Dear Member

SAICA has initiated a debate among its diverse member constituents and stakeholders through a survey aimed at establishing their views on the measures proposed by the Independent Regulatory Board for Auditors (IRBA). The survey was linked to the SAICA Discussion Paper: Considering mandatory audit firm rotation (MAFR) and other related measures as possible means of enhancing auditor independence.

All the respondents agreed in principle with the IRBA's stated three objectives, and that further strengthening auditor independence was the highest order priority as it is one of the foundations for providing external assurance, followed by promoting transformation in the profession and then addressing market concentration of audit services.

The overwhelming view was that the relevance and value of the audit should be maintained. However, strong views were expressed that the three IRBA objectives should be addressed separately.

Most notably, the respondents to the SAICA survey were overwhelmingly of the view that MAFR alone would not achieve the IRBA's objectives. They were sceptical of the advantages, and concerned about the impact of the disadvantages and the unintended consequences of MAFR. The majority view is that the disadvantages exceed the advantages.

In terms of the objective of further enhancing auditor independence, the majority of respondents suggested that existing measures should be considered, and potentially strengthened. They view the most effective existing measures as being the robust external inspections performed by the IRBA, together with a process of root cause analysis and remedial actions. These are seen as key drivers of auditor independence and audit quality.

Respondents saw a further strengthening of best practices for audit committees in discharging their responsibilities as another key measure to enhance audit committee effectiveness, and hence auditor independence. Strong views were expressed that the rights of
shareholders to appoint the external auditor should not be undermined. Auditor independence is already well entrenched through robust mechanisms in South African law, namely the appointment of the auditor by the shareholders at the AGM; statutorily appointed independent audit committees with oversight over auditor independence; and individual audit partner rotation.

There is a clear need for further engagement. Given auditors’ fundamental role in establishing confidence in capital markets, SAICA will continue to engage with the IRBA in understanding why it believes the proposed measures will achieve the intended objectives.

The original discussion paper was prepared and issued before the decision by the IRBA to implement MAFR in South Africa was known. SAICA believes that continued engagement on the views of its members is crucial and has opened up the original survey until 31 October 2016. Members who did not respond to the original request are encouraged to provide their views. Read the original discussion paper and complete the accompanying survey.

Read the full results report of the SAICA MAFR survey. For your ease of reference an executive summary is also available.

You can also view a video of SAICA’s CEO Dr Terence Nombembe commenting on the outcome of the survey.

Regards

Lindie Engelbrecht
Executive Director: Members and Global Alliances
Tel: 011 621 6879
Email: lindiee@saica.co.za

Willie Botha
Senior Executive: Assurance and Practice
Tel: 011 621 6635
Email: willieb@saica.co.za