

Bruce Stobie - Comment

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**From:** Bruce Stobie  
**To:** AuditingProfessionBill@treasury.gov.za  
**Date:** 1/25/05 11:05AM  
**Subject:** Comment

I wish to make the following comments on the draft bill:

1. General.

It is to be commended that the preamble emphasizes the protection and promotion of the public interest. A fundamental flaw of the old system was that our profession had statutory self-regulatory status with practitioners running the PAAB usually in tandem with SAICA.

In this regard the S3(2) maximum of two-fifths practitioner membership is a great step forward. However, the 50% membership by practitioners of the Ethics Board (SBE) and the SBA is a cause for concern. The current concentration of power in a few big firms makes this particularly problematic.

Practitioners can in effect block or veto measures that non-practitioners may wish to see introduced. The position is made worse by S41(3) which prevents the IRBA from changing decisions of the SBE or SBA. This is an extraordinary section the need for which eludes me.

2. Section 9(3).

It is surely time to put a full stop after "dishonesty". We don't want petty criminals as auditors.

3. Section 20(2).

Why has the criterion of complying with all the requirements of a law regulating an undertaking insofar as the audit is concerned been dropped? (viz. old S20)

4. Section 22.

I would have thought that the audit committee would play a central role in the activities mentioned in this section yet it doesn't get a mention.

5. Section 23.

The statutory limitations on potential legal liability introduced a decade and a half ago have been retained but there is no justification for retaining sub-section (3). Sub-section 5 (b) needs elucidation. Does it mean that even if an auditor issues a disclaimer subs (1) and (2) will still be applicable (this is acceptable), or does it mean that if an auditor issues a disclaimer then subs (1) and (2) cannot be applied? (the latter is surely not in the public interest).

6. Section 46(2).

This should include the possibility of an oversight investigation into the SBA and SBE as well as the IRBA seeing that the latter body can't change decisions of the SBA or SBE.

7. Government Auditors.

The entire focus of this bill is on private sector auditing and in this respect it is no different to its predecessor. The public sector is totally ignored. A national oversight body needs to have oversight over government auditors too.

The old approach of exempting them from regulation is just not acceptable in our changed environment with its emphasis on accountability.

It may be that the Institute of Government Auditors is envisaged as being a body which will register in terms of Section 7 in which case this point is partially dealt with. However, if that is the case, then some subsequent sections (e.g. Section 22) need to be amended to cater for the public sector environment.

Yours faithfully,

Bruce Stobie