



CMA
SOUTH AFRICA INC.
AUDIT | TAX | ADVISORY

Transparency Report in accordance with the IRBA Rule on Transparency Reports (2025 cycle)

Firm Identification

- **Exact legal name: HLB CMA South Africa Incorporated**
- **IRBA practice number: 912476**
- **Legal form: Incorporated company under the Companies Act of South Africa**

- Principal place of business: No 1, Second Road, Halfway House Estate, Midrand, 0185, South Africa
- Reporting period: 1 July 2024 – 30 June 2025

Governance & Ownership

	Detail
Ultimate approving body for this report	Executive Committee (Marius Maritz – Chair, Raymond Baard, Melinda Bath)
Schedule of equity interests	<p>Majority shareholders are Marius Maritz and Walter Mohlaka.</p> <p>Minority shareholders are · Stevie Minnaar · Jeandré du Toit · George Davias · Raymond Baard · Melinda Bath</p>
Head of Audit & person responsible for SoQM	Executive Committee as a collegiate head of audit

Appointment, accountability and reporting lines

- **Ultimate responsibility.** In line with ISQM 1 ¶20 and IRBA Rule 1 (Board Notice 512 of 2023), ultimate responsibility and accountability for the System of Quality Management (SoQM) is vested in the Executive Committee as a collegiate managing board.
- **Operational responsibility.** Exco allocates day-to-day SoQM duties to individual partners (e.g., independence oversight, monitoring & remediation) while retaining ultimate accountability.
- **Direct communication.** Partners holding operational mandates have a direct line to the chairperson and may escalate matters to the full Exco at any time, complying with ISQM 1 ¶22 on clear reporting pathways.

Culture of quality and tone-at-the-top

ISQM 1 ¶28 requires leadership to embed a culture that recognises public-interest responsibilities, ethical values and quality-focused decision-making. Exco gives practical effect to this through:

	Frequency	Evidence retained
Monthly all-staff town-halls covering new standards, recurring review findings and disciplinary outcomes	12× per year	MS Teams recordings & transcripts
Dedicated MS Teams quality channel with real-time alerts	Continuous	Audit-trail in Teams
Mandatory annual declarations acknowledging the Quality Management & Ethics Manual	Annually	Signed forms
Partner performance scorecards and potential clawbacks	Annually	HR files & remuneration schedules

Organisational structure and role allocation

The table below shows how responsibilities align to ISQM 1's quality-objective clusters:

	Operational lead	Key deliverables
Governance, strategy & ethics	Marius Maritz (Chair)	Set tone, approve SoQM budget
Independence system	Marius Maritz & Raymond Baard	Annual independence confirmations; breach log
Acceptance & continuance	Exco under Chair	Engagement acceptance decisions
Human resources & training	Exco + HR Manager Lynette Briraj	Recruitment, CPD tracking
Engagement performance methodology	Exco	Methodology updates, consultation protocols
Monitoring & remediation	Marius Maritz & Melinda Bath	Internal inspections, root-cause analysis

Each appointee's CV and time-allocation evidence their competence and availability, satisfying ISQM 1 ¶21(a).

Investment in the SoQM

- Annual SoQM budget is approved by Exco during the strategic planning cycle; allocations cover staff secondments, methodology licences and inspection costs.
- Exco tracks expenditure against budget via quarterly reports.

Performance evaluation and remuneration

Partner and senior-manager appraisals weight quality and leadership behaviours above pure revenue growth, recognising King IV's emphasis on transparent, outcome-based

governance. Negative quality evaluations trigger remedial training or disciplinary steps (Annexure 3.6) as contemplated in ISQM 1 ¶56 & ¶A200.

Communication and staff engagement

Exco leverages multiple platforms—email, SharePoint, Teams, WhatsApp and planner tools—to push quality alerts and capture upward feedback, illustrating the information-flow expectations in ISQM 1 ¶33(c) and the culture pointers in the IAASB Implementation Guide.

Continuous improvement

Leadership reviews governance effectiveness annually, informed by internal inspection results, external IRBA findings and IFAC good-practice commentary on evolving quality risks. Where gaps are identified, Exco sets new quality objectives and budgets corrective actions in the next cycle, consistent with SAAPS 7 ¶32-33 and ISQM 1's risk-based philosophy.

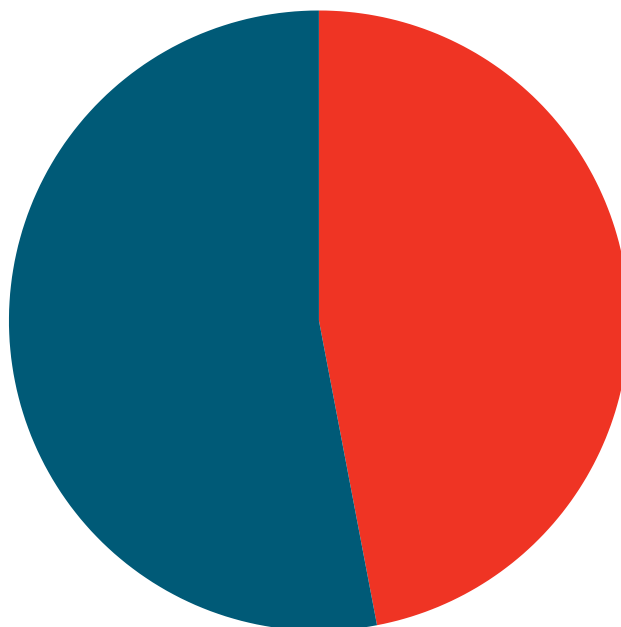
Network Affiliation

- **HLB International membership:** Member firm since late 2018; HLB International is a worldwide network of independent accounting and advisory firms with no common ownership. The network provides common brand, audit methodology and inspection support but does not direct the daytoday management of member firms.
- **Shared resources received:** HLB audit & operations manuals, proprietary ISQM1 tool, global technical alerts and annual internal inspection programme.
- **Global transparency report:** The HLB network does not publish a separate global transparency report.

Financial Information (Current Period)

● High-risk audit engagements (per IRBA definition)

● Low-risk audit engagements



	% of total
Highrisk audit engagements (per IRBA definition)	47 %
Lowrisk audit engagements	53 %
Total assurance fee income	100 %

System of Quality Management (SoQM)

Purpose and public-interest focus

Our objective is to design, implement, operate and annually evaluate a System of Quality Management (“SoQM”) that gives the firm reasonable assurance of complying with professional standards and applicable legal and regulatory requirements, and of issuing engagement reports that are appropriate in the circumstances (ISQM 1 para 14). We regard the SoQM as the primary mechanism through which we serve the public interest by driving consistent, high-quality engagements (ISQM 1 para 15).

Foundational principles and scope

The system is anchored in eight guiding principles—ethical conduct, independence, professional competence, due care, compliance with standards, practicality, prudent client retention and the firm’s core values of trust, integrity, growth and outstanding service—which collectively shape every quality objective we set. Consistent with ISQM 1 para 6, our SoQM addresses all eight components: the risk-assessment process itself, governance and leadership, relevant ethical requirements, acceptance and continuance, resources, engagement performance, information and communication, and monitoring and remediation.

Risk-based methodology: four-step cycle

We apply the iterative, risk-based methodology prescribed by ISQM 1 paras 7-9 and elaborated by IAASB implementation guidance:

- Establish quality objectives for every component, adding firm-specific objectives where necessary.
- Identify and assess quality risks that could reasonably threaten those objectives
- Design and implement responses that are proportionate to the assessed risks and responsive to their root causes
- Evaluate the entire SoQM at least annually and conclude whether it continues to provide reasonable assurance; deficiencies trigger prompt remediation and, where appropriate, external communication (ISQM 1 paras 53-55).

Practical application within the firm

The Executive Committee (Exco) leads the risk assessment, documents the exercise in the HLB ISQM 1 Tool and revisits it every year. Sources of information include internal

data analytics, regulatory developments, client feedback and network insights, as envisaged by ISQM 1 para A41. Quality objectives, risks and responses are then embedded into day-to-day practice manuals, engagement templates and our cloud-based methodology platform.

Integration of network requirements

Because we belong to an international network, we have obtained and evaluated network quality requirements and services in accordance with ISQM 1 para 48. Where network elements align with our objectives, they are incorporated verbatim; where gaps exist, we adapt or supplement them before adoption, documenting the rationale in Annexure 1.2 (ISQM 1 para 49). The firm nevertheless retains full responsibility for its own SoQM and professional judgements.

Information system and communication

To support the SoQM, we maintain an information system that identifies, captures, processes and disseminates reliable data internally and externally on a timely basis (ISQM 1 para 33(a)-(d))

Key features include:

- A dedicated MS Teams channel streaming real-time quality alerts and updates.
- Monthly all-staff meetings where partners share regulatory changes, recurring review findings and disciplinary outcomes.
- Mandatory declarations confirming that personnel have access to, and understand, the Quality Management & Ethics Manual. These mechanisms foster a culture in which every individual recognises personal accountability for quality.

Sources of quality-related information

Exco triangulates internal data, external intelligence, client feedback and regulatory guidelines—the four sources listed in our manual—to ensure risks are comprehensively identified and assessed. Industry commentary (e.g., IFAC guidance on tailoring risk responses and Journal of Accountancy best-practice articles) informs benchmarking and continuous improvement.

Dynamic reassessment and continuous improvement

When new information indicates emerging risks—such as changes in audit regulations, technology deployments or shifts in client profiles—the Exco re-opens the risk assessment and, where necessary, adds or revises quality objectives, risks or responses (ISQM 1 para 25 and para A40). Outcomes are documented in the HLB ISQM 1 Tool and communicated firm wide. This dynamic approach aligns with SAAPS 7's expectation that

the transparency report explains how frequently the firm reviews the appropriateness of identified quality risks.

Oversight, accountability and public reporting

Ultimate responsibility for the SoQM—and for the content of this transparency report—rests with the Managing Board of Partners, as required by IRBA Rule 2 (Board Notice 512 of 2023). Exco provides quarterly dashboard updates; independent internal monitoring teams validate the design and operating effectiveness of responses; and findings from both internal and external inspections, together with remedial action status, are summarised in Section 8 of this report, fulfilling SAAPS 7 paras 14-18.

Independence Policies and Monitoring

- Annual firmwide independence confirmation – completed by 96.30 % of audit & assurance personnel as at the declaration cutoff.
- No independence breaches were identified during the period.
- Partner rotation: maximum 5year tenure on ISA audit engagements with a twoyear coolingoff; stricter rules apply where required by the Companies Act.
- Feedependence & contingentfee safeguards: engagement accepted only if total fees from one client group remain <15 % of firm revenue; contingent fees prohibited for assurance work.

Acceptance & Continuance

The documented procedures evaluate client integrity, independence threats, resource sufficiency and engagement risk. Acceptance is authorised by the Engagement Partner; highrisk decisions are ratified by the Executive Committee. A blacklist policy prevents work for prohibited clients and includes whistleblower channels.

Resources

	Number
Registered audit partners	7
Audit professional staff headcount	120
Average staff to partner leverage	17.1
Structured training hours delivered to audit professionals (calendar 2024)	69.8 h per staff member
EQR partner hours charged to the audit client by the EQR partner, for completed engagements- Average for PIE clients	22.68 h
Staff turnover	Partners 0 %, Managers 6 %, Supervisors 5 %

Source: “Firm Data” and “AQI key metrics” sheets in the AQI workbook (2025).

Engagement Performance

Engagement performance is governed by a structured framework in which (i) partners set the tone, assign resources and accept accountability for quality; (ii) teams are composed and directed to match the risk profile of each engagement; (iii) critical matters trigger consultation or independent Engagement-Quality Review (EQR); and (iv) documentation, archiving and retention follow international and South-African requirements. The measures below operationalise the quality objectives in ISQM 1 ¶31-¶34 and the direction-supervision-review model in ISA 220 (Revised).

Team composition and partner involvement

Quality objective. Engagement teams “understand and fulfil their responsibilities”, with engagement partners ultimately accountable for quality.

Risk-based staffing. Partners assign staff whose competence, industry know-how and IT skills correspond to the engagement’s size and complexity, taking into account the

factors in ISA 220 ¶26 & ¶A71.

Partner time on file. Partners plan their own hours at planning, field-work and reporting phases; time budgets are monitored monthly to ensure adequate involvement.

Specialists & external experts. Where specialist knowledge (e.g., valuation, ITGC, IFRS 17) is needed, qualified internal experts—or external experts under documented contracts—join the team.

Direction, supervision and review

The partner directs work, supervises progress and reviews outputs in stages that escalate from preparer self-review to AIC/manager review, partner review and, where applicable, EQR. The granularity of review reflects ISA 220 ¶29-¶38.

	Main focus	Timing
Self & AIC	Accuracy, completeness, proper cross-referencing	Continuous
Manager	Risk assurance, consistency with audit strategy	Field-work & completion
Partner	High-risk judgments, sufficiency of evidence	Planning, completion
EQR	Objective evaluation of significant judgments	Before report date

Real-time supervision tools (Teams dashboards, cloud work-in-process tick-sheets) allow partners to track status and clear open items promptly.

Professional judgment & scepticism

Leadership embeds a culture that prizes professional scepticism, in line with ISQM 1 ¶31(c) and ISA 220 ¶A33-A36. Practical supports include:

- **Bias alerts.** Quarterly training highlights availability, confirmation, anchoring and automation biases;

- **Time & fee safeguards.** Budgets are flexible; additional hours or specialists are approved when complexity rises to avoid the “budget-constraint” impediment identified in ISA 220 ¶A34.
- **Escalation path.** Team members may raise concerns directly with the partner, quality-control HQ requests or ethics partner without fear of reprisal.

Consultations and differences of opinion

Complex or contentious matters trigger mandatory consultation with internal technical partners or external experts, as envisaged by ISQM 1 ¶31(d). Conclusions are documented in the engagement file and implementation is tracked. Unresolved differences follow the multi-tier process set out in our manual; the engagement report is not dated until resolution, mirroring ISA 220 ¶18 and ¶A78 guidance.

Engagement-Quality Reviews (EQRs)

Engagements meeting the criteria in ISQM 1 ¶34(f) (e.g., listed entities, high-risk public-sector audits, audit fees > R1 m) receive an EQR under ISQM 2. The EQR is “an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon”

Eligibility & cooling-off. Reviewers are independent of the engagement team; ex-partners observe a two-year cooling-off period per ISQM 2 ¶19.

Scope. Reviews cover independence, risk assessments, responses to significant risks, consultations and the draft report.

Completion. Partners may not date the auditor’s report until the reviewer confirms completion, as required by ISA 220 ¶25.

Engagement documentation, archiving & retention

Timely assembly. Audit files are locked within 60 days of the report date, following ISA 230 ¶A21.

Retention. Files are held for a minimum of seven years, exceeding the five-year ISA baseline and aligning with the SAICA Guide on the Retention of Records

Security. Documentation resides in encrypted cloud repositories; hard-copy evidence is stored in a fire-rated strong-room with controlled access.

Confidentiality & external requests. Release of working papers to third parties requires written client consent or legal mandate; subpoenas trigger legal review before any disclosure.

Technology, AI & data integrity

When automated tools or AI are employed, partners:

- **Verify IT general controls at the client and within firm systems.**
- **Maintain an audit trail explaining algorithms and addressing model bias, reflecting recent IFAC guidance on AI in audit.**
- **Corroborate AI-generated evidence with independent sources to avoid automation bias (ISA 220 ¶A34).**

Continuous improvement

Internal inspection findings, IRBA reviews and root-cause analyses feed into annual methodology updates, staff training and budget adjustments, satisfying SAAPS 7's call for transparency about "lessons learnt" from monitoring activities.

Monitoring & Remediation

Internal inspections sampled 6 audit files (3 PIE, 3 nonPIE); postremediation deficiency rate 15 %. Rootcause themes: documentation of materiality revisions, IFRS 9 classification, and linkage of analytical procedures to risks. Corrective actions: refresher training, template updates and targeted coaching.

The 2024 IRBA cycle concluded that both engagement files selected required "Significant Improvement", while the firm's overall system of quality management was graded "Some Improvement Required."

Summary of 2024 inspection outcomes

- **The engagement inspections each received an outcome of "Significant Improvement Required".**
- **The firm-level inspection was graded "Some Improvement Required."**
- **All remedial-action plans raised by the IRBA were implemented and closed by 30 April 2025, and their effectiveness has been verified by internal quality-management reviews.**

Principal findings

	Standard(s) implicated
Going concern	ISA 570, IAS 1
File assembly & archiving	ISA 230, ISQM/ISQC 1
NOCLAR & RI assessment	IRBA Code §360, APA §45
Investment-property valuation	ISA 540, IAS 40
Directors' remuneration	ISA 550, IAS 24
Revenue recognition	IFRS 15, ISA 315/330
Sampling & IPE reliability	ISA 530, ISA 500

Transformation & BBBEE

- Latest verified BBBEE level: Level 2 reflecting 51 % black ownership.
- Female staff: 29 %; Black (African, Coloured, Indian) staff: 14 %.
- IRBA Audit Development Programme trainees: 1 during the period.

Publication & Assurance of this Report

This transparency report will be published on <https://www.hlbauditor.co.za/Quality%20Management.html> on 15 July 2025 and will remain accessible for at least five years. External assurance over the report is not sought.



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