

Thanks for the opportunity to comment and the efforts that need encouragement and coaching to get the basics right first before the declared intent of a fundamental reorganisation of the audit profession can be achieved. I trust that I contribute to this and promoting agreement among informed persons. Who will recognise these few examples from many more as critical indicators for decisive action to ensure independence, audit qualifications, audit competence, audit quality, etc. equal to or excelling developed world standards.

(My earlier contributions to the Accounting Professions' Bill remain relevant).

Willem Oppermann

Member of the Public Interest

P O Box 97, Wierdapark, Centurion. 0149

### **Why Not One Regulating Act For One Audit Profession?**

- Why this Bill 'to regulate the audit profession' but a separate Act (PAA 2004) for the monopoly of state audits with many consequences, some referenced in these comments?
- For example, why denial of unrestricted direct open competition by all auditors in public practice with proven audit competence and registered with the audit regulator PAAB?
- Furthermore, how could one or few persons sign audit opinions on the vast number of sizeable audits by necessity relying on the work of subordinates and for whom registration with PAAB may not be required? (Constitution, sec 193(3); PAA, sec 12(2)(a)(ii) and sec 12(2)(b)(ii))

### **What Is Independence?**

- Why are independence or conflicts of interest, concepts fundamental to the purpose of this Bill and an audit (PAA, sec (3)(b)), not defined or described and subjected to public debates? (PAA; APB)
- Without being clearly defined, how could these fundamentals be understood and complied with?
- How could compliance therewith then being declared for example in the audit report?
- Or how could compliance therewith objectively being measured?
- With this declared fundamental requirement for an audit absent, can there be an audit and consequently an audit opinion and a need for an auditor?

### **Why Inconsistent Requirements For Independence?**

- How could any director with the inherent responsibility to direct and being remunerated by the company be independent from the company or group? (CAS, par 2.3.1)
- Nevertheless, to be independent a non-executive director is required not to receive any other direct or indirect remuneration or other benefit from; or do consultancy, advisory or

other work for; and have no direct or indirect connections with the company or group (CAS, par 2.3.1)

- Then why is independence of an auditor remunerated by the client (APB, sec 21(2)(a); PAA sec 5(1); PAA, sec 23; CAS, par 2.3.2) or when providing other services to the client, (APB, sec 20(4) and PAA, sec 5(1)(a) and CAS, par 2.3.2) not likewise affected?
- Why the need for disclosure of other services if independence is not affected and how can disclosure correct a wrong anyway? (PAA sec 5(1)(a)(iii); APB sec 20(3))
- How can an auditor be independent if benefiting from appointment by the client (PAA, sec 25(1)(b); CAS par 2.3.2) or who can lose that benefit if discharged by the client? (PAA, sec 26(1); CAS par 2.3.2)
- Why is one auditor prohibited from providing services on a matter subsequently to be audited (PAA sec 5(1)(i)) and another not? (APB sec 20(3))
- In addition, if the latter is an authorised auditor of the first (PAA sec 12(2)(b)), which of the two laws apply?

### **Why Not The Best And Equal Audit Qualifications And Competence?**

- Are the leaders in any field of endeavour not accomplishing that by taking on the toughest unrestricted competition and beg no favours, while the rest remain self-disadvantaged?
- Could those reported to and reported on not expect the best and equally qualified persons on audits?
- Why then are persons not registered with PAAB used on audits? (PAA, sec 12(2)(a)(ii); sec 12(2) (b)(ii))
- Could that not have serious implications, for example that the work of PAAB audit qualified and competent persons is subjected to review and instructions by lessor or not qualified persons, that may have dire consequences for among others, the audit opinion?
- Will educational standards, etc. for accreditation equal or excel current accreditation by PAAB? (APB, sec 4)
- Should requirements for educational standards, audit competence, etc. not rather equal or excel that of the developed world? (APB sec 4)

### **Bibliography**

<b>APB</b>	Draft Auditing Profession Bill, 2004.
<b>CAS</b>	Companies Act, 1973: Proposed amendments ... Summary. November 2004.
<b>Constitution</b>	The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
<b>PAA</b>	Public Audit Act, 2004. (Act No. 25, 2004).