Reportable irregularities and audit quality: Insights from South Africa

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ABSTRACT

In the aftermath of numerous corporate scandals and, more recently, the global financial crisis, the issue of audit quality is particularly relevant. Increasingly, numerous jurisdictions are relying on more exogenous forms of control over the audit profession in the interest of improving the quality of audit engagements and the reliability of audit reports. The purpose of this research is to examine the case for a form of mandatory whistle-blowing by South African auditors. Using an interpretive approach, this paper explores the association between a complementary reporting duty and notions of audit quality, recommending that a requirement for auditors to bring certain transgressions to the attention of an appropriate regulator can be a consideration for policy makers. At the same time, the research adds to the existing corporate governance literature by providing one of the first interpretive accounts of audit quality and reporting in a non Anglo-Saxon setting.

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1. Introduction

In South Africa, over and above the duty to express an opinion on a client’s financial statements, the external auditor is expected to bring ‘reportable irregularities’ (RI’s) to the attention of an independent regulator: the Independent Regulatory Board for Auditors (IRBA). This additional reporting requirement, which may be loosely regarded as a form of whistle-blowing, has its genesis in the 1950s when the South African Government took the position that auditors owed a duty to society to do more than just provide a generic opinion on financial statements. In the aftermath of a series of local corporate failures and international governance scandals (Konar et al., 2003; Manuel, 2002; Nel, 2001), the reporting duty was broadened and firmly entrenched in South African auditing practice under section 45 of the Auditing Profession Act No 26 (2005) (the APA).1

Although France, Malaysia, the United Kingdom and U.S.A. have similar reporting requirements, these exist often only in terms of the relevant auditing standards or apply in limited circumstances (Maroun & Gowar, 2012; Nel, 2001; Schultz, Johnson, Morris, & Dyurns, 1993). In contrast, South Africa is one of the few jurisdictions where the auditor is faced with

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1 Non-standard abbreviations include: Auditing Profession Act No. 26 of 2005 (APA); Independent Regulatory Board for Auditors (IRBA); International Auditing and Assurance Standards Board (IAASB); International Federation of Accountants (IFAC); International Standards on Auditing (ISA); material irregularities (MI’s); Public Accountants’ and Auditors’ Act No. 80 of 1951 (PAAA); Public Accountants’ and Auditors’ Board (PAAB); reportable irregularities (RI’s); and South African Institute of Chartered Accountants (SAICA).
2 This paper uses the terms ‘section 45 of the APA’ and ‘RI provisions’ interchangeably.

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a generic duty to blow the whistle on stipulated client transgressions (Nel, 2001). This has been justified on the grounds that the standard audit report lacks sufficient depth, it being possible for the auditor to issue a clean report despite the occurrence of ‘acts’ or ‘omissions’ which may be contrary to the interests of various stakeholders (IRBA, 2006; Nel, 2001). The European Commission (2010a), International Auditing and Assurance Standards Board (IAASB) (2012) and Solomon (2009) make similar arguments, pointing out that, currently, audit reports ought to provide additional insights into audit findings in the name of enhanced governance.

To date, however, there has been little research on the impact of whistle-blowing on the audit profession. Some researchers have examined whistle-blowing in an internal audit setting (Kaplan & Schultz, 2007) or as part of the internal operations of external audit firms (Brennan & Kelly, 2007). The implications of reporting a client’s wrongdoings for audit practice, quality and the standing of the external audit profession have not been examined in detail (Maroun & Atkins, 2014). Consequently, the objective of this research is to explore the perceived relevance of the South African reportable irregularity (RI) provisions for audit reporting and the quality of audit engagements. Using a correspondence analysis and detailed interviews, the research finds that the RI provisions, despite not leading to a significant change in audit practice, have made a positive contribution to the perceived usefulness of the external audit process. In particular, having a duty to bring transgressions to the attention of the IRBA – backed by sanctions for non-performance – stresses the relevance of auditor reporting as part of the corporate governance machinery.

While being relevant, in practical terms, for the local audit profession, the research contributes to the broad need for case-specific investigations of audit practice to complement the majority of audit quality research which tends to rely on inferential testing of quality surrogates (Humphrey, 2008; Power, 2003). Furthermore, this paper is one of the first studies on audit quality in an African setting, simultaneously shedding light on the relationship between external regulation, whistle-blowing, and external audit. In turn, the research speaks to the need for broader sectorial and jurisdictional analysis (Brennan & Solomon, 2008; Humphrey, Kausar, Loft, & Woods, 2011). Finally, due to the recent interest in expanding existing auditor reporting duties by numerous regulatory bodies (European Commission, 2010a; IAASB, 2012), understanding how a complementary reporting requirement in South Africa is associated with audit quality will prove interesting for regulators and practitioners in various jurisdictions.

This paper is organised as follows: Section 2 provides details on the duty to bring RI’s to the attention of the IRBA. Section 3 discusses the prior literature on audit quality, introduces the quality control provisions based on International Standards on Auditing (ISA) and defines each of statements used for carrying out a correspondence analysis. Section 4 explains the method in more detail. Section 5 presents and discusses the findings and Section 6 concludes.

2. Reportable irregularities in South Africa

In terms of ISA, an auditor is required to express an opinion on the fair presentation of a client’s financial statements (IAASB, 2009a; IRBA, 2011). In addition to this, South African auditors are obliged, in terms of section 45 of the APA (the RI provisions), to bring RI’s to the attention of the IRBA. This is despite the duty of confidentiality and irrespective of whether or not the audit report is qualified; the RI has been rectified; or the matter has been communicated to those charged with governance (IRBA, 2006).

2.1. The reporting duty

Section 1 of the APA (2005) defines an ‘RI’ as ‘any unlawful act or omission committed by any person responsible for the management of an entity,’

which:

(a) ‘has caused or is likely to cause material financial loss to the entity or any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or
(b) is fraudulent or amounts to theft; or
(c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct of management thereof’.

In terms of section 45(1)(a) of the APA ‘[a]n individual registered auditor . . . of an entity that is satisfied or has reason to believe that a reportable irregularity has taken or is taking place in respect of the entity must, without delay, send a written report to the [IRBA].’ The report must set out particulars of the RI, as well as other information considered appropriate by the auditor (section 45(1)(b) of the APA). Thereafter, within three days, the auditor must notify the client of the report issued and provide the client’s management with a copy of the report (section 45(2)(a) & (b) of the APA). Management should be afforded a reasonable opportunity to discuss the report with, and provide representations to, the auditor (section 45(3)(a) & (b) of the APA). Following this, the auditor is required, within thirty days of issuing the first report, to submit a second report to the

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3 The APA uses the term ‘management board’ which would include the board of directors or other body or individual(s) responsible for the management of the business of an entity (IRBA, 2006; s1 of the APA). This paper uses ‘management’ and ‘management board’ interchangeably.

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IRBA, indicating whether the auditor is still of the opinion that an RI has or is taking place⁴ (section 45(3)(c) of the APA). The IRBA is, in turn, empowered to bring the RI to the attention of relevant third parties ‘as soon as possible’ after the receipt of the second report (section 45(4) of the APA).

2.2. Evolution of the reporting duty

The broad reporting requirements of section 45 of the APA were designed to clarify the reporting duties of auditors, improve the transparency of the reporting process and foster confidence in the audit profession (IRBA, 2006; Negash et al., 2003; Nel, 2001). The reporting duty can be dated to the 1950s when, under the Public Accountants’ and Auditors’ Act No. 80 (1951) (the PAAA), auditors were required to disclose ‘material irregularities’ (MI’s), which had not been addressed by the client, to the predecessor of the IRBA, the Public Accountants’ and Auditors’ Board (PAAB).

Maintaining that arms-length regulation would prove instrumental in enhancing the perceived quality of what was being reported by auditors and, hence, the confidence vested in the audit profession (Dunn, Jooste, & Smith, 1989; Konar et al., 2003; Nel, 2001), in 2001 a number of refinements to the whistle blowing duty were proposed. The revised reporting duty under section 45 of the APA (dealing with RI’s), effective from 2005, is largely consistent with that under the repealed section 20(5) of the PAAA (dealing with MI’s) (Gawith, 2006; Wielligh, 2006). Three important differences expanding the scope of the reporting duty should, however, be noted.

Firstly, the auditor suspecting a MI was, as a starting point, obliged to notify the client. It was only if, within 30 days after informing the client, that the PAAB was notified of the irregularity and then only if the client had not responded appropriately to the transgression (Dunn et al., 1989; PAAB, 2003). Fearing that auditors’ professional judgement could lead to inconsistent application of the whistle-blowing duty, or that auditors and clients would use the 30-day period to circumvent the need for the reporting, the 30-day window period was replaced by reporting ‘without delay’ (Nel, 2001).

Secondly, irregularities were only reported to the PAAB if they were material. It was, however, resolved that any act of theft or fraud involving those responsible for the client’s management, irrespective of perceived materiality, would be reportable to the IRBA (IRBA, 2006). This was despite the possibility of proliferation of clearly trivial reporting (South African Institute of Chartered Accountants [SAICA], 2001 cited in Nel, 2001; Wielligh, 2006) which the legislature felt would be outweighed by the added benefit of more frequent whistle-blowing (Nel, 2001). Similarly, while breaches of fiduciary duty and acts or omissions leading to financial loss would continue to be reportable only if material, these losses or breaches need not only be suffered by ‘members or creditors’ of the audit client to be reportable, as was the case with MI’s (section 20(5) of the PAAA). The effects on a ‘partner, member, shareholder, creditor or investor’ would now also have to be considered (section 1 of the APA) further broadening the reporting duty (IRBA, 2006; Wielligh, 2006).

Finally, section 20(5) of the PAAA usually applied only in cases where the auditor was acting in the capacity of an auditor to the client (PAAB, 2003). Under section 45 of the APA, a reporting duty can arise if one is merely the registered auditor of the client irrespective of the capacity in which the auditor is operating. This can potentially result in review or other assurance engagements also giving rise to a duty to report under section 45 of the APA (IRBA, 2006).

In this way, the APA marked the entrenchment and widening of the auditor’s whistle-blowing duty (Nel, 2001; Wielligh, 2006; SAICA, 2001 cited in Nel, 2001). The South African Government feared that the historically low volume of MI’s being reported to the PAAB was indicative of ineffective whistle-blowing policies that could be enhanced if the reporting duty was broader (Nel, 2001; Manuel, 2002). It was hoped that section 45 of the APA would improve the quality of reporting by auditors; enhance a sense of transparency and accountability; and ultimately contribute to the standing of the South African Audit Profession (Negash et al., 2003; Opperman, 2009).

2.3. Non-compliance with the APA

To ensure effective reporting, under sections 48, 49 and 50 of the APA, disciplinary action may be taken by the IRBA for failure to report RI’s to the regulator (IRBA, 2006). Penalties can include: a caution or reprimand; suspension or cancellation of registration; or a fine (IRBA, 2006). Alternately, section 46(1)(b) and 46(7) of the APA provide that an auditor may be liable under a claim for damages by parties aggrieved by the unreported RI. Finally, section 52 of the APA provides that an auditor who fails to report an RI could be subject to criminal charges and face a period of imprisonment not exceeding 10 years, a fine, or both a fine and imprisonment (IRBA, 2006).

3. A definition for ‘audit quality’ and the development of the research instrument

DeAngelo (1981a, 1981b) and Palmrose (1988) define ‘audit quality’ as the joint probability of detecting and reporting material financial statement errors. Of particular interest for the purpose of this research is the role played by external regulation in ensuring minimum levels of audit quality. For example, Canada, Kuhn, & Sutton (2008), Sy and Tinker (2008).

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⁴ Section 45 of the APA does not require the auditor to detect fraud. Although fraud would be an example of an RI, the auditor is simply required to report the fraud to the regulator if, during the course of carrying out audit procedures in terms of ISA, it happens to be detected (IRBA, 2006). As such, a discussion on whether or not section 45 of the APA forms part of the classic audit expectation gap is deferred for future research.

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and Bazerman and Moore (2011) explore how arms-length regulation contributes to improved external audit by formalising governance requirements, prohibiting the rendering of certain client services and introducing independent monitoring bodies. Similarly, Chambers and Payne (2011) demonstrate how accrual persistence, which serves as an audit quality surrogate, improved after the introduction of SOX. Analogously, Carcello, Hollingsworth, and Mastrolia (2011) detect a significant improvement in accrual quality as a result of inspections by the Public Company Accounting Oversight Board (PCAOB), concluding that arms-length regulation of the audit profession has had a positive effect on audit quality (see also Church & Schefchik, 2011; DeFond & Lennox, 2011). Although new laws and regulations may have unintended consequences (Bronson, Hogan, Johnson, & Ramesh, 2011; Vakkur, McAfee, & Kipperman, 2010), the initial argument is that external regulation has an important role to play in regulating minimum levels of audit quality (Bazerman & Moore, 2011; Firth, Rui & Wu, 2012; Manuel, 2002).

This research continues in this spirit by considering whether South Africa’s RI provisions have any association with notions of audit quality. Although the RI provisions do not create an active duty to detect RI’s, including fraud, whether or not the auditor has discharged the reporting duty in good faith is inextricably linked to the extent to which he has complied with ISA (IRBA, 2006; IIAASB, 2009c). Non-compliance with section 45 of the APA is also an offence, giving rise to fines, imprisonment or both (IRBA, 2006). In addition, a failure to discharge faithfully the RI provisions would likely undermine the public standing of the respective firm and engagement leader; result in professional sanctions; give rise to the risk of legal action; and effectively brand the auditor as acting contrary to the public interest (IRBA, 2006; Manuel, 2002; Nel, 2001). As such, it is reasonable to expect that the RI provisions provide an added incentive for an audit firm to ensure the execution of high quality engagements.

For the purpose of this paper, ‘audit quality’ is informed by the elements of ISQC 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements (ISQC 1). Using ISQC 1 may run the risk of being taken ‘hostage’ by the audit profession’s self-serving claims to expertise (Power, 2003, 392) but the auditing standard is applied in over fifty jurisdictions. It has been subject to extensive consultation and peer review and has come to constitute a generally accepted ‘quality discourse’ (Bedard, Deis, Curtis, & Jenkins, 2008; Boolaky, 2011; European Commission, 2010a). The standard also provides a number of audit quality ‘elements’ which are consistent with South Africa’s codes of corporate governance. As such, it provides a reasonable basis for carrying out an interpretive evaluation of the relevance of s45 of the APA for audit quality.

ISQC 1 quality ‘elements’ include: (1) leadership responsibilities for quality within the firm, including adherence to relevant ethical requirements; (2) acceptance and continuance of client relationships and specific engagements; (3) human resources and engagement performance (including consultation, monitoring and review); and (4) monitoring of quality controls within the audit firm (IIAASB, 2009e). Each of the ISQC 1 quality elements discussed in more detail below, inform the development of a correspondence matrix (Table 3) used to summarise the views of a group of experts on the RI provisions (Section 4).

3.1. ISQC 1 quality elements

Firstly, ethical fibre – most notably independence – is paramount (Bazerman & Moore, 2011; Mautz & Sharaf, 1961). The sentiment is shared by the International Federation of Accountants (IFAC) (2006) and equivalent quality control standards in the USA (Bedard et al., 2008) which see independence of staff, and the culture of leadership driving firm-wide ethics, as crucial. These themes apply equally with ISQC 1 which stresses the importance of engagement quality (IIAASB, 2009e) including high ethical standards (IFAC, 2006; IIAASB, 2009e) and effective firm leadership (IIAASB, 2009e). Parallels are also evident with South Africa’s code of corporate governance which emphasises the importance of responsible, ethical leadership (Institute of Directors in Southern Africa, 2009). This is especially true in the context of external audit where claims to independence and professionalism are inextricably linked to maintaining the confidence vested in (or perceived legitimacy of) the attest function (Carrington, 2010a,b; SAICA, 2012). Hence, the following statements are included in the correspondence analysis:

- Development of a culture of leadership with more participation by the engagement leader;
- Awareness of the importance of ethical compliance including client acceptance and continuance procedures;
- A sense of legitimacy in the eyes of the informed public;

Secondly, professional standing and reputation as a top quality auditor are also about association (Bazerman & Moore, 2011; Carrington, 2010a, 2010b; Wines, 2012). For this reason, ISQC 1 – like American equivalents (Bedard et al., 2008) – recommends the use of formal client acceptance and continuance policies. In addition to serving as an independence safeguard (IFAC, 2006), effective client acceptance and continuance protocols avoid audit firms accepting those engagements with an unacceptably high inherent risk or where the firm would lack the necessary resources to discharge effectively its professional duties (IFAC, 2006: IRBA, 2011). From a corporate governance perspective, this amounts to ensuring that clients are serviced ethnically and in a sustainable fashion while mitigating the risk associated with the firm’s operations (see also Cohen, Krishnamoorthy, & Wright, 2002; Farag & Elias, 2011; Integrated Reporting Committee of South Africa [IRC], 2011; SAICA, 2012).

- Awareness of the importance of ethical compliance including client acceptance and continuance procedures;
- Enhanced sustainability for audit firms including reduction in overall audit risk.

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Professional appearance and independence alone are, however, inadequate (Carrington, 2010a, 2010b; Humphrey & Moizer, 1990; Humphrey, Moizer, & Turley, 1992). Under ISQC 1, audits ought to be executed to the highest standards and in accordance with relevant regulatory requirements (IAASB, 2009e). To achieve this, both ISQC 1 and King-III (2009) agree that sound human resource practices are paramount. Engagement teams must, therefore, be in possession of the necessary skills, resources and ethical standing to discharge their professional duties (IFAC, 2006; IAASB, 2009e).

Acknowledging the importance of resources and competency of engagement team as well as the need for full compliance with ISA

Concurrently, effective monitoring, supervision and consultation for complex issues involving high levels of judgement become paramount (IAASB, 2009e), re-emphasising the need for effective engagement leadership (IAASB, 2009b). At the heart of this, ISQC 1, similar to the essence of codes of corporate governance, stresses the importance of continuous improvement, internal quality control and sound documentation standards. Also important is the need for staff to feel personally responsible for inferior engagement quality.

Consistent with King-III (2009), effective performance management becomes a key accountability-mechanism which enhances transparency and confidence in the audit work performed. At the same time, a commitment to sound audit practice becomes inextricably part of the sustainability of the audit firm. By ensuring effective monitoring and accountability, professional reputation is preserved (IRBA, 2011; SAICA, 2012). In other words, ISQC 1 recognises how an effective system of monitoring, supervision and review provides reassurances that audit opinions are appropriate. This allows users to place reliance on audit reports and contributes to the legitimacy of the audit process:

- Ensuring appropriate consultation on contentious matters and resolution of differences of opinion
- More attention paid to internal quality control and continuous improvement processes including documentation standards
- Enhanced transparency and confidence in the audit process and increased perceived value for stakeholders (including improved reporting quality)
- A sense of personal responsibility for auditors (including a sense of legitimacy in the eyes of the informed public)

4. Method

The intention of this research is not to test for a causal relationship between the RI provisions and ‘quality surrogates’. Instead, the research employs an interpretive approach to summarise the opinion of audit experts on the RI provisions and highlight the operation of s45 of the APA in a practical setting (see Humphrey, 2008; Power, 2003). Using a mixed method, data are collected in two phases. Firstly, a correspondence analysis is used to aggregate and summarise the perceptions of 60 audit experts. The aim is not to quantify a measure of ‘audit quality’. Rather, principle component analysis is used to identify the most relevant associations between the RI provisions and audit quality elements identified in Section 3. Thereafter, an easy-to-interpret correspondence plot is used as the basis for detailed interviews with an additional 10 experts to explore further the association between the auditor’s reporting duty and ISQC 1 quality elements.

4.1. Data collection: correspondence analysis

As discussed in Section 3, ISQC 1 quality elements inform each of the row headings or statements in Table 1 below. Key subsections of the RI provisions (Section 2) constitute column headings. Each row is labelled ‘RI’ to ‘R9’. Columns are labelled ‘C1’ to ‘C7’. The result is a 7 column × 9 row correspondence table. The order of entries in the correspondence table and assigned symbols have no specific meaning.

The correspondence table was completed by a sample of 60 experts, being practitioners, audit regulators and audit academics with at least 10 years’ experience.5 While this does import an element of bias, it ensures that only knowledgeable individuals are engaged, adding to the reliability of the findings. This approach is also consistent with the exploratory nature of the study and the fact that the aim is not to generalise results.

Respondents were contacted directly by the researcher and informed of the nature and purpose of the research. They were provided with a copy of the final correspondence table (Table 1) and a brief overview of the correspondence analysis technique. To ensure that there was no ambiguity, the researcher provided instructions on how to complete the correspondence table (Table A4 in the Appendix). As an added quality safeguard, the correspondence analysis was piloted with ten audit managers at one of the Big 4 in South Africa, with no material issues noted.

Participants were asked to mark with an ‘X’ cells where rows correspond positively with the respective RI provisions (columns). Accordingly, each cell could have been marked with an ‘X’ or left blank depending on participants’ perspectives. To avoid the impression of ‘quantifying’ audit quality, a dichotomous scale is used. Each ‘X’ was assigned a value of one. Non-responses were assigned a value of zero. Results were aggregated into a single frequency table and, using STATA, reduced to

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5 Experts are drawn equally from each ‘category’. Practicing auditors came from both large and smaller practices, although the quality-size distinction (DeAngelo, 1981a; Francis, 2004) is not specifically dealt with.
Table 1
Correspondence table.

<table>
<thead>
<tr>
<th>Quality trait</th>
<th>Provisions of section 45 of the APA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RI’s are to be reported to the IRBA</td>
</tr>
<tr>
<td></td>
<td>Reporting to take place immediately vs. after 30 days under the PAAA</td>
</tr>
<tr>
<td>R1 Development of a culture of leadership with more participation by the engagement leader (para 9)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Failure to report an RI could lead to liability and criminal sentence.</td>
</tr>
<tr>
<td>R2 Awareness of the importance of ethical compliance (para 14 &amp; 18) including client acceptance and continuance procedures (para 28)</td>
<td></td>
</tr>
<tr>
<td>R3 Acknowledging the importance of resources &amp; competency of engagement team (para 36) as well as the need for full compliance with ISA (para 46)</td>
<td></td>
</tr>
<tr>
<td>R4 Ensuring appropriate consultation on contentious matters and resolution of differences of opinion (para 51)</td>
<td></td>
</tr>
<tr>
<td>R5 More attention paid to internal quality control and continuous improvement processes including documentation standards (para 74)</td>
<td></td>
</tr>
<tr>
<td>R6 Enhanced transparency and confidence in the audit process and increased perceived value for stakeholders (including improved reporting quality)</td>
<td></td>
</tr>
<tr>
<td>R7 Enhanced sustainability for audit firms including reduction in overall audit risk (IAASB, 2009c)</td>
<td></td>
</tr>
<tr>
<td>R8 A sense of legitimacy in the eyes of the informed public (Nel, 2001)</td>
<td></td>
</tr>
<tr>
<td>R9 A sense of personal responsibility for auditors (Nel, 2001; Manuel, 2002)</td>
<td></td>
</tr>
</tbody>
</table>

*C1 C2 C3 C4 C5 C6 C7*

*a Paragraph references in Table 1 are to specific provisions of ISQC 1.*
Table 2
Descriptive statistics for correspondence analysis.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active rows</td>
<td>9</td>
</tr>
<tr>
<td>Active columns</td>
<td>7</td>
</tr>
<tr>
<td>Number of observations</td>
<td>1203</td>
</tr>
<tr>
<td>Pearson chi²(48)</td>
<td>113.09</td>
</tr>
<tr>
<td>Prob &gt; chi²</td>
<td>0.094</td>
</tr>
<tr>
<td>Total inertia</td>
<td>81.13</td>
</tr>
<tr>
<td>Number of dim.</td>
<td>2</td>
</tr>
<tr>
<td>Expl. Inertia (2 dimensions) (%)</td>
<td>81.13</td>
</tr>
</tbody>
</table>

A two-dimensional plot which provides a preliminary view of the perceived association or correspondence between rows and headings (adapted from Bendixen, 1996; Maroun, Turner, & Sartorius, 2011).

4.2. The correspondence plot

The response rate for each cell (i.e. the degree of correspondence between row and column headings) is translated into a row and column 'mass' which, using principle component analysis, is used to interpret or define the axes of a two dimensional space and the positioning of different point-row plots (Bendixen, 1996). Table 2 and the Appendix summarise the descriptive statistics. At 48 degrees of freedom, the Chi-Square statistic of 113.9 is in excess of the critical value (at a 95% confidence level) providing evidence to suggest that there is a statistically significant dependence between rows and columns. Table 2 also shows that the first two dimensions (which are the x- and y-axes in the final correspondence plot) account for just over 81% of the total inertia and, thus, for most of the exploratory potential of the graphical plot.

Only those rows and columns which make an above average inertial contribution are included in the correspondence plot (Fig. 1) to ensure ease of interpretation. Taking into account the sign of each column point, its correlation coefficient and inertial contribution (refer to Tables A1 and A2 in the Appendix), the x- and y-axes are labelled as follows in Table 3.

Each row-point's sign, correlation coefficient and Chi-squared value-variance are then used to position the row points on the positive or negative x- and y-axes (adapted from Bendixen, 1996; Maroun et al., 2011). The sign of any point is only indicative of its positioning relative to different elements of the RI provisions (axes) and does not, in itself, imply a favourable or unfavourable association.

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**Fig. 1.** Correspondence plot. Notes: 1. Column headings (elements of the RI provisions) define the x- and y-axes and are shaded in blue. Row headings (quality traits per ISQC 1) are plotted on the respective axis and are shaded in yellow. The squared correlation coefficient is quoted for each row-plot. (For interpretation of the references to color in this figure legend, the reader is referred to the web version of the article.)
Table 3
Labelling of the axes.

<table>
<thead>
<tr>
<th>Axis</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive x-axis (Dimension or axis 1 per Table 6)</td>
<td>C3: Failure to report an RI could lead to liability and criminal sentence.</td>
</tr>
<tr>
<td>Negative x-axis (Dimension or axis 1 per Table 6)</td>
<td>C7: RI's involve management only</td>
</tr>
<tr>
<td>Positive y-axis (Dimension or axis 2 per Table 6)</td>
<td>C2: Reporting to take place immediately vs. after 30 days under the PAAA</td>
</tr>
<tr>
<td>Negative y-axis (Dimension or axis 2 per Table 6)</td>
<td>C3: Failure to report an RI could lead to liability and criminal sentence.</td>
</tr>
<tr>
<td></td>
<td>C6: RI's include a material breach of trust and fiduciary duty</td>
</tr>
</tbody>
</table>

Table 4
Row and column labels.

<table>
<thead>
<tr>
<th>Axis labels (column headings)</th>
<th>Statements (row headings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C2 Reporting to take place immediately vs. after 30 days under the PAAA</td>
<td>R1 Development of a culture of leadership with more participation by the engagement leader</td>
</tr>
<tr>
<td>C3 Failure to report an RI could lead to liability and criminal sentence</td>
<td>R2 Awareness of the importance of ethical compliance including client acceptance and continuance procedures</td>
</tr>
<tr>
<td>C6 RI's include a material breach of trust and fiduciary duty</td>
<td>R4 Ensuring appropriate consultation on contentious matters and resolution of differences of opinion</td>
</tr>
<tr>
<td>C7 RI's involve management only</td>
<td>R5 More attention paid to internal quality control and continuous improvement processes, including documentation standards</td>
</tr>
<tr>
<td></td>
<td>R6 Enhanced transparency and confidence in the audit process and increased perceived value for stakeholders (including improved reporting quality)</td>
</tr>
<tr>
<td></td>
<td>R7 Enhanced sustainability for audit firms, including reduction in overall audit risk</td>
</tr>
<tr>
<td></td>
<td>R9 A sense of personal responsibility for auditors</td>
</tr>
</tbody>
</table>

4.3. Data analysis

Due to the large number of quality elements in ISQC 1 and the inherent complexity of describing 'audit quality' (Power, 2003), the bi-plot is used to aggregate respondents’ views and to highlight the most relevant associations between characteristics of the RI provisions and quality elements. After initial interpretation by the researcher, the correspondence plot is used as a basis for further discussion on the relevance of the RI provisions for audit quality with an additional 10 audit experts.6 Experts included audit partners, standard setters and regulators (Table A3 in the Appendix) and included some of South Africa’s leading minds in auditing and corporate governance.

At the start of each interview, respondents were reminded of the nature and purpose of the research and that there were no 'correct' or 'incorrect' answers. They were provided with the correspondence plot and a brief explanation of the correspondence analysis technique. Questions were semi structured. They were based on the correspondence plot and each of the research statements derived in Section 3.

Interviews were semi-formal and interviewees were encouraged to interpret freely the correspondence plot. Where necessary, respondents were asked to explain a particular concept or statement in different words or from different perspectives to resolve any ambiguities. The highest levels of research ethics were maintained throughout the process. Notes were made manually during the interviews, each of which lasted approximately 1 h. Data analysis was by means of a ‘data analysis spiral’ (Leedy & Ormrod, 2001). Notes were contrasted and general themes, categories and interconnections were identified and aggregated using a ‘data mind map’ (adapted from Holland, 1998a, 1998b; Oakes, Townley, & Cooper, 1998). Content was organised according to each of the quality elements identified in Section 3. This allowed the detailed interviews to provide an in-depth analysis of the RI provisions and their perceived relevance for audit quality.

5. Results and discussion

The bi-plot summarising the perceptions of experts on the association between the RI provisions and quality elements is presented in Fig. 1 (adapted from Bendixen, 1996) (Table 4).

5.1. Auditor ethics

Fig. 1 suggests that RI provisions have, at least, some relevance for auditors' ethics, including client acceptance and continuance decisions (R2). This is evidenced by the strong association between the quality trait and the fact that, under section 45 of the APA, RI's are reported 'without delay' (C2):

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6 For this reason, the correspondence analysis is especially useful as it results in an easy-to-understand diagram that can be analysed during interviews. A questionnaire, coupled with more sophisticated statistical manipulation, would have been problematic for most experts to deal with, given that none is a statistician.

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My first reaction is that “reporting without delay” is a bad thing. It puts pressure on the auditor and can damage client relationships...causing the auditor to lose the client. But, with hindsight, I can say that the when you had 30 days to report, that led to a lot of things being swept under the carpet. The legislation now crystallises the reporting requirement’ (E2).

‘So, what the correspondence table says to me is that immediate reporting has helped overcome the issue of auditors circumventing reporting which may have been the case with the old MI’s. We now have more active reporting. ... Clients also know that auditors have this duty and that the auditor is going to report RI’s. This is basically what we mean by independence in both fact and appearance and I think that reporting without delay is adding to both’ (E5).

Both experts highlighted how the regulation defines clearly a reporting protocol with which the auditor is obliged to comply. A formal reporting mechanism, including the requirement to notify the regulator ‘without delay’, promotes active whistle-blowing and mitigates the risk of professional judgement leading to reduced incidents of reporting (E2; E10). For several respondents, this contributes to section 45 of the APA being a credible reporting mechanism which adds to the perceived independence of the local audit profession (E3). At the same time, the prior literature has raised the concern of economic dependence on clients eroding auditor independence and detracting from the quality of the audit report (Blay & Geiger, 2013; IFAC, 2006; Wines, 2012). What the correspondence plot, and expert commentary, imply is that reporting irregularities ‘without delay’ partially mitigates this (Maroun & Atkins, 2014; Nel, 2001). Whistle-blowing perceptions, backed by sanctions for non-compliance, serve as a deterrent to professional judgement being used to justify placing the client’s rights to confidentially before the general duty to inform stakeholders of irregularities (Nel, 2001; Opperman, 2009):

‘You are going to get a lot of pressure from the client and compliance with the legislation is going to come down to how independent you are--to how well you can resist those client pressures and serve the public interest’ (E1).

‘What section 45 [of the APA] does is create a quick reporting mechanism that compels the auditor to report. This resolves the problem of a sense of loyalty to the client and owing the client a duty of confidentiality’ (E10).

'It also creates an escape hatch. You can justify reporting to the IRBA on the basis that the legislation compels you to do so. Without the duty to report RI’s without delay, you may be divided. Do you report and risk losing the client or being sued or do you adhere to the old principle of client confidentiality?’ (E3)

Respondents highlighted the practical challenge of balancing client relationships with the professional duty to express an opinion on financial statements and how the RI provisions are a pragmatic means of dealing with the tension between securing firm revenues and serving the public interest (E3; E10). Almost all respondents indicated that there were instances where the financial significance of a client could threaten auditor independence. In these instances, the RI provisions provided an important mechanism for dealing with irregularities which, while not resulting in a modified audit report, could have adverse implications for stakeholders. Section 45 of the APA is not a complete solution for capitalistic pressures undermining auditor independence but, in the opinion of the majority of interviewees, it plays at least some role in preserving ‘independence in fact’ (see IAAAB, 2009e). For informed users of audit reports, it also provides reassurances that there is a practical means for bringing irregularities into the public domain, possibly contributing to independence of appearance (E9; E10).

5.2. Engagement performance

Interviewees agreed that section 45 of the APA does not result in a paradigm shift in audit practice. For example, it does not mandate the performance of specific audit procedures in addition to those required by ISA, barring an added reporting requirement. Related to this, the RI provisions do not create a duty to detect fraud. This is not, however, to say that the whistle-blowing requirement is irrelevant when it comes to audit quality.

Firstly, for several experts, the mere fact that the reporting duty is a statutory one leads to additional engagement leader participation:

‘The whistle-blowing is in the Act and this tells you that you need to take it seriously. You’ve got this duty to whistle- blow and there are no arguments. You either report when the Act (and the IRBA’s guidelines) tells you to or you have acted contrary to the law. This is a hell of a lot more serious than saying that you may not have complied with a principle in one of the auditing standards or with an internal policy. These are subject to significant interpretation. Section 45 is not. And so, I would be very surprised to find out that an audit partner did not roll up his sleeves and get involved when an RI is detected or suspected’ (E9).

‘The end result is that the legislation has made partners more aware of the role they need to play on the audit’ (E1).

Interconnected with this are the implications for reporting an RI when, in fact, no irregularity exists. Even if the auditor has acted in good faith, erroneously reporting an RI could give rise to a claim for damages for which the APA offers no legal defence (IRBA, 2006; Maroun & Gowar, 2012).

‘I think that one reason for the correlation between the reporting requirement, engagement leader involvement and consultation is because of the legal ramifications if you get it wrong. If you report without delay and you find there is no RI, you could end up with the client suing you! Now, I don’t think that this has ever happened [in South Africa].

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But I can tell you that I dot my i’s and cross my t’s when I find one of these things [an RI] because I don’t want to be the first one’ (E3).

The above comments also refer to the relevance of reputation risk and the importance of preserving client relationships. Other experts shared similar views:

‘What [Fig. 1] highlights is that it’s your name on the audit file and that you, as the partner, are responsible for the audit. It comes as no surprise that people are more inclined to consult when they think there is an RI. And you would definitely expect the partner to do a little more audit work. What the correspondence analysis says to me is that changes to audit quality are a combination of the statutory duty, the consequences for messing [the audit] up, and the damage to your professional reputation. It’s also because of the consequences for the client and risk to the auditor if you get the report wrong’ (E10). ‘So at the end of the day, RI’s end up leading to more involvement by the partner and when you think you have one, there is more consultation and review because of the need to ensure that you report properly. I mean, there are legal issues if you mess it [reporting] up and there are issues about audit quality and your name if you get things wrong’ (E6).

Consistent with the views of Carrington (2010a, 2010b) and Wyatt (2004), professional appearance is highly relevant. With the legitimacy of audit practice rooted in its claims to independence and technical expertise (Edwards, 2001; Power, 2003), ensuring that the RI provisions are applied correctly becomes a key aspect of providing a high quality audit engagement. For several audit partners, the information provided to the regulator becomes an extension of the audit report with the result that the accuracy of the processes followed when dealing with actual or suspected RI’s is ‘a key consideration for many engagement leaders’ (E5) and ‘definitely an example of when you would consult with your peers’ (E6).

What is also important to note is the fact that the duty to report an RI rests with the individual audit partner (IRBA, 2006) explaining the correlation between R9 (a sense of personal responsibility and accountability) and the applicable sanctions for non-compliance (C3). As theorised by McMillan (2004), Roberts (2009) and Roberts, Sanderson, Barker, and Hendry (2006), this example of external regulation appears to have an individualising effect for some audit partners. For example, several experts explained how the whistle-blowing duty emphasised the importance of one’s own professional appearance (E5; E9; 10) and the responsibility that each partner has to preserve the good name of the profession and his respective firm (E1; E3). A sense of personal commitment also extended to certain engagement performance areas. This is seen in the association between the reporting requirements (C6; C7) and, for some experts, an awareness of the relevance of internal quality control, continuous improvement and adequate documentation in connection with the RI provisions (R5):

‘Overall, you will have at least some effect on the focus of quality control within the firm and by the regulator [the IRBA]. We are aware of the requirements of the legislation and we take this into account when we think about our internal procedures and how to improve on what we do’ (E2).

‘I mean, you are the partner. It ultimately comes down on you. You and you alone are responsible for the audit work that was done (or not done). You are responsible if you miss the RI or if you reported when there wasn’t an RI. You are the partner and s45 [of the APA] reminds you of that’ (E3).

As a result, although the RI provisions have not had a profound effect on the nature of external audit (IRBA, 2006), the reporting duty has at least some relevance for ISQC 1 quality elements. The correspondence analysis highlights how the actual operation of external regulation impacts engagement performance. It also shows the interconnection between audit practices and the relevance of professional standing. Accordingly, the RI provisions become an example of how arms-length regulation has an effect on: the focus on quality control (E2), a sense of personal commitment to the quality of audit engagements (E10) and an awareness of the importance of audit and audit quality in general (E7). Interconnected with this is the ability of the RI provisions, due to enhanced reporting requirements, to add to the perceived value of the audit profession.

5.3. Audit reporting

Recent criticism of external audit has concentrated on lack of clear reporting. Although the standard audit report provides assurance on the financial statements, it arguably suffers from being too generic, offering inadequate insights into the auditor’s findings (European Commission, 2010a; IAASB, 2009d, 2012; Solomon, 2009). What several interviewees suggested was that section 45 of the APA partially responds to this shortcoming, providing a sense of enhanced value of the audit process.

Initially, these results seem inconsistent with fact that section 45 of the APA has not materially altered the nature or scope of audit engagements (IRBA, 2006). As discussed in Section 2, the whistle-blowing provisions do not create a duty actively to seek out RI’s and do not resolve the fraud-expectation gap debate. Experts, however, explained the association between the RI provisions and the drive for sound engagement performance as attributable to the need for accurate reporting (E5; E1); avoiding unnecessarily damaging client relations (E3; E4); and ensuring professional appearance (E1; E2), as discussed in Section 5.2. A sense of serving the public interest also explains the link between R7 (a sense of enhanced sustainability
for audit firms) and, firstly, the responsibility to report material breaches of trust and fiduciary duty on the part of a client’s management board (C6) and, secondly, the consequences of a failure to do so (C3):

‘What we have is an indication of how section 45 of the APA may be about serving the public interest. The expectation of the public is that we act properly and that it (being regulated) together with the position of trust that we hold, means that auditors don’t hesitate to blow the whistle’ (E1).

‘The RI’s definitely add value. Whenever you bring shenanigans into the public domain, that’s in the public interest. Knowing that this duty is there and that we do more than just comment on the financials reassures at least some people and probably adds to the overall image of auditors, even if just a little’ (E4).

‘We have been making a valuable contribution to corporate governance by blowing the whistle on RI’s. This has added to our professional appearance and the quality of the whole reporting exercise. I can’t say that is a massive value-add, but RI’s have added something’ (E2).

Ultimately, what the associations between R5, R6, R7 and R9 with C3 and C6 highlight is that the RI provisions complement the reporting duties of auditors. For some interviewees, the reporting duty is akin to a form of whistle-blowing which has the potential to bring otherwise unknown transgressions into the public domain. The result is a sense of serving the public interest and contributing to a culture of corporate transparency and accountability. Consequently, the RI provisions are able to confer a sense of improved audit quality and, possibly, enhanced standing for the profession. In this way, the findings not only show how section 45 of the APA is a relevant part of the audit quality framework. The correspondence analysis and expert commentary highlight the highly subjective, socially constructed nature of audit (Power, 2003) and how this is inextricably interconnected with the functioning of external regulation as a means of improving the perceived role of attest function.

The correspondence analysis should not, however, be construed as ‘quantifying’ the effect of the RI provisions on audit quality in a positivist sense. Fig. 1 simply aggregates perceptions. It is also important to note that the results do not imply a consensus. For some experts, the RI provisions were cited as having little relevance for audit quality practices. This is emphasised by the fact that, while some quality traits may be correlated with certain elements of the RI provisions, the associations are not perfect. Several of the quality traits also had low inertial contributions. For example R3 (resources and competency of engagement teams) was well correlated with the requirement to report RI’s concerning management (C7) but contributed less than 5% to the total inertia of the plot. Likewise, R8 (a sense of legitimacy) was fairly correlated with the positive x- (C3) and negative y-axes (C3; C6) but failed to weigh heavily on the minds of participants (inertia less than 5%). A lack of complete correspondence between all elements of the RI provisions and quality traits can also be seen in the fact that the act of reporting itself (C1), including the requirement to report all instances of fraud concerning a client’s management board (C5), failed to contribute materially to all of the bi-plot’s dimensions. As explained by some respondents, with the fundamentals of audit practice left unaltered, it was difficult ‘to always associate’ the RI provisions with ‘material value added’ (E2).

6. Conclusion

This research has provided an initial exploratory account of the impact of an example of a mandatory reporting duty on audit quality. Although the RI provisions have not led to a paradigm shift in audit practice, there is some evidence to support the claim that they are relevant for improving audit quality. For instance, section 45 of the APA resolves a tension between reporting transgressions, when in the public interest to do so (Nel, 2001), and the opposing duty of client confidentiality (or fear of losing the client) if reporting was voluntary. At the same time, the RI provisions emphasise the relevance of engagement leader participation; a sense of accountability from the perspective of audit partners; and the need for sound consultation and review policies. Owing a duty to bring transgressions to the attention of the IRBA – backed by sanctions for non-performance – also stresses the relevance of auditor reporting as part of the corporate governance machinery. In turn, this appears to add value for constituents and contributes to the standing of the South African Audit Profession.

These findings are especially relevant in the light of the on-going debate on audit quality and value of the audit report. The IAASB (2012), for instance, is currently exploring added disclosure in audit reports to serve better stakeholder interests (see also Gold, Gronewold, & Pott, 2012). The European Community is carrying out similar investigations (Committee of European Securities Regulators [CESR], 2007; European Commission, 2010a, 2010b). More broadly, several researchers have been evaluating how the quality of audit practice, in general, can be improved using arms-length regulation (examples include Church & Shefchik, 2011; Gavious, 2007; Myers, Myers, & Omer, 2003). While this research does not suggest that section 45 of the APA drives audit quality, what it does imply is that a duty to blow the whistle on client transgressions may positively influence audit quality while resonating with the need for auditors to do more than just issue generic audit reports. In this way, an auditor’s whistle blowing duty – which does not prescribe a fraud detection requirement – may be a relevant policy consideration for auditor regulatory bodies.

Additional research in this regard will be needed given the normative tone of this paper and its inherent limitations. Most notably, only the perceptions of audit experts have been considered. In addition, the functioning of the RI provisions needs to be examined through different theoretical ‘lenses’ in order to shed light on exactly how the reporting duty interacts...
with social constructions of audit practice, something which a correspondence analysis cannot reveal (see Maroun and Atkins, 2014; Maroun and Solomon, 2013). The study is also based in a single developing economy and does not consider the variations in the relevance of the reporting duty due to size of the audit firm, the nature of audit clients, degrees of auditor specialisation and risk of litigation. To this end, future research could focus on testing several of the assertions raised in this paper either by reference to archival data, where available, or by using experimental techniques. As part of this process, the need for a critical perspective should not be overlooked. For example, exploring how the appearance of a formal legal reporting protocol, backed by sanctions for non-compliance, may be used to bolster superficially the general user’s opinion of the audit profession could prove to be an interesting line of enquiry.

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Appendix.


Table A1
Statistics for row categories in symmetric normalisation.

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Dimension 1</th>
<th>Dimension 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mass</td>
<td>Quality</td>
<td>% inert</td>
</tr>
<tr>
<td>R1</td>
<td>0.089</td>
<td>0.895</td>
<td>0.08</td>
</tr>
<tr>
<td>R2</td>
<td>0.159</td>
<td>0.71</td>
<td>0.055</td>
</tr>
<tr>
<td>R3</td>
<td>0.094</td>
<td>0.753</td>
<td>0.019</td>
</tr>
<tr>
<td>R4</td>
<td>0.16</td>
<td>0.81</td>
<td>0.11</td>
</tr>
<tr>
<td>R5</td>
<td>0.064</td>
<td>0.9</td>
<td>0.225</td>
</tr>
<tr>
<td>R6</td>
<td>0.126</td>
<td>0.703</td>
<td>0.151</td>
</tr>
<tr>
<td>R7</td>
<td>0.054</td>
<td>0.501</td>
<td>0.085</td>
</tr>
<tr>
<td>R8</td>
<td>0.14</td>
<td>0.547</td>
<td>0.03</td>
</tr>
<tr>
<td>R9</td>
<td>0.114</td>
<td>0.936</td>
<td>0.246</td>
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</tbody>
</table>

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Table A2
Statistics column categories in symmetric normalisation.

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<th>Dimension,1 (x-axis in Fig. 1)</th>
<th>Dimension,2 (y-axis in Fig. 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mass</td>
<td>Quality</td>
<td>%inert</td>
</tr>
<tr>
<td>C1</td>
<td>0.193</td>
<td>0.209</td>
<td>0.069</td>
</tr>
<tr>
<td>C2</td>
<td>0.119</td>
<td>0.91</td>
<td>0.206</td>
</tr>
<tr>
<td>C3</td>
<td>0.194</td>
<td>0.971</td>
<td>0.117</td>
</tr>
<tr>
<td>C4</td>
<td>0.204</td>
<td>0.752</td>
<td>0.063</td>
</tr>
<tr>
<td>C5</td>
<td>0.119</td>
<td>0.405</td>
<td>0.092</td>
</tr>
<tr>
<td>C6</td>
<td>0.09</td>
<td>0.613</td>
<td>0.072</td>
</tr>
<tr>
<td>C7</td>
<td>0.081</td>
<td>0.965</td>
<td>0.38</td>
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Table A3
Details on interviewees.

<table>
<thead>
<tr>
<th>#</th>
<th>Type</th>
<th>Job title or description*</th>
<th>Years of experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expert 1</td>
<td>Audit Partner; Standard Setting</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>Expert 2</td>
<td>Retired Audit Partner; Audit Committee Chair</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Expert 3</td>
<td>Audit Partner; Standard Setter</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>Expert 4</td>
<td>Audit Partner</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Expert 5</td>
<td>Audit Partner</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Expert 6</td>
<td>Audit Partner</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Expert 7</td>
<td>Audit Partner &amp; Academic</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>Expert 8</td>
<td>Standard Setter; Regulator</td>
<td>29</td>
</tr>
<tr>
<td>9</td>
<td>Expert 9</td>
<td>Standard Setter; Regulator</td>
<td>23</td>
</tr>
<tr>
<td>10</td>
<td>Expert 10</td>
<td>Audit Committee Member; Standard Setting</td>
<td>14</td>
</tr>
</tbody>
</table>

*Job titles and descriptions have been altered to preserve the identity of respondents.

Table A4
Extract from the correspondence table provided to participants.

Extract from the instructions provided to participants

This research is carried out for academic purposes only. It is designed to explore the perceived relationship between the reportable irregularity provisions found in the Auditing Profession Act and certain quality elements derived mainly from ISQC 1. There are no correct or incorrect responses. On the page that follows you will find a correspondence table with rows and columns. The rows represent audit quality elements and are labelled 'R1' to 'R9'. Columns represent the RI provisions and are labelled 'C1' to 'C7'. The order in which quality elements and the aspects of the RI provisions appear is of no particular importance.

Please mark with an ‘X’, those cells that you feel are positively correlated. In other words, if you think that a particular aspect of the RI provisions ('C1' to 'C7') has a positive association with or positive effect on an audit quality element ('R1' to 'R9') mark the relevant cell with an ‘X’. If this is not the case, then leave the cell blank.

Example

If you feel that the fact that RI’s are reportable to the IRBA (C1) results in you being more active on the engagement and encourages a culture of leadership (R1), then place an ‘X’ in the cell. If you feel that this is not the case, then leave the cell blank.

The remainder of the table is completed in the same fashion. You may place as many ‘X’s’ as you feel appropriate or leave as many cells blank as you wish.

References


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Public Accountants’ and Auditors’ Act No. 80 of 1951. PAAA. Republic of South Africa.