

Transparency reporting - a significant step toward regaining trust in the auditing profession

By [Ciara Reintjes](#), issued by [SAICA](#)

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The South African Institute of Chartered Accountants (Saica) is pleased to note that audit firms are heeding the call to prepare transparency reports. KPMG South Africa recently issued its transparency report, *Driving audit quality in South Africa*, following on from transparency and similar reports issued by the other large audit firms in South Africa in 2019.



“With extensive media reporting on the perceived drop in audit quality and audit failures in recent years, both locally and internationally, the publication of transparency reports by audit firms is a manifestation that firms are reflecting on their audit quality,” says Freeman Nomvalo, Saica CEO.

“This introspection appears to demonstrate improved accountability by leadership, with a ‘tone at the top’ that implies the taking on of full responsibility for audit quality.”

In 2018, the Independent Regulatory Board for Auditors (IRBA) issued a call to audit firms to introduce the public reporting of relevant internal information in the form of a transparency report. Transparency reports typically provide insights on the way a firm attempts to manage quality audit outputs and are used by audit committees, the general public, investors and the audit regulator, among other stakeholders.

According to Ciara Reintjes, senior executive: audit and assurance, “the content of these reports typically includes disclosures regarding the firm’s leadership, culture and ethics; the firm’s proactive quality management system; its governance processes; its risk management and compliance systems; client acceptance and continuance policies (usually with a focus on auditor independence and client integrity); non-assurance work considerations; partner and firm rotation policies; and incentive and remuneration policies. They also further include internal and external monitoring and inspections processes, together with remediation and root cause analysis initiatives; audit quality indicators (qualitative or quantitative measures of audit quality that allow stakeholders to assess these indicators year-on-year internally, across engagements and across firms); and investments in human capital and technology, among other topics.”

“The International Auditing and Assurance Standards Board (the IAASB) is planning to issue new and revised audit firm and audit engagement quality management standards during 2020. The IAASB will likely include a reference to transparency reporting in the new audit firm quality management standard, opening the door for the publication of transparency reports to be made mandatory in South Africa, likely by the IRBA,” adds Reintjes.

Although the publication of a transparency report is by no means an indication that audit quality has improved or will improve, it represents a positive indication that firms are taking seriously their responsibility – which is in the public interest, introducing initiatives that can result in a concerted and steady restoration of trust by the public in the profession.

“Saica notes that transparency reports should be balanced. Although explanations of initiatives designed to improve audit quality are encouraging, reports should also be transparent about instances of ‘negative findings’,” Nomvalo noted.

Saica is cautiously confident that firms are moving toward rebuilding trust in the auditing profession and that tangible results regarding audit quality will become evident in the near future. Saica’s expectation is that firms are fully committed to achieving the highest levels of excellence regarding audit quality, and will support the profession in this regard.

About Saica

The South African Institute of Chartered Accountants (Saica), South Africa's pre-eminent accountancy body, is widely recognised as one of the world's leading accounting institutes. The institute provides a wide range of support services to more than 46,000 members and associates who are chartered accountants [CAs(SA)], as well as AGAs(SA) and ATs(SA), who hold positions as CEOs, MDs, board directors, business owners, chief financial officers, auditors and leaders in every sphere of commerce and industry, and who play a significant role in the nation's highly dynamic business sector and economic development.

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