Lessons we are learning

IESBA
December 2018

Background

- Number of Registered Auditors (individuals): +/- 4000
- Number of Registered Auditors (Firms): +/- 1900
- Number of listed companies: +/- 400
- Number of other PIEs: +/- 2000
- South Africa held the number 1 position in the World Economic Forum’s (WEF) Global Competitiveness Index for 2016 - 2017 (and 6 periods prior) - for the strength of its auditing and reporting standards
Breaking News
(2014 – Nov 2017)

ABIL
SAICA Trainees
Gupta Landing
Linkway Trading
SARS

Breaking News
(Dec 2017 - 2018)

Steinhoff
Nkonki
Grant Thornton
VBS
Auditor General
???
The role of the media and social media

- Audit firms' independence and professionalism come under the spotlight
- Resultant pressure led to an intimidation threat
- Failed to maintain an attitude of professional skepticism
- They are accused of suppressing evidence
- Work was not subjected to second partner review

Relevant standard setting concepts

Standards

- EQCR
- Financial Interest
- Incentives
- ISQC1
- NOCLAR
- ISA 600
- ISA 315
- Prof Skepticism (and PJ)
- KAMs
- S.A. 540
How do these speak to the current and future IESBA projects?

Safeguards  RITP  Materiality
Professional Skepticism  NAS  Fees
Inducements

What lessons are we learning?

• Have local standard setting projects been sufficiently responsive to local conditions?
• Does professional skepticism need to be elevated?
• Scope for advocacy of the standards (Implementation support) and Code?
• NOCLAR / Reportable Irregularities – Does more need to be done for effectiveness and enforceability?
• Is international standard setting keeping pace?
• Why have investigative journalists been so effective?
• What is the real commitment of firm leadership to ethics and quality?
What lessons are we learning?

- Commercial considerations are an extremely strong incentive – how can safeguards be toughened?
- Inconsistent application of standards undermines entire firm and industry
- Is the public perception pre-crisis of the trust/assurance provided by big brands, matched by firm systems and personnel?
- Has the investment in brands been matched by substance?
- Is there sufficient focus on the risks of politically connected persons on the audit?

Questions for your next standards setting meeting?

- How well do we understand the indicators of Audit Quality and contextual factors in our jurisdiction?
- Principles or rules?
- Transparency versus non-disclosure by firms
- How do we address sustainability of firms?
- Have we assessed implementation of standards?
- How can we shorten our planning horizons to be more responsive?
- Do we understand the public expectations?
- How are you avoiding similar situations?
- How should your Board agenda change?