



## Country insights **SOUTH AFRICA**

Country insights from Abe Petersen and Stuart Hendler on current trends in the South Africa accounting market

**Abe Petersen and Stuart Hendler from MGI Bass Gordon in Cape Town, share important insights on current trends in the South African accounting market, discussing recent high-profile audit scandals, the effects of mandatory audit, and highlighting sectors of the profession that were showing growth before the coronavirus crisis.**

**Q: Is there any indication that confidence in the accounting profession is recovering after the high-profile audit scandals of recent years?**

**Abe Petersen:** Recovery is a very slow process. It is one which each and every registered auditor and accountant needs to pay special attention to, in particular relating to cementing the relationship of trust with their clients.

The impact of these high-profile auditing scandals has been far reaching and sadly has resulted, in many instances, in a tainted perception of the entire profession.

Having said that, I believe that there is hope and light at the end of the tunnel with the accounting professionals slowly regaining the trust of business owners, management of companies and investors at large.

**Q: Has the planned implementation of mandatory audit firm rotation benefitted firms outside the top four and especially locally-owned firms?**



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**Abe Petersen:** Whilst mandatory audit firm rotation may not have benefitted medium sized practices directly it has had an indirect beneficial effect which may not have been initially envisaged.

As a result of mandatory audit firm rotation, the spotlight has not only been placed broadly on audit tenure and the fact that a change of auditors could very well bring about an insightful new perspective; it has also highlighted in the minds of audit committees and those charged with governance of private companies and groups, that there are many other viable options for assurance service providers, who offer not only quality services but also a very reasonable value proposition when compared to the top four firms.

**Q: In December, the IRBA launched its feedback report on audit quality indicators - was this a welcome development?**

**Abe Petersen:** Again, whilst this may not necessarily directly impact medium-sized audit practices, it does provide a depth of information and data which audit committees of primarily larger listed corporates could use in their role of promoting greater transparency and independence around the audit and assurance service providers engaged.

This could indirectly have a beneficial impact on medium-sized practices, as the top four may start to focus on a certain class of core engagements and even shed non-core clients such as private companies.

**Q: Were there any sectors of the profession that were showing encouraging growth before the coronavirus crisis?**

**Stuart Hendler:** South Africa has been in a recession for a few years and the economy was struggling even before the pandemic, the pattern in the accounting profession wasn't an exception to this trend.

It has been difficult to find positive growth areas even in our own business and in the profession in general. Professional services have been under threat due to a slowdown in M & A transactions, fee pressure and an over regulated market.

**For more information on the accounting market in South Africa or on doing business in the region, please contact MGI Bass Gordon at [bassgordon.co.za](http://bassgordon.co.za)**



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