

Practical Aspects Related to Setting up an Audit Oversight System

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Overview of SA Oversight System

- Reasons for strengthening audit oversight
- Statutory Mandate in Auditing Profession Act, Act 26 of 2005 (APA)
- Section 2, Objectives of the Act, provides as follows:
 - a) to protect the public in the Republic by regulating audits performed by registered auditors;
 - b) to provide for the establishment of an Independent Regulatory Board for Auditors;
 - c) to improve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in SA;
 - d) to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession;
 - e) to provide for procedures for disciplinary action in respect of improper conduct.

Practical aspects related to setting up an audit oversight system

Overview of SA Oversight System (Cont)

- **Increased Powers of Regulation in respect of:**
 - **Education & Continuous Professional Development**
 - **Inspections**
 - **Reporting Irregularities to Audit Regulator**
 - **Penalties & Sanctions for Auditors**
- **Oversight Structures**
- **Funding Model and Proposed Funding Model**
- **How Independence from Profession was achieved**

Overview of SA Inspection System

- **Scope of Inspections**
 - **Engagements covered**
 - **Auditors inspected**
- **Funding of Inspections**
- **Inspections Process and Cycles**

Practical aspects related to setting up an audit oversight system

Challenges when setting up Independent Oversight System

- Acceptance by Profession
- Governance Structures (composition mostly non-auditors)
- Resources
- Communicating the Changes
- Implementation of the New Audit Legislation
- Change in status of Regulatory Body (Private Sector to Public Sector)
- Additional Burdens on Regulator

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Challenges when setting up Independent Oversight System (Cont)

- Potential changes to Corporate Legislation
- Audit legislation drafted by non-auditors
- Changes in internal processes

Statistics - Penalties and Sanctions for Auditors

Guilty Findings	05/06	06/07	07/08	08/09
Disciplinary Hearings	10	7	5	11
Fines	54	34	39	37
Cautions	5	2	6	6
Suspensions	2	2	1	3
Removals	1	2	2	0

Statistics - Inspections

- Number of Inspections per annum
 - Firms 12
 - Engagements 830
- Average cost
 - Firms R 700 000
 - Engagements R 24 000
- Average time spent
 - Firms 700 hours
 - Engagements 24 hours

Solutions Adopted

- Engaging with Profession
- Increased Communication with Auditors and Education of Public regarding role of Regulator
- Opportunity to Amend Audit Legislation – 2 years post implementation

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