Dear Member

SAICA has released a Discussion Paper: Considering mandatory audit firm rotation (and other related measures) as possible means of enhancing auditor independence.

[Read the Discussion Paper] [700 Mb]

Globally the debate around further measures to strengthen auditor independence (and by extension, audit quality) has been on going for many years, and has seen the adoption of different models and alternatives in different countries.

In South Africa, the Independent Regulatory Board for Auditors (the IRBA) has indicated their intention to respond to the current global trends and recent international legislative measures which have been implemented in respect of strengthening auditor independence. However, the IRBA’s considerations are broader in the South African context and pertain to the following three objectives:

- To further strengthen auditor independence to protect the public and investors
- To address market concentration of audit services and create a more competitive environment
- To promote transformation by creating more opportunities for small and mid-tier audit firms to enter certain markets

In addressing these objectives, measures such as mandatory audit firm rotation (MAFR), mandatory audit tendering (MAT) and joints audits (JA) are being considered for the audits of certain entities. These possible further measures are being considered in addition to measures that exist already, such as mandatory individual audit partner rotation, oversight by an independent audit committee, the annual appointment of the auditor by shareholders, and the disclosure of audit firm tenure in the auditor’s report.

SAICA supports these stated objectives and believes that these should be
addressed in the public interest in the South African context. However, the measures adopted to achieve these objectives deserve careful consideration. Any potential measures adopted will have a significant impact on, among others, companies, the profession, investors, regulators and other stakeholders. The measures adopted should also be fit for purpose and the unintended consequences should be considered carefully.

To this end, this SAICA Discussion Paper sets out, amongst others, those measures that exist already, the potential benefits or advantages, and potential concerns or consequences of MAFR, MAT and JAs, as well as additional perspectives regarding other possible alternative measures. The intention of this Discussion Paper is to initiate a constructive debate on how the stated objectives will be best achieved in the context of the different options or possible alternatives that are available.

It is in the interests of SAICA members, the business fraternity, and the South African economy at large that you peruse this document carefully and provide us with input relating to the implications contained therein.

Regards

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