Clock is ticking on audit freedoms

The crisis of confidence sparked by the release of details around KPMG's engagements with Gupta-owned companies could speed up the introduction of regulations governing the auditing and accounting professions.

Bernard Agulhas, CEO: Independent Regulatory Board for Auditors

It could also force audit firms to disclose information about their sources of income.

The Independent Regulatory Board for Auditors told *Business Day* it was prepared to amend the Public Accountant and Auditors Act to incorporate broader powers over all accountants, whether in public practice or private placement.

Board CEO Bernard Agulhas said the World Bank had recommended to the finance minister in 2013 that professional accounting organisations be governed in line with auditors.

"Comprehensive regulation would improve oversight and recourse," said Agulhas.

In SA, accountants and accounting and advisory services are self-regulated, while auditors are regulated by the regulatory board, which until recently was said to have a cosy relationship with audit firms.

Linda de Beer, a professional director, said the audit firm business model was a protected one. "This is not just a problem in SA, it's a global situation and it's out of step with what's increasingly required of their clients."

De Beer said the industry was protected not by specific laws but by gaps in the laws.

The Independent Regulatory Board for Auditors is now intent on closing some of the gaps.

The board is considering requiring transparency reports to be published by auditing firms to rebuild trust and confidence in the profession.

The information provided in the reports would include details of the split of revenue between audit fees and nonaudit fees.

KPMG told *Business Day* it "provided various professional services, including external audit and permissible tax and advisory services to the Oakbay group of companies".

However, it gave no details of the fees it earned.

At present audit firms in SA are under no obligation to disclose details about revenue as they are not public companies.

The regulatory board believes transparency reports would improve trust.

Transparency reports are required in the UK and give the public access to details about partners, associates and revenue sources.

The push for improved oversight comes as the board is set to require listed companies to change audit firms every 10 years to ensure independence.

The Companies and Intellectual Property Commission, which oversees adherence to the Companies Act, reminded the public last week that it also had a role to play in regulating auditors. Asogaren Chetty, of the governance, surveillance and enforcement division, said the commission had alerted KPMG to section 76(3) of the act, which deals with directors' conduct.

The implication is that if the Independent Regulatory Board for Auditors or KPMG does not deal adequately with the matters surrounding the suspension of three KPMG directors, the commission might step in.

Source: *Business Day*