in a research design limitation because of dependence and intersection between variables, which may have an associated impact on the research results.

A single coder performed all the coding to ensure the coding instrument was reliable and consistent, rather than using multiple coders. The accuracy, completeness and validity of the coding were confirmed by three independent, experienced registered auditors from separate audit firms who specialise in conducting engagement quality reviews. The reliability of this study was enhanced by ensuring that the selected content categories pertained to specific ISAs, International Financial Reporting Standards (IFRS), IRBA Code, laws and regulations. For measuring the agreement among coders, Krippendorff's alpha is a reliability coefficient, drawing distinctions among typically unstructured phenomena. As a result, Krippendorff's alpha = 1, indicating perfect agreement among raters, and confirms the reliability of the coding. Cohen's kappa and

Gwet's AC1 could not be used to measure agreement among coders, as they evaluate the agreement between binary ratings. Table 1 presents a summary of IRBA charges in this dataset before and after hand coding.

Figure 1 indicates that the most frequently sanctioned transgressions were breaches of the IRBA Code and instances of non-compliance with ISA 500, which related to the auditors' inability to obtain sufficient and appropriate audit evidence. The rest of the transgressions were more evenly spread. More about the prominent transgressions and spread will be dealt with further in this study.

## Regression analysis: Dependent variable

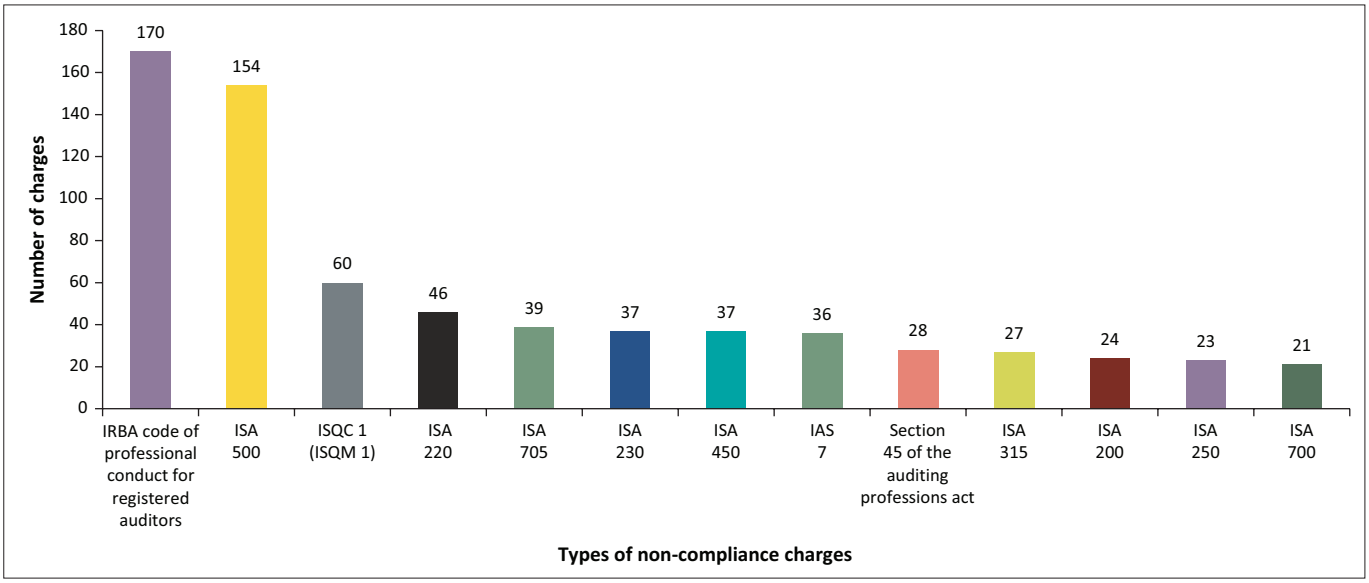
The sanctions imposed by the IRBA were classified into the following categories: (1) Value of the fine; and (2) value of the cost order, which were clearly described in the IRBA newsletters, and professional judgement was not required to manually code the nature of sanctions imposed by the IRBA. The combined total of fines and cost orders was expressed in Rands and adjusted for the impact of time value of money devaluations. Consumer Price Inflation for South Africa as reported by the World Bank Group (2026) was used to adjust the historical values of fines and cost orders from 2019 to 2024 to be comparable, by using 2025 as a base year. The following time value of money formula was used to perform this calculation: $FV = PV \times (1 + R)$, where FV represents the future value, PV represents the present value and $R$ represents the discount rate, which in this case represents the annual Consumer Price Inflation, and was analysed as the dependent variable in SPSS version 30, IBM, Armonk, New York, United States. Refer to Table 2 for a summary of fines and cost orders for each sanction.

**TABLE 1:** Summary of Independent Regulatory Board for Auditors charges imposed before and after hand coding.

| Sanctions and charges | Original IRBA data | ATLAS.ti-coded data | % |
|---|---|---|---|
| Total number of sanctions | 405 | 405 | 100 |
| Total number of charges based on transgressions | 923 | 923 | 100 |
| Number of charges that were coded to a specific auditing standard, accounting standard, laws and regulations | 325 | 923 | - |
| Number of charges not coded to a specific auditing standard, accounting standard, law or regulation by the IRBA, which were described in general terms | 598 | 0 | - |

IRBA, Independent Regulatory Board for Auditors.

As per Figure 1, all transgressions with the ISAs, IRBA Code and legislation, as stipulated in the IRBA's charges, were classified as independent variables (refer to Appendix 2 Table 1-A2 for a list of the independent variables). Each observation included in this study, therefore, represents a separate charge raised against an auditor. These charges were then aggregated based on the nature of each transgression with a particular ISA standard, section of the IRBA Code and legislation as specified in the IRBA News. Some auditors were found guilty of multiple transgressions at the same time; in these instances, each charge was counted separately. In the analysis, independent variables were expressed as whole numbers based on the cumulative number of transgressions for each variable as reported in the IRBA News from January 2019 to June 2025. In total, 75 independent variables were observed. More information on the definition and contents of the ISAs, IRBA Code and relevant legislation can be found at: https://www.irba.co.za/guidance-to-ras/technical-guidance-for-ras.




Note: List of ISAs and IFRS as depicted in Figure 1: ISA 500 Audit Evidence; ISQM 1 International Standard on Quality Management 1; ISA 220 Quality Management for an Audit of Financial Statements; ISA 705 Modifications to the Opinion in the Independent Auditor's Report; ISA 230 Audit documentation; ISA 450 Evaluation of Misstatements Identified during the Audit; IAS 7 Statement of Cash Flows; ISA 315 Identifying and Assessing the Risks of Material Misstatement; ISA 200 Overall Objectives of the Independent Auditor; ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements; ISA 700 Forming an Opinion and Reporting on Financial Statements.

ISA, International Standards on Auditing; IFRS, International Financial Reporting Standards; IRBA, Independent Regulatory Board for Auditors; ISQC, International Standard on Quality Control; ISQM, International Standard on Quality Management; IAS, International Accounting Standards.

**FIGURE 1:** Most frequent non-compliance charges raised against registered auditors.

**TABLE 2:** Summary of Independent Regulatory Board for Auditors sanctions imposed.

| Sanctions imposed | Number of incidents | % |
|---|---|---|
| Total number of sanctions | 405 | 100 |
| **Monetary sanctions (fines and cost orders)** | | |
| Number of respondents who received only a fine. | 378 | 93.3 |
| Number of respondents who received only a cost order. | 7 | 1.7 |
| Number of respondents who received both a fine and a cost order. | 19 | 4.7 |
| Number of respondents who did not receive a fine or a cost order. | 1 | 0.3 |

Note: Average value of a fine for the period from 01 January 2019 to 30 June 2025 = R211 839.00; Average value of a cost order for the period from 01 January 2019 to 30 June 2025 = R665 853.00.

**Multicollinearity**: Multicollinearity assesses the degree of interrelationship among the independent variables included in a regression model. To evaluate potential multicollinearity among the transgression and non-compliance variables, eigenvalues derived from the collinearity diagnostics were examined. Small eigenvalues approaching zero may indicate that one or more dimensions of the predictor matrix contain limited unique information and may therefore signal multicollinearity. The results showed that 84% (63 of the 75) dimensions exhibited relatively moderate to large eigenvalues, suggesting that severe multicollinearity was not pervasive among the independent variables. These findings indicate that the various categories of transgressions and non-compliance generally contributed distinct information to the model. It should be noted that eigenvalue diagnostics assess relationships among the independent variables only and do not provide evidence regarding the relationship between the transgression variables and the value of fines imposed by the IRBA.

From a standardised regression analysis perspective, data points (representing various sanctions) form a distinct pattern and are tightly clustered around the centre, suggesting relatively small and consistent residuals for most transgressions, representing a normal distribution. Certain data points were far from the central cluster, indicating that one outlier resulted in the model predicting a much lower fine and cost order than the actual value. Two have extremely high predictive values and small residuals. However, the data point pattern suggests that the regression residuals are mostly homoscedastic, but the model is influenced by a few extreme outliers that may distort regression estimates. A brief overview of the outlier cases is provided below:

- Case 100 related to the auditor in charge of the now defunct Venda Banking Society (VBS) bank audit, where the former auditor received a cost order of R3 011 575.00 for failing to comply with ISQC 1 requirements, the IRBA Code and for acting improperly.
- Case 168 related to the auditor who served as the chief executive officer of Nkonki Incorporated (a now defunct audit firm) after the respondent was accused of fronting a third party to acquire a majority stake in the audit firm and for failure to act in the public interest by entering professional relationships with companies implicated in state capture. As a result, the former auditor received a fine of R600 000 and a cost order of R2 309 601.00 and has been permanently disqualified from registering with the IRBA.
- Case 185 related to the auditor in charge of the Eskom Holdings audit and related to Eskom's 2016 financial year.

## Multiple Linear Regression model

The association between pertinent charges and the monetary value of fines and cost orders was examined using multiple linear regression analyses. Hypothesis testing included multiple linear regression, $R^2$ (coefficient of determination) analysis. The multiple linear regression model used in this study is as follows (Equation 1):

$$TFandCO\ Size = \beta 0 + \beta 1(IRBA\ Code) + \beta 2(ISA\ 705) + \beta 3(ISA\ 200) + \beta 4(ISA\ 315) + \beta 5(APA\ Sec\ 45) + \ldots + \varepsilon \quad \text{[Eqn 1]}$$

where

- TFandCO = Aggregated total monetary value of the fine and the cost order and represents the dependent variable
- $\beta_0$ = constant (intercept) – predicted fine when no transgression occurs
- $\beta_1 \ldots \beta_n$ = coefficients for each type of transgression and represent the independent variables
- $\varepsilon$ = residual (unexplained variation)

## Ethical considerations

Ethical clearance to conduct this study was obtained from the College of Business and Economics Research Ethics Committee of the University of Johannesburg (No. SAREC20250821/07).

# Results

## Frequent transgressions, which resulted in Independent Regulatory Board for Auditors sanctions

The primary aim of this study is to identify common audit transgressions to empower auditors to avoid the mistakes of the past. As indicated in Figure 1, registered auditors most often received sanctions for breaches of the IRBA Code (170 charges, or 18.4%). Code violations most often relate to the IRBA's concern that auditors are no longer independent when conducting audits. It was observed that charges related to instances where the auditors failed to implement adequate safeguards to reduce threats to their independence to an appropriately low level, as such, instances in which auditors prepared and audited the same set of annual financial statements for their clients, as well as instances in which the same audit firm provided its clients with non-assurance services in addition to conducting regulatory audits, attracted sanctions. Therefore, auditors must ensure compliance with independence requirements, as threats to independence may also compromise professional scepticism.

**TABLE 3:** Independent Regulatory Board for Auditors sanctions from 2019 to 2025.

| Year | Number of sanctions | Number of registered auditors | Annual sanctions per 1000 members | Rank of annual sanctions per 1000 members | Annual engagement inspections conducted by the IRBA |
|---|---|---|---|---|---|
| 2019 | 40 | 4079 | 9.81 | 5 | 136 |
| 2020 | 12 | 3903 | 3.07 | 6 | 125 |
| 2021 | 66 | 3630 | 18.18 | 4 | 121 |
| 2022 | 81 | 3634 | 22.29 | 3 | 117 |
| 2023 | 84 | 3601 | 23.33 | 2 | 105 |
| 2024 | 84 | 3527 | 23.82 | 1 | 109 |
| 2025 | 38 | 3429 | 11.08 | † | ‡ |

IRBA, Independent Regulatory Board for Auditors.

†, The number of sanctions in 2025 does not reflect a full year; ‡, This information is not available for 2025.

The second most common cause for sanctions is the auditors' inability to obtain sufficient and appropriate audit evidence, as stipulated in ISA 500 (154 charges, or 16.7%). Frequently, auditors omitted to provide evidence that their auditees' revenue recognition and measurement practices comply with the prescriptions of IFRS 15 and that performance obligations have been met before revenue is recognised. In these instances, the IRBA would concurrently assess the impact of any revenue misstatements on total materiality to determine whether the audit opinion remains appropriate. Moreover, transgressions were linked to concerns about the sufficiency of audit evidence for group consolidations and the elimination of intercompany revenue transactions, as required by IFRS 3.

The third most common source of IRBA sanctions is an audit firm's failure to comply with the International Standards on Quality Control (ISQC 1, which was revised and re-issued as ISQM 1), resulting in 60 charges (6.5%). Often, the IRBA will sanction an audit firm when audit quality across several engagements was insufficient, raising doubts about the leadership team's ability to obtain reasonable assurance that the audit firm has complied with the ISAs and consistently conducts high-quality audits. The leadership team of the audit firm serves as the custodians of audit quality across all audit engagements conducted by the audit firm. Repetitive IRBA inspection findings regarding a lack of independence in several audit engagements will prompt the IRBA to simultaneously assess whether the audit firm has complied with ISQC 1 (which was subsequently revised and reissued as ISQM 1).

While it is not surprising that most auditors received sanctions for breaches of the IRBA Code, ISA 500 and ISQC 1, non-compliance with IAS 7 resulted in more specific charges (36 charges or 3.9%). The IRBA expected auditors to identify errors regarding the inclusion of non-cash items in their clients' cash flow statements, which constituted a breach of an accounting standard rather than non-compliance with a particular auditing standard. The IRBA dictates that auditors should be familiar with relevant accounting standards such as IFRS, IFRS for Small and Medium Enterprises (SMEs), Generally Recognised Accounting Practices (GRAP) and Modified Cashflow Standards (MCS) in addition to the ISAs, and ensure that their clients comply with accounting standards in all material aspects; alternatively, the auditors should issue a modified audit opinion.

An analysis of the annual rate of sanctions imposed by the IRBA from 01 January 2019 to 30 June 2025 is reflected in Table 3.

As presented in Table 3, the annual number of sanctions more than doubled from 40 in 2019 to 84 in 2024. In contrast, the number of sanctions in 2020 may have been lower, stemming from the consequences of lockdowns during the COVID-19 pandemic. The data, however, suggest a growing trend in the number of sanctions imposed by the IRBA annually, despite the dwindling number of registered auditors.

Using the total number of registered auditors from the IRBA annual reports for each year, Table 3 presents a relative measure of disciplinary actions per thousand registered auditors. Interestingly, the number of sanctions per thousand registered auditors has more than doubled from 2019 to 2024, despite the IRBA's audit engagement inspections declining from 136 in 2019 to 109 in 2024. It can be inferred that the recent higher sanctions rates from 2021 to 2025 may reflect increased transgressions, changes in enforcement, regulatory changes (including the introduction of ISQM) or other factors, as the number of IRBA audit engagement inspections conducted declined during the same period. This phenomenon seems to contradict deterrence theory as the increase in sanctions did not result in a reduction in transgressions.

## The impact of Independent Regulatory Board for Auditors sanctions and compulsory remedial action

The IRBA issued fines for 98.0% of sanctions (397/405). In total, the IRBA issued 397 fines, with the average fine costing registered auditors R211 839.00 during the period under review. Additionally, 6.4% (26/405) of respondents were issued with cost orders, with an average price tag of R665 853 per order, as depicted in Table 2. In March 2024, the IRBA issued its largest fine to an individual respondent, amounting to R2 150 000 for audit failures and improper conduct related to the Steinhoff International audit. The charges included references to the lack of safeguards to reduce threats to independence to an acceptable level. Furthermore, the respondent was accused of failing to perform the appropriate audit procedures, as required by the ISAs, to identify and assess the risks of material misstatement for the group and to obtain sufficient and appropriate audit evidence from component auditors. The respondent was also accused of insufficient involvement in the work of component auditors, among other allegations.

The most significant cost order was imposed in March 2023, when the respondent was ordered to pay IRBA R4 932 119.00 for legal fees incurred, after expressing an incorrect audit opinion for state-owned entity Eskom. The respondent also failed to disclose Eskom's material non-compliance with legislation and significant internal control deficiencies in Eskom's audit report. Apart from the cost order, the respondent was fined R200 000 and required to participate in mandatory public sector auditing training. The total costs the respondent would have incurred for this transgression are significant, comprising IRBA's cost order for legal fees, the respondent's own legal fees, the fine due and payable to IRBA and training costs.

Table 4 indicates that while the IRBA usually withheld respondents' names, it named them in 132 published cases. The IRBA may exercise its discretion in terms of Section 51(5) of the APA to intentionally publish the names of respondents who are guilty of improper conduct or to report on the transgression in general terms. Of the 132 respondents whose names were published in IRBA newsletters, two respondents resigned from the IRBA before the conclusion of the IRBA investigations process, and the names of an additional 44 registered auditors no longer appear in the IRBA registry. Of the 132 sanctioned individuals with publicly known identities, an estimated 59 (44.7%) are no longer registered auditors as of 01 September 2025. Furthermore, 13 registered auditors have been permanently prohibited from registering with the IRBA and from practising as auditors. Independent Regulatory Board for Auditor's sanctions for individual registered auditors often result in the Registered Auditor no longer practising as an auditor after receiving a sanction, thereby increasing auditor attrition rates and potentially leading to a further reduction in the total number of registered auditors.

## The severity of sanctions before and after the Independent Regulatory Board for Auditors fine guideline changes

Panel A of Table 5 presents the absolute counts of auditing, accounting or legal transgressions, along with the type of sanction imposed, for each year from 2019 to 2025. An analysis was subsequently performed to compare the data across the periods preceding and following the IRBA fine guideline change. Comparisons of the period prior to the IRBA fine guideline change indicate a lower average fine of R214 557.00 compared to the period after the IRBA fine guideline change, when the average fine increased to R264 422.00, representing a 23.2% increase. Contrary, the value of cost orders decreased from R815 234.00 for the period prior to the fine guideline changes to R706 885.00 afterwards, representing a 13.3% decline, which was caused mainly by significant cost orders being raised by the IRBA for the charges against auditors relating to the VBS Bank and Eskom audits and Nkonki Incorporated, in the period prior to the IRBA fine guideline change.

Panel B of Table 5 compares annual charges for ISAs, IFRS and legal transgressions from 2019 to 2025, before and after the IRBA fine guideline change. Notably, this analysis revealed that overall transgressions increased by 68.3% from the period preceding the IRBA fine guideline change to the period thereafter. Specifically, charges relating to breaches of the IRBA Code increased by 66.4%, whereas non-compliance with ISA 500 increased by 92.1%, and breaches of ISQC 1 (which was subsequently revised and reissued as ISQM 1) requirements increased by an astounding 141.1%. This research study discovered compelling evidence that the average number of charges increased in correlation with higher fines following the implementation of the new IRBA fine guideline document on 15 June 2023, which strongly contradicts deterrence theory. This phenomenon may be because of auditors being more rigorously regulated by the IRBA.

**TABLE 4:** The impact of sanctions on the number of registered auditors.

| Disclosure of the identity of the respondent | Number of sanctions | % |
|---|---|---|
| **Number of sanctions** | 405 | 100.0 |
| Total number of respondents who received a sanction whose identity had been publicly disclosed by the IRBA. | 132 | 32.6 |
| Total number of respondents whose identity had been withheld by the IRBA. | 273 | 67.4 |
| **Percentage of individual Registered Auditors whose identity is known** | 132 | 100 |
| Number of respondents whose identity is known and who voluntarily deregistered from the IRBA after the IRBA investigations process had been completed. | 44 | 33.3 |
| Number of respondents whose identity is known and who voluntarily resigned from the IRBA before the investigation process had concluded. | 2 | 1.5 |
| Number of respondents who are permanently disqualified from practising as an auditor, whose identities are known. | 13 | 3.2 |
| Total number of registered auditors who received a sanction and are no longer members of the IRBA | 59 | 44.7 |

IRBA, Independent Regulatory Board for Auditors.

## Regression analysis: The impact of charges on the value of fines and cost orders

In view of the considerable number of independent variables, the adjusted $R^2$ is the figure that should be used, as the number of variables inflates the unadjusted $R^2$. The adjusted $R^2$ corrects for the number of predictors and the sample size. The regression model (adjusted $R^2 = 0.345$) is *moderately strong* in social and regulatory research contexts (Ozili 2023), indicating that the type of the transgression is a meaningful factor in determining fines and cost orders, although other unmeasured factors (such as severity within each type, number of offences, mitigating circumstances, past record, enforcement discretion or randomness) account for the remaining 65.5%. The type of transgression is a *meaningful determinant* of fine and cost order size. The model's explanatory power is *moderate*, as it captures a moderate portion of the factors that influence fines and cost orders, but not all of them.

Fine and cost order sizes are reasonably (but not perfectly) aligned with the types of transgressions. A lower adjusted $R^2$ does not, in itself, imply inconsistency in sanctioning outcomes, as the unexplained variance may be attributable, inter alia, to omitted variables, differences in case-specific circumstances or limitations in the model specification. As indicated in Figure 2, the adjusted $R^2$ of 0.345 indicates some structure but still room for variability.

**TABLE 5:** Longitudinal analyses of sanction types and charges associated with these sanctions.

| Fines and cost orders imposed | January – December 2019 | January – December 2020 | January – December 2021 | January – December 2022 | January – June 2023 | July – December 2023 | January– December 2024 | January – June 2024 | Average per year for the period 01 January 2019 – 30 June 2023 | Average per year for the period 01 July 2023 – 30 June 2025 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Panel A: Fines and cost orders imposed by year, including change in relative proportions** | | | | | | | | | | | |
| Number of fines (A) | 39 | 10 | 65 | 81 | 41 | 43 | 81 | 37 | - | - | - |
| Average value of each fine | R158 974.00 | R166 000.00 | R185 154.00 | R149 753.00 | R232 683.00 | R245 000.00 | R290 926.00 | R227 973.00 | - | - | - |
| Average annual inflation rate (World Bank Group 2026) (%) | 4.20 | 3.21 | 4.61 | 7.04 | 6.07 | 6.07 | 4.40 | 3.40 | - | - | - |
| Adjusted value in 2025 terms | R210 369.00 | R212 834.00 | R226 930.00 | R171 470.00 | R251 180.00 | R264 477.00 | R300 817.00 | R227 973.00 | R214 557.00 | R264 422.00 | 23.2 |
| Number of cost orders (B) | 2 | 3 | 5 | 2 | 3 | 3 | 5 | 3 | - | - | - |
| Average value of each cost order | R401 301.00 | R153 333.00 | R494 331.00 | R103 821.00 | R2 430 573.00 | R863 937.00 | R869 619.00 | R288 845.00 | - | - | - |
| Average annual inflation rate (World Bank Group 2026) (%) | 4.20 | 3.21 | 4.61 | 7.04 | 6.07 | 6.07 | 4.40 | 3.40 | - | - | - |
| Adjusted value in 2025 terms | R531 038.00 | R196 594.00 | R605 867.00 | R118 877.00 | R2 623 794.00 | R932 616.00 | R899 186.00 | R288 845.00 | R815 234.00 | R706 882.00 | -13.3 |
| **Transgression type** | | | | | | | | | | | |
| **Panel B: Charges imposed by year, including change in relative proportions** | | | | | | | | | | | |
| IRBA Code | 14 | 9 | 18 | 44 | 11 | 20 | 35 | 16 | 21 | 35.5 | 66.4 |
| ISA 500 | 9 | 2 | 39 | 19 | 13 | 8 | 43 | 19 | 18 | 35 | 92.1 |
| ISQC 1 (now known as ISQM 1) | 6 | 0 | 8 | 8 | 6 | 6 | 16 | 8 | 6 | 15 | 141.1 |
| ISA 220 | 2 | 2 | 10 | 3 | 5 | 7 | 12 | 4 | 5 | 11.5 | 135.2 |
| ISA 705 | 10 | 1 | 14 | 3 | 6 | 2 | 3 | 0 | 8 | 2.5 | -66.9 |
| Other breaches of ISAs, IFRS, laws and regulations | 46 | 8 | 91 | 71 | 50 | 48 | 109 | 39 | 59 | 98 | 65.8 |
| **Total for each period** | **87** | **22** | **180** | **148** | **91** | **91** | **218** | **86** | **117.3** | **197.5** | **68.3** |

IRBA, Independent Regulatory Board for Auditors; ISA, International Standards on Auditing; IFRS, International Financial Reporting Standards; ISQC, International Standard on Quality Control; ISQM, International Standard on Quality Management.

The ANOVA section tests whether the model significantly predicts fine size. Since $p < 0.01$, it can be concluded that the set of transgression types collectively provides a statistically significant prediction of fine or cost order size, as indicated in Figure 3. This would confirm that at least one transgression type significantly contributes to explaining the variation in fine or cost order sizes.

*Coefficients (Individual Predictors):* Each variable (e.g. *ISA 500*, *ISA 705*, *IRBA Code*, *Section 45 of the APA*, etc.) has a coefficient (β) and significance value (Sig.). These tell you which types of transgressions are statistically significant predictors of higher or lower fines and cost orders.

Interpretation pattern:

- Positive β (and significant $p < 0.05$) = That transgression is associated with higher fines or cost orders.
- Negative β (and significant $p < 0.05$) = That transgression is associated with lower fines or cost orders.

| Model summary | | | | |
|---|---|---|---|---|
| **Model** | ***R*** | ***R* square** | **Adjusted *R* square** | **Std. Error of the estimate** |
| 1 | 0.682 | 0.465 | 0.345 | 323 293.004 |

Std., standard.

**FIGURE 2:** Linear regression model summary.

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| **Model** | | **Sum of squares** | **df** | **Mean square** | ***F*** | **Sig.** |
| 1 | Regression | 3.002E+13 | 74 | 4.057E+11 | 3.881 | < 0.001 |
| | Residual | 3.449E+13 | 330 | 1.045E+11 | | |
| | Total | 6.451E+13 | 404 | | | |

ANOVA, analysis of variance; df, degrees of freedom; Sig., significance value.

**FIGURE 3:** Analysis of variance table.

From the correlation section visible in the output (each *r* value in the correlation table represents the simple bivariate relationship between one specific transgression and the total fine or cost order amount, without controlling for the others), several types exhibit noticeable positive correlations with total fines or cost orders, such as:

- IRBA Code ($r = 0.245$)
- ISA 705 ($r = 0.172$)
- Section 45 of the Auditing Professions Act ($r = 0.073$)
- ISA 200 and ISA 315 ($r$ between 0.10 and 0.15).

These variables are likely to emerge as key predictors in the coefficients table (Table 6). The nature of professional misconduct plays a significant role in determining the amount of fines or cost orders. The analysis suggests that fine size is primarily determined by the types of transgressions committed. Half of the differences in fine amounts can be attributed to whether an auditor violated specific standards (such as the ISAs or IRBA code). International Standards on Auditing 200 and ISA 220 also show moderate positive correlations. However, substantial unexplained variation remains, indicating that qualitative or contextual factors (such as case severity, cooperation and repeat offences) also play a significant role.

Ten individual transgressions (13% of independent variables) (e.g. ISA 705, ISA 200 and ISA 560) reveal a weak to a very weak positive correlation with fine or cost order size, but when all types of transgressions are combined, the model explains a moderate variation in fines (adjusted $R^2 = 0.345$). Thus, the type of transgression matters, as some violations are more strongly associated with larger fines. However, no single transgression fully explains the size of a fine or cost order. It is the combination of multiple types of transgressions that provides a moderate (34.5%) explanation of how fines are determined.

## Hypothesis implications

Based on the results of several statistical tests, this study signifies that transgressions such as breaches of the IRBA

**TABLE 6:** The correlation between the type of transgression and the value of fines and cost orders imposed.

| Type of transgression | Standardised coefficient beta (correlation with fine or cost order size) | Interpretation |
|---|---|---|
| Section 38(3) and 41(6)(e) of the APA | 0.357 | Weak positive correlation – little effect on fines by itself. |
| Rules 2.6 and 2.7 of the Rules regarding improper conduct | 0.348 | |
| ISA 705 | 0.228 | Very weak positive correlation – little effect on fines by itself. |
| ISQC 1 (now known as ISQM 1) | 0.136 | |
| ISA 200 | 0.133 | |
| ISA 220 | 0.111 | |
| Rules 2.6 and 2.17 of the Rules regarding improper conduct | 0.109 | |
| ISA 600 | 0.103 | |
| ISA 560 | 0.102 | |
| Guide for Registered Auditors: Combating Money Laundering and Financing Terrorism | 0.102 | |
| Others with a coefficient of between 0 and 1, such as ISQC 1 (now known as ISQM 1), ISA 230 and ISA 530 | - | Minimal direct correlation with fine size. |
| Independent variables with a negative coefficient, such as ISA 450, ISA 700 and ISA 240 | - | The value of fines and cost orders reduced when transgressions in terms of ISA 450, ISA 700 and ISA 240 (among others) were observed. |

ISA, International Standards on Auditing; ISQM, International Standard on Quality Management; ISQC, International Standard on Quality Control; APA, Auditing Profession Act.

Code and APA and non-compliance with the requirements of ISA 705, ISA 200 and ISA 315 are somewhat positively correlated with the monetary value of fines and cost orders. Therefore, in testing the hypothesis, it can be established that transgressions associated with non-compliance with the ISAs, IFRS and legislation do not all equally influence the monetary value of fines and cost orders similarly and in the same proportion. The moderately strong linear regression model has therefore rejected the hypothesis. The fact that most transgressions relating to non-compliance with the IRBA code displayed a very weak positive correlation to the value of fines, and cost orders may be a possible explanation for why increases in the IRBA's enforcement efforts and fines did not result in an associated decline in charges as expected, as predicted by deterrence and proportionality theory. Albeit other factors, such as enforcement intensity, case mix, reporting lags or other confounding factors, may also have contributed to a very weak positive correlation between transgressions and the value of fines and cost orders.

# Conclusion

From a longitudinal perspective, the three most prevalent categories of transgressions associated with sanctions imposed by the IRBA during the period under review were related to: (1) IRBA Code violations, with specific reference to non-compliance with independence requirements; (2) ISA 500 transgressions relating to auditors obtaining insufficient and inappropriate evidence mostly in support of revenue, group consolidations and cash flow statements; and (3) transgressions associated with audit quality management (ISQM 1 and ISQC 1) measures not being sufficiently implemented by audit firms. Refer to Appendix 1 Table 1-A2 for a recommended checklist compiled from frequent IRBA charges, which registered auditors can use as an additional resource.

Further results from Table 5 indicate that the number and severity of sanctions increased since the revised IRBA's fine guideline became effective on 15 June 2023. Although this pattern appears inconsistent with the predictions of deterrence theory, the study cannot attribute this increase to the revised fine guideline alone, as other factors, including changes in enforcement practices, regulatory requirements, inspection focus, case severity and repeat offences, may also have contributed to increased fines and cost orders. An explanation for why sanctions increased, despite higher fines and cost orders, may be that not all significant transgressions are positively correlated with the value of these fines and cost orders. Therefore, the cost orders and fines may not be proportionate to all significant transgressions and may not sufficiently discourage auditors from similar transgressions in the future.

This study also found that there was an increase in the severity and frequency of sanctions from 2019 to 2025. In this regard, the IRBA must examine the underlying determinants of persistent and recurring transgressions and consider appropriate remedial action. The focal point of this study is to highlight the nature of past transgressions that have resulted in IRBA sanctions and may assist practitioners in understanding common transgressions.

## Limitations

Since only about a third of IRBA transgressions cited specific standards or regulations, it was necessary to hand-code the rest. Furthermore, the IRBA newsletters did not specify which financial year-end audit each charge referred to. Therefore, it is plausible that auditors only received sanctions in 2025 for audits conducted many years before. In this regard, the complete and timely reporting on the details of sanctions is important and will enable effective monitoring and transparency.

## Recommendations for further research

Untabulated findings indicate that IRBA sanctions are commonly associated with grievances raised by audit clients, members of the public and employees within audit firms (IRBA 2024a). In this respect, it is advisable to assess the incentives and disincentives associated with IRBA complaints. An evaluation of the impact of IRBA sanctions on audit firms' sustainability may also be an interesting research topic. Similarly, an international comparison between transgressions in South Africa versus other jurisdictions will also provide valuable insight.

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## CRediT authorship contribution

Mariska McKenzie: Conceptualisation, Data curation, Formal analysis, Investigation, Methodology, Project administration, Software, Validation, Writing – original draft and Writing – review & editing. Lourens Erasmus: Data curation, Formal analysis, Investigation, Methodology, Resources, Validation, Visualisation, Writing – original draft and Writing – review & editing. Both authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication and take responsibility for the integrity of its findings.

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## Data availability

The data that support the findings of this study are available from the corresponding author, Dr Mariska McKenzie, upon reasonable request.

## Disclaimer

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Appendices start on the next page →

# Appendix 1

**TABLE 1-A1:** Checklist to help prevent transgressions.

Name of client:

Financial Year-end:

Date:

Prepared by:

Reviewed by:

| | Complied | Did not comply | Not applicable |
|---|---|---|---|
| **Ethical considerations** | | | |
| Did the auditors adequately demonstrate compliance with the following ethical principles? | | | |
| 1) Independence, objectivity | | | |
| 2) Honesty and integrity | | | |
| 3) Due care | | | |
| 4) Confidentiality | | | |
| 5) Professional behaviour | | | |
| Is there a self-review threat present? | | | |
| Did the auditor conduct any other consulting services, secretarial services or payroll services for their audit client? If the answer is 'Yes', are these independence threats appropriately mitigated? | | | |
| Is there a familiarity threat present on this audit engagement? | | | |
| Have familiarity threats been adequately mitigated? | | | |
| Is the audit fee a significant portion of the audit firm's revenue? Or is the audit fee too low? Will this constitute an independence threat? | | | |
| **Pre-engagement activities** | | | |
| **Client acceptance and continuance** | | | |
| Did the auditor take pervasive steps to discontinue their relationship with an auditee when it was appropriate to do so? For example, if the auditee experienced challenges with the integrity of the directors and management team of their client? | | | |
| Did the auditor demonstrate scepticism when accepting or continuing a client relationship? | | | |
| Was professional scepticism, in relation to the acceptance and continuation of engagements, adequately demonstrated by the auditor if the audit client received adverse reports in the media? | | | |
| **Planning activities** | | | |
| Independence and competence | | | |
| Did the auditor confirm that the audit team was independent at the start of an audit engagement? Independence declarations are also required of each audit team member on the conclusion of an audit. | | | |
| Did the engagement team have the required skills, experience and technical competence to conduct this audit? | | | |
| **Business processes and internal controls** | | | |
| Did the auditor obtain an understanding of the internal controls, business processes and information systems related to the audit and enable them to conduct a risk assessment? | | | |
| **Risk assessment and responses** | | | |
| Did the auditor perform a risk assessment that included references to ISA 240, regarding fraud discussions and risk assessment procedures relevant to revenue recognition and management override of controls? | | | |
| Did the auditor appropriately consider the risks arising from adverse media reports about the shareholders and management of the auditee? | | | |
| Did the auditor obtain sufficient appropriate audit evidence regarding the risk assessment procedures necessary to assess the risks of material misstatement due to fraud at the financial statement level and at the assertion level of classes of transactions, account balances and disclosures? | | | |
| Did the auditor apply their mind and document considerations regarding the possibility of money laundering in relation to unusual transactions that existed during the audit performed? | | | |
| Did the auditor appropriately address the risk regarding management override of controls and document the assessment of the risk of material misstatement at the assertion level for material balances? | | | |
| **Materiality** | | | |
| Is the materiality calculation reasonable during the planning and concluding phases of the audit? Did the auditor consider the impact of both qualitative and quantitative factors on materiality? | | | |
| Did the auditor provide sufficient appropriate audit evidence in support of the materiality calculation, as well as any subsequent revisions? | | | |
| **Risk assessment and risk responses** | | | |
| Did the auditor design and perform audit procedures on the group financial statements' consolidation and process and respond to the risks assessed in relation thereto? | | | |
| Did the auditor design and perform sufficient audit procedures whose nature, timing and extent were responsive to the assessed risks of material misstatement due to fraud, as required by ISA 240, as well as other risks included in the risk register? | | | |
| Did the auditor document consideration for the change in the percentage applied to the benchmark used to determine materiality? | | | |
| **Sample selections** | | | |
| Did the auditor confirm that the sample selected for the revenue cycle was sufficient and appropriate for the test of control procedures performed? | | | |
| Did the auditor provide document evidence that the population from which audit samples were selected was verified? | | | |
| Are sample selections sufficient to adequately mitigate risks? | | | |

TABLE 1-A1 continues on the next page →

**TABLE 1-A1 (Continues...):** Checklist to help prevent transgressions.

| | Complied | Did not comply | Not applicable |
|---|---|---|---|
| **Execution** | | | |
| Did the auditor obtain sufficient and appropriate audit evidence in support of the following balances and classes of: | | | |
| Revenue | | | |
| Cashflow statement | | | |
| Group consolidations | | | |
| Accounting disclosures and accounting framework | | | |
| Property, plant and equipment | | | |
| Related parties | | | |
| Intangible assets | | | |
| Inter-company loans | | | |
| Receivables | | | |
| Re-statement of annual financial statements | | | |
| Goodwill | | | |
| Investments | | | |
| Expenses | | | |
| Opening balances | | | |
| Inventory | | | |
| Journal entries | | | |
| **Auditor's expert/Management expert** | | | |
| Did the auditor comply with the ISAs in respect of a technical opinion obtained? | | | |
| Did the auditor perform tests on the relevance and reliability of key data and assumptions used by an expert? | | | |
| Did the auditor evaluate the training and competency of specialists utilised during the audit? | | | |
| Service organisations | | | |
| Did the auditor provide evidence that the assurance reports on controls at a service organisation are complete and current? | | | |
| **Non-compliance with the law** | | | |
| Did the auditor confirm that the auditee complied with the provisions of the legislation? | | | |
| Were all RIs communicated to IRBA, after informing those charged with governance at the auditee? | | | |
| **Completion of the audit** | | | |
| **Communication with those charged with governance** | | | |
| Were potential RIs adequately communicated to those charged with governance? | | | |
| In instances where the audit opinion was modified by including an emphasis of matter paragraph or qualifications, were these modifications clearly communicated to those charged with governance? | | | |
| **Going concern** | | | |
| Did the auditor obtain sufficient appropriate audit evidence about the entity's ability to continue as a going concern? | | | |
| Subsequent events | | | |
| Did the auditor obtain sufficient appropriate audit evidence about subsequent events? | | | |
| **Schedule of unadjusted audit differences** | | | |
| Did the auditor appropriately assess the impact of uncorrected misstatements relating to the prior year? | | | |
| Did the auditor appropriately assess the impact of uncorrected misstatements relating to the current year? | | | |
| Did the auditor consider the impact of uncorrected misstatements on the audit opinion? | | | |
| Did the auditor confirm that prior year qualifications were resolved during the current year? | | | |
| **Management representation** | | | |
| Did the auditor obtain a Management Representation Letter? | | | |
| Did the auditors over-rely on the Management Representation Letter as audit evidence? | | | |
| **Audit report** | | | |
| Did the auditor confirm that the issued audit reports that were in the required format and were not signed prior to the recognised authority having asserted that they have taken responsibility for the financial statements? | | | |
| Is the auditor's opinion reasonable, given the impact of uncorrected misstatements? | | | |
| The audit file must be assembled before the audit report is issued. | | | |
| When a company's financial statements include both separate and consolidated financial statements, then an audit opinion is required for the separate company and the group. | | | |
| Did the auditor appropriately describe key audit matters in the audit report, if KAM is required? | | | |
| Was the auditor's tenure at the audit client appropriately disclosed in the audit report, if required? | | | |
| **Engagement quality** | | | |
| Did the auditor document evidence of the involvement of the engagement quality control reviewer in respect of matters that required significant auditor judgement? | | | |
| Did the auditor comply with the firm's policies and procedures regarding engagement quality control reviews? | | | |
| Does the auditor have policies and procedures in place that comply with the ISQM1 regarding specific ethical requirements, client acceptance and continuance procedures, human resource procedures and engagement performance procedures? | | | |
| **Archiving** | | | |
| Did the auditor archive the audit file within the 60-day period? | | | |

IRBA, Independent Regulatory Board for Auditors; ISA, International Standards on Auditing; ISQM, International Standard on Quality Management; RI, reportable irregularity; KAM, key audit matters.

# Appendix 2

**TABLE 1-A2:** List of independent variables.

| Number of independent variables | Independent variable description |
|---|---|
| 1 | IRBA Code of Professional Conduct for Registered Auditors |
| 2 | ISA 500 |
| 3 | ISQC 1 (ISQM 1) |
| 4 | ISA 220 |
| 5 | ISA 705 |
| 6 | ISA 450 |
| 7 | IAS 7 |
| 8 | Section 45 of the Auditing Professions Act |
| 9 | ISA 315 |
| 10 | ISA 250 |
| 11 | ISA 700 |
| 12 | ISA 240 |
| 13 | ISA 600 |
| 14 | ISA 200 |
| 15 | ISA 570 |
| 16 | ISA 230 |
| 17 | ISA 550 |
| 18 | ISA 560 |
| 19 | IFRS for SMEs |
| 20 | Section 90(2)(b) of the Companies Act |
| 21 | ISA 330 |
| 22 | Non-compliance with the Attorneys' Rules prohibiting trust debits and shortages |
| 23 | ISA 710 |
| 24 | IAS 8 |
| 25 | ISAE 3000 |
| 26 | ISRE 4410 |
| 27 | ISA 530 |
| 28 | IAS 1 (IFRS 18) |
| 29 | SAAPS 3 |
| 30 | IFRS 3 |
| 31 | ISA 620 |
| 32 | Public Company Accounting Oversight Board (PCAOB) standards |
| 33 | ISA 402 |
| 34 | ISA 580 |
| 35 | ISA 210 |
| 36 | ISRE 2400 |
| 37 | IFRS 15 |
| 38 | IFRS 9 |
| 39 | IAS 16 |
| 40 | Section 51(5) and (6) of the Companies Act |
| 41 | ISRE 4400 |
| 42 | ISA 701 |
| 43 | IFRS 7 |
| 44 | Section 41(6)(e) of the Auditing Professions Act |
| 45 | ISA 300 |
| 46 | ISA 510 |
| 47 | ISQC 2 (ISQM 2) |
| 48 | ISA 320 |
| 49 | Section 275 of the Companies Act |
| 50 | Securities Transfer Tax Act |
| 51 | ISA 260 |
| 52 | IFRS 11 |
| 53 | IAS 38 |
| 54 | Section 41(5) of the Auditing Professions Act |
| 55 | Paragraphs 100.1, 100.5(e) and 150(e) of the Code of Professional Conduct |
| 56 | Section 92(1) of the Companies Act |
| 57 | Guide for Registered Auditors: Combating Money Laundering and Financing of Terrorism |

TABLE 1-A2 continues →

**TABLE 1-A2 (Continues...):** List of independent variables.

| Number of independent variables | Independent variable description |
|---|---|
| 58 | The Auditor-General South Africa's Directives |
| 59 | IAS 24 |
| 60 | Section 19.24(b) of IFRS for SMEs |
| 61 | Income Tax Act 58 of 1962 |
| 62 | Section 360 of the IRBA Code of professional conduct |
| 63 | IAS 33 |
| 64 | ISA 706 |
| 65 | Rule 2.6 of the Rules Regarding Improper Conduct |
| 66 | ISA 265 |
| 67 | Rules 2.1; 2.4; 2.5; 2.6; 2.7 and 2.17 of the Rules Regarding Improper Conduct. |
| 68 | Sections 38(3) and 41(6)(e) of the APA |
| 69 | Rules 2.6 and 2.7 of the Rules Regarding Improper Conduct |
| 70 | South African Standard on Assurance Engagements 3502 |
| 71 | Rules 2.6 and 2.17 of the Rules Regarding Improper Conduct |
| 72 | IAS 37 |
| 73 | Rules regarding Improper Conduct and Rules 2.1.2, 2.1.5, 2.1.20 and 2.1.21 of the old Disciplinary Rules. |
| 74 | ISA 540 |
| 75 | ISA 720 |

IRBA, Independent Regulatory Board for Auditors; ISA, International Standards on Auditing; APA, Auditing Profession Act; IFRS, International Financial Reporting Standards; ISQC, International Standard on Quality Control; ISQM, International Standard on Quality Management; IAS, International Accounting Standards; SME, small and medium enterprises; ISAE, International Standards on Assurance Engagements; ISRE, International Standards on Review Engagements; SAAPS, South African Auditing Practice Statements.