



# Journal of Economics and Business

**Rademeyer, Arnold, and Schutte, Danie. (2018), An Evaluation of Mandatory Audit Firm Rotation in South Africa. In: *Journal of Economics and Business*, Vol.1, No.4, 414-421.**

ISSN 2615-3726

DOI: 10.31014/aior.1992.01.04.37

The online version of this article can be found at:  
<https://www.asianinstituteofresearch.org/>

Published by:  
The Asian Institute of Research

The *Journal of Economics and Business* is an Open Access publication. It may be read, copied and distributed free of charge according to the conditions of the Creative Commons Attribution 4.0 International license.

The Asian Institute of Research *Journal of Economics and Business* is a peer-reviewed International Journal. The journal covers scholarly articles in the fields of Economics and Business, which includes, but not limited to, Business Economics (Micro and Macro), Finance, Management, Marketing, Business Law, Entrepreneurship, Behavioral and Health Economics, Government Taxation and Regulations, Financial Markets, International Economics, Investment, and Economic Development. As the journal is Open Access, it ensures high visibility and the increase of citations for all research articles published. The *Journal of Economics and Business* aims to facilitate scholarly work on recent theoretical and practical aspects of Economics and Business.



ASIAN INSTITUTE OF RESEARCH  
Connecting Scholars Worldwide



# An Evaluation of Mandatory Audit Firm Rotation in South Africa

Arnold Rademeyer<sup>1</sup>, Danie Schutte<sup>2</sup>

<sup>1,2</sup> School of Accounting Sciences, Faculty of Economic and Management Sciences, North-West University, Potchefstroom, 2520, South Africa. Phone: +2718 299 1436, E-mail: danie.schutte@nwu.ac.za

## Abstract

Following on recent corporate failures, various initiatives are introduced to restore confidence in the audit function. In this regard, the Independent Regulatory Board for Auditors of South Africa announced its plans to pursue mandatory audit firm rotation for the audits of public interest entities. The motivation for this decision was firstly due to concerns raised about independence issues as well as a lack of transformation and competition in the South African environment. This article examines the legal and practical implications of the announcement to enforce companies to appoint auditors for a limited period of time. The article contributes to the scarce literature on the audit profession and in particular issues pertaining to the independence of auditors. Against the background of the global business world and the existence of multinational companies, the results are also relevant in an international context.

**Keywords:** Auditor, Audit Independence, Mandatory Audit Firm Rotation

## 1. Introduction

The agency theory is often used to explain the rationale behind company audits (Peng, 2004). The underlying principle of the agency theory is the separation of ownership and control. In a company setup shareholders appoint directors to maximise shareholder wealth and the successful achievement of this objective secures financial rewards for directors. On occasion, directors may, however, prefer to maximize their own personal interests by presenting misleading information to the shareholders (Jerzemska, 2006). An agency problem arises when there is a conflict of interest between the shareholders and the directors of a company. In addressing the aforementioned agency problem the main function of an audit is to provide the owners with an independent view of the companies' affairs.

The modern-day audit function was established in the UK in the 1840s. The industrial revolution demanded a large amount of capital investment in factories and machinery (Chandler, 1992). Capital markets during this period were unregulated with a relatively large number of financial failures (Porter, 2005). In order to protect the needs of investors, the Joint Stock Companies Act stipulated that the directors shall balance the books of the company and shall compile a balance sheet. In addition, companies were required to appoint auditors to check the accounts of the company.

The growth of the US economy in the 1930s likewise resulted in a substantial amount of investments in companies. Furthermore, the establishment of capital markets in the US gave rise to the formation of larger companies with an increasing number of shareholders. Due to the diverse nature of shareholders and because they are not necessarily capable of managing their own companies they often have to hire agents to perform this task. In this regard, Jerzemowska (2006) observes that shareholders are inactive participants who tend to focus more on the risk and return of their share portfolio.

In order to bridge the gap between shareholders and directors and to protect the interests of investors, the initial goal of company audits was to convince the participants in the capital markets that the company's financial statement provided a true and fair reflection of the performance of the company. The audit function continued to evolve as a result of the accelerated growth of world economies. In the present day, auditing has expanded beyond the basic financial statement attest function, and the auditing profession had to adapt to more sophisticated transactions and practices. Moreover, concerns about the role of the auditor in various accounting scandals resulted in renewed efforts to enhance auditor independence (Young, 2006). Following on the aforementioned, audit regulatory bodies introduced a number of initiatives to ensure that the audit profession regains the trust of investors. These initiatives include, amongst others, guidance about complex transactions, for instance, ISA 545 Auditing Fair Value Measurements and Disclosures; Corporate Governance Codes, guidance to Audit Committees and Mandatory Audit Firm Rotation (MAFR) (ICAEW, 2009; FRC, 2016).

The purpose of this article is to evaluate the implementation of MAFR in South Africa. The evaluation commences with a theoretical background of MAFR, an international comparison of MAFR as well as an overview of MAFR in the South African environment. This is followed by a critical evaluation of the legal and related practical considerations of implementing MAFR in South Africa. The article concludes with a summary of important considerations and recommendations about the implementation of MAFR in South Africa.

## **2. Mandatory audit firm rotation**

### *2.1. Introduction*

The main objective of an audit is to reduce agency cost for investors and other providers of finance (ICAEW, 2005; Watts & Zimmerman, 1983). In this regard, an external audit provides both assurances to stakeholders as well as credibility to the financial statements prepared by management (Curtis & Turley, 2007; Lee & Ali, 2005). Furthermore, the provision of assurance by an external auditor allows stakeholders to hold the entity accountable for its actions (Mzensi & Gaspar, 2015).

Since the separation of ownership and management became more evident, the concept of an audit was described as 'being accountable' (Sinclair, 1995). An independent account from an auditor was required to convince investors to continue providing capital. According to Mautz (1975) the audit function in a market economy ultimately evolved by social consent and as conditions change, society may reject the professional status of the audit profession. He, therefore, suggests that the roles of professional auditors must continually be alert to the desirability of role modification and revision.

In recent times the objective of auditing and the role of auditors were subject to various changes. The profession was influenced by contextual factors such as the collapse of large corporations and technological developments. Moreover, the development of International Financial Reporting Standards resulted in the disclosure of information that is every so often complex in nature and based on estimates and fair value assumptions. For this reason, the question is repeatedly asked whether auditors are capable of performing effective audits in the current capital market environment and therefore maintain its professional status in society.

Despite a complex audit environment, investors expect audit firms to compete on the basis of quality. For this reason, it is necessary to identify audit quality indicators to distinguish firms from each other and thereby provide for greater competition among firms (Harris, 2015). The quality of the audit function is normally evaluated in

terms of independence and measured in terms of the level of objectivity of the auditor. Simunic (1984) interpreted a decrease in audit independence as any situation that a self-interested auditor is more likely to ignore, conceal or misrepresent. Levitt (2000) advocated that an auditor's dependence on the client could undermine the independence and reduce a willingness to resist biased presentation by management.

Auditor independence is however complicated by the fact that directors exert considerable influence over auditor appointments. Directors normally identify new auditors whilst shareholders are merely required to accept the appointment or re-appointment of auditors. Incumbent auditors may also be dismissed by directors without consulting with shareholders. Over and above the fact that management nominates the auditors of a company, the auditor interacts with top management on a regular basis. The regular interaction inevitably results in a close relationship between the auditor and the directors of a company (Cohen, Pant & Sharp; 1993). If a close relationship exists between the auditor and management, the ability of the auditor to act in an independent way may be further impaired due to self-interest, familiarity, and complacency, as well as social and economic bonding (Livne, 2013).

The objective role of the auditor is further complicated by the proposition that effective audits require a degree of closeness to the business (Power, 1997). The literature suggests that audit quality is lower if auditor tenure is short and that an audit learning curve exists for most audit engagements. Most companies evaluate audit firms in terms of experience, their knowledge of professional standards, their knowledge of the industry as well as their knowledge and understanding of the company (PWC, 2002). Knapp (1991) submitted that auditors experience a significant learning curve with new clients whilst Kinney and McDaniel (1996) observed that a substantial amount of the knowledge gained in an audit relates to a specific client. According to AICPA (1992), there exists a substantial learning curve to be acquainted with a company's operating environment and risk areas. In this regard it takes auditors approximately two to three years to fully understand the business and nuances of a complex client (Terry, 2002).

Against this background and despite the contrasting views in the aforementioned discussion renewed measures are proposed to ensure that auditors are not appointed for long periods that may impair audit objectivity and ultimately audit quality.

## 2.2. Audit firm rotation

Following on recent corporate failures, such as WorldCom and Enron, Healy and Kim (2003) advocated that firm rotation can help restore confidence in the audit function. It is also believed that firm rotation will ensure that audit firms compete with each other that will ultimately lead to improved audit quality (Hoyle, 1978).

On the contrary, audit failures are generally higher in the first years of the audit as the new auditor becomes familiar with the client's operations (Arel *et al.*, 2005). It is also believed that audit costs would rise due to the additional work performed by the new audit firm. According to the Government Accountability Office companies would incur additional auditor selection costs amounting to 17% of the first year audit fees (GAO, 2003). In addition, opportunity costs would be incurred due to a mismatch between the supply and demand for audit services (Arruñada & Paz-Ares, 1997).

Mandatory rotation of auditors refers to the principle that statutory auditors of companies are in terms of legislation and professional standards enforced by a regulatory authority not to hold office in their capacity of appointed auditors for longer than a specified period after which they must be replaced by another firm of auditors. A system of MAFR would require companies to rotate their independent auditor and would prevent auditors from becoming too aligned with the directors of a company in order to preserve auditor independence. A study conducted by Ruiz-Barbadillo, Gómez-Aguilar and Carrera, however, revealed that auditors' incentives to retain existing clients did not impact on their decisions in both the mandatory rotation and post-mandatory rotation period. Their results provided empirical support for the arguments put forward by opponents of mandatory rotation.

Furthermore, it appears as if there is no global consensus on the matter of mandatory audit firm rotation. In this regard, the two most important audit regulators in the world, namely the European Commission in Europe and the regulator in the United States of America, have taken different routes to achieve auditor independence.

The European Union, after having implemented partner (not firm) rotation in 2006, decided in 2014 to adopt MAFR at 10 to 24 intervals, depending on certain criteria. The US implemented partner rotation mandatory rotation back in 1978. They have however decided, after a long discussion which also involved academic and public hearings, not to introduce the rule at audit firm level for the time being (Harber, 2016).

The question remains whether independence will be enhanced by mandatory audit firm rotation and whether it will indeed result in an improvement in audit quality.

### **3. The introduction of MAFR in South Africa**

On 29 August 2016 Mr. B Agulhas, the CEO of the Independent Regulatory Board for Auditors (IRBA), announced its plans to pursue mandatory audit firm rotation for the audits of public interest entities. Agulhas indicated in his announcement that the decision to pursue MAFR is aligned to IRBA's objective to enhance audit quality which ultimately contributes to public and investor protection. According to Agulhas, the decision followed a year-long process of extensive research and industry consultation on how best to enhance audit firm independence. Agulhas continued that "governments and regulators are taking steps to focus on the independence of auditors, specifically through MAFR, as critical to the credibility and transparency of audited accounts, thereby enhancing public and investor confidence in the accuracy of financial reporting."

The motivation for IRBA's decision to introduce MAFR in South Africa was firstly due to concerns about independence issues. In addition, a lack of transformation and competition was provided. In this regard out of 353 audit partners who sign off on the financial statements of all JSE listed companies only nine are black African, and over 90% of all JSE listed companies are audited by a few firms.

### **4. Legal considerations of MAFR in South Africa**

In this section, the current statutory regulations will be investigated. In particular, the focus will be on the aspects affecting "Independence" of the auditor is one of the motivations cited by IRBA for its consideration of MAFR in South Africa.

The audit profession in South Africa is a regulated profession. Primarily the audit profession is regulated by (i) The Companies Act no. 71 of 2008 and (ii) The Auditing Profession Act no. 26 of 2005.

Auditors and audit firms are, however, not only subject to statutory regulations. Registered auditors (with IRBA) are also bound to comply with International Auditing Standards and the IRBA Code of Professional Conduct for Registered Auditors. Corporate Governance fundamentals of Companies in South Africa is also addressed by The King Code on Corporate Governance (King IV), Companies listed on the JSE are required to include in their annual report a narrative statement as to how they complied with the principles set out in the King Code. The King Code compliments the Companies Act in certain aspects of which the code and functions of the Audit Committee are, in particular, relevant to external auditors.

#### *4.1. The Companies Act*

In terms of Section 30 of the Companies Act no. 71 of 2008 companies must prepare annual financial statements within six months after the end of its financial year. The annual financial statements of all public companies must be audited as well as any other company if it is in the public interest or regarded as of economic or social significance in terms of annual turnover, size of the workforce or the nature and extent of its activities. Chapter 3,

Part C of the Companies' Act deals with auditors. Two sections in this chapter of the Companies Act is of particular relevance to the auditors' independence.

Section 90 of the Companies Act regulates the appointment of auditors. Section 90(2) requires that a person or firm to be appointed as an auditor of a company must be a registered auditor and may not be a director, prescribed officer or consultant of the company. In addition Section 90(2) determines that the appointed auditor is acceptable to the audit committee.

Section 94(2) of the Companies Act prescribes that at each annual general meeting a public company, state-owned company or other company that is required by its Memorandum of Incorporation to have an audit committee must elect an audit committee comprising at least three members. Section 94(7) of the Companies Act prescribes the duties of the audit committee. The responsibilities of the audit committee concerning the external audit function include the nomination for appointments of auditors, the determination of the audit fees, to ensure that the appointment of the auditor complies with the provisions of this Act and any other legislation relating, to determine the nature and extent of any non-audit services that the auditor may provide to the company and to report on the independence of the auditor.

Section 94(8) continues to determine the considerations of the audit committee in the determination of the external auditors' independence. In this regard, the audit committee must ascertain that the auditor does not receive any "direct or indirect remuneration or other benefits from the company" except for auditing and related services fees. The audit committee should furthermore consider whether the auditor's independence may have been prejudiced as a result from previous appointments or any consultancy, advisory or other work undertaken by the auditor for the company. In addition, the audit committee should consider compliance with other criteria relating to "independence or conflict of interest" as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act.

Section 92 of the Companies Act regulates the rotation of auditors. Section 92(1) determines that "the same individual may not serve as the auditor or designated auditor of a company for more than five consecutive financial years." This section, however, deals with the rotation of the individual designated auditor and not with the rotation of audit firms. It is therefore evident that in terms of Section 92 it is permissible to appoint an audit firm indefinitely and only to rotate audit partners from the same firm every five years.

#### *4.2. The Auditing Profession Act*

The Auditing Profession Act No. 26 of 2005 (Audit Profession Act) provides for the establishment of the Independent Regulatory Board for Auditors and, amongst other matters, the regulation of the conduct of registered auditors. Of particular relevance regarding the consideration of auditors independence, which is one of the motivations cited by IRBA in considering MAFR, is section 44 of the APA.

In terms of Section 44 (2) of the APA, a registered auditor may not express an opinion in the financial statements unless the auditor of the entity is satisfied with the criteria specified in Section 44(3). Subsection 3, inter alia, states that registered auditors comply with auditing pronouncements relating to the conduct of the audit as well as all laws relating to the audit of that entity.

The reference to auditing pronouncements in subsection 3 includes International Auditing Standards (ISA) and the IRBA code of conduct. It is beyond the scope of this article to analyse all the auditing standards, but ISA 200 summarises the fundamental concept of audit independence. In the case of an audit engagement, it is in the public interest and required by the International Ethics Standards Board for Accountants (IESBA) Code, that the auditor be independent both in mind and in appearance.

The International Standard on Quality Control (ISQC 1), which has been adopted as a standard in South Africa, requires that audit firms comply with relevant ethical requirements, including those pertaining to independence. ISA 220 furthermore sets out the engagement partner's responsibilities with respect to relevant ethical

requirements. These include considering evidence of non-compliance with relevant ethical requirements by members of the engagement team. Non-compliance would also include any threat regarding independence.

The reference "all laws" relating to the audit in S44 (3) (f) of the APA includes the Companies Act and consequently compel the auditor to comply with all the independence requirements as indicated in 4.1 above.

#### *4.3. The King IV Report*

The King IV Report on Governance for South Africa (King IV) is a comprehensive document addressing Corporate Governance in South Africa. King IV is the result of fundamental changes in both business and society. Global realities are testing the leadership of organisations on a diversity of issues with financial instability being identified as one driver of the changes. The King IV report has its foundation in ethical and effective leadership which is underpinned by the principles of good governance. Internationally the principles-based approach to governance has evolved into different approaches for example "comply or explain" or "adopt or explain." The King IV Report has introduced an "apply and explain" regime to the principle-based approach adopted in King IV. In terms of the Companies Act, directors have a legal duty to act in the best interest of the company, and it is considered appropriate for directors to comply with the principles of King IV to meet the required standards of care. King IV addresses, inter alia certain fundamental concepts of corporate governance. With specific reference to the mandatory rotation of audits, King IV states that the concept has been introduced in some jurisdictions in an attempt to ensure independence. King IV leaves the consideration and decision on whether to implement the rotation of audits either to the audit committee or those charged with the governance of a company. The Code, however, makes certain practice recommendations with regard to auditor independence, amongst them that the tenure of an audit firm needs to be disclosed.

Following the UK Corporate Governance Code and the interest of more informative reporting on the auditing process, King IV recommends that the audit committee discloses significant matters from three different perspectives, namely significant assumptions in the preparation of financial statements, significant audit considerations and how they were addressed as well significant matters from the perspective of the audit committee. Moreover, King IV recommends that the audit committee should disclose their assessment of audit quality with reference to audit quality indicators.

King IV also considers auditors' independence as fundamental and leaves the option with the audit committee and the governing body to decide on MAFR.

In summary, it would appear that existing legislation, professional standards, and King IV tend to enhance and maintain auditors' independence. It acknowledges independence as a fundamental requirement for audit quality. MAFR is however not yet legislated or incorporated in any legally enforceable manner in South Africa and, in the absence of legal enforceability, the function to ensure auditors' independence is currently the responsibility of the audit committee.

### **5. Practical implications of MAFR in South Africa**

Following on the legal considerations in the previous section, this section will consider feedback about the practical implication of MAFR in South Africa from key stakeholders. IRBA's objectives set out above do make the South African debate and considerations regarding MAFR different from the international situation which focuses predominantly on the independence considerations.

In a letter to the Chairman of IRBA, the International Federation of Accountants (IFAC) confirmed their support for initiatives aimed at enhancing audit quality. They noted that while IRBA has identified audit quality as the key objective for its MAFR proposal, other objectives, such as transformation, were also provided. According to IFAC, it is important that competing objectives do not impede the outcomes of initiatives. On audit quality, IFAC pointed out that there is no clear evidence that MAFR will enhance audit quality. In their view, there is no

academic or practical evidence to support this statement. The recent announcement by the Monetary Authority of Singapore to cease MAFR in Singapore was provided as a practical example. In this regard, the argument was raised that there is no conclusive research that provides conclusive evidence linking mandatory firm rotation with an improvement in audit quality (IFAC, 2017). Choudhury (2016) furthermore suggested that the overall objective of MAFR should be prioritised and, in particular, be clear on whether MAFR is about enhancing investor protection or economic empowerment.

In response to IRBA's Consultation Paper AICPA proposed that South Africa should reject MAFR. According to AICPA, the key responsibilities of the audit committee would be taken away if MAFR is implemented. Moreover, AICPA suggested that MAFR would have a negative impact on audit quality, it would cause a loss of institutional knowledge and experience, limit audit specialization and result in an unintended cost. It could further increase audit market concentration and limit the ability to attract and retain talent (Melancon, 2017). In summary, AICPA suggested that MAFR is not in the public interest, it would harm audit quality, it would not be cost-effective, and it would only be economically disruptive.

The CFO Forum rejected the decision of IRBA to introduce MAFR by stating that the wrong consultation process was followed and that valid concerns of various stakeholders were disregarded (Ramon, 2016). The CFO Forum declared that transformation and independence are two different issues and that both cannot be addressed by MAFR. Kathan (2017) argued that independence is already addressed via existing structures, particularly through audit committees, and that larger audit firms are in a better position to address transformation. Larger firms would require more extensive audit resources that smaller firms would not necessarily be capable of. Kathan (2017) also suggested that smaller audit firms fulfilled an important role over the years in servicing smaller clients.

According to Ramon (2016), MAFR is not an international trend. There are a number of countries that have decided not to implement MAFR, for example, the USA, Japan, Australia, Canada, and New Zealand. Countries that did implement it, but subsequently repealed it include South Korea, Singapore, Spain, Argentina and Brazil (Choudhury, 2016). Furthermore, feedback received from the stakeholders of the Monetary Authority of Singapore indicated that there were also "negative consequences associated with frequent rotation of external auditors." In addition, for those countries that did implement MAFR, there has not yet been any evidence to support the contention that it leads to greater audit quality and auditor independence (Ramon, 2016).

## 6. Conclusion

This study provides both legal and practical insight about the impact of MAFR in South Africa. As such, this study contributes to the expansion of the currently growing body of literature on the rotation of auditors in practice.

This article firstly considered the legal implications of the announcement by IRBA to introduce MAFR in South Africa. In this regard the relevant sections from the Companies Act no. 71 of 2008, the Auditing Profession Act no. 26 of 2005 as well as the King IV Report on Governance for South Africa (King IV) were considered with specific reference to the requirements of auditors to act in an independent manner. The legislative review acknowledged auditor independence as a fundamental concomitant of audit quality. In addition, it was found that there is currently no legal support for MAFR in South Africa and that the responsibility to ensure auditors' independence is that of the audit committee. In this regard, this study proposes that, prior to the enactment of MAFR in South Africa, careful consideration should be given to the impact on the function of the audit committee.

This article also considered feedback from key stakeholders in South Africa. Based on the feedback received from prominent governing bodies and business participants it is suggested that MAFR would not necessarily be cost-effective and that it may have a negative effect on audit expertise and specialization.



Moreover, in the context of the global business world and against the background of multinational companies operating in different jurisdictions the research revealed that there is no evidence that MAFR was successfully implemented in any particular country in the world.

## Reference

- American Institute of Certified Public Accountants (AICPA). (1992). Statement of position regarding mandatory rotation of audit firms of publicly held companies. New York: Author.
- Chandler, A.D. 1992. Organizational Capabilities and the Economic History of the Industrial Enterprise. *The Journal of Economic Perspectives*, 6(3): 79-100.
- Choudhury, F. 2016. IFAC CEO Fayed Choudhury criticises mandatory audit firm rotation. <https://cfo.co.za/article/ifac-ceo-fayed-choudhury-criticises-mandatory-audit-rotation>. Date of access: 20 March 2018.
- Cohen, J.R., Pant, L.W. & Sharp, D.J. 1993. Culture-based ethical conflicts confronting multinational accounting firms. *Accounting Horizons*, 7(3): 1-13.
- Financial Reporting Council. (FRC). 2016. Developments in Audit – 2015/16 An Overview. <https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Developments-in-Audit-2015-16-Overview.pdf>. Date of access: 22 July 2017.
- Harber, M. 2016. Mandatory rotation: what is the price for audit firms. <https://www.moneyweb.co.za/moneyweb-opinion/mandatory-rotation-what-is-the-price-for-audit-firms/>. Date of access: 8 October 2018.
- Harris, S.B. 2015. Audit Quality, Firm Independence, and the Firm Business Model. <https://pcaobus.org/News/Speech/Pages/Harris-2015-International-Institute.aspx>. Date of access: 13 April 2017.
- International Federation of Accountants (IFAC). 2017. Independent Regulatory Board of Auditors Consultation Paper: Mandatory Audit Firm Rotation. <https://www.ifac.org/system/files/publications/files/IFAC-Response-to-IRBA-Consultation-Paper-MAFR-October-2016.pdf>. Date of Access 26 September 2017.
- Jerzemowska, M. 2006. The Main Agency Problems and Their Consequences. *Acta Oeconomica* 14(3): 9-17.
- Kathan, M. 2017. There is no benefit in MAFR. <https://cfo.co.za/article/there-is-no-benefit-in-mafr-says-aeci-cfo-mark-kathan>. Date of access: 20 March 2018.
- Kim, K.A. & Nofsinger, J.R. 2004. Corporate Governance, Upper Saddle River, NJ: Pearson/Prentice Hall.
- Livne, G. 2013. Threats to Auditor Independence and Possible Remedies. <http://www.financepractitioner.com/contentFiles/QF02/hbmpf5qp/11/0/threats-to-auditor-independence-and-possible-remedies.pdf>. Date of access: 30 May 2017.
- Melancon, B. 2017. SA should reject MAFR says the AICPA. <https://cfo.co.za/article/sa-should-reject-mafr-says-the-aicpa>. Date of access: 14 July 2018.
- O'Keefe, T.B., Simunic, D.A. & Stein, M.T. 1994. The Production of Audit Services: Evidence from a Major Public Accounting Firm. *Journal of Accounting Research*, 32(2): 241-261.
- Peng, M.W. 2004. Outside directors and firm performance during institutional transitions Strategic. *Management Journal*, 25(5): 453-471.
- Porter, B., Simon, J. & Hatherly, D. 2005. Principles of external auditing. John Wiley & Sons, Ltd.
- Ruiz-Barbadillo, E., Gómez-Aguilar, N. & Carrera, N. 2009. Does Mandatory Audit Firm Rotation Enhance Auditor Independence? Evidence from Spain. *AUDITING: A Journal of Practice & Theory*, 28(1): 113-135.
- Terry, G. (2002, September 23). Examining the efficacy of auditor rotation. Business Day (Johannesburg).
- The Institute of Chartered Accountants in England and Wales. (ICAEW). 2005. Agency theory and the role of audit. <https://www.icaew.com/-/media/corporate/files/technical/audit-and-assurance/audit-quality/audit-quality-forum/agency-theory-and-the-role-of-audit.ashx>. Date of access: 22 July 2017.
- The Institute of Chartered Accountants in England and Wales. (ICAEW). 2009. Changes in Financial Reporting and Audit Practice. <https://www.icaew.com/-/media/corporate/files/technical/audit-and-assurance/audit-quality/audit-quality-forum-evolution/evolution-changes-in-financial-reporting-and-audit-practice.ashx>. Date of access: 25 July 2017.
- Young Joni J. 2006. Examining Audit Relations: A Reconsideration of Auditor Independence, in Cheryl R. Lehman (ed.) Independent Accounts (Advances in Public Interest Accounting, Volume 12) Emerald Group Publishing Limited.