

A photograph of three professionals walking outdoors. In the center is a man with glasses and a mustache, wearing a grey suit jacket over a light blue shirt. To his left is a woman with curly hair, wearing a tan blazer over a light blue shirt. To his right is another man wearing glasses and a tan blazer over a white shirt. They are all looking towards the camera. The background is a blurred outdoor setting with trees and a building.

**NAVIGATING AUDIT LOWBALLING:  
A CALL FOR COLLABORATIVE ACTION  
IN THE ETHIOPIAN AUDIT LANDSCAPE**

@feyselndassociates

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The audit profession is shooting itself in the foot. It is to nobody's benefit driving prices down as aggressively as we see at the moment. To drive decent returns you look for efficiencies but it has certain limits.

Clive Stevens, managing partner at Reeves.

# INTRODUCTION

Audit lowballing refers to a situation where a professional auditing firm intentionally underbids or offers unusually low fees for its audit services to secure a contract.

Audit lowballing challenges persist in the Ethiopian audit industry, demanding a collaborative response from audit professionals, professional associations, and regulating bodies.

A photograph of three professionals walking outdoors. In the center is a man with glasses and a mustache, wearing a blue blazer and grey trousers. To his left is a woman with curly hair, wearing a tan blazer and blue shirt. To his right is another man wearing a blue blazer and brown trousers. They are all looking towards the camera. A semi-transparent blue box is overlaid on the image, containing text.

# CHALLENGES

As audit professionals, our commitment to quality, independence, and ethical standards is tested when audit lowballing prevails. The pressure to cut costs compromises the integrity of our examinations, impacting the reliability of financial reporting and, subsequently, user Confidence.



# IMPACT

The repercussions extend beyond financial reports. The compromised integrity of audits can erode user confidence, potentially leading to a ripple effect throughout the financial ecosystem.

Experienced experts in the field anticipate this shift towards the “commoditization of audit,” where audit services, once considered value-adding, are now seen as becoming commoditized in the country.



# THE WAY OUT



# ROLE OF AUDIT PROFESSIONALS

Audit professionals play a pivotal role in upholding the standards of their profession. It's essential for us to prioritize the quality of our work, advocating for fair compensation that aligns with the rigorous demands of thorough examinations.

Our collective commitment to ethical auditing practices fortifies the profession against the pitfalls of lowballing.

# ROLE OF PROFESSIONAL ASSOCIATIONS

Professional associations serve as guardians of professional ethics and standards. Collaborative efforts are needed to establish guidelines that discourage audit lowballing. These associations can facilitate industry-wide discussions, promote best practices, and offer support to firms navigating the delicate balance between competitiveness and quality.



# ROLE OF REGULATING BODIES

Regulating bodies play a crucial role in setting the tone for industry practices. Strengthening regulations to deter lowballing is imperative.

This involves establishing clear guidelines, enforcing compliance, and penalizing violations. Regulatory bodies should collaborate with professional associations to create a robust framework that promotes a culture of integrity within the audit industry in Ethiopia.

# CALL TO ACTION

Addressing audit lowballing necessitates a united front. Audit professionals, professional associations, and regulating bodies must collaborate to fortify the foundations of the Ethiopian audit industry.

In this collective effort, we can ensure that ethical standards and quality remain at the forefront, safeguarding the trust of financial statements users and the stability of our financial ecosystem.



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