

Comment on Proposed Revisions to the Fee-related Provisions of the Code

I had submitted to IESBA a brief overview of a completely revamped system of appointing, remunerating and terminating statutory auditors back in March 2014. Having read the ED on Fee-related provisions, all I can say is that we are just beating around the bush, not tackling the core of the issue. Asking audit firms to assess the level of risk to their independence under the current business model – where the client being audited determines the appointment, remuneration and termination – makes very little difference to auditor independence. In the current business and economic environment, where competition among firms is increasing with every passing day, where the struggle for existence is becoming more and more fierce, on 99% of occasions, audit firms will self-pass this test, with mere lip service to IESBA's independence risk assessment.

Obviously it is a huge mountain to climb – initially there will be seemingly insurmountable resistance and lobbying, especially from the big audit firms, who will not tolerate any transformation to the status quo. But this is a decade-long challenging project to implement, for which a start has to be made at some point in time. It is challenge worth tackling, not just for the survival of the profession on a sustainable basis and to help eliminate the increasing regularity of skeletons tumbling out of corporate cupboards due to audit failures, but also to benefit all stakeholders who rely on the audit opinion to make economic decisions.