



20 ste Laan 934
Rietfontein
0084

jmcgro@absamail.co.za

TEL/ FAX 012 330 3192
SEL. 0827506450 (Jan Conradie)

JMCONRADIE REGISTERED ACCOUNTANTS AND AUDITORS

9 February 2005

Auditing Profession Bill
Private Bag X115
PRETORIA
0001

COMMENT ON THE BILL FROM A SMALL FIRM PERSPECTIVE

Though not always popular with the 'old guard' that are in the majority in the profession, the independence requirements for auditors and audit committees in respect of public interest companies in these proposals, are welcomed and to be supported.

It is, however, important that the accreditation process and -criteria of "auditors" and "members of audit committees" should be spelled out in detail and should be properly considered, otherwise the increased focus on independence will be to no avail. Accredited auditors should provide sufficient assurance of their ability, track-record and commitment to adhere to a specific set of auditing standards, preferably ISA (International Standards of Auditing of IFAC).

The proposals about regulation of auditors in the Bill show unfairness in one regard, namely that the move from self-regulation to public regulation with increased requirements, stand to be funded only by registered auditors. Apart from my concern listed below, this is also an unfair practice. This shift in policy should be partially funded from government funds, not only to be fair but also to ensure the independence of the regulator (currently PAAB - funded and controlled by the big firms).

As a whole, the Auditing Professions Bill and accompanying Company Law reform proposals, show a lack of consideration of the small business sector and government's (at least Trade and Industry's) policy of economic growth through that sector. Examples of this general concern is as follows:

- There is no drive that I am aware of, to specifically include small practitioners in the consultation process. I am involved on a daily basis and if I am not aware of such a drive then surely those small firms far away from these processes, mostly in rural areas, will also be unaware. The big firms by virtue of employment numbers organise thousands of accountants and auditors in commenting processes, but the majority of practitioners are not thus organised in firms, therefore have no automatic access to the process.
- The funding arrangement commented on above is insignificant to the large firms but very much significant for small firms.
- Depending on the definition of 'public interest company', small practitioners would either be disenfranchised or too onerous requirements placed on small companies - the definition needs to be debated and unpacked properly to ensure that it makes economic sense and is fair.

- The Bill removes the direct-to-the-regulator qualification route that is still open via PAAB (though increasingly discouraged recently - I have corresponded with PAAB in the past and assured that if a training programme is submitted that suits the requirements, training contracts will be accredited directly by PAAB) - the qualification route for auditors is limited in this Bill to be through privately owned institutions like SAICA, which effectively means through the big firms that dominate decision-making bodies at SAICA. This is a matter of principle - the Bill should allow public access to the qualification route for auditors in stead of making it even more difficult than it is now. Access to the profession by new role-players is a matter of policy and this matter must have been overlooked when the Bill was drafted.

Yours sincerely

**JM Conradie for JMC Registered Accountants and Auditors
Praktyknommer 374881 (PAAB)**

--