

# AUDIT PERSPECTIVES

Playing our part in the transformation of the audit industry



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The auditing/accounting profession has faced an avalanche, or should I say a tsunami, of reputation-denting challenges lately – most of these being self-inflicted own goals by the actions of some of our colleagues.

It is noteworthy and encouraging that the integrity of public sector auditing has, up to now, not been questioned during this raging reputational storm. This bolsters our firm view, as the Auditor-General of South Africa (AGSA), that accounting/auditing is still a noble profession, the brewing reputational challenges notwithstanding.

In fact, we strongly believe that our country still needs more dedicated and upright audit professionals for both its public and private sectors. To practically back this belief, we have produced a staggering 1 000 chartered accountants in the past 19 years through our trainee auditor scheme. Of these, 650 are still working in our office, while the remainder have gone on to share their expertise in various capacities in the public and private sectors.

## Empowering small audit firms

In addition, through our transformational vehicle – the enterprise and

supplier development programme – we have managed to introduce small audit firms into the mainstream economy. As mandated by the Public Audit Act – the legislation that determines not only the nature and scope of our audits, but also the internal operations of our organisation – we supplement our audit teams by utilising the services of private audit firms to assist with some of our audit work. Under our strict supervision and guidance, of course.

While procuring the services of these private firms, we realised that small firms were not participating due to their capacity limitations. This led to the establishment of our enterprise and supplier development (ESD) programme, which nurtures small audit firms and offers them capacity support to overcome barriers to entry into mainstream activities in the auditing profession. It also offers assistance to these firms to comply with the stringent requirements of the auditing profession's regulatory bodies, such as the South African Institute of Chartered Accountants and the Independent Regulatory Board for Auditors.

## Bearing transformational results

Through this programme, the AGSA has facilitated entry into the industry, accelerated growth and ensured sustainability of black- and female-owned firms, thereby transforming the auditing landscape; as well as affording all young people striving to become chartered accountants more opportunities. We are very buoyed that this developmental project is starting to bear the intended transformational fruits for which we set it up. For example, the programme has grown from its humble beginnings of incubating two small firms at its inception in the

2015-16 financial year, to 27 firms in 2018-19. In the 2018-19 financial year, the AGSA offered the 27 companies audit contract work worth R77 million – creating 160 employment opportunities in the process.

Firms that have undergone incubation through the ESD programme and are now fully fledged and ready to participate in the AGSA's contract work must, like all other firms, comply with our set procurement processes, which are fair, equitable and transparent. And as we get ready to start procuring for supplementary audit work for the new five-year term, it is pleasing to see that more than 20 of the ESD firms qualify to tender.

It is encouraging to see some home-based start-ups develop into firms that are now ready to independently participate in our mainstream contracting environment. It is even more encouraging to see that big audit firms are starting to replicate our ESD initiative by acquiring the services of some of the small firms we may have no capacity to contract.

My advice to the small firms is: Never despise small beginnings, be consistent in driving excellence, never compromise quality fundamentals and jealously guard your reputation, which is your licence to trade. As our industry starts to pick up the pieces of its somewhat tarnished public image and resultant trust deficit, we look up to you to join the drive to help restore the reputation and the trust the public once bestowed on our noble profession.



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