

Corporate Governance Disclosures by South African Auditing Firms

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Abstract : This article examined the corporate governance disclosures of the large and medium-sized auditing firms in South Africa. It is important that auditing firms disclose their practice of good corporate governance to the public, as they serve the public interest. The auditing profession has been criticized due to many corporate scandals in recent years. This has undermined the reputation of the profession, with experts and the public questioning whether auditing firms have corporate governance structures in place, and whether they are taking public interest into consideration. In South Africa there is no corporate governance code specifically for audit firms. Auditing firms are encouraged by IRBA to issue a transparency report in which they disclose corporate governance structures and application, but this is not compulsory in South Africa. Moreover, the information issued in these transparency reports is limited and often only focuses on audit quality, and not governance. Through a literature review it was found that the UK is one of only a few countries who has a corporate governance code for audit firms. As South Africa initially used the UK Cadbury report to develop the King IV Code, it was fitting to use the UK Audit Firm Governance Code as a benchmark to determine if audit firms in South Africa are disclosing relevant corporate governance information in their transparency reports and/or integrated reports. This study contributes to the existing body of knowledge by pursuing the following objective: To determine the improvement in the corporate governance disclosures of large and medium-sized auditing firms in South Africa through comparative research. Available data from 2019 will be used and compared to the disclosures in the 2023/2024 transparency and or integrated reports of the large and medium-sized auditing firms in South Africa. To achieve this objective a constructivist research paradigm was applied. Qualitative secondary information was gathered for the analysis. A content analysis was selected to collect the qualitative data by analyzing the integrated reports and/or transparency reports of large and medium-sized auditing firms with 20 or more partners and to determine what is disclosed on their corporate governance practices. These transparency reports and integrated reports were then read and analyzed in depth and compared to the principles stated in the UK Code. Since there are only nine medium-sized and large auditing firms in South Africa, the researcher was able to conduct the content analysis by reading each report in depth. The following six principles which are found in the UK Code were assessed for disclosure. (1) Leadership, (2) Values, (3) INED, (4) Operations, (5) Reporting, and (6) Dialogue. The results reveal that the auditing firms are not disclosing the corporate governance principles and practices to the necessary extent. Although there has been some improvement, the disclosure is not to the extent which it should be. There is still a need for a South African audit firm governance code.

Keywords : auditing firms, corporate governance, South Africa, disclosure

Conference Title : ICEBIS 2025 : International Conference on Economics and Business Information Sciences

Conference Location : Mykonos, Greece

Conference Dates : July 15-16, 2025