



CORPORATE GOVERNANCE PRACTICES IN LARGE AND MEDIUM-SIZED AUDITING FIRMS IN SOUTH AFRICA

 **Rozanne Smith**^{1*}

 **Ben Marx**²

^{1,2}The University of Johannesburg, University Road, Auckland Park Campus
2000, South Africa.

¹Email: rozannes@uj.ac.za

²Email: benm@uj.ac.za



(+ Corresponding author)

ABSTRACT

Article History

Received: 20 July 2022

Revised: 7 October 2022

Accepted: 31 October 2022

Published: 29 November 2022

Keywords

Auditing firms

Corporate governance

Independence

King IV report

Oversight board

Principles

UK audit firm governance code.

South African corporate failures and audit failures, including those of VBS Bank, Tongaat, Steinhoff and KPMG, have exposed vulnerabilities in audit quality and the role of governance failures in auditing firms. In auditing firms, good corporate governance principles are not always followed. Additionally, South Africa does not have a corporate governance code that governs auditing firms, nor is there a sector supplement to the King IV Report on Corporate Governance that applies to other industries. To identify areas for improvement in South Africa, this study aimed to ascertain the current corporate governance practices in South African auditing firms and compare them to the United Kingdom (UK) Audit Firm Governance Code. A structured questionnaire based on the UK Audit Firm Governance Code was used to collect qualitative data. Nine large and medium-sized South African auditing firms with 20 or more auditing partners made up the population. The literature study emphasised the value of good corporate governance in auditing firms, as well as the difficulties these firms encounter with corporate governance. The review also emphasised the absence of codes and standards regulating corporate governance in auditing firms. The empirical results highlighted the resultant inconsistencies in corporate governance application in South African auditing firms. Areas requiring improvement were identified in the study.

Contribution/Originality: This study is the first of its kind to determine the current corporate governance practices in South African audit firms. The findings of this study will contribute to the body of knowledge and the development of a South African audit firm governance code.

1. INTRODUCTION

Over the last few decades, the media has been flooded with news of corporate scandals and auditing failures (Shinde, Willems, Sallehu, & Merkle, 2015). These failures have often been the result of corporate transgressions and the underlying poor governance values and principles within auditing firms, such as in the case of Arthur Andersen's failure with Enron (Sikka, 2004). Similar recent corporate failures in South Africa include Eskom, Tongaat, Steinhoff and Venda Building Society (VBS) Bank, where the auditors' conduct and the governance practices of the auditing firms were called into question (Burkhard, 2020; Lungisa, 2017; Open Secrets, 2020; Pilling, 2017). From the literature, it is evident that sound corporate governance oversight and practices—not just within organisations but also within their auditing firms—can prevent such corporate scandals, thereby increasing the level of trust among society, businesses and their stakeholders (Zerban, 2018). Yet, corporate and auditing

failures continue to occur despite numerous efforts and regulations, including calls from the public to tighten audit quality and corporate governance in auditing firms (Zerban, 2018).

Corporate governance is widely acknowledged to have a positive impact on a company's long-term viability and profitability (Armstrong, 2003). Good corporate governance can help prevent unethical business practices and corruption, both of which can destroy a company's reputation (Armstrong, 2003). The advantages of good corporate governance warrant the implementation of good corporate governance systems (Armstrong, 2003). The corporate governance of audit companies is considered to have a major impact on their audit quality (Deumes, Schelleman, Vander Bauwhede, & Vanstraelen, 2012; International Organisation of Securities Commissions, 2009).

In auditing firms, there are relatively few regulations, rules or codes that control corporate governance activities (Smith, 2020). The United Kingdom (UK) is one of a handful of countries to have a corporate governance code expressly for auditing businesses, namely, the Audit Firm Corporate Governance Code (Financial Reporting Council, 2016). In January 2013, Ireland released the Irish Audit Firm Governance Code, based on the UK Audit Firm Governance Code (Chartered Accountants Regulatory Board (CARB), 2013). In March 2017, Japan published a five-principle audit firm governance code (Financial Services Agency, 2017). The International Standard on Quality Management 1 (ISQM 1) addresses an audit firm's responsibilities to design, implement and run a quality management system for audits or reviews of financial statements and other assurance engagements on a global scale (International Auditing and Assurance Standards Board, 2020). The ISQM 1 is primarily concerned with audit quality, with only a brief section on 'governance and leadership'.

In South Africa, auditing firms currently lack a corporate governance code. Moreover, a sector supplement for auditing companies that addresses their specific position and governance practices is missing from the King IV Report on Corporate Governance (King IV). The current governance practices of auditing firms are, therefore, unknown—in part because little research on this topic has been conducted both internationally and in South Africa (La Rosa, Caserio, & Bernini, 2019).

In this study, the current corporate governance practices of South African auditing firms are benchmarked against the UK Audit Firm Governance Code. The UK Code was specifically selected for this study because South African corporate law and corporate practice have been adopted mainly from the UK (West, 2006).

The literature review includes an exploration of the significance of corporate governance in auditing firms, the laws and rules that can be used to regulate auditing firms, as well as the difficulties they must overcome. The UK Audit Firm Governance Code's principles are then thoroughly explored. Next, the empirical research identifies the governance processes currently in place at the top nine large and medium-sized auditing companies in South Africa and compares them to those outlined in the UK Audit Firm Governance Code. Finally, the study clarifies the existing corporate governance standards in South African auditing companies in light of this comparison. The study's recommendations will assist auditing firms with overseeing their governance and meeting the ethical oversight requirements of ISQM 1. This will enhance auditing quality, transparency and accountability, which will, in turn, help to counter corporate failures in the South African context.

2. LITERATURE REVIEW

2.1. *The Importance of Corporate Governance in Auditing Firms*

According to O'Donovan (2003), corporate governance directs and supervises management activities through an internal system of policies, processes and people to suit the needs of shareholders and stakeholders. Following that definition, corporate governance serves to ensure that firms are controlled by their owners in the best interests of all stakeholders (Rossouw, Van Der Watt, & Malan, 2002). A company's governing body should be the focal point and custodian of corporate governance, according to the Institute of Directors in Southern Africa (2016). According to the Financial Reporting Council (2010) strong audit company governance is one strategy for auditing firms to maintain public trust (Amirul, Salleh, & Abu Bakar, 2015). As part of its claim to professional status, the

accounting profession has emphasised its virtues, ethics and commitment to serve the public interest (Everett & Green, 2007). According to the mission statement of the International Financial Reporting Standards (IFRS) Foundation and the International Accounting Standards Board (IASB), serving the public interest involves fostering trust, growth and long-term financial stability in the global economy (International Financial Reporting Standards, 2021). As auditing firms largely serve the public interest, it is important to maintain good corporate governance (Smith, 2020). According to audit firm SizweNtsalubaGobado (SNG) Grant Thornton's chief executive officer (CEO), Victor Sekese, chartered accountants should always act in the best interest of the public. He stated that the role of chartered accountants is important, and the public interest and independence are ethical values that lie at the heart of the profession's conceptual identity (Accountancy South Africa, 2021).

2.2. Current Application of Corporate Governance in Auditing Firms

Some auditing firms' corporate structures appear to be defective because the firms in question do not follow corporate governance regulations (Aberian, 2019). There is currently no system in place in South Africa to oversee the corporate governance of auditing firms (Smith, 2020). Nkuhlu (2020) argued that all corporate governance layers must be evaluated if audit firm effectiveness is to be improved and that this depends on the people, independence and ethical behaviour of auditing firms.

In an article on the disclosure of corporate governance by auditing firms in their transparency reports, Smith and Marx (2021) concluded that the application of King IV, as it currently stands, is difficult for auditing firms. The authors elaborated that applying all of King IV's criteria, particularly those relating to the appointment of independent non-executive directors (INEDs), was challenging for auditing companies (Smith & Marx, 2021).

Former Independent Regulatory Board for Auditors (IRBA) CEO, Bernard Agulhas, supported the need for corporate governance in auditing firms, claiming that governments and audit authorities around the world are now seeking change and scrutinising ideas and studies on audit reform and regulation (Independent Regulatory Board for Auditors, 2019).

2.3. Concerns Regarding Audit Firm Corporate Governance in South Africa

The public has repeatedly questioned the relevance and credibility of the auditing profession in the wake of recent corporate failures in South Africa. This includes auditing firms such as Deloitte following the failure of Steinhoff in 2017—a failure caused by management misrepresentation and falsification of financial statements and results, which went undetected by the auditors. KPGM garnered media attention in 2017 and 2018 following their association with the Gupta family and allegations of state capture as well as the VBS Bank disaster. This tarnished the firm's credibility, as well as the reputation of the auditing profession as a whole. Another audit firm, Nkonki, went bankrupt in 2018 due to failures caused by auditor independence, unethical behaviour and a lack of corporate governance. Deloitte was again in the news in 2019 when its client, Tongaat, exaggerated their results from R3.5 billion to R4.5 billion, and the audit firm failed to detect this. Finally, PricewaterhouseCoopers' (PwC) credibility was undermined in 2021 when Eskom announced that the firm owed them R95 million, resulting from charges for work that had been previously carried out (Smith, 2020).

The public's trust in the auditing profession has been eroded by numerous business failures such as the ones highlighted above. According to Marx (2008), weak corporate governance policies are one of the most common causes of company scandals. The South African Auditing Profession Trust Initiative (2020) affirmed that global occurrences of corruption and organisational failure have plagued the auditing profession in recent years, casting the profession in a poor light. Questions have been raised about auditing quality and auditing companies' roles and responsibilities in serving the public interest (South African Auditing Profession Trust Initiative, 2020). The lack of corporate governance regulations for auditing firms is believed to have contributed to global company failures. Unethical behaviour is considered one of the chief causes, given that integrity is the backbone of the auditing

profession (South African Auditing Profession Trust Initiative, 2020). In light of the recent spate of corporate scandals in South Africa, it is more crucial than ever to demonstrate excellent corporate governance (South African Auditing Profession Trust Initiative, 2020). Indeed, South Africa's Auditor General, Kimi Makwetu, declared in 2018 that the accounting profession's credibility in the country was in peril (Accountancy South Africa, 2019).

2.4. Current Legislation and Standards Governing Auditing Firms

All firms that perform audits or reviews of financial statements, as well as any other assurance or related services engagements, are subject to ISQM 1 (International Auditing and Assurance Standards Board, 2020). In other words, if a firm performs any of the above engagements, ISQM 1 determines the quality of those engagements. According to ISQM 1, which will take effect on 15 December 2022, the public interest is protected by the consistent delivery of quality engagements. According to audit regulators and audit experts, more stringent audit firm management and governance can increase confidence in audit quality (Wyman, 2004). More transparency on audit company governance, according to Deumes et al. (2012), may provide insight into firms' audit quality, and as a result, may incentivise auditing firms to compete more directly in terms of audit quality.

It is, therefore, evident that an audit firm's corporate governance has an impact on its audit quality. ISQM 1 addresses 1) a firm's risk assessment process, 2) governance and leadership, 3) relevant ethical requirements, 4) acceptance and continuation of client relationships and specific engagements, 5) engagement performance, 6) resources, 7) information and communication and 8) monitoring and the remediation process (International Auditing and Assurance Standards Board, 2020). Under the second point, ISQM 1 includes a reference to governance and leadership. This point argues that audit companies should demonstrate a commitment to audit quality through a firm-wide culture and that audit quality is the responsibility of company leadership. The point goes on to say that leaders should demonstrate a commitment to quality through their actions and behaviour, as well as the structure of the organisation. Roles and duties should be assigned in accordance with the company's quality management system. Finally, it specifies that resources should be used in accordance with the company's commitment to quality (International Auditing and Assurance Standards Board, 2020).

In addition to ISQM1, the International Standard on Auditing (ISA) 220 addresses auditors' specific responsibility for quality control processes during a financial statement audit. It also covers the responsibilities of the engagement quality control reviewer (International Auditing and Assurance Standards Board, 2010).

The South African Audit Profession Act (APA) of 2005 covers the establishment of the IRBA, education, training and professional development of registered auditors, accreditation of professional organisations, auditor registration, regulation of registered auditors' behaviour, repealing an act and other related concerns (Accountancy South Africa, 2019). King IV may be used by both public and private enterprises, listed and unregistered corporations, as well as profit and non-profit organisations (Institute of Directors in Southern Africa, 2016). The King Committee's mission is to provide thought leadership, promote and enhance corporate governance standards in South Africa for the benefit of the country and its people and influence international corporate governance trends. King IV was released on 1 November 2016, superseding King III. It is relevant to firms with fiscal years beginning on or after 1 April 2017 (Institute of Directors in Southern Africa, 2016). Regrettably, while King IV includes sector supplements for state-owned businesses, there are no special supplements for audit companies.

As can be seen from the literature, ISQM 1 is primarily concerned with audit quality. However, this study aims to look beyond quality and investigate audit companies' corporate governance methods. Because King IV includes no sector supplements for audit companies, audit businesses find it difficult to apply the whole code. ISA 220 focuses on audit quality and auditors, rather than corporate governance. The Auditing Profession Act (APA) of 2005 makes no mention of audit firm governance. Consequently, further investigation into audit company governance is required, as well as the establishment of a corporate governance code for audit companies in South Africa.

From the above discussion, it is clear that a code expressly for South African auditing firms is required. The [South African Auditing Profession Trust Initiative \(2020\)](#), a voluntary committee founded by the independent Audit Profession of South Africa in June 2018, supports this notion, confirming the need to spell out the principles and best practices that auditing firms should adopt to ensure good governance (setting the tone from the top). The [South African Auditing Profession Trust Initiative \(2020\)](#) also notes the need for a set of best practices for effective ethics governance within auditing companies, as well as clearly defined governance structures for auditing firms.

2.5. Corporate Governance Codes Specifically for Auditing Firms

The literature review revealed that a handful of countries already have corporate governance codes in place for auditing firms. In Japan, the Audit Firm Governance Code was issued by the Japanese Institute of Certified Public Accountants on 31 March 2017. The Code focuses on the effective management of large auditing firms and includes principles such as 1) ensuring that the public interest is always taken into account through the credibility of corporate financial information, 2) developing organisational operations to enhance the audit quality, 3) supervising and evaluating the effectiveness of its management from an independent viewpoint, 4) developing an operational structure to effectively manage its organisational operations, and 5) ensuring transparency to allow stakeholders to effectively assess audit quality. This Code has boosted auditing firms' efforts to improve their governance ([Financial Services Agency, 2017](#)). According to the [Financial Services Agency \(2017\)](#), auditing firms' proactive pledges and activities for the adoption of the Code maintain and strengthen financial markets' trust in auditing.

In Ireland, in 2012, the Chartered Accountants Regulatory Board (CARB), which oversees Chartered Accountants Ireland members, announced the implementation of an Audit Firm Governance Code for auditors of public interest companies. The Irish Code, released in 2010, was informed by the FRC and the Audit Firm Governance Code of the Institute of Chartered Accountants in England and Wales (ICAEW). The Code offers a framework that boards of directors and shareholders can use to evaluate a company's governance practices. The notion that auditing firms should include independent non-executives in their governance structures is one of the Code's most important features. This is in line with best practice governance in many types of organisations and should serve as a basis for improved communication between stakeholders and auditing firms ([Chartered Accountants Regulatory Board \(CARB\), 2013](#)).

In the UK in 2010, the FRC introduced the Audit Firm Governance Code, designed exclusively for auditing firms. The FRC issued a proposal in October 2007 that led to the creation of the Code. According to these guidelines, every firm that audits public interest corporations should follow a best practice governance guide or provide a thorough explanation of how it implements corporate governance. The Code was applied to financial years beginning on or after 1 June 2010 ([Financial Reporting Council, 2010](#)). Auditing firms that audit 20 or more public interest corporations are included in the Code ([Financial Reporting Council, 2016](#)).

According to Stephen Haddrill, CEO of the FRC, the UK Audit Firm Governance Code increases public and investor trust in the value of audit services. He asserts that the Code minimises the chance of a corporation failing by enhancing auditing firms' credibility and fostering greater openness ([Institute of Chartered Accountants in England and Wales, 2017](#)). The Code's main goals are to improve audit quality, protect the firm's image in general, including non-audit operations, and limit the danger of the firm failing. The Code is primarily designed to assist investors, but it also benefits other stakeholders ([Financial Reporting Council, 2016](#)).

The UK Audit Firm Governance Code was selected as this study's benchmark because it has influenced other proposals and efforts to create codes in the past (such as the Irish Code). The UK had an impact on King IV's success in South Africa as well. This is supported by [West \(2006\)](#), who claimed that the UK has had a significant influence on South African business law and practice. As a result, it would be possible to build a South African code from the ground up using the UK Code. The next section gives a thorough explanation of the ideas included in the UK Audit Firm Governance Code and explains why these ideas are important and ought to be taken into account

when creating a South African code. These ideas were also used to create the questionnaire that was completed by the study participants.

2.6. United Kingdom Audit Firm Governance Code

The UK Audit Firm Governance Code consists of six principles: leadership, values, independent non-executive directors, operations, reporting and dialogue. These are each discussed in the following sub-sections.

2.6.1. Leadership

This principle emphasises that an auditing firm's management should be responsible to the firm's owners and that no person should have unrestricted decision-making authority. A company's management should also be effective, with defined responsibilities and power over the company's operations (Financial Reporting Council, 2016). Klynveld Peat Marwich Goerdeler (KPMG, 2019) confirms this, stating that leadership is critical in demonstrating a commitment to quality, ethics and honesty. The International Auditing and Assurance Standards Board (2020) asserted that a firm's governance and leadership are critical to providing excellent service; this is because a company's culture and ethics play a central role in how business choices are made.

2.6.2. Values

According to this principle, a company must uphold the principles of objectivity, due care and professionalism to produce high-quality work. In addition, it should uphold professionalism, secrecy and ethical standards while taking the public interest into account. Firms should publicly reaffirm their adherence to the Audit Firm Governance Code and promote an environment where people feel free to consult with one another and share their knowledge and experience (Financial Reporting Council, 2016). King IV considers corporate governance a comprehensive set of principles and values that includes moral leadership, attitude, thinking and behaviour, according to the Institute of Directors in Southern Africa (2016). According to Sikka (2004), each change in auditing and accounting procedures should lead to a fundamental change in the principles that guide the industry.

2.6.3. Independent Non-Executive Directors

This principle indicates that an auditing company should assign INEDs to its governance structure to better satisfy the objectives of the Audit Firm Governance Code. INEDs have a responsibility to the company. They should command the respect of the firm's owners due to their independence, numbers, stature, expertise and skills; combined, they should also increase shareholder trust. They ought to have a range of relevant expertise, including experience in auditing and working in a sector that is subject to regulations. Having worked for an auditing firm, at least one INED should have accounting and/or auditing experience. INEDs should have obligations that are appropriate for their position, such as the right to access pertinent information and people to the extent permitted by law or regulation, the right to inform the auditing firm's owners of a fundamental disagreement if it cannot be resolved and, in the event that the resignation of the INED is the only option, the right to publicly announce the resignation (Financial Reporting Council, 2016). Companies with a larger number of independent directors who divide the positions of chairman and executive director have higher profitability, according to Firth, Fung, and Rui (2007). The greater the board's independence, the higher the quality of accounting data. Nkuhlu (2020) concurred, stating that INEDs play a critical role in auditing businesses, particularly by increasing independence and ethical behaviour.

According to the Independent Regulatory Board for Auditors (2017), auditing firms' lack of integrity, independence and professional skepticism has been identified as a key reason for company failures, as reported by Harber (2018). The number of business scandals has recently increased in South Africa, causing massive financial losses. It has prompted further calls for greater auditor independence and a clearer understanding of the auditor's

function. The majority of South African scandals were caused by poor corporate governance and auditing systems, as well as improper accounting techniques (Maranga, 2018). As a result of these examples of corporate financial misconduct, the public and the IRBA have questioned the independence and professional skepticism of the audit industry, particularly in cases involving public interest entities and exchange-listed companies where the auditors were implicated (Harber, 2018).

Within an audit company, the INEDs principle is the most challenging to implement. According to Crotty (2017), in a study conducted by the IRBA, 25% of the top 40 Johannesburg Stock Exchange companies had named members as chairs of their auditing committees who had previously worked for the external auditor, calling the appointed auditor's independence into question.

2.6.4. Operations

Compliance, risk management, people management and whistleblowing are all emphasised under the operations principle. The term 'compliance' describes how a company complies with laws and regulations, as well as professional standards. Operations should be conducted in a way that supports the reputation of the firm and the quality of the audit. The INEDs ought to take initiative to guarantee operational oversight. A robust system of internal control and risk management must be applied to all business operations to safeguard the firm and reassure stakeholders. A firm's adherence to the professionalism, transparency and risk management principles stated in the Audit Firm Governance Code is referred to as people management. This should be accomplished by implementing procedures and rules for managing personnel throughout the organisation. A business should develop and implement private whistleblower procedures. These should give workers the freedom to voice any concerns they may have about the business's commitment to producing high-quality work, professional judgment or values without having to worry about negative consequences. The INEDs should be satisfied that reliable whistleblower procedures are in place (Financial Reporting Council, 2016).

The Independent Regulatory Board for Auditors (2019) states that transparency reports give clients information about a company's dedication to audit quality, leadership, independence, culture, ethics, risk management procedures and relationships with employees and service providers. The significance of this notion is emphasised by Nkuhlu (2020), who asserted that KPMG's risk management failed the company. Therefore, it is possible that the guidelines of a corporate governance code for auditing firms in South Africa would have helped avert commercial catastrophes like that of KPMG South Africa.

2.6.5. Reporting

A firm's management should make sure that the members of its governance structures, such as owners and INEDs, receive information in a timely manner and in a format and quality that allows them to carry out their roles. A business should publicly declare how it has put each of the principles of the Audit Firm Governance Code into effect; it should also make a statement about its compliance with the Code's rules or explain any non-compliance. A firm's performance, position and future should be discussed in its transparency report on a yearly basis. A company should establish rigorous and open procedures for assessing the quality of external reporting and maintaining a good working relationship with its auditors. Financial statements that have been audited and prepared in compliance with a recognised financial reporting system, such as the IFRS or UK Generally Accepted Accounting Practice, should be made public. Furthermore, these declarations must be precise and succinct (Financial Reporting Council, 2016).

The International Auditing and Assurance Standards Board (2014) states that audit firm transparency reports aid third parties, including the general public and consumers of audited financial statements, in understanding the traits of particular auditing firms and the variables influencing audit quality in those businesses. Deumes et al. (2012) claimed that auditing companies should provide transparency reports showcasing how they conduct audits,

allowing them to compete on audit quality (Ahmeti, Ahmeti, & Aliu, 2022; Deumes et al., 2012). According to La Rosa et al. (2019), investors think transparency reports provide crucial information about audit companies. The Independent Regulatory Board for Auditingors (2018) mandates that auditing South African firms provide transparency reports that detail specific aspects of the company and its operations.

2.6.6. Dialogue

According to this principle, an auditing firm must consult listed companies' shareholders, as well as those companies' audit committees, regarding matters outlined in the Audit Firm Governance Code. This will increase understanding and communication between the parties and ensure that the company is aware of shareholder concerns, issues and opinions. To improve mutual communication and understanding, shareholders should communicate with auditing firms. Shareholders should also engage in discussions with publicly traded corporations about the hiring and re-appointment of auditors and vote carefully on such recommendations (Financial Reporting Council, 2016). In 2009 the International Standard on Quality Control (ISQC) 1 was released by the IAASB. It affirms that a firm's external reporting requirements might be determined by law, legislation or professional standards in different countries and acknowledges the importance of external communication in a system of quality management.

3. RESEARCH METHODOLOGY

3.1. Theoretical Framework

The stakeholder model, according to West (2006), views a company as a social organisation that, in its broadest sense, has obligations (and accountability) to a variety of stakeholders, encompassing all those who influence or are affected by the business. Shareholders, vendors, customers, employees, management, the government and local communities are generally included. The governance stakeholder hypothesis, according to Heath and Norman (2004), is concerned with how certain groups of stakeholders should exert oversight and management control.

All stakeholders are important, according to stakeholder theory. The public interest is one of the main responsibilities of auditing businesses. It is therefore crucial that auditing firms use stakeholder theory as their corporate governance model.

3.2. Research Design

In this paper, qualitative data was acquired using a structured questionnaire. The CEOs of nine large and medium-sized auditing companies in South Africa were asked to complete a questionnaire. Expert non-probability sampling was used to obtain expert judgment on current corporate governance processes within their firms (Etikan & Bala, 2017). Using the IRBA specification from 2020, the sample frame included all large and medium-sized auditing companies in South Africa with 20 or more auditing partners (Garbutt, 2020). The questionnaire received a 100% response rate.

The self-completed online questionnaire, which was informed by the UK Audit Firm Governance Code, included both open-ended and closed questions. The answers to the closed questions were a series of pre-set options from which the participants had to select from a variety of polar, multiple choice or Likert scale questions. The questionnaire was created with Google Drive and the Google Forms functionality and then distributed to participants through an online Uniform Resource Locator. One corporate governance expert, three academics and two auditing practitioners were asked to assess the questionnaire to confirm its validity. An impartial scholar performed a final functioning test on the revised questionnaire after obtaining input from the pilot research. Peer debriefing of the questionnaire by experienced academics and industry specialists improved internal validity, particularly material validity, in terms of the quantitative data. The questionnaire was refined with the help of the reviewers. Overall, the questionnaire was found to assess what it was intended to measure.

To organise the vast quantities of qualitative data into smaller categories, the answers were transferred from Excel into the IBM Statistical Package for the Social Sciences for analysis. The results were explained using descriptive statistics and frequency tables.

Given that the findings of this study were limited to nine large and medium-sized auditing firms, generalisation is subjective because the application of corporate governance in smaller auditing firms may differ. The ethical approval number of the study was SAREC20200908/01.

4. RESULTS AND ANALYSIS

The results of the questionnaire are presented in accordance with the six corporate governance principles outlined in the UK Audit Firm Governance Code: leadership, values, INEDs, operations, reporting and dialogue. The study's findings and conclusions are supported by the literature review.

4.1. Leadership

The purpose of the questions in this section was to determine whether large and medium-sized auditing companies in South Africa adhered to the rules outlined in the UK Audit Firm Governance Code's leadership concept. In addition, an open-ended question was posed regarding the application of King IV.

Table 1. Leadership principle in auditing firms.

Does your auditing firm:	Ref to UK Code	Yes	%	No	%	Total	Total %
Have an Executive Committee (EXCO)?	A.1.1.	9	100	0	0	9	100
Have an oversight board?	A.1.1.	7	77.80	2	22.20	9	100
Issue a transparency report?	A.1.2.	7	77.80	2	22.20	9	100
Issue an integrated report?	A.1.2.	3	33.30	6	66.70	9	100
Include governance disclosure in the transparency report?	A.1.2.	7	77.80	2	22.20	9	100
Have performance evaluations?	A.1.4.	6	66.70	3	33.30	9	100
Have terms of reference (TOR) for the EXCO?	A.2.	8	88.90	1	11.10	9	100
Have TOR for EXCO with authority over the whole firm?	A.2.1.	8	88.90	1	11.10	9	100
Disclose the TOR on the firm's website?	A.2.1.	2	22.20	7	77.80	9	100

The results showed that 77% of the auditing firms applied some or none of the principles contained in King IV. In the additional comments provided in the questionnaire, most CEOs stated that their firm did not have independent board members or a lead INED. Only one CEO stated that most of the principles in King IV were applied. One CEO also stated that their firm did not have a majority of INEDs. The results, supported by the additional comments, indicate that the firms did not have independent board members or a lead INED, that most of the principles of King IV were applied and that the auditing firms did not have a majority of INEDs.

Based on these results, it seems that most of the auditing firms are applying the leadership principle. It can also be seen that all the firms have appointed an EXCO/board structure, although not all have independent oversight boards, with only seven firms indicating that they had such boards. From these results, it can be deduced that most firms apply only some of the King IV principles.

The results are a good indication that some of the principles contained in the UK Audit Firm Governance Code are already being applied in auditing firms. Therefore, the implementation of such a code should not be difficult for auditing firms.

4.2. Values

The questions in this section intended to establish whether the auditing firms apply the values, principles and provisions contained in the UK Audit Firm Governance Code.

Table 2. Values principle in auditing firms.

Does your auditing firm have:	Ref to UK Code	Yes	%	No	%	Total	Total %
Key Performance Indicators (KPIs) for performance?	B.1.2.	8	88.90	1	11.10	9	100
A code of conduct on its website?	B.1.3.	6	66.70	3	33.30	9	100
Disclosure on the website to whom the code of conduct is applicable?	B.1.3.	6	66.70	3	33.30	9	100

Of the respondents, 84% indicated that they had implemented KPIs to track the effectiveness of their governance system, and 66% said that they had posted their code of conduct on their website and indicated to whom it applied. The results support the idea that auditing companies should employ corporate governance principles to help them govern based on the right values.

From the results in [Table 2](#), it can be deduced that the level of application of the value principle is good among the auditing firms. However, there is a lack of consistency as to where the relevant information is made available to the public. This could be improved with the release of a governance code for South African auditing firms. The instructions in such a code would ensure that auditing firms are consistent in their application and disclosure of corporate governance matters, which would improve the governance values of auditing firms.

4.3. Independent Non-Executive Directors

The questions in this section intended to establish the extent to which the auditing firms applied the 'independent non-executive' principle, as described in the UK Audit Firm Governance Code.

Table 3. INEDs principle in auditing firms.

Does your auditing firm have:	Ref to UK Code	Yes	%	No	%	Total	Total %
Independent members on the oversight board?	C.1.	2	22.20	7	77.80	9	100
Indemnity insurance?	C.3.4.	6	66.70	3	33.30	9	100
Disclose on its website procedures for dealing with any fundamental disagreement?	C.3.6.	1	11.10	8	88.90	9	100

The first question in [Table 3](#) refers back to the question, "Do you have an oversight board?", the result of which is stated in [Table 1](#). Only seven auditing firms had an oversight board, hence only those seven auditing companies could answer the question about the oversight board's independence. Only 22% of the firms said they had appointed INEDs. It is concerning to note that just one firm had published the processes for dealing with major issues between INEDs and the management team or governance structures on its website.

According to the [South African Auditing Profession Trust Initiative \(2020\)](#), South African auditing companies should enhance their governance structures by appointing an independent oversight board, which would be primarily responsible for the governance and oversight of the senior management and auditing firm. In order to provide more effective monitoring, [Nkuhlu \(2020\)](#) argued that auditing companies should appoint INEDs.

[Uzun, Szewczyk, and Varma \(2004\)](#) investigated how a company's governance structure and EXCO characteristics influenced the occurrence of fraud. The structure and membership of the EXCO had a substantial impact on the prevalence of corporate fraud, according to the study results. The study also revealed that the higher

the number of INEDs on a board, the lower the risk of corporate fraud. The literature thus supports the relevance of hiring INEDs and the need for auditing firms to enhance their implementation of this approach.

The application of the ‘independent non-executive’ concept is poor compared to the other principles, as seen in Table 3. INEDs were only found on the supervisory boards of two auditing companies. This may be due to the difficulties of appointing INEDs in auditing companies, as outlined by the Auditing Profession Act (2005). However, two companies had named INEDs to their oversight boards, demonstrating that it is feasible.

4.4. Operations

The purpose of the questions in this section was to determine whether the auditing companies' EXCO followed the guidelines and rules for operations found in the UK Audit Firm Governance Code. Tables 4 and 5 present the findings.

Table 4. EXCO operations principle in auditing firms.

Does your Executive Committee (EXCO)?	Ref to UK Code	To a large extent	To a lesser extent	Totally ineffective	Total	Total %
Maintain a sound system of internal control?	D.2.	8	1	0	9	100
Maintain a sound system of risk management?	D.2.	8	1	0	9	100
Annually review the system of internal control?	D.2.1.	5	3	1	9	100
Have Independent Non-Executive Directors (INEDs) who review all material controls?	D.2.1.	3	1	5	9	100
Have INEDs who promote an appropriate culture?	D.2.1.	2	2	5	9	100
Disclose the effectiveness of the internal control system?	D.2.2.	4	2	3	9	100
Disclose the weaknesses in the internal control system?	D.2.2.	2	4	3	9	100
Disclose the actions to be taken to deal with weaknesses?	D.2.2.	2	4	3	9	100
Assess principal risks?	D.2.3.	7	2	0	9	100
Have policies and procedures for managing people?	D.3.	9	0	0	9	100
Disclose how the firm supports its commitment to professionalism, openness and risk management?	D.3.	6	2	1	9	100
Establish whistleblowing policies and procedures?	D.4.	8	1	0	9	100
Disclose the firm's whistleblowing policies and procedures?	D.4.	6	2	1	9	100
Report whistleblowing issues to INEDs?	D.4.1.	2	1	6	9	100

Eight of the auditing companies had strong internal control and risk management systems in place to monitor their operations, as shown in Table 4. Only five organisations evaluated their system's effectiveness annually, and three did so to a lesser extent. One business asserted that there was no need for an annual assessment because its system was utterly ineffective. Only three firms had INEDs who assessed the independence of the material controls. The other five companies claimed that this role was wholly ineffectual, while one business claimed that it was performed to a lesser extent. Only two businesses said that their INEDs supported a culture based on moral principles and ethical behaviour. Five auditing firms reported that it was totally ineffective, while two firms reported that it was done to a lesser extent. An evaluation of the efficacy of the internal control system was carried out by four auditing firms and published in their transparency reports. Three companies did not reveal this at all, while two reported it to a lesser extent. Four companies stated that they disclosed the procedure they used to assess the efficacy of their internal control system in their transparency reports. Two companies acknowledged it to a lesser extent, while three companies did not disclose it at all.

Two auditing firms stated that shortcomings discovered during the examination of the efficacy of the internal control system were mentioned in their transparency report. Four companies said they revealed it to a lesser extent, while three companies stated they did not disclose it at all.

Two firms stated that they reported the activities they took to address gaps discovered during the internal control system examination in their transparency reports. Four firms said they revealed it to a lesser extent, while three companies indicated they did not disclose it at all. This is in contrast to the CEOs' comments reported in Table 3, which indicated that just two auditing firms had INEDs on their oversight boards. This might be because INEDs in auditing companies have no defined jobs or roles.

Seven companies stated that they conducted a thorough evaluation of the company's main risks, detailed the concerns and explained how they were addressed. Two companies said they did this to a lesser extent. All of the companies said they had rules and processes in place for managing personnel across the board.

Six of the companies indicated that they clearly stated on their websites how they supported their dedication to professionalism, transparency and risk management. Two companies revealed that they did this to a lesser extent, while one company did not disclose it at all.

Only six of the nine companies said they had created whistleblowing policies and processes and made these widely available on their websites. Two firms reported it to a lesser extent, while one company did not disclose any whistleblowing policies or processes at all. Two firms stated that they reported difficulties arising from the whistleblowing policies and processes to the INEDs. One auditing firm did this to a lesser extent, while six auditing firms failed to do this at all, most likely due to a lack of INEDs in the firm.

Table 5. Operations principle in auditing firms.

Does your auditing firm:	Ref to UK Code	Yes	%	No	%	Total	Total %
Comply with professional standards and legal/regulatory requirements?	D.1.	9	100	0	0	9	100
Have operations that promote auditing quality?	D.1.	9	100	0	0	9	100
Have policies and procedures for compliance?	D.1.1.	9	100	0	0	9	100
Have policies and procedures for signing auditing reports that comply with applicable standards?	D.1.2.	9	100	0	0	9	100
Have policies and procedures for the reliance on other auditors' work?	D.1.2.	9	100	0	0	9	100
Have policies and procedures to manage conflicts of interest?	D.1.3.	7	77.80	2	22.20	9	100
Take action on concerns identified by auditing regulators?	D.1.4.	9	100	0	0	9	100

All the auditing firms confirmed that they followed the standards outlined in Table 5, and 77% said they had policies and processes in place to deal with conflicts of interest. The companies, for the most part, complied with the operations principle. Regarding the EXCO, however, there were some irregularities in its application. INEDs and transparency were the concepts that received the least attention. This lends support to the claim that a corporate governance code for auditing firms in South Africa would help the firms understand and implement what they need to report. The advice for improving the appointment of INEDs in auditing firms also applies here.

4.5. Reporting

The questions in this section intended to establish whether the auditing firms applied the reporting principle as contained in the UK Audit Firm Governance Code. The results are shown in Tables 6 and 7.

Table 6. Reporting of risks.

Does your auditing firm:	Ref to UK Code	To a large extent	To a lesser extent	Totally ineffective	Total	Total %
Describe the risks and explain how they are being managed or mitigated?	E.3.1.	7	2	0	9	100

Table 7. Reporting principle in auditing firms.

Does your auditing firm:	Ref to UK Code	Yes	%	No	%	Total	Total %
Supply information in a timely manner?	E.1.	9	100	0	0	9	100
Supply quality information?	E.1.	9	100	0	0	9	100
Include a commentary on the firm's performance, position and prospects?	E.3.	6	66.70	3	33.30	9	100
Include fair and balanced information?	E.3.2.	7	77.80	2	22.20	9	100
Explain everything in an understandable manner?	E.3.2.	7	77.80	2	22.20	9	100
Have an auditing committee?	E.4.1.	3	33.30	6	66.70	9	100
Have an auditing committee that monitors the quality of external reporting?	E.4.	3	33.30	6	66.70	9	100
Have an auditing committee that maintains a relationship with the firm's auditors?	E.4.	3	33.30	6	66.70	9	100
Disclose on its website the auditing committee's membership details?	E.4.1.	1	11.10	8	88.90	9	100
Have terms of reference for the auditing committee?	E.4.1.	3	33.30	6	66.70	9	100
Publish how the auditing committee discharges its duties?	E.4.1.	2	22.20	7	77.80	9	100
Publish audited financial statements?	E.5.	6	66.70	3	33.30	9	100
Publish audited financial statements prepared within the financial reporting framework?	E.5.	6	66.70	3	33.30	9	100
Publish audited financial statements that are clear and concise?	E.5.	6	66.70	3	33.30	9	100
Explain who is responsible for preparing the financial statements?	E.5.1.	9	100	0	0	9	100
Have auditors who make a statement about their reporting responsibilities?	E.5.1.	7	77.80	2	22.20	9	100
State whether the firm adopts the going concern basis and identifies material uncertainties?	E.5.2.	9	100	0	0	9	100

Table 7 displays how the reporting principle is currently applied in auditing firms. As the results show, all the firms claimed that owners and INEDs provided timely and correct information to enable them to carry out their duties on behalf of the members of their governance structures. In their transparency reports, six of the companies commented on their performance, position and future prospects. Seven of the companies provided fair and balanced information that was easy to understand. However, only three of the firms had established an auditing committee, while the other six had not. The three companies that did have an auditing committee said it was responsible for overseeing the quality of external reporting and maintaining a good working relationship with the firm's auditors. The auditing committees of all three firms had terms of reference. Only one corporation listed the members of its auditing committee on its website. Two firms provided a summary of how the auditing committee carried out its responsibilities on a yearly basis.

Some of the CEOs of the firms (who had not yet nominated any INEDs) stated that they did not yet have INEDs on their auditing committees. Another CEO explained that their internal finance committee served as an auditing committee.

Six auditing firms stated that their audited financial statements were in line with a recognised financial reporting structure because they were clear and straightforward. All the firms stated who was in charge of compiling the financial statements. According to the expanded auditing report criteria, in seven of the firms, auditors made a statement on their reporting duties. All the firms declared whether they thought it was acceptable to use the going concern foundation of accounting and noted any major uncertainties in their ability to do so, along with any necessary assumptions or qualifiers.

According to the CEOs, their yearly financial statements were included in their integrated reports. One CEO stated that because their company was a partnership rather than a public company, the financial accounts were audited but not publicised. Other CEOs claimed that their yearly financial accounts were not publicly disclosed because their auditing firms were not public.

According to the [Institute of Directors in Southern Africa \(2016\)](#), transparency is a key component of corporate governance. The UK Audit Firm Governance Code's objectives are to ensure auditing firms are recognised as excellent governance role models, to encourage governance improvements, and to enhance auditing firms' transparency reports. According to regulators and standard-setters, transparency in the corporate governance of auditing firms will reduce the information asymmetry between the public and auditing businesses and ensure a high-quality auditing service, stabilising the capital market ([Deumes et al., 2012](#)). In 2018 the IRBA advised auditing firms to publish transparency reports that made significant internal data available to the public. In South Africa, transparency reports are optional; only a few countries have made them a legal requirement. The [International Auditing and Assurance Standards Board \(2014\)](#) states that auditing firm transparency reports assist third parties in understanding the traits of particular auditing firms and the factors that influence auditing quality in those firms. This includes members of the public and consumers of audited financial statements. They further suggest that auditing firms may make their auditing practices public so that they can compete on auditing quality ([Deumes et al., 2012](#)). High-profile auditing firm failures (e.g., Arthur Andersen's downfall) and a lack of trust in financial markets in the post-global financial crisis era support the push for increased openness and disclosure on the part of auditing firms ([Huddart, 2013](#)).

Investors must be able to review the governance method used by an auditing firm, according to the [Financial Reporting Council \(2019\)](#). Reports on governance should include information on how the board developed the firm's vision and strategy, achieved goals and produced results through its actions, as well as how the board applied the guiding principles of the applicable code to the particulars of the organisation ([Financial Reporting Council, 2019](#)). In order for shareholders to evaluate the effectiveness of the company's governance structures, as well as the activities and contributions of the board of directors, corporate governance reporting should be consistent with other portions of the annual report ([Financial Reporting Council, 2019](#)). Reporting promotes transparency and guarantees that leadership accurately represents the main governance and performance issues it addresses, in addition to providing information to stakeholders ([Financial Reporting Council, 2016](#)). According to the [Financial Reporting Council \(2016\)](#), companies should review their transparency reports to ensure they provide information that is more pertinent to investors, regulators and other stakeholders. Firms that adhere to the UK Audit Firm Governance Code should make sure that their reports are fair, reasonable and clear and that they explain how the EXCO and INEDs carried out their duties to uphold the Code's principles during the year. Based on the results in [Table 7](#), the sections dealing with the auditing committee appear to be the most concerning. Auditing committees had been appointed by only three of the auditing companies. According to the CEOs' replies, some of the businesses had outsourced the auditing committee's tasks and duties to the board or other committees in the firm. The need for transparent reporting to all stakeholders is stressed in the literature.

The implementation of structured disclosure and reporting criteria would ensure that all auditing firms reported on the same issues in the same way. This would allow all stakeholders to understand what was going on within an auditing business and how it was run.

4.6. Dialogue

The questions in this section were intended to elicit the expert opinions of the CEOs on the dialogue principle, as contained in the UK Audit Firm Governance Code.

Table 8. Dialogue principle implemented by the oversight board.

Should the oversight board:	Ref to UK Code	Yes	%	No	%	Total	Total %
Engage in dialogue with listed company shareholders about corporate governance matters?	F.1.	5	55.6	4	44.4	9	100
Enhance mutual communication and understanding with shareholders?	F.1.	9	100	0	0	9	100
Disclose policies and procedures for dialogue with listed company shareholders and listed companies?	F.1.1.	4	44.4	5	55.60	9	100
Report on the dialogue the auditing firm had during the year?	F.1.1.	6	66.70	3	33.30	9	100
Disclose the nature and extent of the involvement of Independent Non-Executive Directors (INEDs) in the dialogue?	F.1.1.	4	44.4	5	55.60	9	100
Engage in dialogue with shareholders to enhance mutual communication and understanding?	F.2.	7	77.80	2	22.20	9	100
Engage in dialogue about the process of appointment and re-appointment of auditors?	F.3.	7	77.80	2	22.20	9	100

The CEOs' top priorities for the oversight board and stakeholder inclusion are shown in [Table 8](#). According to five of the CEOs, the oversight board should discuss corporate governance with the shareholders of listed firms. Four CEOs disagreed with this notion. The CEOs all agreed that the oversight board should enhance mutual understanding and communication in order to better inform the company about shareholder concerns, challenges and problems. Only four CEOs agreed that their websites should make public the procedures and policies for getting in touch with listed company shareholders. The oversight board, according to six CEOs, should report on the firm's communication throughout the year. Only four CEOs agreed with the statement that the INEDs' involvement in the discussion should be made public. Seven CEOs concluded that the oversight board ought to communicate with shareholders to enhance mutual understanding and communication as well as with publicly traded companies regarding the appointment and reappointment of auditors and the careful use of votes in relation to such recommendations. The interactions between the board of directors, shareholders, management, and occasionally employees, are referred to as 'governance' ([Aziri, 2014](#)). A company's culture should promote honesty and transparency and be responsive to all stakeholders and shareholders, according to the [Financial Reporting Council \(2019\)](#). The governing body must answer to stakeholders and shareholders, according to [Rossouw \(2005\)](#).

The results show some disagreement among the respondents about the dialogue principle. Not all of the companies agreed that policies and procedures should be made public, as well as the type and extent of INEDs' engagement in the discussion, even though they all agreed that mutual communication and understanding with shareholders were essential. Auditing firms should take into account the value that such provisions would give the consumers of the reports and the beneficial information that would be provided to the general public instead of

considering reporting a burden. Auditing firms must provide reports on specific areas of the company and its operations as part of their transparency obligations (Independent Regulatory Board for Auditing, 2018). A regulator's specific suggestions would help companies report in a consistent and thorough manner and would make it clear to auditing firms why the dialogue principle must be reported on.

4.7. Summative Analysis

The findings show that greater advice on acceptable corporate governance structures, methods and transparency is needed to assist auditing firms in applying corporate governance. When it comes to making vital information available to the public, there is a lack of uniformity. The implementation of a South African auditing firm governance code would help to correct this. South Africa would benefit from a code that promotes ethical leadership and openness. Given structured disclosure and reporting standards, all auditing firms would be able to report on the same concerns in the same way. This would ensure that all stakeholders would remain informed of each firm's internal processes and governance.

5. CONCLUSION

Corporate governance supervision and solid governance practices play a crucial role in auditing firms' structure and oversight, as shown by the literature review and empirical findings of this study. Recent corporate scandals have highlighted auditing firms' poor corporate governance standards. South African auditing firms also experience significant obstacles in identifying candidates who are independent, possess the necessary abilities, experience and competence and are willing to serve on an auditing firm's oversight board.

It is recommended that auditing firm governance principles be created expressly for auditing firms in South Africa. This could be in the form of a distinct code, as in the UK, or a sector supplement to King IV, containing guidelines and suggested practices for governance structures and monitoring of auditing firms. Such a code should take into account South Africa's specific characteristics and challenges.

5.1. Specific Recommendations from this Study

- In future King Code revisions, the IoDSA should consider adding a sector supplement for auditing firms. The auditing profession's specific conditions, problems and possibilities should be taken into account. South Africa is a global leader in corporate governance and could play a key role in its advancement.
- Auditing firms should appoint oversight boards made up of independent individuals.
- The IRBA should consider issuing corporate governance and disclosure recommendations to auditing firms.

This study, which has reported on the current corporate governance procedures in South African auditing firms, could help professional bodies and regulatory authorities, such as the IRBA and the IoDSA. The UK Audit Firm Governance Code could be used to shape the creation of a South African code.

Future research should consider corporate governance in smaller auditing firms, as this study only examined large and medium-sized South African auditing firms. Smaller firms may face distinct challenges that necessitate a different approach to corporate governance. Corporate governance in auditing firms should also be examined from a global perspective. Because the UK is one of the few countries with a corporate governance code for auditing firms, other countries should consider drafting a code of their own.

The study's suggestions should also be useful to auditing firms because they offer advice on how to improve auditing quality, openness and accountability, which could help prevent business failures in the South African setting. The findings could also be used to help important stakeholders, such as regulators, develop a corporate governance framework tailored to South African auditing firms.

Funding: This study received no specific financial support.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: All authors contributed equally to the conception and design of the study.

REFERENCES

- Aberian, I. (2019). Auditing profession needs a new dawn. Daily Maverick. Retrieved from: <https://www.dailymaverick.co.za/opinionista/2018-03-19-auditing-profession-needs-a-new-dawn>.
- Accountancy South Africa. (2019). *ASA - accountancy South Africa*. South Africa: ASA.
- Accountancy South Africa. (2021). *Special report – audit reform: Auditors and the public interest*. South Africa: ASA.
- Ahmeti, A., Ahmeti, S., & Aliu, M. (2022). Effect of internal audit quality on the financial performance of insurance companies: Evidence from Kosovo. *International Journal of Applied Economics, Finance and Accounting*, 12(2), 63–68. Available at: <https://doi.org/10.33094/ijaefa.v12i2.551>.
- Amirul, S. M., Salleh, M. F., & Abu Bakar, M. A. A. B. (2015). *Audit firm governance: An overview from Malaysia*. Paper presented at the Proceedings of the International Accounting and Business Conference 2015. IABC 2015. Procedia, Economics and Finance.
- Armstrong, P. (2003). *Status report on corporate governance reform in Africa*. Paper presented at the Pan Africa Consultative Forum on Corporate Governance.
- Auditing Profession Act. (2005). *Auditing profession act IRBA*. South Africa: IRBA.
- Aziri, B. (2014). Corporate governance: A literature. *Management Research and Practice*, 6(3), 53-66.
- Burkhard, P. (2020). PwC accused of taking credit for Eskom's work. IOL. Retrieved from: <https://www.iol.co.za/business-report/economy/pwc-accused-of-taking-credit-for-eskoms-work-49153017>.
- Chartered Accountants Regulatory Board (CARB). (2013). *The irish audit firm governance code*. Ireland: CARB.
- Crotty, A. (2017). KPMG to be investigated for auditing of company linked to Gupta wedding scandal. Business Day. Retrieved from: <https://www.businesslive.co.za/bd/companies/financial-services/2017-06-30-kpmg-to-be-investigated-for-auditing-of-linkway>.
- Deumes, R., Schelleman, C., Vander Bauwhede, H., & Vanstraelen, A. (2012). Audit firm governance: Do transparency reports reveal audit quality? *Auditing: A Journal of Practice & Theory*, 31(4), 193-214. Available at: <https://doi.org/10.2308/ajpt-10301>.
- Etikan, I., & Bala, K. (2017). Sampling and sampling methods. *Biometrics & Biostatistics International Journal*, 5(6), 5-7. Available at: <https://doi.org/10.15406/bbij.2017.05.00149>.
- Everett, J., & Green, D. (2007). The changing nature of accounting virtues. *Advances in Public Interest Accounting*, 12, 119–132. Available at: [https://doi.org/10.1016/s1041-7060\(06\)12008-8](https://doi.org/10.1016/s1041-7060(06)12008-8).
- Financial Reporting Council. (2010). *The auditing firm governance code*. United Kingdom: FRC.
- Financial Reporting Council. (2016). *Auditing firm governance code*. United Kingdom: FRC.
- Financial Reporting Council. (2019). The UK stewardship report. Retrieved from: <https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code-Final2.pdf>.
- Financial Services Agency. (2017). Principles for effective management of audit firms (The Audit Firm Governance Code). Retrieved from: <http://www.fsa.go.jp/news/28/sonota/20170331-auditfirmgc/3.pdf>.
- Firth, M., Fung, P. M., & Rui, O. M. (2007). Ownership, two-tier board structure, and the informativeness of earnings—Evidence from China. *Journal of Accounting and Public Policy*, 26(4), 463-496. Available at: <https://doi.org/10.1016/j.jaccpubpol.2007.05.004>.
- Garbutt, C. (2020). List of auditing firms with 20+ partners. Email sent to Smith, R. Johannesburg, South Africa.
- Harber, M. (2018). *Mandatory auditing firm rotation: A South African perspective*. Unpublished Doctoral Thesis, University of Johannesburg.

- Heath, J., & Norman, W. (2004). Stakeholder theory, corporate governance and public management: what can the history of state-run enterprises teach us in the post-Enron era? *Journal of business ethics*, 53(3), 247-265. Available at: <https://doi.org/10.1023/b:busi.0000039418.75103.ed>.
- Huddart, S. (2013). Discussion of empirical evidence on the implicit determinants of compensation in Big 4 audit partnerships. *Journal of Accounting Research*, 51(2), 389-397. Available at: <https://doi.org/10.1111/1475-679x.12009>.
- Independent Regulatory Board for Auditingors. (2018). *Transparency reports will strengthen confidence in auditing firms*. South Africa: IRBA.
- Independent Regulatory Board for Auditors. (2017). *IRBA Newsletter 37*. South Africa: IRBA.
- Independent Regulatory Board for Auditors. (2019). *Annual report 2019/2020*. South Africa: IRBA.
- Institute of Chartered Accountants in England and Wales. (2017). FRC revises audit firm governance code. Retrieved from: <https://economia.icaew.com/news/july-2016/frc-revises-audit-firm-governance-code>.
- Institute of Directors in Southern Africa. (2016). *King IV report on corporate governance for South Africa*. South Africa: IoDSA.
- International Auditing and Assurance Standards Board. (2010). International standards on auditing 220. Quality control for an audit of financial statements. Retrieved from: <https://www.ifac.org/system/files/downloads/a010-2010-iaasb-handbook-isa-220.pdf>.
- International Auditing and Assurance Standards Board. (2014). *Handbook of international quality control, auditing, review, other assurance and related services pronouncements*: IAASB.
- International Auditing and Assurance Standards Board. (2020). *International standard on quality management (ISQM)*: IAASB.
- International Financial Reporting Standards. (2021). IFRS mission statement. Retrieved from: <https://www.ifrs.org/about-us/who-we-are/>. Accessed on 1 June 2022.
- International Organisation of Securities Commissions. (2009). Exploration of non-professional ownership structures for auditing firms: Consultation report. Retrieved from: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD304.pdf>.
- KPMG. (2019). *Transparency report*. South Africa: KPMG.
- La Rosa, F., Caserio, C., & Bernini, F. (2019). Corporate governance of audit firms: Assessing the usefulness of transparency reports in a Europe-wide analysis. *Corporate Governance: An International Review*, 27(1), 14-32. Available at: <https://doi.org/10.1111/corg.12235>.
- Lungisa, A. (2017). The Steinhoff debacle: The biggest fraud in SA history. Daily Maverick. Retrieved from: <https://www.dailymaverick.co.za/opinionista/2017-12-13-the-steinhoff-debacle-the-biggest-fraud-in-sa-history/>.
- Maranga, J. (2018). Auditing firms need and overhaul, *Mail and Guardian Newspaper*. South Africa.
- Marx, B. (2008). *An analysis of the development, status and functioning of auditing committees at large listed companies in South Africa*. Published Doctoral Thesis, University of Johannesburg.
- Nkuhlu, W. L. (2020). *State capture: KPMG's slippery slide*. South Africa: Sunday Times Newspaper.
- O'Donovan, G. (2003). *Change management: A board culture of corporate governance: Mondaq business briefing*. England: University of Essex: School of Law.
- Open Secrets. (2020). Deloitte – How deloitte gets away with it. Daily Maverick. Retrieved from: <https://www.dailymaverick.co.za/article/2020-08-12-deloot-how-deloitte-gets-away-with-it>.
- Pilling, D. (2017). KPMG urged to act over South Africa Gupta scandal. Financial Times. Retrieved from: <https://www.ft.com/content/c525699e-a6a5-11e7-ab55-27219df83c97>.
- Rossouw, G. J., Van Der Watt, A., & Malan, D. P. (2002). Corporate governance in South Africa. *Journal of Business Ethics*, 37(3), 289-302.
- Rossouw, G. J. (2005). Business ethics and corporate governance in Africa. *Business and Society*, 44(1), 94-105. Available at: <https://doi.org/10.1177/0007650305274851>.
- Shinde, J. S., Willems, J., Sallehu, M. M., & Merkle, M. P. (2015). Establishment of GAAS: Impact of an auditing fraud. *Journal of Accounting and Finance*, 15(1), 40-54.

- Sikka, P. (2004). Some questions about the governance of auditing firms. *International Journal of Disclosure and Governance*, 1(2), 186-200. Available at: <https://doi.org/10.1057/palgrave.jdg.2040023>.
- Smith, R. J. (2020). *The application of corporate governance in large and medium-sized South African auditing firms*. Published Doctoral Thesis, University of Johannesburg: South Africa.
- Smith, R., & Marx, B. (2021). Transparency report disclosure practices of large-and medium-sized audit firms in South Africa. *Journal of Economic and Financial Sciences*, 14(1), a662.
- South African Auditing Profession Trust Initiative. (2020). *Discussion document: Considerations to address the key challenges facing the South African auditing profession*. South Africa: SAAPTl.
- Uzun, H., Szewczyk, S. H., & Varma, R. (2004). Board composition and corporate fraud. *Financial Analysts Journal*, 60(3), 33-43. Available at: <https://doi.org/10.2469/faj.v60.n3.2619>.
- West, A. (2006). Theorising South Africa's corporate governance. *Journal of Business Ethics*, 68(4), 433-448. Available at: <https://doi.org/10.1007/s10551-006-9033-5>.
- Wyman, P. (2004). Is auditor independence really the solution? *The CPA Journal*, 74(4), 6-7.
- Zerban, A. M. (2018). Enron of Saudi Arabia: Corporate accounting and auditing failures. *Open Journal of Accounting*, 7(01), 1-18. Available at: <https://doi.org/10.4236/ojacct.2018.71001>.

Views and opinions expressed in this article are the views and opinions of the author(s), International Journal of Management and Sustainability shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.