

Saica supports SMPs in keeping up with new regulations and standards

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Small medium practices (SMPs) are adversely impacted by complex regulations and standards. The South African Institute of Chartered Accountants (Saica) have introduced a series of workshops to help SMPs bridge the regulatory gap. Hlakudi Ramphelane, MCom CA(SA) and a senior lecturer in external auditing at Unisa, and a member of Saica's Assurance Guidance Committee, gives more insight.

Given the importance of SMPs, throughout the global accountancy profession, with regard to job creation, economic growth and economic prosperity, addressing proportionality in regulation and rulemaking is crucial to SMPs' survival.

SMPs that provide audit services face the challenge of paying for the costs of compliance with audit standards in terms of inspections conducted by the Independent Regulatory Board for Auditors (IRBA) and this may be exacerbated by the implementation of the new ISQM 1.

Professional accountancy bodies are therefore encouraged to develop guidelines specifically tailored for SMPs on how to implement new regulations and standards in order to assist this important sector of the accountancy profession to deliver quality professional services to its clients.

"With regards to the implementation of the quality management standards, Saica has introduced a series of monthly virtual workshops, where different aspects of these standards are addressed, and participants have an opportunity to share practical insights and clarify their understanding of the implementation of these standards. The workshops are run in collaboration with the Pan African Federation of Accountants (PAFA) and the IRBA," says Thando Myoli, executive: audit and assurance at Saica.

SMPs employ a large number of professional accountants in practice and represent the majority of accountancy practices in the world. The capacity for SMPs to survive, prosper and compete, can be adversely impacted by complex regulations and standards. For example, the increased competition for talent and the shortage of qualified talent, particularly to respond to new regulations and standards are concerns for SMPs. In addition, the skills and competencies that practitioners require in managing their practices are rapidly changing, and this may include skills and competencies relating to new regulations and standards.

Some SMPs' lack of capital to invest in technology in order to assist in keeping abreast of new regulations and standards, and to enhance compliance therewith, is a significant challenge too.

In addition, whilst regulations and standards may provide opportunities for offering additional services, they may also restrict service offerings. For instance, the relaxation of mandatory audit requirements in terms of the Companies Act 71 of 2008 prompted SMPs to implement change management strategies, with specific reference to a shift from assurance services to business advisory services.

Instances of non-compliance with International Standards on Auditing (ISAs), have unfortunately resulted in SMPs (and large firms) being associated with the provision of lower quality audits in the assurance market.

It is noted that regulations have over-burdened SMPs in their efforts to manage audit practices, since the introduction of regulatory measures following the corporate failures of the early 2000s. In the United States of America (USA) for example, the enactment of the Sarbanes Oxley Act coincided with a large reduction in the number of SMPs operating in the audit market.

The 2018 IFAC Global SMP survey revealed that almost half of practitioners perceived 'keeping up with new regulations and standards' as one of the significant challenges confronting their practices. Notably, South African SMPs are experiencing a phase where there are many changes and amendments to regulations and standards, requiring practitioners to keep up to date.

One of these changes is the new quality management standard which requires a paradigm shift from quality control (ISQC 1) to quality management (ISQM 1) with effect from 15 December 2022. This change is significantly impacting those SMPs that perform engagements in accordance with the IAASB standards, and that hold fewer resources (in terms of talent and technology).

Nonetheless, it can be argued that the implementation of the new ISQM 1 may provide benefits to SMPs in the form of improved quality of assurance and related services rendered to clients. However, SMPs may be prompted to seek external support due to lack of in-house expertise. Regrettably, this may happen at additional costs and will likely increase the rising costs of running a practice.

“That is precisely why Saica introduced these workshops to support our SMPs in the crucial role they play in the South African economy,” Myoli added.

Workshop schedule

The first three workshops have already taken place. To watch the recordings of the past workshops and to register for the upcoming workshops, visit SAICA's website at <https://www.saica.org.za/isqm-discussion-forum>.

Workshop 1: The Firm's Risk Assessment Process (recording available)

Workshop 2: Governance and Leadership | Relevant Ethical Requirements (recording available)

Workshop 3: Acceptance and Continuance | Engagement Performance (recording available)

Workshop 4: Resources (7 July 2022, 2pm to 4pm)

Workshop 5: Information and Communication | Network Requirements, Network Services, Documentation (12 August 2022, 2pm to 4pm)

Workshop 6: Monitoring and Remediation (9 September 2022, 2pm to 4pm)

Workshop 7: ISQM 2 (7 October 2022, 2pm to 4pm)

Workshop 8: ISA 220 (7 November 2022, 2pm to 4pm)

Workshop 9: Recap (7 December 2022, 2pm to 4pm)

Workshop 10: Evaluating the QM System (7 February 2023, 2pm to 4pm)

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