

COMMENTARY ON DRAFT AUDITING PROFESSION BILL, 2004

We welcome the Draft Auditing Profession Bill, 2004 and its general thrusts.

We provide the following comments.

1. We note that the Public Finance Management Act (PFMA) would be applicable to Auditing Profession Act, when promulgated.

It is evident that the PFMA is an extremely pedantic and inflexible piece of legislation, and will subject auditors to penalties in terms of two pieces of legislation, this Act as well as the PFMA. The PFMA makes reference to the Accounting Standards Board, and this would be confusing to implement with this Act.

The Auditing Profession Act should be regulated by its own set of regulations.

2. Section II is particularly pertinent and needs to be legislated – the “certified public accountant” carries out the attest (audit) function in many international jurisdictions and its use in South Africa by other professionals would lead to confusion in the public mind.
3. Section 12 is also necessary to address a recent trend emerging in South Africa where individuals are appointed as Chairmen/Chairpersons of firms of registered auditors who are not themselves registered auditors. This should not be permitted in future.
4. Section 19(i)(ii) would overcome the “grey areas” that currently exist on what other assurance services can be provided by registered auditors.

We need to set objective principles to enable us to do so on a consistent basis, without “pushing the envelope”.

5. The Act needs to make provision in circumstances where certain exercises are conducted at entities by auditors other than the nominated auditors that reveal a “reportable irregularity” (such as in a due diligence exercise). The Act needs to include the requirement for that registered auditor to report the matter to the IRBA (Section 22).

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6. The Act needs to be clear that a firm of registered auditors that provided assurance engagements other than financial audits is bound by the IRBA.

Conclusion

We can overcome some of the foregoing shortcomings if we were to define the auditor as a party conducting audits (as defined) and/or other assurance services (as provided for in the SA auditing standards).

We make ourselves available to discuss the foregoing matters with yourselves should it be considered necessary to do so.

We look forward to the promulgation of the Auditing Profession Act in due course.