

# TRANSFORMATION Beyond Numbers

Standing Committee on Finance  
21 June 2017



## MAFR vs Transformation

- MAFR Rule announced by Minister of Finance
- Minister supports MAFR as appropriate measure to address independence concerns
  - Ending excessive tenures
  - Broadening access to the market
  - Creating opportunities to participate meaningfully in the economy
- Minister has clearly separated independence and transformation.
  - Instructed the IRBA to proceed with measures to strengthen MAFR while providing him (and parliament) with the IRBA's planned strategies to facilitate transformation in the profession.
- MAFR is not intended to address transformation directly
  - We believe it will impact transformation in the long run through broadening access and creating opportunities
- The IRBA agreed to develop complementary initiatives designed to specifically address transformation
- Transformation of the profession depends on transformation of the governance structures
- Comprehensive Regulation will be critical to transforming broader governance environment

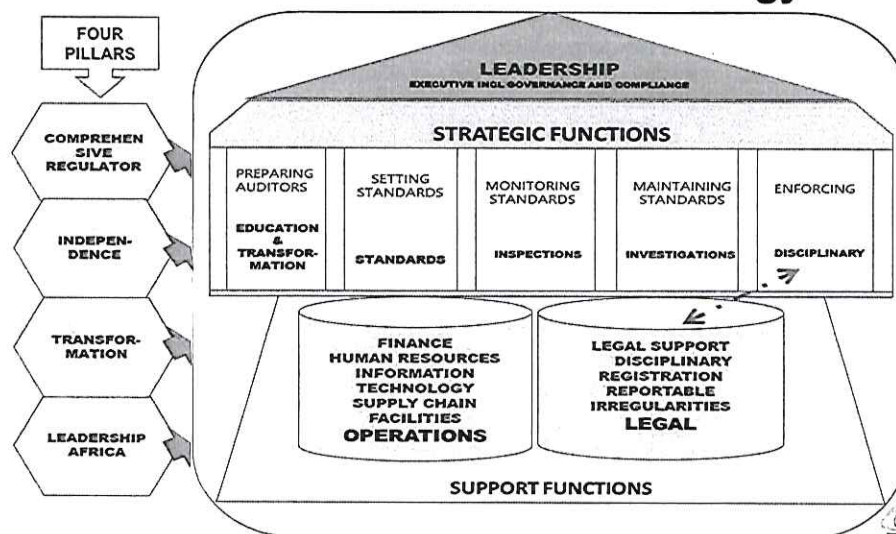


## The role of regulators

- The IRBA is allowed to make rules that further the profession according to Section 10 of the APA
- Constitutional requirements for public entities in relation to transformation and access to opportunities
- Broader transformation requires broad commitment from financial sector regulators e.g. FSB and Reserve Bank to break current trend of exclusion and preservation by the big four firms
- Requirement for collaboration by regulators to establish measures to enforce transformation
- The efforts of regulators towards transformation need to be harmonised
- Transformation, Comprehensive regulation and Independence are three of the four pillars of the IRBA strategy. These pillars are inter-dependant on each other



## The IRBA 4 Pillar Strategy



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## The role of the profession

- Work of the CA Charter council is critical to successes to date
- We acknowledge what SAICA's Thuthuka Programme has achieved in increasing the numbers of black CAs
- Transformation is no longer about numbers but meaningful participation and equity
- Survey conducted by the IRBA reveals that trainees and newly qualified CAs still experience discrimination, decreased and less opportunities in the workplace, and the environment becoming less attractive to stay at the firms



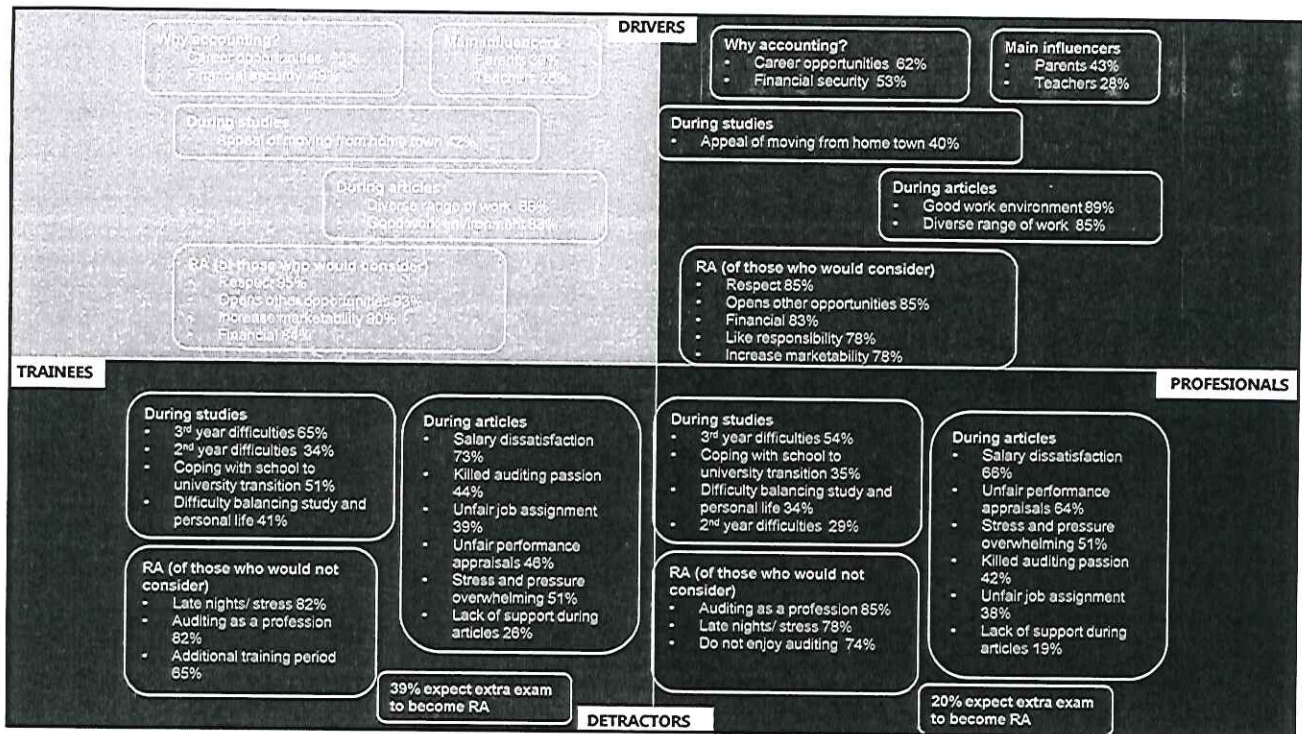
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## Transformation Survey

- Survey conducted among:
  - IRBA database of accounting students who are completing their articles at an accounting and auditing firm
  - SAICA database of registered Chartered Accountants.
- The objectives of the survey were:
  - To explore factors driving and limiting professional advancement in auditing, as relevant input for development of a comprehensive measurement instrument for quantification
  - To quantify factors driving and limiting professional advancement in auditing, as input for a strategy to address diversity in this field.
- Planned Workshops with audit partners and managers before the end of the year



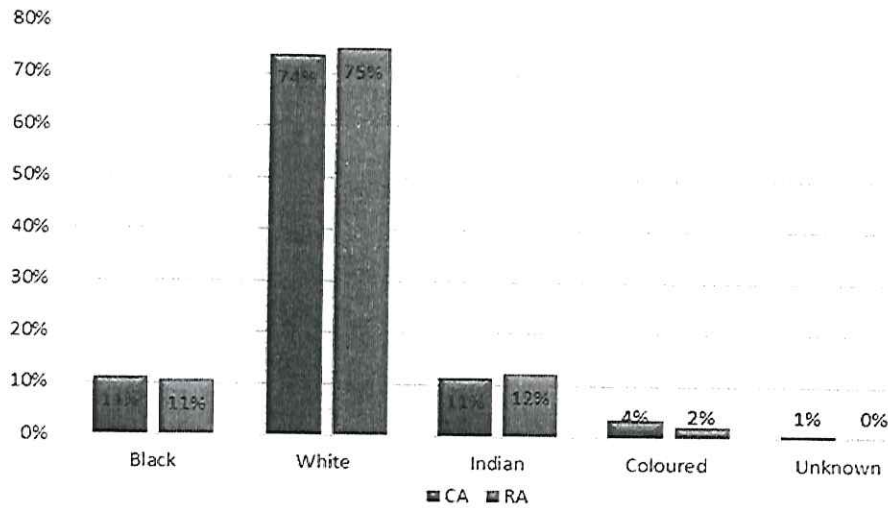




## Relevant Statistics

	Number of CAs	Number of RAs
Total	42 523	4 234
White	31 023	3 152
Black	4 887	453
Other (Indian, Coloured and Others)	6 613	629

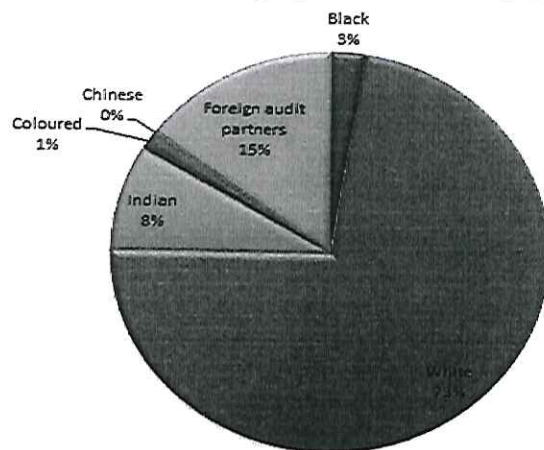
## Racial demographics of CAs and RAs



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## Racial demographics of audit partners signing off on listed companies - %

Audit Partners signing on ALL JSE listed companies



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## Transformation in the profession

- More focus on long term career prospects
- Equity partnership, senior management and executive responsibility for black partners
- Financial inclusion and access to markets and opportunity for black firms
- Need measures to enforce opening access and markets and provide opportunities to Black people
- Decrease dependency on one pathway to registered auditing and accredit other professional accountancy bodies
- Transformation of the profession depends on transformation of the governance structures – we need comprehensive regulation of the profession
- The profession and the regulator need to look at attraction, retention and progression of black auditors
- Guard against and expose discriminatory recruitment and career path practices



## The IRBA's Future Outlook

### What we are already seeing:

- New black firms emerging
- Heard from companies wishing to engage on how to rotate
- Some big 4 firms offering advice on how to rotate and soliciting clients

### What to do going forward:

- Mergers and partnerships by small firms into new conglomerate entities with increased black shareholding
- Encourage and prepare black, small and medium firms to prepare, collaborate merge and capacitate themselves to accept larger audits
- Addressing concerns from Transformation Survey through workshops with partners and managers
- Need to continue to enhance Educators' and training officer workshops to encourage trainee's workplace experience
- Increase transparency around equity and income of audit firms (transparency reports)



**THANK YOU**

