



UNIVERSITY OF KWAZULU-NATAL

**THE IMPLEMENTATION OF MANDATORY AUDIT FIRM ROTATION IN
KWAZULU-NATAL**

By

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DECLARATION

I, **Aminu Munkaila**, declare that:

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DEDICATION AND ACKNOWLEDGEMENTS

A special dedication of this research report goes to the **ALMIGHTY ALLAH** for giving me a second chance to continue this master's degree after a fatal accident that nearly disrupted the continuation of this programme. I give thanks to Him for the guidance and protection. My second and final dedication to this research report goes to my late mother, **Mrs Fati Munkaila** and my wife, **Mrs Aminu Bintu**, for the immense support from day one until the finality of this report.

Throughout the period of this project, I have learnt that there are individuals who create ideas and those who practically apply them. This project represents not only my writing with the keyboard. But it amplifies an achievement in academic excellence.

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ABSTRACT

The study aimed to examine the perceptions of audit experts concerning the influence of mandatory audit firm rotation (MAFR) on audit independence (AI), audit quality (AQ) and audit reform in the province of KwaZulu-Natal (KZN). Stakeholders concerns were considered regarding reporting irregularities that are important to those who understand the dynamics of the audit process and the relevance of audit reforms. In addition, it examined the logical connection between AI, AQ and MAFR by gathering 102 opinions of audit experts from Tier 2 audit firms and two public institutions about the readiness of the policy in the jurisdiction of Independent Regulatory Board of Auditors (IRBA). The study used descriptive and inferential statistics to understand the impact of the policy on reforms. The views of role players with in-depth knowledge and experience in the auditing industry were vital ingredients of the study. Due to the distinctiveness of the study, the results were two-fold. Firstly, the descriptive statistics provided a general overview of the respondents' opinions. The majority of respondents agreed that MAFR implementation would strengthen AI and AQ, thereby validating the initial position of the IRBA. In addition, most participants agreed that the ramification of the imposition of additional cost could not be ignored. However, there were conflicting results on the effect of audit reforms on market concentration. The majority of respondents could neither agree nor disagree that there would be a decrease in market concentration. While most respondents agreed that the rule would promote government policy on transformation and create more opportunities for tier 2 audit firms to penetrate other markets, provided they had the capacity and competency to audit them. Moreover, the utilization of SPSS on ordinal logistic regression also found that the probability of a decrease in the progress of audit reforms are significantly higher when MAFR is in place, and a non-significant positive predictor of MAFR would increase AI, AQ and audit reforms. Conclusively, the study, recommends future studies should broadly include registered auditors and academics from institutions and firms in different South African provinces to obtain diverse views about pre-and post-implementation of the rule in 2023 to compare the effects of the policy on AQ and AI.

Keywords: audit independence, audit quality, mandatory audit firm rotation

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LIST OF ACRONYMS AND ABBREVIATIONS

AFS	audited financial statement
AI	auditor independence
AMOQI1	Amin Online Questionnaire – Institution 1
AMOQI2	Amin Online Questionnaire – Institution 2
AMOQTIE2	Amin Online Questionnaire – Tier 2 audit firms
AQ	audit quality
AP	auditing profession
AR	audit reform
ATT	automated tools and techniques
BIG-N/Big 4	KPMG, PwC, EY & Deloitte
DF	degree of freedom
DUT	Durban University of Technology
EY	Ernest and Young
IAASB	International Accounting and Assurance Board
ISA	International Standard on Auditing
IRBA	Independent Regulatory Board for Auditors
ISQC1	International Standard for Quality Control 1
IT	information technology
KPMG	Klynveld Peat Marwick Goerdeler
KZN	KwaZulu-Natal
MAFR	mandatory audit firm rotation

N-VP	no valid percentage
PCAOB	Public Company Accounting Oversight Board
PIS	public interest score
PwC	PricewaterhouseCoopers
RA	registered auditors
SAAP	South African auditing profession
SEC	Securities and Exchange Commission
SOX	Sarbanes Oxley Act of 2002
SPSS	Statistical Package for the Social Sciences
Sig	significance
Tier 2 firms	small- and medium-sized audit firms
UKZN	University of KwaZulu-Natal
VP/F	valid percentage and frequency
U-VP	uncertain-valid percentage
Y-VP	yes-valid percentage

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The discourse about auditor independence (AI) and audit quality (AQ) for many decades has been a focus in many developed and developing economies globally (DeFond and Zhang, 2014). This debate is due to the mandatory audit firm rotation (MAFR) regulation imposed on audit firms internationally to serve the public interest. Public confidence in audit firms has eroded over the years as a result of corporate scandals involving companies, such as Sunbeam, Global Crossing, WorldCom and Enron (Porter et al., 2008, Harris and Whisenant, 2012) and, most recently, Steinhoff (Rossouw, 2019).

Leisure-net, Randgold and Regal Bank are examples of companies in South Africa, the auditors of which have been accused in the past of improper conduct (Marques and Cerbone, 2018). The Independent Regulatory Board for Auditors (IRBA) believes that the lack of AI has resulted in most financial reporting failures (Harber and Marx, 2020b). Auditor misconduct has led to concern about the influence of long auditor tenure on AI and AQ (Tertius *et al.*, 2017). In response to corporate scandals and auditor misconduct, there has been an increase in the call for audit reform (AR) and stringent regulations concerning AI and AQ (Holm and Zaman, 2012).

In the past decade, there have been legislative changes in some countries to serve the public interest by improving regulations governing auditing. Examples of such reforms are the Australian Economic Reform Programme; the Audit Reform and Corporate Disclosure Act of 2004; and the Sarbanes-Oxley Act in the United States (US) (Jackson et al., 2008, Martinov-Bennie and Kilgore, 2014), which resulted in MAFR.

By definition, MAFR is the "imposition of a limit on the period of years an accounting firm may be the auditor of record for a particular issuer" (Sarbanes, 2002). This measure has been introduced by IRBA into South Africa and will come into effect in April 2023 (Tertius et al., 2017). Essentially, auditor rotation is distinct from MAFR in terms of section 92 of the Companies Act of 2008. MAFR merely requires a firm to

rotate, while the Act stipulates the rotation of designated auditors after they have served a five-year tenure with a company (SAICA, 2016a).

The IRBA believes that international and local corporate material misstatements and fraud are the misconduct of audit professionals who lack of auditor independence when inspecting companies' financial accounts (IRBA, 2017), which could be the result of overly long tenure with them. Moreover, in July 2016, the IRBA found that small- to medium-sized (tier 2) audit firms are unable to break into particular global networks of concentrated audit markets because of the monopoly and long tenure held by Big 4 firms. This led to the introduction of the MAFR policy whereby an auditor is required to make public the number of years of service associated with a particular audit client (IRBA, 2016a).

The Johannesburg Stock Exchange (JSE) has for some time now been rotating about 25% of its audit firms, after the 2017 announcement of the policy on MAFR (IRBA, 2020a). This means that the auditing environment in South Africa is gearing itself to be ready for the implementation of the policy in 2023 and in fact, many firms have already been rotated in line with the MAFR rule according to IRBA.

There has been limited research concerning auditors perceptions about MAFR and its implications for AI, AQ and AR. Therefore, the study described in this dissertation aimed to fill the gap and contribute to the discourse surrounding MAFR (Cameran *et al.*, 2016). However, prior studies have shown international variations regarding MAFR policy, with some countries conducting it for all listed entities and others for only specified financial institutions (Ewelt-Knauer *et al.*, 2013). Moreover, research has indicated that the rule is practised in some countries, such as Australia (Jackson *et al.*, 2008, Widyaningsih *et al.*, 2019), Italy (Cameran *et al.*, 2016), South Korea (Kim *et al.*, 2015, Choi *et al.*, 2017), Malaysia (Widyaningsih *et al.*, 2019), Oman (Baatwah, 2016) and Iran (Azizkhani *et al.*, 2018).

New audit regulations, such as the MAFR, are referred to by regulators as ARs. Before the outbreak of the COVID-19, many countries including South Africa were discussing AR for many reasons, such as improving AI, AQ, transparency, accountability, governance and making the auditing profession (AP) fit for purpose (Gasela, 2022). Therefore, AR is intended to influence the regulation of audits through corporate

governance (CG), the formation of audit firms, AI, AQ, the selection of auditors, the oversight responsibilities of auditors and audit market competition (Myoli, 2020).

Locally, over the last two decades, the AP has experienced immense challenges, such as audit failures, reduction in AQ, the absence of competition among audit firms, the slow pace of audit transformation and the demand by big companies to be audited by the Big 4 (Ensor, nd). Other developments globally, which have identified challenges similar to those in South Africa, have suggested remedies for AR to address the situation. The solutions presented in the UK include the redefinition of the audit purpose of the UK's AP, improving AQ and changes to the policy on audit and assurance (Brydon, 2019). However, research has shown that policy change such as MARF comes with a financial cost to audit firms because it leads to institutional disruptions and start-up costs, which could have implications for the quality of service delivered (Cameran et al., 2015).

1.2 Problem statement

The quality of an audit is an integral part of an efficient auditing industry (Holm and Zaman, 2012). International and local financial crises and corporate scandals indicate the need for regulations to ensure the effective and efficient functioning of the audit industry, AI and AQ (Al-Khaddash *et al.*, 2013). Additionally, stakeholders in the past have bitterly complained that financial reporting irregularities and scandals, such as those of VBS Bank, Tongaat Hulett, Aspen and, Steinhoff have tainted South Africa's image as the best global investment destination (Luyolo, 2019). In June 2019, the Auditor-General of South Africa (AGSA) argued that the AP is being questioned because of the public's diminishing trust in auditors, audit firms and local financial auditing standards, which has led to a call for the restoration of public confidence and the credibility of the audit function (Luyolo, 2019). The study took advantage of the current gap as there has not been any study specifically, investigating this particular problem. It's in this regard the study's choice of location was because it accommodates the second largest number of external auditors in the country (IRBA, nd-b), and an economic hub that contributes to the South African economy largely. The province enjoys domestic and foreign investment in companies that require the services of trustworthy auditors and therefore KZN was the most appropriate location (Bongani and Nathi, 2019).

AGSA is one of the Chapter Nine institutions established in terms of Chapter 9 of the South African Constitution to guard democracy. AGSA was established to conduct discretionary audits to address financial irregularities (Nzewi and Musokeru, 2014, Assembly, nd). The auditor general (AG), as an accounting officer is answerable to the National Assembly (NA) and plays a vital role in promoting acceptable financial practices through the provision of independent and quality auditing that can stand the test of time (Nombembe, 2014). The IRBA stated in one of its correspondence that there had been instances where audit failures were a result of a lack of AI, coupled with uninterrupted audit tenure by audit firms, which in some cases, was over 100 years (IRBA, 2020a). Such a situation could be costly, risky and the relationship between firms and their clients may threaten the audit process. In addition, AGSA maintained that the primary cause of deteriorating AQ was compromised AI (Harber and Marx, 2020a).

A decline in investor confidence was one of the effects of diminished AI in South Africa, which had been previously known for its efficient AP (Grant et al., 2018, Wesson, 2020). Its auditing standards had been ranked number one worldwide between 2010-2016, but these have since dropped to the 30th position (Accounting Weekly, 2017). Therefore, the IRBA initiated the MAFR, which will be implemented in 2023 (Rademeyer and Schutte, 2018) to raise the standards and improve the AP in South Africa (Harber and Marx, 2019), although the problem of lowered auditing standards is experienced globally (Nolder and Kadous, 2018).

Proponents of MAFR argue that audit firms long-term relationships are the reasons for diminished AI, which leads to impaired AQ (IRBA, 2017, Harber and Marx, 2019). However, studies conducted by Azizkhani *et al.* (2018) and Jackson *et al.* (2008) argue that MAFR can negatively influence the AQ of audits. Nevertheless, Narayanaswamy and Raghunandan (2019) insist that it is a vital tool for strengthening AI, contributes to an increase in competition in the audit market, enhances AQ and addresses institutional audit deficiencies

In light of the varying opinions about MAFR and to contribute to the discourse concerning its validity, the current study sought to investigate the perceptions of audit experts of the impending implementation of MAFR policy in South Africa (Wesson, 2021).

1.3 The research aim and objectives

1.3.1 Research aim

The study aimed to examine the perceptions of audit experts concerning the influence of MAFR on audit independence, audit quality and audit reform in the province of KwaZulu-Natal (KZN).

1.3.2 Research objectives

To evaluate the perceptions of audit experts concerning the influence of the implementation of MAFR on auditor independence;

To determine the perceptions of audit experts concerning the influence of the implementation of MAFR on audit quality; and

To evaluate the perception of audit experts concerning the influence of the implementation of MAFR on audit reform.

1.4. Practicality and relevance of the study

The research contributed to the discourse on the implementation of MAFR and its implications for AQ, AI and AR in South Africa (Johnson *et al.*, 2002). Moreover, it was the first to examine the perceptions of audit experts (registered auditors/audit partners and academics) concerning the influence of the implementation of MAFR on AI, AQ and AR in KZN. Thus, the study might improve understanding of the dynamics of the audit industry, including the logical connection between AI, AQ and AR (Chi *et al.*, 2004), and contribute to the implementation of MAFR policy since the country is very close to its date (IRBA, 2018a). In addition, the study highlighted the need for tier 2 audit firms to be provided with the same opportunities as those enjoyed by the Big 4.

1.5. Chapter outline

Chapter 1, the introduction, includes the background of the study; the problem statement; the research aim and objectives; the practicality and relevance of the study and the chapter outline.

Chapter 2, the literature review, explains the theoretical literature on audit firm rotation (AFR), AI and AQ. Then, it explains the empirical literature on AQ, AI and MAFR

globally and in South Africa. It explains the MAFR regulation and the AP in South Africa; the Companies Act; and the impact of the MAFR on the AP.

Chapter 3, the research methodology, explains the research design, the research approach, the research paradigm, sampling, data collection, data analysis, validity/reliability and ethical considerations.

Chapter 4, the presentation and discussion of results, presents the results of the analysis of the quantitative data, in the form of descriptive and inferential statistics. The chapter provides a description, explanation and discussion of the respondents' demographics; their experience of firm rotation; and their responses to questions, which were formulated in line with the research objectives

Chapter 5, the summary, findings and conclusion, summarises the research and the findings. In addition, the chapter draws conclusions; makes recommendations for future research; and discusses the limitation and delimitation of the study.

1.6. Chapter summary

This chapter explained how the call for audit reform in South Africa, where public confidence in the audit process has eroded over the years due to audit misconduct, has been linked to the long tenure of audit professionals. Long tenure has been seen as negatively affecting AI and AQ (Tertius *et al.*, 2017); causing South Africa's auditing standards to fall from 1st to 30th position on the worldwide ranking list; and preventing tier 2 audit firms from entering the audit market. In response to the situation, the IRBA instituted the MAFR policy, which will be implemented in 2023, to ensure that long audit firm tenure is no longer possible.

The chapter mentioned prior studies on MAFR with different viewpoints on its validity and explained how the current research aimed to contribute to the discourse by investigating the perceptions of audit experts on the effects of the implementation of the policy on AQ, AI and AR.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

A literature review is a common research path in numerous academic disciplines (Schryen et al., 2015, Mosha et al., 2020). Ramdhani *et al.* (2014) point out that a literature review gives an overview of scholarly articles, books and other sources relevant to a particular research issue, from which information is gathered. The literature review in this study is an in-depth examination of theoretical and empirical studies on audit firm rotation (AFR) and its content will broadly be discussed in subsequent sections.

This chapter aims to provide definitions and previous studies having its linked to the objectives of this research and structurally formatted into the following: the chapter starts with a literature review, explains theoretical literature on audit firm rotation (AFR), AI and AQ. The chapter then made findings on empirical literature regarding associations between AQ, AI and MAFR globally and in South Africa. The later part of the chapter deals with MAFR regulation and the AP in South Africa, the Companies Act, and the impact of the MAFR on the AP.

2.2 Theoretical literature review

This section examines definitions of MAFR, AI and AQ, which contributed to formulation of the aim and objectives of this research. In addition, it explains what the literature has to say about the importance of AQ; AI and non-audit services; and AQ and the elements of ISQC.

2.2.1 Audit firm rotation, auditor independence and audit quality

One of the keywords to this study is AFR, which according to section 207 of the United States (US) Sarbanes-Oxley Act of 2002, is the "imposition of a limit on the period of years an accounting firm may be the auditor of record for a particular issuer" (Sarbanes, 2002). SAICA (2016a) refers to MAFR as the compulsory rotation of audit companies whereby a new audit firm is appointed when a previous firm's tenure has come to a stipulated end.

The interrelated concepts of auditor independence (AI) and audit quality (AQ) were central to the present study, taking into account investigation into the perspective of

audit experts formulated to address problems of independence and quality in a South African setting. While there is no straightforward definition of AI (Antle, 1984), Elliott and Jacobson (1998) maintain that it ensures that an audit will not run the risk of bias in its reports. According to Soltani (2007), AI is the ability of an auditor to maintain an impartial intellectual attitude towards an audit process from the point of inception till the end. Rick Hayes et al. (2004), argue that it involves taking an unbiased position in an audit that results in reliable outcomes.

PCAOB (2013) define AQ as meeting stakeholder needs through independent, reliable audits and robust reports, including disclosures concerning internal control and warnings. DeAngelo (1981a) maintains AQ ensures the uncovering and reporting of material financial statement inaccuracies. Montenegro and Brás (2018) define AQ as compliance to auditing standards that are crafted professionally according to ethics and codes; guidelines of the audit process; and rules of engagement issued by professional regulatory bodies to maintain audit integrity and independence.

Reid *et al.* (2019) define AQ as all metrics used by the audit service offices designed to aid in the performance of audits. Nurjannah (2019) is of the opinion that AQ ensures an audit process that is efficient and effective in disclosing financial reporting errors and irregularities..

2.2.2 The importance of audit quality

As AQ has been highlighted as a concern, the IRBA aims to improve it by identifying problems, such as the long-term tenure of firms, and formulating policies to rectify them such as the MAFR, which will restore confidence in audit service in South Africa (IRBA, 2021). In addition, AQ ensures that auditors do not experience a conflict of interest by providing non-audit services (Watts and Zimmerman, 1981, DeAngelo, 1981a). Quick (2012) argues that if changes in the auditor's role, the audit market structure and regulatory framework have an adverse effect on AQ, they should not be made.

DeAngelo (1981b) and Palmrose (1988) define AQ as the joint probability of detecting and reporting material financial statement errors. Therefore, DeAngelo (1981a) contends that AQ depends on the competence of auditors to detect breaches and be able to withstand the pressure from clients not to reveal them.

The quality of an audit is equal to compliance with auditing standards (PCAOB, 2013) and determines the credibility of financial statements (Aruñada, 2004). In addition, it is determined by clients conforming to regulations, which the auditor should make clear to them (Francis, 2011). However, AQ is not just about regulations or auditing standards but also the training given to personnel and most importantly, ethical standards play a vital role in ensuring that quality is delivered in an audit opinion.

The International Standard for Quality Control (ISQC) 1 was adopted by the International Auditing and Assurance Board (IAAB) in 2004 to ensure AQ when firms review financial statements and provide various services (Mohd-Sanusi *et al.*, 2008). For firms to be ethically capable of performing their core mandate, the ISQCI requires them to have all policies and processes in place for effective operation (Pflugrath *et al.*, 2007). Firms' wide range of activities are expected to be managed through the AQ elements of the ISQC1, which ensure that personnel comply with regulations and professional standards in producing reports (Mohd-Sanusi *et al.*, 2008). The objective of ISQC1 is to improve AQ through strengthening the ethical environment of the audit firm so that AQ is sustainable (Brivot *et al.*, 2018).

2.2.3 Auditor independence and non-audit services

Ethics in auditing services is a fundamental principle of the AP, which depends on AI (Shockley, 1981, Watts and Zimmerman, 1981). According to Herath and Pradier (2018), AI is indicated by an auditor having an unbiased viewpoint when analysing a company's financial statements and preparing an audit report. Akpom and Dimkpah (2013) refer AI to as impartiality and integrity in an external auditor, who is not influenced by the financial interests of the individual or company being audited.

AI is key to AQ and ensures that that the audit process is carried out objectively and effectively (Chepkorir, 2013). Austin and Herath (2014) add that AI is honest reporting of misstatement in financial statements. Zayol *et al.* Vitalis and Mdoom (2017) maintain that AI is the unbiased intellectual attitude of auditors in financial reporting. Stakeholders need to perceive AI in the auditing industry to be confident about the AP (Alleyne *et al.*, 2006). In addition, a lack of AI and increased involvement in clients' finances might ultimately affect client relationships negatively and lead to unpaid audit fees (Cohen, 1978, ICAEW, 2001).

In recent years, the IRBA has come up with several regulatory developments that not only aim to ensure AI but also solve non-audit service (NASs) issues (IESBA, 2018). Adeyemi and Olowookere (2012) suggest that AI can be affected by firms offering non-auditing services (NASs) and not only performing their core audit function. Legal Information Institute (nd) clarifies that NASs have no connection with the auditor's role of reviewing firms financial statements. NASs, which might compromise AI, include management advisory services; the design and implementation of financial information systems; book-keeping and legal services (US Securities and Exchange Commission, ND). Section 600.1 of the IRBA code of conduct for professionally registered auditors requires firms to be independent and apply the concepts set out in the framework to identify, evaluate and remedy threats to AI (IRBA, 2018b). IRBA (2018b) notes that as NASs are a potential threat to audit compliance and audit independence, providing them to audit clients should be consistent with the appropriate expertise and skills of auditors so as not to negatively affect AI and AQ.

The independence of an audit process is an important responsibility, which means that an auditor should remain objective, despite having a relationship with clients and possibly having their interests in mind (Saputra, 2015). In other words, healthy professional scepticism should be the topmost priority of an auditor to ensure AQ and the client's financial health. DeAngelo (1981b), as well as Daniels and Booker (2011), maintain that auditors who lack independence will be less likely to report the discovery of a breach in an accounting system, thereby affecting the quality of the audit. Alvin *et al.* (2011) argue that AQ is a measure of the detection of errors and misstatements identified in financial statements. In fact, detecting breaches in financial reporting, reflects the AQ, whilst reporting them indicates AI (Alvin *et al.*, 2011, Saputra, 2015).

Saputra (2015) research concludes that AQ is the result of an audit process undertaken in line with acceptable auditing standards, which detects and reports material misstatements found in financial statements, including disclosures indicating either error or fraud. However, the auditor needs to be independent to report these breaches. Therefore, *ceteris paribus*, the more independent an auditor is, the greater the AQ (Saputra, 2015).

2.2.4 Audit quality and the elements of ISQC 1

The International Standard on Quality Control 1 (ISQC 1), set up by the International Accounting and Assurance Board (IAASB), encompasses elements that create an environment that maximises consistent AQ (IAASB, 2014). AQ involves a simple dichotomy of audit failure or no audit failure, which depends on the professional expertise of the auditor completing the financial reports.

According to Francis (2004), audit failure usually occurs when an auditor does not adhere to professional standards/ethics and unjustifiably issues financially unqualified audit reports (i.e. a clean audit) indicating accurate financial statements, whilst, in fact, there are serious errors and material misstatements. Thus, audit failure is due to a lack of compliance to the international standard on auditing 220 (ISA 220) and the ISQC 1. Like the ISQC 1, the ISA 220 controls AQ and indicates that the outcome of an auditor's report should be accurate and based on AI (International Auditing and Assurance Standards Board, 2009, Maroun, 2015).

For a fair presentation of an independent opinion to prevail, auditors are required to comply with the AQ procedures of the ISA 220 (SAICA (2020), (IAASB, 2018a). These are legal and regulatory requirements that are professionally applicable, which stipulate that auditors should issue appropriate reports (Azmat, 2014, IAASB, 2018a).

The ISQC 1 plays a role in audit firm governance by emphasising consistent and sustainable AQ, which ensures the value and pertinence of a firm's audit services and the resultant trust and confidence of its clients (Maroun, 2015, SAICA, 2020). Globally, ISQC 1 ensures AQ and is consistent with corporate governance in South Africa and other jurisdictions and provides practitioners reasonable account regarding carrying out the importance of an interpretive evaluation for AQ purposes (Maroun, 2015)

The ISQC 1 was set up by the IAASB to give direction to the AP in establishing AQ standards and systems to which auditors should adhere when reviewing financial information (IAASB, 2018a). For firms to provide quality audits, their auditing procedures should be aligned with the policies and directions of the ISQC 1 as indicated in Figure 2.1 below:

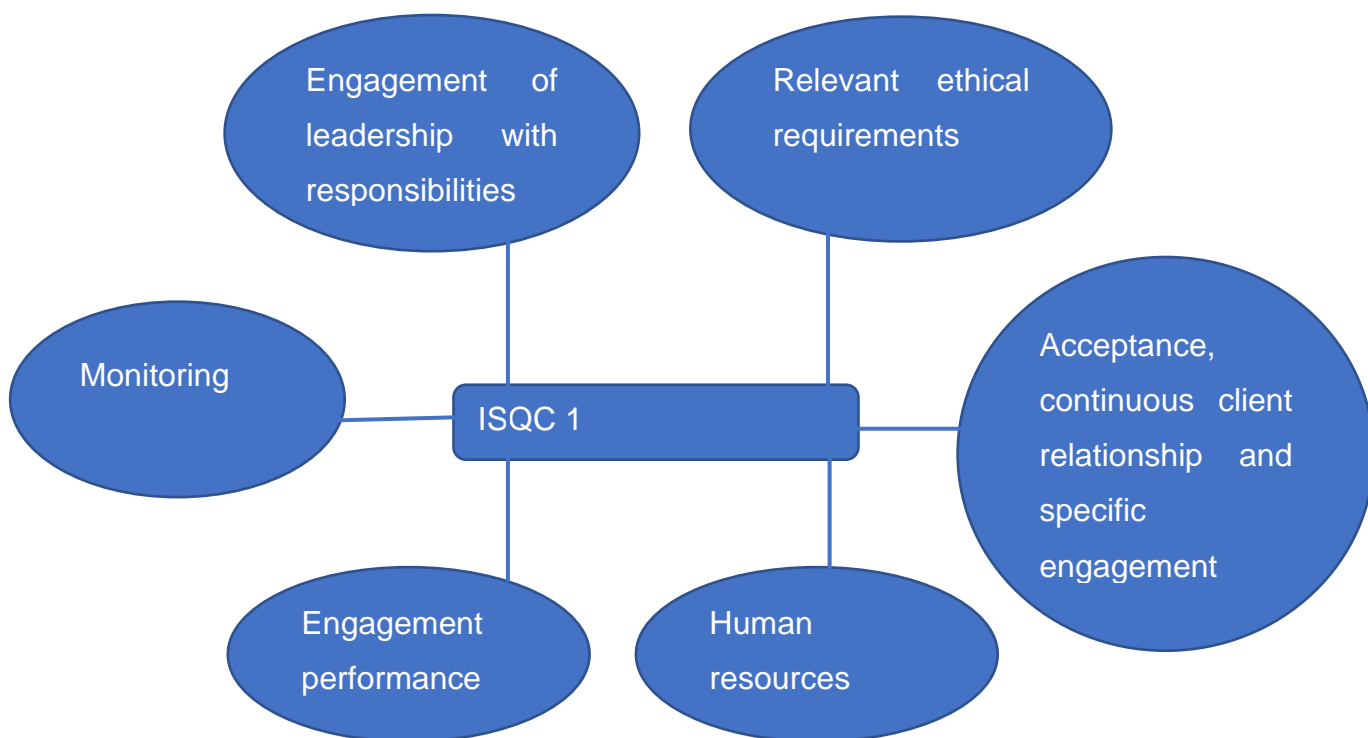


Figure 2.1: Quality control dimensions

Source: (IAASB, 2009f, IAASB, 2016).

2.2.4.1 *Engagement of leadership with responsibilities*

The engagement of an audit firm’s leadership with its responsibilities contributes to AQ (Institute of Singapore Chartered Accountants, 2013). The ISQC 1 requires firms to establish and maintain their AQ systems, policies and techniques to ensure adherence to the highest professional and ethical standards (IAASB, 2018a). The establishment of an internal culture of AQ and AI by the leadership ensures the delivery of professional and ethical audit opinions (Bedard et al., 2008, Maroun, 2015) Holm and Zaman (2012). In addition, Janson (nd) mentions that the establishment of a culture of AQ through the leadership of firms should be constant and consistent.

2.2.4.2 *Relevant ethical requirements and independence*

One of the key aspects of AQ is that it is based on ethics. According to ISQC 1, a firm is required to establish guidelines and strategies to ensure that personnel adhere to ethical requirements, thereby enhancing AQ and AI (IAASB, 2018a). In addition, the Institute of Chartered Accountants in England and Wales (nd) argues that for any audit and NAS engagement, auditor independence should be considered as per the ISQC

1. Leaders of audit teams are responsible for making sure that all members comply with the ethical standards set by the ISQC1, which promote quality and independent audit opinions (Ndaba, 2017). The requirements of the ethical standards stated in the ISQC 1 are that 1) clients inform the firm about the services required so that it can assess their impact on AI; and 2) firm personnel reveal any connection with clients that may threaten AI (IAASB, 2018a, IAASB, 2018b).

2.2.4.3 Acceptance and continuous client relationship

Another element of the ISQC 1 is that of a firms' acceptance to conduct an audit for a client, which is the most critical stage of the QC process, although little attention is given to it. This stage involves the audit firm determining whether it will be able to conduct an independent, quality audit in line with the ISQC 1 standards. Additionally, ISQC 1 requires a firm to continue the relationship with a client only if it has the requisite skills and resources to conduct an audit in line with the requirements of the ISA 220 and ISQC 1 (IFRS, 2018).

Asare *et al.* (1994) and Laura Acevedo (2017) believe that a client continues a relationship with an audit team because of 1) its financial ratings and records, which should be reviewed; 2) its reputation concerning business and ethical integrity; 3) the client's business structure. Wolfe and Sterna (2020) add that clients should conduct background checks on firms and their management. In addition, a firm may decide not to continue the relationship because the client is classified as high risk according to qualification criteria, which form the basis for its acceptance and retention (Asare *et al.*, 1994, Svanberg and Öhman, 2013).

2.2.4.4 Human resources and audit performance monitoring

The appropriateness of an audit report or audit opinion is based on the competencies and capabilities of the audit team, which should be assessed through audit performance monitoring as per the ISA principles and the AQ elements of the ISQC 1 (Cheng *et al.*, 2009). AQ will be ensured by the performance monitoring of the audit team as per the ISQC 1 (IFRS, 2018), including evaluation of prior performance and remedying any deficiency identified. Firms need to reassure clients that the firm has personnel who are capable of conducting quality audits (IFRS, 2018). Kang *et al.* (2017) suggest that investing in the professional education and training of audit teams will positively influence AQ.

2.3. Review on previous studies

2.3.1. *Mandatory audit firm rotation, auditor independence and audit quality*

MAFR and its influence on AI and AQ is still being debated. There are different schools of thought regarding its impact on either of these elements of the AP.

2.3.1.1 *Association between MAFR and AI*

A survey of 1480 companies listed on the Indian Stock Exchange was examined in 2016, to determine the perceived impact of MAFR legislation on objectivity and AI. The research discovered that a total of 131 out of the companies surveyed had changed their auditors in the last two years before the study, and the respondents perceived MAFR as increasing AI and AQ, although the costs and risks could not be ignored (Thornton, 2016). The Indian study used similar methods as those of the current study, although it gathered the opinions of representatives of firms, as opposed to investigating those of registered auditors and academics, which was the case with the present research.

Fontaine *et al.* (2016) examined the relationship between AQ and MAFR, mandatory audit partner rotation (MAPR), the role of AI in audit committees and issues related to cost. The results from the study revealed that time is the most significant cost-related issue when changing auditors, putting out tenders and settling in a new auditor, who has to catch up on client- and industry-specific knowledge. The findings concluded that most participants were in favour of firm rotation, although some were strongly opposed, as it was seen as a threat to AI due to audit committee members unable to make sole decisions on audit firm appointment. In addition, results revealed that the respondents believed that their professional observation and judgement ensured objectivity and AI.

A study was conducted on non-professional investors' perceptions of the impact of AFR and audit partner rotation (APR) on AI, which were compared to a prior study on AI (Kaplan and Mauldin, 2008). The research was done in two stages. Firstly, it examined a 5-year AFR and APR of strong and weak audit committees. Secondly, AFR and APR were investigated with regard to a 26-year-old client relationship. The investigation into the 5-year term discovered that investors, who were non-professionals believed that audit differences would be documented, and there would

be an increase in AI in audit committees that were stronger, compared with relatively weak committees. The findings concluded that AFR is not a policy that can strengthen AI in weak audit committees (Kaplan and Mauldin, 2008).

Polychronidou et al. (2020) study examined perceptions of MAFR, focusing on 115 audit professionals from Greek audit firms, affiliated with the Institute of Certified Public Accountants of Greece. The findings uncovered conflicting results regarding the implications of MAFR. Most respondents agreed that there would be an increase in cost incurred during the audit process as a result of the implementation of MAFR and that AI would increase. In addition, prior to the above study, Said and Khasharmeh (2014b) found a substantial association between audit costs and MAFR. The study further discovered that while audit professionals are in favour of MAFR implementation and its positive influence on AI, the effects of audit cost could not be ignored. However, statistical analysis on respondents background and experience provided non-significant effects concerning test variables on the impact of MAFR on AI (Said and Khasharmeh, 2014a).

Cameran *et al.* (2016) investigated the standard of AQ due to AI during an audit engagement period of 3 years, which could be renewed consequently three times, until a total of 9 years is reached. Thus, reappointment of an auditor is allowed only twice after the first contract. The study was expecting a high standard of AQ during the first and second contracts because the auditor wanted to be reappointed. However, the research showed that during the third contract, AQ was higher

Narayanaswamy and Raghunandan (2019) study on MAFR and AQ found that a lack of AI and moderate AQ was because of clients' long association with the audit firm leading to the threat of familiarity threat. Gwala and Nomlala (2021) examined the perceptions of 413 university auditing students of the MAFR and its influence on AI. The results suggested a MAFR will provide an avenue for quality reported information through improvement in independence.

In contrast, KPMG's (2017) study provided international and local evidence to suggest that MAFR may not strengthen AI and highlighted that countries, such as Canada, Brazil, Spain, Argentina, Singapore and South Korea, had either only partially adopted it or entirely withdrawn from implementing it (KPMG, 2017). In addition, the study

pointed out that the original position of the European Union (EU) on the implementation of MAFR was centred on the concentration of large audit firms in the audit market and not meant to promote AI (KPMG, 2017). This was also a focus of the current study that sought to investigate the impact of MAFR concerning the opinions of academics from two tertiary institutions and RA from tier 2 audit firms.

The position of audit practitioners regarding an alternative for improving AI instead of AFR was examined by (Williams and Wilder, 2017). They reviewed 15 letters submitted by the American public accounting firms, some of which fall under the US Public Company Accounting Oversight Board (PCAOB). The results from the review indicated that the firms' views were almost similar. The study noted that most firms offered alternatives to improving AI, and these solutions lay in the relationship between clients and auditors. The study, therefore, concluded that audit reforms are justifiable to enhance AI, and they should be at the level of clients (Williams and Wilder, 2017).

2.3.1.2 *The association between MAFR and AQ*

Research has indicated that the most efficient way to strengthen AQ is the implementation of MAFR (Franzel, 2004, Narayanaswamy and Raghunandan, 2019). Elder *et al.* (2015) investigated the impact of audit firm rotation policy (AFRP) on AQ and found that there was a positive correlation. Therefore, it was recommended that municipalities implement it and use auditors specialising in public sector audits to ensure AQ (Elder *et al.*, 2015). Bronson *et al.* (2016) evaluated the relationship between MAFR and audit markets and the findings from the study revealed that the regulation improves AQ through the reduction of incidences of earnings smoothing, by reducing reporting of insignificant profits and increasing that of large losses.

Sulistyo Kalanjati *et al.* (2019) examined the link between APR/AFR and AQ using a sample of listed companies from the Indonesian Stock Exchange. The results revealed that audit rotation at the partner level is positively linked with AQ, and AFR is negatively associated with it. Additionally, Hai and Quy (2019) study investigated links between auditor rotation, the competency of auditors, audit costs and AQ. Results from the study suggested that auditor rotation and competence impact AQ.

Pinto *et al.* (2019) investigated perceptions of senior auditors at one of the Big 4 of MAFR in Portugal. The results indicated that the senior auditors had a negative

perception of MAFR, which they believed would lead to a loss of client-specific knowledge. The study concluded that the link between audit tenure and independence is weak, which has a negative effect on AQ.

Tobi *et al.* (2016), argue that MAFR and AQ are positively correlated, but the correlation is not statistically significant. Moreover, MAFR will ensure AI and safeguard AQ (Tobi *et al.*, 2016). Widyaningsih *et al.* (2019) investigated the variations in the relationship between AFR and AQ in the Indonesian setting. The study observed listed firms for a duration of seven years, and the findings revealed that there is no evidence to prove the relevance of MAFR to AQ. However, the study discovered that during a post-implementation period of voluntary audit rotation, there was a positive relationship between AQ and AFR.

Aschauer and Quick (2018) investigated the effects of APR on audit firms providing tax services and the impact of regulations prohibiting this. The study examined the perceptions of 140 investment professionals from financial institutions, and the findings showed that rotation at the partner level generated lower AI and AQ. In addition, the study indicated that the investment professionals believed that prohibiting tax services will result in no extra benefit either.

Qawqzeh *et al.* (2018) study reviewed prior literature on the effect of AFR on AQ and concluded that long tenure compromises auditor objectivity and independence, which invariably affects AQ, although opponents believe that it means that the firm has client-specific knowledge. Moreover, although MAFR improves AQ, it leads to costs occurred in switching audit firms. The study also found instances when AQ decreased with firm rotation (Qawqzeh *et al.*, 2018).

Wilson *et al.* (2018) conducted a study to determine whether an increase in audit firm tenure and audit familiarity not only contributes to an increase in the level of trust but also the chances of whistleblowing occurring. The findings of the study provided evidence suggesting that auditor familiarity increases trust levels, but also can lead to audit professionals exposing fraud, which indicates AQ.

Quick and Schmidt (2018) investigated perceptions of directors of banks and institutional investors in Germany of the impact of AFR, joint audits and auditor retention on AI and AQ. The findings were that joint audits and a 24-year rotation cycle

negatively affected AI and that AQ decreased significantly, compared to a 10-year rotation cycle. The study, therefore, concluded that long tenure has an impact on AI and AQ. Kriti Bhaswar and Abhishek (2019) studied the effects of AFR on 21 listed firms in Bhutan through the use of secondary data and regression analysis. The study investigated abnormal working capital accruals (AWCA) against AQ, and the results showed that AFR has a positive insignificant relationship with AWCA.

The effect of MAFR policy on the AQ of the Big 4 was examined in South Korea between 2000 and 2009, taking into consideration its introduction in 2006 and then its repeal in 2010. The results showed that the AQ was generally lower in the post turnover period (Choi *et al.*, 2017). In reference to the results of (Choi *et al.*, 2017) study, KPMG commented in a letter to IRBA that the firm does not support the implementation of MAFR in South Africa because of a lack of evidence to support the IRBA's hypothesis that MAFR will strengthen AI, which will lead to improved AQ (KPMG, 2017).

The link between the rotation of audit firms and the quality of audits was explored through data from 196 listed companies from eight European countries with varying degrees of investor protection. The results showed that AQ is not influenced by the rotation of firms in countries with both stronger and weaker investor protection. However, it is negatively influenced in countries with weaker investor protection (Pouwels, 2017).

Considering the inconclusiveness of the discourse about the link between MAFR, AI and AQ, an assessment of the policy and its potential to restore confidence in audit outcomes was made by Myntti (2019), who compared the results with the objectives of the EU's auditing reforms. Analysis of data from auditors who were attached to three Big 4 firms revealed that MAFR could increase AI and professional scepticism, but the effect on AQ was inconclusive (Myntti, 2019).

Malela (2020) investigated AFR and AQ using evidence from selected financial institutions identified as commercial banks in Addis Ababa. They examined the extent to which AFR affects AQ and the link between AQ and board independence. The study found that AFR enhances the quality of audits and decreases a firm's dependence on audit clients.

2.3.2. Mandatory audit firm rotation and the global audit industry

The audit market sector, one of the biggest business environments, is mostly controlled by the four largest international auditing and accounting firms: Deloitte Touche Tohmatsu (DTT), Ernest & Young (EY), PricewaterhouseCoopers (PwC) and Klynveld Peat Marwick Goerdeler (KPMG) (Duncan, 2016). These big firms are popularly known in the auditing industry as the Big 4, and the small or medium audit firms that compete with them are known as tier 2 audit firms (Khurana *et al.*, 2017). Research has discovered that a substantial number of multinational companies rely on the Big 4 firms for audit purposes at the expense of the tier 2 audit firms (Indyk, 2019).

Bleibtreu (2018) study found that MAFR weakens the audit market dominance of the Big 4. In another study, a sample of 198 companies listed on the Warsaw Stock Exchange in Poland was examined to study the effect of MAFR on the audit market. Observations showed that the biggest companies tend to engage Big 4 auditors and in the short-term, Big 4 audit firms gain in many different ways from the mandatory rotation of clients, rather than from retention, because of their ability to maximise their strong bargaining power (Indyk, 2019).

Other schools of thought believe that MAFR will open up greater opportunities for tier 2 companies to penetrate the audit market since they cannot compete with large national and multinational firms because of a limitation of capital and human resources (Franzel, 2004, Narayanaswamy and Raghunandan, 2019). Grant Thornton (2016) survey of Indian firms concluded that audit market structure changes may provide significant opportunities to smaller audit firms. The impact of MAFR on AQ, audit fees and the concentration of the audit market were evaluated after the government of India introduced it to curb the frequent audit scandals and for the improvement of AQ and AI. However, the study revealed that MAFR is not a determinant of AQ and increases the concentration of audit markets (Narayanaswamy and Raghunandan, 2019).

Harber and Marx (2019) explored perceptions of auditors and leadership of audit committees of listed companies on the Johannesburg Stock Exchange to determine whether the implementation of MAFR policy in South Africa will affect audit market concentration and black economic empowerment. Harber and Marx (2019) concluded that it would not in any way lessen market concentration and might even prevent

smaller audit firms from entering the market. Thus, there might even be the possibility of continued audit market concentration and dominance of larger audit firms (Harber and Marx, 2019).

Martani *et al.* (2021) examined the effect of audit rotation in terms of audit tenure on the AQ of Big 4 and smaller firms in Indonesia. Initially, Indonesia implemented MAFR but abolished it in 2015. Results from the research revealed that the relationship between auditor tenure and AQ is insignificant. In addition, the results suggested that while smaller firms are impacted positively by MAFR, the effect on Big 4 firms is lower. The study also found that in smaller audit firms, firm rotation has no impact on AQ, whilst it improves it in Big 4 audit firms.

A study of auditors' perceptions of the impact of MAFR on AI was conducted by Georgiou (2018) through a survey of auditors in Cyprus. The study results showed that AI and performance objectivity increase because of MAFR and that Big 4 audit firms support MAFR, whereas smaller firms do not. The study concluded that financial cost would probably be incurred when smaller firms lose clients because of MAFR, whilst Big 4 firms might win clients from other big firms.

Harber and Maroun (2020) study found that industry practitioners in South Africa reacted unfavourably to the MAFR policy because of its potential for disruptions, switching costs and auditors' loss of client-specific knowledge and expertise. The study concluded that MAFR might even increase the market concentration of Big 4 audit firms (Harber and Maroun (2020)).

Wesson (2021) study explored the possible effect of the implementation of MAFR policy in 2023 on the market concentration, AQ and audit costs in South Africa. The study examined audit reports from various annual reports from 2010 to 2018. The data analysis results mirrored those of similar studies conducted in developed countries, finding that Big 4 firms dominated the market even more with MAFR, there was a decrease in AQ and an increase in the costs of an audit (Wesson, 2021).

Choi *et al.* (2017) study compared the AQ of two groups of firms subject to audit firm rotation. One group had voluntarily adopted its firm rotation, whilst the other had been obliged to follow the regulation of MAFR. Using an accrual-based measure as a proxy for AQ, the study found that AQ was lower in the firms that had been forced to rotate.

In addition, according to Choi *et al.* (2017) extended audit tenure and switches from small- and medium-sized audit firms to Big 4 firms generally improve the quality of audit because of the accumulated experience of client-specific knowledge.

2.4 Justification in support for or against mandatory audit firm rotation

The discourse about MAFR has recently resurfaced because of corporate governance failures in the country, which have drawn attention to the role of auditors. Revelations by the Zondo Commission of Inquiry into Allegations of State Capture highlighted the role of audit firms (Sekise, 2021). This coincided with the unsettled debate about the impact of MAFR on AI and AQ, with studies providing conflicting results in support of or against the policy. (SAICA, 2016a) argues that the policy will protect investors and contribute to transformation through the creation of opportunities for previously disadvantaged firms.

One of the reasons IRBA formulated the MAFR policy was to decrease audit market concentration due to the dominance of the Big 4. Bleibtreu and Stefani (2018) research results support the IRBA's decision by indicating that MAFR would decrease audit market concentration and increase AI. Moreover, other studies found that it would introduce a fresh mindset into the market whereby auditors would serve public interest rather than satisfying their clients (Rong, 2017, Sulistyono Kalanjati *et al.*, 2019).

Some studies disagree with the IRBA's decision. For example, GAO (2003) as well as Narayanaswamy and Raghunandan (2019) argue that owing to capacity issues and a lack of capital, it will be very difficult for tier 2 audit firms to compete with the Big 4, and MAFR will further create more concentration in the end. Choi *et al.* (2017) maintains that adopting MAFR could potentially lead to the loss of client-specific knowledge, which will adversely affect AQ.

2.5. Mandatory audit firm rotation in South Africa and globally

The global audit crisis has brought about questions concerning AQ, and most importantly, the recent scandals involving KPMG and Steinhoff in South Africa have renewed calls for the speedy implementation of the MAFR (Rossouw, 2017, Cameron, 2017). Globally, the involvement in fraudulent activities of Big 4 firms, such as the UK's Tesco and PwC and Italy's BP group, has led to the termination of business relationships that had lasted three decades (Raul, 2017).

Only a few countries on the African continent have adopted MAFR: Morocco, Mozambique and Nigeria (SAICA, 2016a, SAICA, 2016b, PWC, 2017). Recently, Ghana also adopted the rotation of auditors under the Companies Act 992 of 2019 whereby auditors tenure should not exceed six years, and a cooling-off period is required before for reappointment, which should not be more than six years (Kusi-Appiah, 2020). The Mauritius parliament made an amendment to a ruling in 2016, which requires banks and listed firms to adopt MAFR according to a seven-year rotation cycle (PWC, 2016). The Kenyan Central Bank also moved to introduce three-year term limits for banking sector external auditors as a result of a survey that discovered that financial institutions were facing a familiarity threat due to the long tenure of auditors (PWC, 2016).

Many other jurisdictions have already implemented MAFR, whereas others are yet to do so, although the growing discourse continues to resurface globally (Daniels and Booker, 2011). A study conducted in G20 economies and member states of the International Forum of Independent Audit Regulators (IFIAR) showed that over 30 countries had implemented MAFR following the EU directive, while South Africa will implement it in April 2023. Nigeria and a few other African countries have already implemented it, even though this has led to a barrage of criticism (Writer, 2017, Dekeyser and Simac, 2019).

2.6. The new regulation on mandatory audit firm rotation in South Africa

The new MAFR regulation in South Africa is a policy that will be implemented in April 2023, when audit firms will be allowed a maximum of 10-years audit tenure applicable to only public interest firms (IRBA, 2017b). The policy was issued by IRBA in 2017, requiring public interest audit firms in South Africa to comply with the new ruling. Recently, the IRBA published a report on progress made by the JSE on rotating a quarter of its companies' audit firms as of the end of April 2020 (IRBA, 2020a)

As the new regulation comes into effect in 2023, the policy will require all public interest audit firms with audit tenure of either more than 10, or equal to 10 accounting years consecutively before the inception date or after, to undergo mandatory rotation, and reappointment will only be after a 5-year cooling-off period. The rule on MAFR also has transitional provisions to guide industry players, in the event of joint auditors being appointed and both audit firms' tenure being greater than or equal to 10 years on the

implementation date. The transition provision requires one of the audit firms to be rotated at the time of the implementation, whereas the other firm will be permitted two additional years before rotation (IRBA, 2017b). MAFR in South Africa has been considered inappropriate, when compared to the ruling in other jurisdictions. Unlike the IRBA ruling on MAFR, the EU policy requires audit service providers to be rotated at least every ten years, but an extension is allowed up to a maximum of 20 years, when a tender can be offered publicly after 10 or 24 years on a joint audit basis (KPMG, 2016).

2.7. The auditing profession in South Africa and the Companies Act

Auditing is one of the professions that contribute to accountability in South Africa and the rest of the world (Sithole, 2020). The South African auditing profession (SAAP) is described by many scholars as the heart of accounting and auditing in the African continent, and whatever affects it has a powerful impact on the economies of those countries. Governed by the Auditing Profession Act 26 of 2005, the SAAP is under the auspices of the minister of finance (Salmon, 2017), the IRBA, the Companies Act 71 of 2008 and King IV.

The Auditing Profession Act 26 of 2005 mandated the formation of the IRBA for auditor development in terms of education and training; for the accreditation of accounting and auditing professional bodies; for auditor professional registration; and for regulating the conduct of registered auditors (RAs) (IRBA, nd-a). The IRBA performs its functions in line with the Act and any other relevant legislation. Auditing firms provide services to private and public entities guided by regulatory bodies such as the IRBA, which has a constitutional mandate to ensure that accounting firms and their RAs act independently, thereby promoting the integrity of the profession and protecting the public purse.

According to the Act, alleged improper conduct of RAs, auditing firms and other professional bodies, should be investigated, and the prescribed professional standards of competence, ethics and conduct of RAs should be ensured (IRBA, nd-a). Part 2 of the Act, sub-sections 3 and 5, present details on the pre-and post-behaviour of those who apply to register as an auditor. The SA IRBA is responsible for the registration of applicants who meet all criteria and issues a certificate of registration after payment of prescribed fees.

The SAAP is guided by the IRBA in the registration of RAs (IRBA, nd-a). In addition, the Act stipulates that the main partners of audit partnerships should be eligible for registration. Secondly, an owner who has sole proprietorship status should also be an RA. Thirdly, those who are incorporated and registered as an entity according to the Companies Act 61 of 1973 should be registered (IRBA, nd-a)).

In recent times, the IRBA has been going through proposals for amendments of parts of its professional code of conduct for RAs. This includes proposed revisions to the non-assurance services provisions of the code (i.e. the code that directs the AQ and AI) (IRBA, 2020c). The proposed amendments are in line with the mission of the IRBA, which is to safeguard the financial interests of international and local investors and the South African public purse through its auditing regulations, which are in line with internationally recognised standards and processes (IRBA, 2020b).

The Companies Act 71 of 2008 includes provisions related to auditing and accounting. In addition, it requires profit and non-profit companies to be audited, including private, public, personal liability and state-owned entities (Steenkamp, 2015). Section 90 requires state-owned or public companies to appoint auditors upon incorporation (Wong, 2018). In addition, according to the Act, entities that are not state-owned but serve the public interest should be audited and attain an acceptable public interest score (PIS) (Wong, 2018).

The introduction of the public interest score (PIS) into the auditing environment was to determine whether a company's financial statements should be audited or independently reviewed, which financial reporting standards should be followed and if it should have a social and ethics committee to allow auditors to ascertain its public interest (whether its undertakings are of relevance to the public) (Attorney, 2019, PWC, 2011). Regulation 26(2) of the Act requires the calculation of a PIS to be done as follows:

- One point for every R1 million (or portion thereof) in turnover during the financial year.
- The number of points equal to the average number of employees of the company during the financial year

- One point for every R1 million (or portion thereof) in third party liability of the company at the financial year end.
- One point for every individual who (at year-end) has a direct/indirect beneficial interest in any of the company's securities (PWC, 2011, Deloitte, 2014, Attorney, 2019).

Figure 2.2 below depicts the direction and purpose of the PIS.

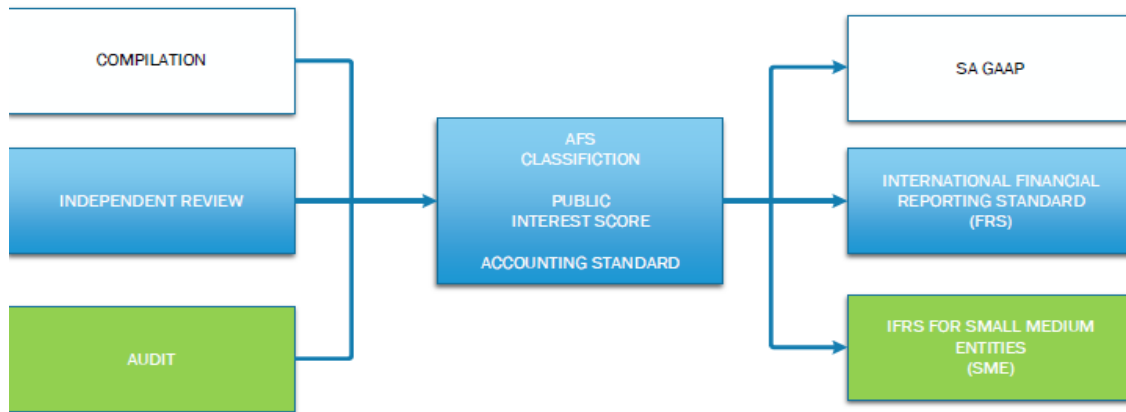


Figure 2.2: Direction and purpose of PIS

Source: (Mncwabe, 2020)

Listed and unlisted public companies owned by the state, firms with trustee assets over five million rand and entities with a memorandum of incorporation are not required to calculate their PIS; however they are required to be audited by an independent registered auditor (Deloitte, 2014, Mncwabe, 2020). Private companies need to calculate their PIS to determine the financial reporting standards that will be used on the grounds of their ownership and management of a firm, and whether their financial statements will be internally or independently audited (Mncwabe, 2020).

2.8. The impact of new audit regulations on the auditing profession

Auditing regulations imposed by regulatory bodies such as the SA IRBA play a role in restoring public confidence after a publicised number of scandals in South Africa (Malsch and Gendron, 2011, Maroun and Atkins, 2014). Punishment for non-compliance to regulations has led to improved AQ and AI (Francis, 2004, Maroun and Atkins, 2014). The implementation of auditing regulations related to the US Sarbanes-Oxley (SOX) Act of 2002 has led to changes to regulations in many other jurisdictions,

including South Africa, where the MAFR will be implemented in 2023. Chambers and Payne (2011) maintain that the improvement of AQ and AI was due to the SOX Act. In addition, Chambers and Payne (2011) note that Big 4 firms with prior records of low AI and AQ have seen improvements in quality.

Carcello *et al.* (2011) examined the inspection process undertaken by PCAOB to determine whether the AQ improvement of Big 4 audit firms was due to inspection. The study measured AQ after the first two inspections by PCAOB and found that AQ was influenced significantly by both (Carcello *et al.*, 2011). Tepalagul and Lin (2015) argue that the introduction and implementation of the SOX Act in the US impacted auditors' provision of NAS to clients because of their financial ties with them, which compromised AQ. (Tepalagul and Lin, 2015). Recently, KPMG informed the IRBA that it will cease to provide NAS to clients who are listed on the Johannesburg stock exchange (Accountingweekly, 2021)

2.9. Summary of the chapter

The chapter reviewed the theoretical and empirical literature on important components and drivers of AI, AQ and MAFR from a South African and international point of view. Firstly, the chapter discussed AQ, which indicates that there is no conflict of interest and that auditors comply with policy regulations (Francis, 2011, PCAOB, 2013) and demonstrate credibility (Aruñada, 2004). Credibility depends on AQ and means that an audit firm follows systematic and efficient processes consistent with the requirements of the ISQC1.

The literature explained that audit professionals should exhibit AI in the sense of unbiased decision making and objectivity during the audit process, which enhances AQ. Many prior studies (Fontaine *et al.*, 2016, Thornton, 2016, Polychronidou *et al.*, 2020) have provided exciting but mixed outcomes concerning AI, AQ and MAFR. However, many have concluded that the lack of AQ and AI is due to long audit tenure leading to the threat of familiarity, which MAFR might lessen (Narayanaswamy and Raghunandan, 2019)

According to the literature, when audit firms operate according to MAFR, audit professionals' decisions to expose fraud will positively affect AQ. Despite the loss of

client-specific knowledge, which is the result of short audit tenure, increased AI leads to an increase in AQ and public trust in the AP.

The literature reveals that many countries globally have implemented MAFR fully or partially, whereas some are still discussing it. According to the literature, although South Africa is fast approaching the implementation date (April 2023), MAFR has met with fierce resistance from various stakeholders, especially the Big 4 firms, the market dominance of which the IRBA aims to decrease for the benefit of tier 2 firms. However, some studies point out that small- and medium-sized firms might lack the human resources of larger firms.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

A research methodology is a logical grouping of research methods that suit each other and can collect the data and deliver the outcomes of a study to reflect the researcher's purpose and research questions (Henning *et al.*, 2004). Holloway (2005) maintains that a research methodology consists of a substructure of theories and principles around which techniques and study procedures are built. This research methodology chapter will explain: the research design; the research paradigm, sampling, the data collection location and instruments; the questionnaire; data collection; data analysis; validity and reliability; and ethical considerations.

3.2 Research design

A research design is a plan of a study that serves as a guide for the collection, analysis and interpretation of the data (Creswell and Creswell, 2017) to enable the researcher to answer the research questions (Sekaran and Bougie, 2016). The choice of a research design is influenced by the nature of the problem to be addressed, the experiences of the researcher and the research audience (Creswell and Creswell, 2017).

A descriptive research design was followed by the current research, which was appropriate for observing the research phenomenon objectively and was suited to the quantitative methods used in the study (Maroun and Van Zijl, 2016). Additionally, quantitative research, according to Gerrish and Lacey (2010), entails gathering data that can be expressed numerically, where as a research design using quantitative methods might be based on a theory that is tested, and measured with numbers (Swanson and Holton, 2005).

In a descriptive study, data on the phenomenon of interest might be gathered from participants and analysed quantitatively (Arghode, 2012). Quantitative data analysis involves statistically analysing the information, which in the case of the current study was gathered from responses of audit professionals to a questionnaire. The aim of the research design was to provide statistics reflecting the opinions of a sample of

participants, which could be generalised to apply to a larger population (Arghode, 2012).

3.3 Research paradigm

A research paradigm determines the research methodology, ontology and epistemology (Crotty, 1998). It is a set of beliefs and assumptions that guides the research and is referred to as a "worldview" (Creswell and Poth, 2017). At the start of every research, a researcher will make a philosophical assumption based on prior studies, which determines whether the research is qualitative or quantitative (Leedy and Ormrod, 2015, Creswell and Creswell, 2017). The current research adopted the positivism paradigm, thereby using a deductive approach (Cresswell and Plano Clark, 2011, Etikan et al., 2016).

According to positivism, only factual knowledge gained through measurement and objective observation is considered trustworthy (Dudovskiy, 2018). Therefore quantitative research is preferred by positivists, who rely on questionnaires and statistical data analysis because of their reliable representativeness (Thompson, 2015). Research conducted according to a positivist paradigm relies on quantifiable observations analysed statistically, which in the current study were audit experts' opinions of MAFR (Dudovskiy, 2018) collected in a survey (Gall *et al.*, 2007) conducted in KZN. This paradigm leads to study outcomes through the statistical analysis and interpretation of numerical data (Watson, 2015)

3.3.1 Differences between quantitative and qualitative research

Quantitative and qualitative research differ in the paradigms on which they are based, with the former being grounded in positivism and the latter in interpretivism (Rahman and Shidur, 2017). Positivism views social reality as being able to be quantified objectively, which is the aim of quantitative research such as the current study (Corbetta, 2003; Kroeze, 2012; Rahman & Shidur, 2017). Interpretivism opposes the materiality of positivism and argues that reality, which is constructed socially by humans, can be changed and understood subjectively. (Corbetta, 2003, Kroeze, 2012, Rahman and Shidur, 2017).

Becker *et al.* (2012) argue that quantitative research gives prominence to the quantification of data. Strauss and Corbin (1990) state that the "qualitative research

approach means any class of research, that produces its findings, not by statistical methods or other means of quantification”. In other words, whereas in quantitative research, verbal data, are ascribed numerical values, whereas in qualitative research, data are recorded in the form of text for content analysis (Bacon-Shone, 2020).

During the current COVID-19 pandemic, using remote research instruments allow safe access to respondents in the study. Jackson and Furnham (2000) argue that a common tool of quantitative research is a questionnaire administered electronically (emails or WhatsApp), which the current study used. However, qualitative research might involve telephonic or video interviews when direct contact is not possible.

3.3.2 *The choice of the quantitative research approach*

The quantitative approach was appropriate for the study, which aimed to conduct a statistical analysis of the perceptions of audit experts/professionals on the implementation of MAFR and its effect on AI/AQ and AR, with a view to coming to informed conclusions and generalising the findings. Therefore, the perceptions captured through an online survey questionnaire were quantified in terms of numerical data for statistical analysis (Creswell and Creswell, 2017).

Kumar (2018) suggests that in a study, such as the current one, trends in and the relationship between the independent and dependent variables will be determined when the data reflecting participants’ responses are statistically analysed. The study described in this dissertation was inspired by the questionnaire survey of Said and Khasharmeh (2014a), who investigated the perceptions of auditors regarding MAFR, and that of Gwala and Nomlala (2021), who examined students perspectives. In addition, the quantitative approach utilised in the study allowed comparisons between the perceptions of audit experts from tier 2 audit firms and those of academics (Hopkins, 2000, Sukamolson, 2007).

3.4 Sampling

Sampling or the selection of the sample (group) of participants for a study depends on how representative they are of the population and how able they are to provide adequate data to answer the research questions and achieve the research objectives. Different sampling methods drive the selection process.

3.4.1 Target population

A target population is the entire set of individuals of interest on which a study could focus if it were feasible (Banerjee and Chaudhury, 2010). However, since it would not be possible to study the whole population, a sample is selected to represent it (Sekaran and Bougie, 2016). In the current study, the target population was audit experts and academics whose perceptions of the implementation of MAFR and its relationship with AI, AQ and AR might lead to valuable insights into the phenomenon (Teoh and Lim, 1996).

In identifying the target population, the researcher found about 199 registered tier 2 accounting and auditing firms in KwaZulu-Natal on the IRBA database, with each firm on average having one registered auditor (IRBA, nd-b). Academics from two South African Institute of Chartered Accountants (SAICA) accredited public institutions in KZN were also part of the targeted population. The sample was selected from the target population to represent it accurately and adequately (Sekaran and Bougie, 2016, Bacon-Shone, 2013, Bacon-Shone, 2020).

Finally, the targeted population of the study was identified in KZN with the reason that it has the second-largest number of registered auditors in South Africa (IRBA, nd-b), and contributes largely to the economy. Conclusively, it's also one of the best domestic and foreign investment destinations in the country and firms rely so much on the services of registered auditors for the purposes of due diligence (Bongani and Nathi, 2019).

3.4.2 Sampling method

The sampling method used ensures the collection of data leading to understanding of the theoretical framework of the study and achieving the research objectives (Bernard, 2017, Etikan et al., 2016). In the study, the purposive non-probability sampling method led to the selection of audit experts with in-depth knowledge of MAFR, AI, AQ and AR, the variables of interest, based on the researcher's own judgement (Cresswell and Plano Clark, 2011, Etikan et al., 2016). However, the research also used quota sampling to select participants based on their belonging to two sub-groups: tier 2 auditors and academics from two tertiary institutions, who were also chartered accountants (Sekaran and Bougie, 2016).

Respondents in the sample had in-depth knowledge of auditing; financial reporting; and the legal framework governing the AP (the Auditing Profession Act 26 of 2005 and the Companies Act 71 of 2008). These legal frameworks have a direct link with the implementation of MAFR, and therefore respondents would have to have known about them. Therefore, individuals from the two sub-groups of the population without the above-mentioned in-depth knowledge would not have been selected for the sample.

3.4.3 Sampling frame and size

A sampling frame is the list of all possible participants in the targeted population from which the sample is drawn (Taherdoost, 2016). The sampling frame for the research was the detailed list of registered audit experts extracted from the IRBA website. These experts were employees of small- and medium-sized accounting/auditing (tier 2) firms and academics from two SAICA accredited tertiary institutions in KZN (Lewis-Beck *et al.*, 2003). The sampling frame is presented in Table 3.1 below.

Table 3.1: Number of possible participants of sampling frame

Experts from audit firms and institutions of higher education	
	Number
Experts from tier 2 audit firms in KZN/Institutions 1 & 2	199
Total	199

Source: Adapted from (IRBA, nd-b, Director, 2021, Registrar, 2021)

Table 3.1 above indicates the sampling frame from which the sample was drawn. To determine the size of the sample to be drawn from the sampling frame, the following had to be considered:

- Precision (sampling error) and confidence levels of the sample size
- Time and cost constraints,
- Population size
- Degree of variability (Miaoulis and Michener, 1976, Taherdoost, 2016, Sekaran and Bougie, 2016).

Sekaran and Bougie (2016) recommend that an appropriate size of a sample ranges from 30 to 500 participants and that the sample size should be adequate for the desired level of precision and confidence.

In line with Sekaran and Bougie (2016) recommendation, the researcher adopted the following formula (Yamane, 1967, Israel, 1992) to determine the sample size of the study:

Mathematically:

$$n = \frac{199}{1+199 (0.05)^2} = \frac{199}{1+199 (0.0025)} = \frac{199}{1+0.4975} = \frac{199}{1.4975} = 132.89 = 133 \text{ approx}$$

Table 3.2 below indicates the sample size after it had been determined by the above calculation.

Table 3.2: Sample size of experts from tier 2 audit firms and higher education institutions

	Number
Experts from tier 2 audit firms/higher education institution 1 & 2	133
Total	133

Source: Designed by the researcher

Therefore, the sample size of 133 firms and institutions were determined through the method recommended by (Yamane, 1967, Israel, 1992)

Mathematically:

$$n = \frac{290}{1+290 (0.05)^2} = \frac{290}{1+290 (0.0025)} = \frac{290}{1+0.725} = \frac{290}{1.725} = 168.12 = 168 \text{ approx}$$

Table 3.3: Break down of sample size of audit experts from tier 2 audit firms and higher education institutions

Audit experts from audit firms and two institutions of higher education		
Experts from small- and medium-sized audit firms in KZN:	Position	Number
Experts from tier 2 audit firms	Audit partners/Managers	151
Experts from institutions of higher education in KZN		
Experts from Institution 1	Lecturer	10
Experts from Institution 2	Lecturer	07
Total		168

Source: Adapted from (IRBA, nd-b, Director, 2021, Registrar, 2021)

A sample size of 168 audit experts from tier 2 audit firms and academics from two institutions of higher education in the province of KZN were determined, through the method recommended by Israel (1992).

3.5 The choice of data collection location

The choice of data collection location and instrument determines the suitability of the data. The researcher chose KZN, South Africa, as the location of academic and tier 2 audit professionals who would take part in the study, as this province is an economic hub the contribution of which to the country's economy means that it enjoys both domestic and foreign investment in companies that require the services of trustworthy auditors (Bongani and Nathi, 2019).

3.6 Data collection instrument

The choice of instrument dictates the speed of data collection. In the case of the study, an online survey questionnaire enabled the researcher to gather information with relative ease. In recent years, the use of online survey questionnaires has increased, owing to the advancement of technology, and this type of instrument has proved to be efficient and cost/time effective (Howard, 2019). Online surveys are convenient to respondents, as they can answer the questions at a pace that suits them. In addition,

it enables a researcher to access participants directly and quickly (Cooper and Schindler, 2003).

3.6.1 Questionnaire

A questionnaire ensures the gathering of primary data about research respondents' opinions (Cohen *et al.*, 2017). Sekaran and Bougie (2016) assert that a questionnaire is a group of written pre-formulated questions created to suit the aim of the research, which respondents answer by placing a tick next to their choice of the alternative responses provided. Questionnaire questions should be unambiguous, unbiased and ethical (Stone, 1993).

According to Sekaran and Bougie (2016), questionnaires include personally administered questionnaire, a mailed questionnaire and an electronic or online questionnaire. Quantitative researchers believe that the most popular research data collection tool is the questionnaire and because of COVID-19, the current research adopted this instrument as being the most appropriate under the circumstances (Jackson and Furnham, 2000, Sekaran and Bougie, 2016).

The questionnaires were accompanied by a covering letter (see Appendix A) to provide information about the study, the importance of participating in the research and the implementation of MAFR . The most important part of the letter was the last section where participants were required to put a tick either in the first box to indicate their agreement to participating, or in the second box to decline. This strategy was vital to the online survey process (Quick and Hall, 2015). Although a questionnaire can include both or either open- and closed-ended questions, the current study used the latter to address its research objectives.

Conclusively, a closed-ended question requires respondents to make choices based on possible answers provided by the researcher. This type of question follows a consistent format, and the answers are easy to be statistically analysed (Wagner C *et al.*, 2012, Mudzingiri *et al.*, 2018). However, closed-ended questions do not allow respondents to express their views in writing as is possible with open-ended questions.

3.6.2 The content of the online questionnaire

The content of a research questionnaire is the message behind the questions being asked and indicates the direction of the literature underpinning the study and the

research variables. Therefore, the online questionnaire used in the study was structured into sections according to the study objectives (see Appendix B). The first part of the questionnaire asked for information about respondents' demographics and current professional practices with 12 questions.

The second section had 6 questions about the audit experts' perceptions of the effect of the implementation of MAFR on AI. There were 6 questions in the third section about the audit experts' perceptions of the effect of the implementation of MAFR on AQ. The 7 questions in the last section of the online questionnaire investigated perceptions of the effect the implementation of MAFR on other variables linked to improving the AP in South Africa MAFR.

The researcher encouraged respondents to participate by telephoning and emailing them. Before the start of the main data collection, the researcher pilot-tested the online questionnaire on seven audit experts from firms and academia to identify potential weakness. The piloted test results from the research instrument revealed that the questionnaire was reliable and that there was no need to adjust it.

While there were no restrictions on the age, race and gender of the respondents, job title, level of education and extensive knowledge of auditing were required to complete the questionnaire. Closed-ended trichotomous questions gathered data in the first section of the questionnaire. The rest of the questionnaire involved five-point Likert scale questions, which required respondents to indicate their level of agreement or disagreement with particular statements, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

3.7 Data collection

Data collection, an essential stage of conducting research, should follow a systematic process to enable the researcher to answer the research questions. The study collected primary, first-hand data that Kabir (2016) describes as well-founded, well-grounded, dependable and reliable because of their accuracy, cogency and lucidity, which are far greater than they would be in secondary data.

A total of 168 online questionnaires with 32 questions were forwarded to a group of audit experts in KZN. The researcher made follow-ups by means of phone calls, emails and WhatsApp messages, when respondents took long to complete and return the

questionnaires. The participants in the survey were chartered accountants (CAs), registered auditors, audit partners, audit managers and academics.

In total, 102 questionnaires were returned out of 168, despite the researcher's efforts to persuade the remaining participants to complete the survey. However, the response rate of 60.7% was acceptable and indicated that the researcher would be able to draw conclusions based on the findings because, as pointed out by Fincham (2008), for research to reach its goal, a survey should receive a response rate not less than 60%.

3.8. Data analysis

According to Derek J and Kerry W (2020), quantitative data, which is number-based, can be statistically analysed to give meaning to the collected information. The analysis process began with capturing the responses and grouping them into sections according to demographics and objectives one/two/ three by means of Microsoft Office and Excel 2019 software. In addition, the groups of participants were coded with serial numbers: AMOQI1 (Institution 1), AMOQI2 (Institution 2) and AMOQTIE2 (tier 2 audit firms). Each returned online questionnaire had its own serial number as well. This was done in case the researcher encountered statistical problems when feeding the data into the computer software programme, Scientific Package for Social Sciences (SPSS) version 27, which analysed the data to produce descriptive and inferential statistics.

3.8.1 Descriptive and inferential statistics

Descriptive statistics summarise characteristics of a dataset, in terms of measures of central tendency (mean, median and mode), and variability (standard deviation, variance, minimum and maximum variables, kurtosis, and skewness (Manikandan, 2011, Altman and Bland, 2005). In the study, the mean and standard deviation were used in ascertaining the opinions of respondents concerning the implementation of MAFR in 2023.

The study utilised cross-tabulation to analyse the relationship between certain demographic variables (race, highest level of academic/professional qualifications and positions held by respondents) and their perceptions of their entities' implementation of the policy of MAFR in South Africa (Aprameya, 2016). Furthermore, chi-square analysis determined whether the variables were associated or independent (Lomax and Hahs-Vaughn (2012). Lomax and Hahs-Vaughn (2012) recommend that chi-

square analysis should be conducted using a null-hypothesis. The null-hypotheses of the study were as follows:

H₀₁: There is no relationship between race and the perception of audit experts of their entities' support for the implementation of MAFR 2023.

H₀₂: There is no relationship between the highest level of academic qualification and the perception of audit experts of their entities' support for the implementation of MAFR 2023.

H₀₃: There is no relationship between position and the perception of audit experts on their entities' support for the implementation of MAFR 2023.

H₀₄: There is no relationship between work experience and the perception of audit experts on their entities' support for the implementation of MAFR 2023.

The hypotheses was tested in the study to determine whether observed cell frequencies or probabilities in the data were significantly different from those that could be expected if there was no relationship (i.e., independence) between the variables. Rejection of a null hypothesis indicates a relationship between the variables, and acceptance of the null hypothesis indicates is no significant relationship between the variables.

Additionally, inferential statistics through the application of OLR (ordinal logistic regression) were generated by the SPSS Version 27. Sutanapong and Louangrath (2015) assert that inferential statistics allow a research to make inferences or come to conclusions about the data, whereas OLR predicts ordinal variables (Andrews, nd). There are several regression models developed to analyse ordinal variables such as a Likert-scale responses. Some of these regression models include mixed models, class models and probit models.

OLR is widely recommended for research like the current study, the dependent variables of which were ordinal (Armstrong and Sloan, 1989, Ge and Whitmore, 2010, Das and Rahman, 2011); (Adejumo and Adetunji, 2013). In the case of the study, the dependent variables were ordinal in nature, i.e. Yes, No and Uncertain because they were indicated by answers to Likert- scale questions, and thus based on ranking.

Therefore, OLR was the best model to employ for transformed variables that are non-parametric.

In a quantitative study like the research, provision is made for situations where the responses might be continuous, and thus difficult to measure (Adejumo and Adetunji, 2013). Therefore, the researcher employed OLR, which is also referred to as the proportional odds model, as explained above (Das and Rahman, 2011, Ombui et al., 2011) to address the objectives of the research. The equation for OLR in this study is as follows: where is the probability, is the constant of the intercept, represent independent variable one, represent independent variable two and represent independent variable three.

Also, model fitting information (MFI) from SPSS provided clarity on -2 Log Likelihood for an intercept only (or null) model and the full model (containing the full set of predictors). The MFI has a likelihood ratio, chi-square, and the purpose of it is to test whether there is a significant improvement in the fit of the final model relative to the model of the intercept only. Additionally, the tests of parallel lines and parameter estimate was also run. The test of parallel lines was run to ensure that the researcher had not violated the test of assumptions of the proportional odds, while the test of parameter estimate or coefficient assessed the relationship between a research explanatory variable and its outcome (Adejumo and Adetunji, 2013).

The interpretation was based on outcomes from estimates and significance columns of a parameter table. These interpretations were based on either positive or negative coefficients or parameters. When the coefficient or parameter is positive, there is an increase in every unit of an independent variable, while there is a probability of a decrease when it is negative. In the test of parallel lines, an assumption of proportional odds greater than 0.05 indicates non significance, and the assumption is accepted. But when an assumption of proportional odds is less than 0.05, it is considered to mean that an assumption is not accepted and statistically significant.

3.9 Validity and reliability of the research data

The data instrument (online survey questionnaire) aided the researcher in addressing the aim and objectives of the study, which ensured validity and reliability. Leedy and Ormrod (2010) explain that validity is the degree to which an instrument can measure

what is supposed to be measured, while Pallant (2011) maintains that it is ability of a research instrument to measure the concepts of a study correctly. However, reliability is the degree to which the study instrument yields result, when the features measured have not in any way changed (Leedy and Ormrod, 2010). Sekaran and Bougie (2016) assert that the measure of reliability is the degree to which it is free of error and bias.

To ensure the reliability and validity of the instrument used in the study, and whether it could continue to be used (Watson, 2015), items in the online questionnaire were tested. This resulted in removing, editing and simplifying questions in the research instrument. In addition Cronbach’s alpha was calculated for items on the questionnaire to measure its internal consistency (Goforth, 2015).

The higher the Cronbach’s alpha coefficient, the more reliable is the test (Yu, 2002). Coefficients indicate whether a study’s reliability is excellent, good, acceptable, questionable, poor or unacceptable (Jain and Angural, 2017). In the study, the researcher used SPSS to calculate the coefficient, which is indicated in Table 3.4 below.

Table 3.4: Coefficient of reliability

Cronbach’s alpha	No of tested items
.796	20

Table 3.4 above presents the Cronbach alpha coefficient of 0.796, meaning that the questionnaire was consistent and reliable.

3.10 Ethical considerations

There has been an increase in the expectation that South African researchers in the fields of auditing, financial reporting and related disciplines should be more accountable (Held, 2006, Zegwaard et al., 2017). To this effect, the researcher observed all research protocols.

Once the researcher had identified potential participants for the study, appropriate permission was sought through the UKZN research office for ethical clearance (Creswell and Creswell, 2017, Registrar, 2021). Permission was obtained to conduct

the study from the UKZN Human and Social Sciences Research Committee, which is in charge of ethical clearance.

The anonymity of the participants was guaranteed, and data gathered was copied onto a flash memory device, an external hard drive and google drive, where it would be kept for five years and accessible only to the researcher (Bell et al., 2018, Fleming and Zegwaard, 2018). Thereafter, the information would then be deleted.

Participants were informed that when completing the online questionnaire, they were not allowed to divulge confidential information that might lead to legal action from their employers. They were advised to discuss any problems concerning the sharing of information, which might be harmful to their employers or others, with the researcher. Dixon and Quirke (2018) maintain that research could result in social, economic, legal or psychological harm, and therefore should be managed with utmost care.

3.11 Chapter summary.

The research methodology was discussed in detail in this chapter. The descriptive research design that suited the quantitative nature of the study was explained, along with the positivist paradigm on which it was based. Details were given about the purposive sampling of participants from the target population and the determining of the sample size. The data collection location, the research instrument and the questionnaire were explained in detail. In addition, the data collection and analysis were described thoroughly. The chapter ended with a discussion about the validity, reliability and ethical considerations of the study.

CHAPTER 4

PRESENTATION AND DISCUSSION OF DATA ANALYSIS RESULTS

4.1 Introduction

The previous chapter provided detailed insight into the research methodology that was utilized to enable the researcher to achieve the aim and objectives of the study. This chapter begins by presenting and discussing the results of the analysis concerning the rate of response and reliability of the questionnaire. It then presents the results of the statistical analysis of the data on the demographics of the participants, (who were audit experts). Thereafter, follows a presentation and discussion of the results of the analysis of the data on the participants' perceptions of the effect of MAFR on AI, AQ and AR, which the researcher investigated with a view to contributing to knowledge about strategies for auditing firms to manage this change (Chetty, 2019).

4.2 Analysis of response rate and reliability of questionnaire

In conducting a survey study researchers depend on the willingness of participants in terms of responding to questionnaires and how instruments are a contributing factor to an acceptable response rate (Baruch and Holtom, 2008).

4.2.1 Response rate

Of the 168 questionnaires sent to selected participants, 102 (60.8% - appropriate rate and inline with the recommendation by (Fincham, 2008)) were returned by RAs/CAs affiliated to SAICA, who were employees of 72 tier 2 audit firms and 2 academic institutions of higher education in KZN. The percentage of responses was acceptable for continuing with the study. Table 4.1 below depicts the response rate of the participants.

Table 4.1: Audit experts' response rate

Audit experts from tier 2 audit firms & institutions of higher education response rate					
Audit firms and institutions:	Expected	Returned (R)	Declined	Unreturned	Percentage R
Tier 2 firms -	151	91	–	60	54.2%
Institution 1	10	08	–	02	4.8%
Institution 2	07	03	–	04	1.8%
Total	168	102	–	66	60.8%

Source: Designed by the researcher using output from Excel and SPSS version 27

4.2.2 Reliability score of the research instrument

The reliability of the research instrument was measured by calculating Cronbach's alpha, whereby the higher the coefficient is, the more reliable is the questionnaire (Yu, 2002, Jain and Angural, 2017). Table 3.4 in the previous chapter shows that Cronbach's alpha coefficient was 0.796, which indicated acceptable reliability (Jain and Angural, 2017).

4.3. Descriptive statistics

The descriptive statistics generated from the statistical analysis summarised the participants demographic details; their firms' support of MAFR in 2023; and their responses to questions based on Objectives 1, 2 and 3 of the research.

4.3.1 Demographics

The relevance of demographic data (age, race, university education, academic/professional qualification and work experience) were central to the study. It provided the researcher with profiles that assisted in the purposive sampling of participants.

The data analysis revealed that the majority of 65.3% of the respondents (66) were male, while 34.7% (35) were female. Age distribution showed that 47.1% (48) of the respondents were 40 years older and above, whereas 45.1% (46) were between the ages of 31 and 40 years old, and 7.8% (8) were between 25 and 30 years. Table 4.2 below presents the age and gender of the participants.

Table 4.2: Age and gender classification of respondents

Age variable	Frequency(F)	Valid percentage (VP)	Gender variable	F	VP
25 – 30	8	7.8	Male	66	64.7
31 – 40	46	45.1	Female	35	34.3
40+ years	48	47.1	Total	101	100
Total	102	100			

Source: Designed by the researcher using output from SPSS version 27

Data analysis results revealed that 49.0% of the participants were Indians, 25.5% were Africans, 19.6% were Whites, and 5.9% were Coloureds, as shown in Table 4.3 below.

Table 4.3: Race classification of respondents

Race variable	F	VP
African	26	25.5
Indian	50	49.0
Coloured	6	5.9
White	20	19.6
Total	102	100.0

Source: Designed by the researcher using output from SPSS version 27

The results of the data analysis showed that most respondents reported having an honours degree (76.0%), 23.0% had a master's or doctoral, and 1.0% of the respondents had a bachelor's degree.

The results revealed that 99.0% of the respondents were CAs affiliated to SAICA, and 1.0% were CAs affiliated to other professional accounting bodies as shown in Table 4.4 below.

Table 4.4: Respondents highest academic and professional qualifications

Academic qualification variable	F	VP	Professional qualification variable	F	VP
Bachelor's degree		1.0	CA – SA	101	99.0
Honour's degree	6	76.0	CA – Others	1	1.0
Master's and doctoral degree	23	23.0	Total	102	100.0
Total	100	100.0			

Source: Designed by the researcher using output from SPSS version 27

The data analysis showed that 89.2% of the respondents (91) were audit partners and RAs affiliated to IRBA, while 8.8% were auditing lecturers from two SAICA institutions in KZN, and 2.0% were professional auditing participants but were lecturers in different accounting disciplines, as shown in Table 4.5 below. Furthermore, 36% of the respondents had worked between 11 and 20 years, 36% had worked between 5 and

10 years, 17% had worked for over 20 years, and 11% had worked for less than 5 years as shown in Table 4.5 below.

Table 4.5: Positions held by respondents and their work experience

Position variable	F	VP	Work experience variable	F	VP
Audit partner	91	89.2	Less than 5 years	11	11
Lecturer – Auditing	9	8.8	5 – 10 years	36	36
Lecturer – Others	2	2.0	11 – 20 years	36	36
			Greater than 20 years	17	17
Total	102	100	Total	100	100

Source: Designed by the researcher using output from SPSS version 27

Employees from tier 2 audit firms were 89.2% of total respondents, whilst 7.8% and 2.9% were from Institutions 1 and 2, respectively. The data analysis revealed that 91.8% of the respondents (90) were full-time employees, while 8 respondents were working part-time, as illustrated in Table 4.6 below.

Table 4.6: Number of employees in tier 2 audit firms and institutions as well as employment status

Number of employees variable	F	VP	Employment status variable	F	VP
Tier 2 audit firm employees in KZN	91	89.2	Full time	90	91.8
Institution 1 employees	8	7.8	Part-time	8	8.2
Institution 2 employees	3	2.9	Total	98	100.0
Total	102	100.0			

Source: Designed by the researcher using output from SPSS version 27.

4.3.2 Audit firm/institutions' support of mandatory audit firm rotation

The results of the data analysis revealed that 88.2% of the respondents (90), who were RAs and academics, indicated that the firms that employed them supported the implementation of MAFR. However, 2.0% (2), who were also RAs and academics indicated that their firms did not support it, and 10 (9.8%), who were RA and academics were uncertain.

Of the audit experts from tier 2 firms, 79 (86.8%) said that their firms supported the implementation of MAFR, whereas 2 (2.2%) indicated that their firms did not support it, and 10 (11%) were uncertain. All 11 respondents who were academics from institutions 1 & 2 in KZN agreed that their institutions supported the implementation of MAFR. Table 4.7 below indicates the responses.

Table 4.7: Responses about the implementation of mandatory audit firm rotation in 2023

Participants' entity variable	Yes	No	Uncertain	Total	Yes-VP	No - VP	Uncertain-VP
Tier 2 firms	79	2	10	91	77.45	1.96	9.80
Institutions 1 & 2	11	-	-	11	10.78	-	-
Total audit experts	90	2	10	102	88.23	1.96	9.80

Source: Designed by the researcher using output from excel & SPSS version 27

Respondents were provided with the opportunity to give their opinion on the implementation of MAFR being applied to firms that audit public companies. The results of the data analysis indicated that 88.2% (90) agreed, whereas 1.96% (2) disagreed, and 9.8% (10) were uncertain.

4.3.3 Experience of audit firm rotation

The study further enquired whether as an audit expert or professional, respondents had ever experienced some sort of rotation during their working years. The data analysis revealed that 56.9% of the respondents (58) indicated no, 37.3% (38) indicated yes, while 4.9% (5) were uncertain.

4.3.4 Responses related to the research objectives

Questions related to the research objectives were included in the questionnaire. According to a five-point Likert scale that measured the responses, participants had to choose from the following statements: strongly disagree (1), disagree (2), neither agree nor disagree (3), agree (4) and strongly agree (5).

4.3.4.1 Responses related to Objective 1

With a standard deviation (SD) of 0,390 and a mean of 4.08, which is approximately 4, 102 of the audit experts agreed that MAFR implementation will improve AI in South

Africa. However, with a SD of 0,391 and a mean of 3.70, which is approximately 4, 102 respondents agreed that MAFR will impose additional costs on audit firms, which could be used for other projects to enhance auditor independence.

With a SD of 0,666 and a mean of 3.95, which is approximately 4, 102 respondents agreed that the implementation of MAFR would lead to a massive reduction in the familiarity threat of long audit tenure of an unusual number of years, which hinders AI. In addition, with a SD of 0,596 and a mean of 4.26, which is approximately 4, 102 respondents agreed that the appearance of independence would be a positive effect of the implementation of MAFR. In other words, auditors would appear to be independent of users of financial statements, which would have the potential to positively influence AQ.

With a SD of 0,502 and a mean of 4.51, which is approximately 5, 102 respondents strongly agreed that one of the driving forces for the implementation of MAFR is the concern raised by the public about high profile local scandals, involving companies, such as VBS Bank, Tongaat Hulett, Aspen and Steinhoff. Therefore, since consumers have the power to demand the protection of the public purse, auditing firms need to ensure AI to protect the interests of the public. In addition, with a SD of 0,522 and a mean of 4.16, which is approximately 4, 102 respondents agreed that audit firms serving an unusual number of years with one particular client can lead to familiarity threat, which can hinder AI and ultimately affect AQ.

Table 4.8 below depicts questions addressing Objective 1 and the results of the analysis of the responses.

Table 4.8: Responses related to Objective 1

Statement	N	SD/Mean
Question (Q) – 13 MAFR implementation will improve auditor independence in South Africa when audit firms conduct audits.	102	0,390/4.08
Q – 14 MAFR will impose additional costs on the audit firms, which could be used on other projects to enhance auditor independence.	102	0,391/3.70
Q – 15 The implementation of MAFR will lead to a massive reduction in the familiarity threat of long audit tenure of an unusual number of years, which could hinder auditor independence.	102	0,666/3.95
Q – 16 One positive effect of the implementation of mandatory audit firm rotation on auditors is the appearance of independence. In other words, auditors under mandatory audit firm rotation appear to be independent of users of financial statements, which has the potential to influence the market reaction.	102	0,596/4.26
Q – 17 One of the driving forces for the implementation of mandatory audit firm rotation is the concern raised by the public about high profile local scandals, involving companies, such as VBS Bank, Tongaat Hulett, Aspen and Steinhoff. Therefore, since consumers have the power to demand the protection of the public purse, auditing firms need to ensure auditor independence to protect the interests of the public.	101	0,502/4.51
Q – 18 Audit firms serving an unusual number of years with one particular client can lead to familiarity threats, which can hinder auditor independence and ultimately affect audit quality.	102	0,522/4.16

Source: Designed by the researcher using output from SPSS version 27

4.3.4.2 *Responses related to Objective 2*

Analysis revealed that with a SD of 0.563 and a mean of 4.02, which is approximately 4, 102 respondents agreed that MAFR would generally improve AQ in South Africa. Moreover, with a SD of 0.90 and a mean of 3.69, which is approximately 4, respondents agreed that MAFR is an essential measure to increase competition and improve AQ because the best-suited firm will be selected to conduct an audit.

With a SD of 1.162 and a mean of 2.99, which is approximately 3, 102 respondents neither agreed nor disagreed that MAFR will restrict the choice of audit firms and force clients to select audit firms that do not have the same level of industry expertise, thereby compromising the quality of audit outcomes. In addition, the analysis revealed that with a SD of 1.168 and a mean of 3.63, which is approximately 4, 102 respondents agreed that MAFR might mean lower audit fees because of competition amongst audit firms and an increase in AQ because tier 2 audit firms would want to prove their worth in the industry.

With a SD of 1.032 and a mean of 3.94, which is approximately 4, 102 respondents agreed that tier 2 audit firms might suffer from the introduction of MAFR because audit clients might turn to larger audit firms, who have the necessary resources and expertise to deal with frequent rotation that smaller firms do not have, which could hamper progress in transformation and AQ.

With a SD of 0,868 and a mean of 4.18, which is approximately 4, 101 respondents agreed that the need to preserve firm reputation and client revenue could be motivation for an audit firm to maintain AI when MAFR is implemented. In addition, with a SD of 1.345 and a mean of 3.41, which is approximately 3, respondents neither agreed nor disagreed that there is a very high probability that MAFR will reduce AQ owing to the loss of special skills held by Big 4 firms, the displacement of which would gravely affect AQ in KZN.

Table 4.9 below depicts questions addressing Objective 2 and the results of the analysis of the responses.

Table 4.9: Responses related to Objective 2

Statement	N	Std/Mean
Q – 19 MAFR will generally improve audit quality in South Africa.	102	0.563/4.02
Q – 20 MAFR is an essential measure to increase competition and improve audit quality because the best-suited firm will be selected to conduct an audit.	102	0.903/3.69
Q – 21 MAFR might mean lower audit fees because of competition amongst audit firms and an increase in audit quality because tier 2 audit firms would want to prove their worth in the industry.	102	1.168/3.63
Q – 22 Tier 2 audit firms might suffer from the introduction of MAFR because audit clients might turn to larger audit firms, who have the necessary resources and expertise to deal with frequent rotation, which could hamper progress in transformation and audit quality.	102	1.032/3.94
Q – 23 The need to preserve firm reputation and client revenue could be motivation for an audit firm to maintain audit quality when MAFR is implemented.	101	0.829/4.18
Q – 24 MAFR will restrict the choice of audit firms and force clients to select audit firms that do not have the same level of industry expertise, thereby compromising audit quality.	101	1.162/2.99
Q – 25 There is a very high probability that MAFR will reduce audit quality owing to the loss of special skills held by Big 4 firms, the displacement of which would gravely affect audit quality in KZN.	102	1.345/3.41

Source: Designed by the researcher using output from SPSS version 27

4.3.4.3 *Responses related to Objective 3*

With a SD of 0.495 and a mean of 3.95, which is approximately 4, 102 respondents agreed that although many internal and external factors influence the implementation of MAFR, it intends to ensure that public accounting firms remain objectively independent and professional, which will lead to quality audits. In addition, with a SD of 0.892 and a mean of 3.76, which is approximately 4, 102 respondents agreed that MAFR will contribute to higher market concentration because large companies always choose Big 4 auditors when switching their audit firm, thereby impeding transformation.

With a SD of 1.351 and a mean of 3.24, which is approximately 3, 102 respondents neither agreed nor disagreed that MAFR will contribute to a decrease in market concentration because Big 4 firms will no longer be a dominant force in the market, thereby giving tier 2 firms the opportunity to compete with them. In addition, with a SD of 0.562 and a mean of 4.26, which is equivalent to 4, 102 respondents agreed that the implementation of MAFR will lead to an increase in investor trust in the AP because of increased AI and AQ

With a SD of 0.902 and a mean of 3.91, which is approximately 4, 102 respondents agreed that tier 2 audit firms might have to engage in partnership agreements with large firms to serve clients as one entity since they may not have enough human resources and expertise to audit big companies when MAFR is implemented. In addition, with a SD of 0.995 and a mean of 3.99, which is approximately 4, 102 respondents agreed that some academics and researchers in the AP maintain that the implementation of MAFR might be very disruptive to organisation planning and also increase start-up costs, which tier 2 audit firms may not be able to afford.

With a SD of 0.505 and a mean of 4.18, which is approximately 4, 99 respondents agreed that MAFR will promote the creation of opportunities for tier 2 audit firms to enter the market if they have the capacity and competency.

Table 4.10 below depicts questions addressing Objective 3 and the results of the analysis of the responses.

Table 4.10: Responses related to Objective 3

Statement	N	Std/Mean
<p>Q – 26</p> <p>Although many internal and external factors influence the implementation of MAFR, it intends to ensure that public accounting firms remain objectively independent and professional, which will lead to quality audits.</p>	102	0.495/3.95
<p>Q – 27</p> <p>MAFR will contribute to higher market concentration because large companies always choose Big 4 auditors when switching their audit firm, thereby impeding transformation.</p>	102	0.892/3.76
<p>Q – 28</p> <p>MAFR will contribute to a decrease in market concentration because Big 4 firms will no longer be a dominant force in the market, thereby giving tier 2 firms the opportunity to compete with them.</p>	102	1.351/3.24
<p>Q – 29</p> <p>The implementation of MAFR would lead to an increase in investor trust in the audit profession because of increased auditor independence and audit quality.</p>	102	0.562/4.26
<p>Q – 30</p> <p>Tier 2 audit firms might have to engage in partnership agreements with large firms to serve clients as one entity since they may not have enough human resources and expertise to audit big companies when MAFR is implemented.</p>	102	0.902/3.91
<p>Q – 31</p> <p>Some academics and researchers in the auditing profession maintain that the implementation of MAFR might be very disruptive to organisation planning and also increase start-up costs, which tier 2 audit firms may not be able to afford.</p>	101	0.995/3.99
<p>Q – 32</p> <p>MAFR will promote the creation of opportunities for tier 2 audit firms to enter the market if they have the capacity and competency.</p>	99	0.505/4.18

Source: Designed by the researcher using output from SPSS version 27

4.3.4.1 Discussion of results related to the research objectives

(a) Perceptions of the effect of MAFR on AI (Objective 1)

Most respondents agreed that MAFR would improve AI, which confirmed the findings of Grant Thornton (2016) as well as Gwala and Nomlala (2021), although the latter maintain that certain negative consequences of the implementation of the policy need to be acknowledged as well. However, Quick and Schmidt (2018) note that MAFR impairs AI, and KPMG (2017) points out that in jurisdictions, such as Argentina, Brazil, Canada, South Korea, Spain and Singapore, although MAFR was implemented, it was subsequently withdrawn partially or fully because there was no evidence of an improvement in AI.

The majority of respondents agreed that the implementation of MAFR would lead to additional costs that audit firms might use for other audit improvement programmes to enhance AI. This result is consistent with that of Polychronidou et al. (2020) study and the argument presented by KPMG (2017) to the IRBA in its letter on the implication of extra costs to firms of MAFR. However, most respondents agreed that the implementation of MAFR will lead to a massive reduction in the familiarity threat of long audit tenure of an unusual number of years, which is consistent with the findings of Franzel (2004) as well as Narayanaswamy and Raghunandan (2019). Interestingly, a study by Wilson *et al.* (2018) provided contrary evidence suggesting that auditor familiarity increases trust levels and positively affects audit professionals' intentions to expose fraud.

Most respondents agreed that the implementation of the MAFR will positively impact the appearance of independence, which is contrary to the finding of Aschauer and Quick (2018), who insist that auditors under MAFR would not appear to be independent of users of financial statements. In addition, the majority of the respondents strongly agreed that one of the driving forces for the implementation of mandatory audit firm rotation is the concern raised by the public about high profile local scandals involving companies, such as VBS Bank, Tongaat Hulett, Aspen and Steinhoff. Therefore, since consumers have the power to demand the protection of the public purse, auditing firms need to ensure AI to protect the interests of the public. In contrast, KPMG's 2016 letter to the IRBA disagreed that the implementation of MAFR would serve public interests (KPMG, 2017). Furthermore, KPMG argued that MAFR

would negatively affect AI, lead to additional costs and make it difficult for multinational firms to find suitable auditors (KPMG, 2017).

Most respondents agreed that audit firms serving an unusual number of years with one particular client can lead to familiarity threat, which can hinder auditor independence and ultimately affect AQ. This result is consistent with those of GAO (2003) as well as Narayanaswamy and Raghunandan (2019), who argue that a long association with clients negatively affects AI and AQ. However, Wilson *et al.* (2018) provide contrary evidence suggesting that auditor familiarity increases trust levels, positively affects audit professionals' intentions to expose fraud and effectively enhances AQ.

(b) Perceptions of the effect of MAFR on AQ (Objective 2)

Most respondents agreed that MAFR would improve AQ, which was in line with the findings of Grant Thornton (2016), who also cautions that the implementation of the policy would have consequences that cannot be ignored. In addition, various other studies concur with this result (Elder *et al.*, 2015, Bronson *et al.*, 2016, Tobi *et al.*, 2016, Williams and Wilder, 2017, Martani *et al.*, 2021). However, Choi *et al.* (2017) maintain that MAFR negatively affects AQ, which is lower in the post turnover period (Choi *et al.*, 2017). In addition, Sulisty Kalanjati *et al.* (2019) contend that AFR is negatively associated with and decreases AQ.

The majority of respondents agreed that MAFR is an essential measure to increase competition and improve AQ because the best-suited firm will be selected to conduct an audit. This result was contrary to Harber and Maroun (2020) argument that market concentration of the Big 4 audit firms will increase with the implementation of MAFR.

Respondents neither agreed nor disagreed that MAFR will restrict the choice of audit firms and force clients to select audit firms that do not have the same level of industry expertise, thereby compromising the quality of audit outcomes. Harber and Maroun (2020) finding indicated that MAFR would mean that companies might have to select audit firms that do not have the client-specific knowledge and expertise of those that Respondents agreed that MAFR might mean lower audit fees because of competition amongst audit firms and an increase in AQ because tier 2 audit firms would want to prove their worth in the industry. However, in Polychronidou *et al.* (2020) study,

respondents agreed that there would be an increase in the cost of the audit process as a result of MAFR, which would lead to an increase in AQ.

Most respondents agreed that tier 2 audit firms might suffer from the introduction of MAFR because audit clients might turn to larger audit firms, who have the necessary resources and expertise to deal with frequent rotation, which could hamper progress in transformation and AQ. This result concurred with that of Indyk (2019), who discovered that most multinational firms rely on Big 4 firms for their audits.

The majority of respondents agreed that the need to preserve firm reputation and client revenue could be motivation for an audit firm to maintain audit quality when MAFR is implemented. However, most neither agreed nor disagreed that there is a very high probability that MAFR will reduce audit quality owing to the loss of special skills held by Big 4 firms, the displacement of which would gravely affect audit quality in KZN.

These mixed reactions from the respondents reflect the contrary literature findings about the link between firm size and AQ. For example, Qawqzeh *et al.* (2018) argue that the long audit tenure of large firms without rotation negatively affects AI and AQ, whereas other literature sources indicate that the loss of client-specific knowledge reduces AQ and increases costs due to switching auditors (Harber and Maroun (2020) Polychronidou *et al.* (2020).

(c) Perceptions of the effect of MAFR on AR (Objective 3)

Most respondents agreed that although many internal and external factors influence the implementation of MAFR, it intends to ensure audit reform by encouraging AI and AQ, which might be hindered when firms have too long a tenure. Moreover, most of the respondents agreed that MAFR will contribute to audit reform through a decrease in market concentration because Big 4 firms will no longer be a dominant force in the market, thereby giving tier 2 firms the opportunity to compete with them. These results are not consistent with those of Harber and Marx (2019), who argue that MAFR could result in an increase in the domination of larger audit firms that tend to enjoy long tenures.

Respondents mostly neither agreed nor disagreed that MAFR would contribute to audit reform by ensuring a decrease in the market concentration of Big 4 firms who will no longer be a dominant force in the market, thereby giving tier 2 firms the opportunity to

compete with them. This result agrees with that of Bleibtreu (2018), who mentions that MAFR weakens the audit market dominance of the Big 4. However, Narayanaswamy and Raghunandan (2019) study concluded that MAFR increases the concentration of big audit firms in the industry, and therefore is not a determinant of audit quality.

Indyk (2019) suggests that Big 4 audit firms gain in many different ways from MAFR because of their ability to maximise their strong bargaining power. However, SAICA (2016a) argues that MAFR addresses the problem of audit market concentration and advances transformation through the creation of opportunities for tier 2 firms to penetrate previously unwelcoming markets

Respondents agreed that MAFR would lead to AR by increasing investor trust in the audit profession because of increased AI and AQ. However, Pouwels (2017) found that AQ is influenced by the rotation of firms in countries with strong investor protection but negatively influenced in those with weak investor protection (Pouwels, 2017).

The majority of respondents agreed that tier 2 audit firms might now have to engage in partnership agreements with large firms to serve clients as one entity since they may not have enough human resources and expertise to audit big companies when MAFR is implemented. The above response is consistent with the arguments of Franzl (2004) as well as Narayanaswamy and Raghunandan (2019), who maintain that owing to capacity and capital limitations, tier 2 audit firms may not be able to compete with the Big 4, which would lead to continuing market concentration.

Respondents mostly agreed that some academics and researchers in the auditing profession maintain that the implementation of MAFR rule can be very disruptive to organisation planning and can also increase start-up costs, which tier 2 audit firms may not be able to afford. This result supported the arguments of (Said and Khasharmeh, 2014b, Gomber et al., 2018) and Tertius et al. (2017).

Many respondents agreed that MAFR will promote the creation of opportunities for tier 2 audit firms to enter the market if they have the capacity and competency. This was one of the IRBA's aims in formulating the policy. Moreover, this research result was consistent with that of a survey of audit firms in India, which concluded that varying the audit market structure significantly provided opportunities to firms that did not have them before (Thornton, 2016).

4.4 Inferential statistics

4.4.1 Cross-tabulation

4.4.1.1 Chi-square test of independence

In determining the relationship between the variables described in Section 4.3, chi-square tests were conducted using SPSS. Lomax and Hahs-Vaughn (2012) encourage the use of the chi-square test of independence in testing the relationship between variables and null hypotheses. The test results are presented in Table 4.11 below. The following were the null hypotheses:

H₀₁: There is no relationship between race and the perception of audit experts of their firms' support for the implementation of MAFR 2023.

H₀₂: There is no relationship between the highest level of academic qualification and the perception of audit experts of their firms' support of the implementation of MAFR 2023.

H₀₃: There is no relationship between position and the perception of audit experts of their firms' support of the implementation of MAFR 2023.

H₀₄: There is no relationship between work experience and the perception of audit experts of their firms' support of the implementation of MAFR 2023.

Table 4.11: Results of chi-square tests of independence

	Race			Highest level of academic qualification			Position			Work experience		
	Value	Df	P-value	Value	Df	P-value	Value	Df	P-value	Value	Df	P-value
Pearson chi-square	10.847 ^a	18	.901	27.813 ^a	12	.006	46.064 ^a	12	.000	17.931 ^a	18	.460

Source: Output from SPSS, 2021.

Table 4.11 above indicates that for the race variable, the p-value was 0.901, and the Pearson chi-square statistic was $\chi^2(18) = 10.847$. For the work experience variable, the p-value was 0.460, and the Pearson chi-square statistic was $\chi^2(18) = 17.931^a$. Therefore, both variables had a p-value > 0.05 , which meant that the researcher could not reject the null hypotheses for these variables.

In other words, there was no statistical association between race or work experience and the participants perception of their firms' support of MAFR 2023. However, in the case of the work experience variable, the result was contrary to the findings of (Said and Khasharmeh, 2014a), whose study found that it had a significant association with MAFR.

Table 4.11 above shows that for the highest level of academic qualification variable, the p-value was .006, and a Pearson's chi-square statistic was $\chi^2(12) = 27.813^a$. For the position variable, the p-value was .000 and the Pearson's chi-square statistic was $\chi^2(12) = 27.813^a$. Therefore, both variables had a p-value < 0.05 , which meant that the researcher could reject the null hypotheses for these variables and conclude that as a statistical association between position or highest academic qualification and the participants' perception of their firms' support of MAFR 2023.

In the case of the position variable, the result was not consistent with that of (Said and Khasharmeh, 2014a), who found that the position of audit professionals did not have any association with MAFR. However, the current study's finding suggests that positions and qualifications held by audit experts have an influence on their firms' support of MAFR.

4.4.1.2 Ordinal logistic regression

This study employed the OLR because of the use of a Likert scale in the questionnaire and because it is widely recommended (Armstrong and Sloan, 1989, Ge and Whitmore, 2010, Das and Rahman, 2011). In the case of this study, the ordinal variables were Yes, No and Uncertain.

Therefore, the model equation was $\log\left(\frac{P}{1-P}\right) = a + b_1x_1 + b_2x_2 + b_3x_3$

Table 4.12 below presents the model fitting information.

Table 4.12: Model fitting information

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	105.561			
Final	96.938	8.623	3	.035

Link function: Logit – Output from SPSS, 2021.

Table 4.12 above shows that the model fitting information (MFI) was statistically significant, because the p-value was $<.035$. The results indicated a statistically significant development in the fit of the final model over the null model [$\chi^2(3) = 96.938$, $p < .035$]. This meant that the fit of the final model had a p-value < 0.05 , and therefore it was suitable for the research.

Table 4.13 below shows the results from the goodness-of-fit test.

Table 4.13: Goodness-of-Fit

	Chi-Square	Df	Sig.
Pearson	279.298	165	.001
Deviance	95.316	165	1.000

Link function: Logit - Output from SPSS, 2021.

Results from the goodness-of-fit (GOF) test (Table 4.13) shown above were non-significant. Meaning the results from the Pearson chi-square test [$\chi^2(165) = 279.298$, $p = .001$] and the deviance test [$\chi^2(165) = 95.316$, $p = 1.000$] were both an indication that the model was well fitted and non-significant. The outcome from the GOF table suggests a good model fit.

Table 4.14 below presents the parameter estimates.

Table 4.14: Parameter estimates

	Estimate	Std. Error	Wald	Df	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Threshold[MAFR = 1.00]	1.014	4.139	.060	1	.807	-7.099	9.126
[MAFR = 2.00]	3.033	4.168	.530	1	.467	-5.136	11.203
Location B1	1.437	1.034	1.931	1	.165	-.590	3.465
C2	.370	.688	.290	1	.591	-.978	1.719
D3	-2.092	.878	5.668	1	.017	-3.813	-.370

Link function: Logit – Output from SPSS, 2021.

Table 4.14 above shows that B1 (Objective 1 of the research) was a statistically non-significant positive predictor of audit experts' perceptions on the influence of MAFR on AI. This means that for every unit increase in audit experts' perceptions of the influence of MAFR on AI, there was a predicted increase of 1.437 in the log-odds of AI being at a higher level. In other words, the result suggests that AI would increase with the implementation of MAFR in 2023, which is consistent with (Polychronidou et al., 2020) findings.

Table 4.14 above indicates that C2 (Objective 2 of the study) was a non-significant predictor of audit experts' perceptions of the influence of MAFR on AQ. This means that for every unit increase in audit experts' perceptions of the influence of MAFR on AQ, there was a predicted increase of 0.370 in the log-odds of AQ being at a higher level. In other words, the result suggests that MAFR will improve AQ, which is in line with the findings of (Thornton, 2016).

Table 4.14 above indicates that D3 (Objective 3 of the research) was a statistically significant predictor of audit experts' perceptions of the influence of MAFR on AR. This means that for every unit increase (negative coefficient of 2.092) in audit experts' perceptions of the influence of MAFR on AR, there was a predicted decrease of 0.370 in the log-odds of AR being at a higher level. In other words, the result suggests that MAFR will not have a positive impact on AR, which is contrary to (SAICA, 2016a). However, it is consistent with the findings of GAO (2003), (Harber and Marx, 2019), (Narayanaswamy and Raghunandan, 2019), as well as the current study, which revealed respondents agreed that MAFR would increase market concentration, thereby impeding AR.

Mathematical representation of the ordinal logistic regression model:

$$\log\left(\frac{P}{1-P}\right) = a + b_1x_1 + b_2x_2 + b_3x_3 \quad , \quad \log\left(\frac{P}{1-P}\right) = 1.014 - 2.092x_3 \quad \text{and} \quad \log\left(\frac{P}{1-P}\right) = 3.033 - 2.092x_3$$

Table 4.15 below presents the results of the test of parallel lines.

Table 4.15. Test of parallel lines

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis**	96.938			
General	90.196	6.743	3	.081

**The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

Table 4.15 above presents the results of the test of parallel lines and indicates a statistically non-significant p-value of 0.081. This means that the assumption of proportional odds shown in the table suggested the effects of the explanatory variables were consistent or proportional across the different thresholds.

4.5 Chapter summary

This chapter explained the results of analysis of the response rate and reliability of the questionnaire. Thereafter, it elucidated the statistical data analysis results, which indicated the participants' demographics and their perceptions of the effect of MAFR

on AI, AQ and AR, respectively. Results were presented in the form of tables to provide understanding of the variables and the relationships between them. The chapter described the cross-tabulation of certain demographics with MAFR. The chapter concluded with an explanation of the inferential statistical analysis of the data to determine the impact of MAFR on AI, AQ and AR.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the research report with summaries of the research and the findings in light of the study objectives. It provides conclusions and recommendations for future research. In addition, it describes and discusses the study's limitations and delimitation.

5.2 Summary of the research

As indicated in the background section of Chapter 1 of this research report, the MAFR was the IRBA's response to the call for reforms in the South African auditing industry as the public confidence in the AP had been eroded owing to a perceived decrease in AI and AQ. The lack of trust was due to audit scandals in the country. It left the IRBA with no option other than to formulate the MAFR policy, which will come into effect in April 2023, to restore the dignity of the AP and public confidence. Another reasoning behind MAFR as a means of AR is that it would allow tier 2 audit firms to enter the market, which is currently dominated by Big 4 firms. These large firms tend to hold long audit tenures, which can affect AI and ultimately, AQ.

To discover whether the IRBA's initiative would achieve its aim, the study investigated the perceptions of audit experts concerning the impact that MAFR might have on AI, AQ and AR, when it is implemented in 2023.

Prior to the empirical investigation, the research involved a study of theoretical and empirical literature related to the concepts of AQ, AI, AFR and MAFR in local and global jurisdictions, which was presented in Chapter 2 of this research report. Definitions of these concepts were gathered from various scholars. In addition, the ISQC 1 and its role in audit firm governance were researched. Given the interest of the public in AI, several regulatory developments by the IRBA were investigated. The study of the empirical literature revealed that studies had led to conflicting outcomes, indicating the continuing discourse about MAFR, which is to be implemented in South Africa in 2023.

The methodology of the study, which was explained in Chapter 3, was based on a quantitative approach, a descriptive research design and a positivist paradigm.

Primary data collection were collected by means of an online survey questionnaire consisting of closed-ended questions, which was administered to a sample of audit experts (professional auditors and academics). By means of SPSS version 27, the data were statistically analysed to produce descriptive statistics, which summarised the participants' demographics and perceptions of the impact of MAFR on AI, AQ and AR, and inferential statistics that enabled the researcher to draw general conclusions about the phenomenon under study.

The statistical results of the data analysis were presented and explained in detail in Chapter 4 of this research report with the help of tables that summarised the findings. The participants' response rate, the reliability score of the research, the descriptive statistics of the research variables and inferential statistics indicating the relationships between the variables were presented.

The sections below will discuss the research results in light of the research objectives. Conclusions will be drawn and recommendations for future research will be made. In addition, the study's limitations and delimitation will be discussed.

5.3 Summary of research results

Although the study aimed to examine perceptions of 102 KZN audit experts (audit professionals and academics) of the influence of MAFR on AI, AQ and AR, in line with the three specific research objectives, information on demographic variables was also sought to gain insight into the relationship between these variables and the participants' perceptions of their firms' support of MAFR. However, the following section evaluates the findings in light of the specific study objectives.

5.3.1 *The influence of MAFR on AI*

To address Objective 1 of the study, participants' perceptions were gathered through Q13 - Q18 of the survey questionnaire. The analysis of the responses to those questions found an average mean of 4.1 and revealed that most respondents agreed that MAFR would improve AI by reducing the familiarity threat, although it would incur audit costs. In addition, using the OLR model, the study found that AI would increase with the implementation of MAFR in 2023.

5.3.2 The influence of MAFR on AQ

To address Objective 2 of the study, participants' perceptions were gathered through Q19 – Q25 of the survey questionnaire. The analysis of the responses to those questions found an average mean of 3.9. In addition, the data analysis revealed that most respondents agreed or strongly agreed that MAFR would improve AQ by increasing competition amongst audit firms, and the best firm would be employed, although tier 2 firms might lack the resources and expertise of Big 4 firms.

Respondents neither agreed nor disagreed with the statements presented in Q24 and Q25 of the questionnaire, and the average mean of their responses was 3.2. This suggested that AQ might be reduced if MAFR leads to contracts being given to tier 2 firms that lack expertise. Nevertheless, using OLR, the study found that AQ would increase with the implementation of MAFR in 2023.

5.3.3 The influence of MAFR and AR

To address Objective 3 of the study, participants' perceptions were gathered through Q26 – Q32 of the survey questionnaire. The data analysis revealed that most respondents agreed or strongly agreed that MAFR would lead to AR, although it might contribute to higher market concentration because large companies might choose Big 4 auditors when switching audit firms, thereby impeding reform. Moreover, MAFR might lead to additional start-up fees that tier 2 audit firms might not be able to afford.

Analysis of responses to Q28 revealed that respondents neither agreed nor disagreed that MAFR might be sabotaged or ridiculed by Big 4 firms, during the initial stages of implementation. Moreover, using OLR, the study found that AR would not increase with the implementation of MAFR in 2023.

5.4 Conclusions

As the outcomes of the study indicated that MAFR will lead to improved AI and AQ, although various factors might inhibit AR, industry role players might perceive the policy and its imminent implementation in South Africa in a more positive light. The research results were supported by some previous studies that highlighted the continued implementation of MAFR. However, they contradicted previous studies that highlighted instances when the policy was introduced and later repealed because there was no proof of its impact on AI and AQ.

Although the position of the IRBA is based on the strengthening of AI and AQ, thereby enhancing investor confidence, the study showed that despite MAFR, Big 4 firms might still dominate the market because of their client-specific knowledge, which ironically might go hand in hand with the familiarity threat, a lack of AI and poor AQ. Therefore, tier 2 firms might not be given the opportunity to penetrate the market, which is one of the objectives of the MAFR policy. Moreover, these firms might not have the resources to fill the gap left by the Big 4 firms and provide services to large companies.

5.5 Contribution of this study

This research contributes to existing knowledge and the continuous discourse on MAFR rule in South Africa. The study will grant more understanding to interested parties in the auditing profession regarding the dynamics of the audit industry concerning the logical connections between AI, AQ and AR's. Additionally, the need for tier 2 audit firms to also enjoy similar opportunities just as those of the Big4 were highlighted in the study. It implies that the results of this study might play a part in terms of government policy direction not too distant future by the IRBA and other role players in addressing some unequal market discrepancies in the audit industry (Roos, 2021).

5.6 Limitations

As the study only explored the MAFR in the context of KZN, South Africa, the chance of bias cannot be ignored. In addition, the results cannot be applied to jurisdictions outside the country because of differences in levels of development, culture, prevailing market conditions and the business environment. The present research was centred on the perceptions of audit experts (registered auditors and academics). Perceptions of other role players, such as those who prepare companies' financial statements, were not considered in the study. Another limitation was the lack of enough literature on MAFR in a South African setting and many other jurisdictions in the form of a quantitative approach. However, studies that were available were put to good use in the study.

5.7 Delimitation

The study was conducted in KZN, and participants had to be experienced audit professionals with relevant academic and professional qualifications. Therefore, individuals without an accounting and auditing background were excluded from taking

part. The research targeted the perceptions of audit experts (RAs and academics), from tier 2 firms and two SAICA tertiary institutions in KZN, regarding the impact of MAFR on AI, AQ and AR.

5.8 Recommendation for future studies

The study only explored the perceptions of audit experts in KZN, South Africa. Therefore, the researcher recommends that future studies should consider role players in the auditing profession, RAs and academics from firms and institutions in different provinces to obtain diverse views about pre and post-implementation of MAFR in 2023 and its impact on AI, cost and AQ. These could inform or contribute to policy directions concerning audit reforms since the debate on MAFR continues to resurface with evidence of conflicting research results about the link between the rule on AI, AQ and AR.

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APPENDICES

Appendix A: Consent letter for research participants

The implementation of mandatory audit firm rotation in KwaZulu-Natal

University of KwaZulu-Natal

Westville Campus

School of Accounting, Economics & Finance.

Email: 220066529@Stu.ukzn.ac.za

10/02/2021

The Participant

Dear Sir/Madam,

Invitation to participate in a research survey

I have the pleasure of inviting you to participate in a research study entitled "The implementation of mandatory audit firm rotation in KwaZulu-Natal. The principal aim of this research is to investigate the perceptions of audit experts on the effects of the implementation of mandatory audit firm rotation on audit independence and audit quality in the province of KwaZulu-Natal. A research report is a partial requirement for the Master's qualification that I have to complete through a written thesis based on the above topic.

Firstly, if you choose to accept the invitation to participate, kindly read, understand and complete the survey in Appendix 2. The survey will take approximately 30 minutes to complete, and it contains questions on the effect of the implementation of mandatory audit firm rotation on audit independence and the quality of audits in KwaZulu-Natal. As a participant, you will not accrue benefits directly from participating in the survey, but your response would be advantageous to the research and to the interests of the entire country as a whole.

Secondly, note that if you experience any inconvenience from this survey or if someone else is at risk of harm due to the nature of the electronic or online questionnaire, you should first seek clarification from the researcher. The collection of data will be through online questionnaires emailed to participants. However, the researcher cannot guarantee the safety of data sent via the Internet and will not be

responsible for its interception by any third party. Nevertheless, participants', confidentiality and the highest degree of protection of research data are assured by the technology used in sending and receiving your response.

Additionally, the information you provide for the research will be treated with the highest degree of confidentiality and please understand that your identity will remain anonymous when the results of the study are reported. Your decision to participate or not will not affect our relationship and please note that your participation is purely voluntary. Moreover, you are free to withdraw from the survey at any time, even if you have chosen to participate. The survey has 34 closed-ended questions, and you are free to answer all questions or skip any that you do not want to answer.

Finally, understand that ticking or clicking on the "agree box" on this consent request means that you have agreed that your responses will be taken into account when the data are analysed. If you click or tick decline, it means you do not want to participate. You may contact the following individuals for clarification should the need arise:

1. Researcher Aminu M
 Cell – (+270683938027)
 Email: 220066529@Stu.student.ukzn.ac.za
2. Supervisor Mr Kiran Baldavoo
 Email: Baldavoo@ukzn.ac.za
3. Co. Supervisor Dr Bomi Cyril Nomlala
 Email: Nomlalabc@ukzn.ac.za
4. UKZN Research Office (Westville Campus)
 Tel: 27 31 2604557
 Email: HSSREC@ukzn.ac.za

Sincerely yours,
(Aminu Munkaila)

Declaration by participant: I _____
can confirm that I have read the consent letter and understood the content of it. I understand that this research is purely for academic purposes, and I am 18 years of age and above.

1. I agree to participate (Link to survey)
2. I decline (Link to close webpage)

Appendix B: Questionnaire

The implementation of mandatory audit firm rotation in KwaZulu-Natal

Section A.

Demographic information for respondents

Gender

Male		Female	
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Race

African		Indian		Coloured		White		Other	
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Age

25-30yrs		31-40yrs		< 40yrs	
----------	--	----------	--	---------	--

Highest Academic Qualification

Bachelor's degree		Honours		Master's & PhD.	
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Professional Qualification

CA-SA		Registered Auditors		Others	
-------	--	---------------------	--	--------	--

Position

Audit partner		Audit Manager		Lecturer-Auditing		Lecturer- Other	
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Entities attached to

Table 1: Tier 2 Audit firms

Tier 2 audit firm (audit firms other than the Big 4)	
--	--

Table 2: KZN Institutions of Higher Education

Durban University of Technology (DUT) School of Accounting	
University of KwaZulu-Natal (UKZN): School of Accounting, Economics & Finance	

Employment status

Full time		Part-time	
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Work experience in years

<i>less than 5years</i>		5 – 10yr		11 – 20yr		< 20yr	
-------------------------	--	----------	--	-----------	--	--------	--

Does your entity support the independent regulatory board for auditor's policy on the implementation of mandatory audit firm rotation in 2023?

Yes	
No	
Uncertain	

In your opinion, do you support the policy of the independent regulatory board for auditors that the implementation of mandatory audit firm rotation should apply to only all audits of public entities?

Yes	
No	
Uncertain	

As an audit expert or professional, have you ever experienced some sort of rotation during your working years?

Yes	
No	
Uncertain	

Section B – MAFR and auditor independence

MAFR implementation will improve auditor independence in South Africa when audit firms conduct audits.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

MAFR will impose additional costs on the audit firms, which could be used on other projects to enhance auditor independence.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

The implementation of MAFR will lead to a massive reduction in the familiarity threat of long audit tenure of an unusual number of years, which could hinder auditor independence.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

One positive effect of the implementation of mandatory audit firm rotation on auditors is independence in appearance. In other words, auditors under mandatory audit firm rotation appear to be more independent to users of financial statements, which has the potential to influence the market reaction.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

One of the driving forces for the implementation of mandatory audit firm rotation is the concern raised by the public about high profile local scandals involving companies, such as VBS Bank, Tongaat Hulett, Aspen and Steinhoff. Therefore, since consumers have the power to demand the protection of the public purse, auditing firms need to ensure AI to protect the interests of the public.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Audit firms serving an unusual number of years with one particular client can lead to familiarity threats, which can hinder auditor independence and ultimately affect audit quality.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Section C – MAFR and audit quality

MAFR will generally improve audit quality in South Africa.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

The independent regulatory board for auditors considers MAFR an essential measure to increase competition and improve AQ because the best-suited firm will be selected to conduct an audit.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

MAFR might mean lower audit fees because of competition amongst audit firms and an increase in audit quality because tier 2 audit firms might have more opportunities to prove their worth in the industry.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Tier 2 audit firms might suffer from the introduction of MAFR because audit clients might turn to larger audit firms, who have the necessary resources and expertise to deal with frequent rotation, which could hamper progress in transformation and audit quality.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

The need to preserve firm reputation and client revenue could be motivation for an audit firm to maintain auditor independence when MAFR is implemented.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

The policy on MAFR will restrict the choices of the audit firms and force clients to select audit firms that do not have the same level of industry expertise, thereby compromising audit quality.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

There is a very high probability that MAFR will reduce audit quality owing to the loss of special skills held by Big 4 firms, the displacement of which would gravely affect audit quality in KZN.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Section C – MAFR and audit reforms

Although many internal and external factors influence the implementation of MAFR, it intends to ensure that public accounting firms remain objectively independent and professional, which will lead to quality audits.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

MAFR will contribute to higher market concentration because large companies always choose Big 4 auditors when switching their audit firm, thereby impeding transformation

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

MAFR will contribute to a decrease in market concentration because Big 4 firms will no longer be a dominant force in the market, thereby allowing tier 2 firms the opportunity to compete with them

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

The implementation of MAFR would lead to an increase in investor trust in the auditing profession because of increased auditor independence and audit quality.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Tier 2 audit firms might now have to engage in partnership agreements with large firms to serve clients as one entity since they may not have enough human resources and expertise to audit big companies when MAFR is implemented.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Some academics and researchers in the AP maintain that the implementation of MAFR rule can be very disruptive to organisation planning and can also increase start-up costs, which tier 2 audit firms may not be able to afford.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

By formulating the MAFR policy, the IRBA's aimed to promote the creation of opportunities for tier 2 audit firms to enter the market if they have the capacity and competency.

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Appendix C: Ethical clearance (UKZN)



04 May 2021

Mr Munkaila Aminu (220066529)
School of Acc Economics & Fin
Westville Campus

Dear Mr Aminu,

Protocol reference number: HSSREC/00002361/2021

Project title: The implementation of mandatory audit firm rotation in Kwazulu-Natal

Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 23 January 2021 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

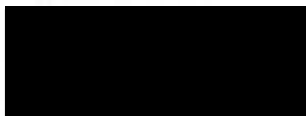
This approval is valid until 04 May 2022.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipane Hlalele (Chair)

/dd

Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: hssrec@ukzn.ac.za Website: <http://research.ukzn.ac.za/research-Ethics>

Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

INSPIRING GREATNESS

Appendix D: Gatekeeper letter (UKZN)



30 March 2021

Mr Aminu Munkaila (SN 220066529)
School of Accounting, Economics and Finance
College of Law and management Studies
Westville Campus
UKZN

Email: 220066529@stu.ukzn.ac.za Baldavoo@ukzn.ac.za

Dear Mr Munkaila

RE: PERMISSION TO CONDUCT RESEARCH

Gatekeeper's permission is hereby granted for you to conduct research at the University of KwaZulu-Natal (UKZN), towards your postgraduate studies, provided Ethical clearance has been obtained. We note the title of your research project is:

"The Implementation of mandatory audit firm rotation in KwaZulu-Natal".

It is noted that you will be constituting your sample as follows:

- With a request for responses on the website. The questionnaire must be placed on the notice system <http://notices.ukzn.ac.za>. A copy of this letter (Gatekeeper's approval) must be simultaneously sent to (govenderlog@ukzn.ac.za) or (ramkissoobh@ukzn.ac.za).

Please ensure that the following appears on your questionnaire/attached to your notice:

- Ethical clearance approval letter;
- Research title and details of the research, the researcher and the supervisor;
- Consent form is attached to the notice/questionnaire and to be signed by user before he/she fills in questionnaire;
- gatekeepers approval by the Registrar.

You are not authorized to contact staff and students using 'Microsoft Outlook' address book. Identity numbers and email addresses of individuals are not a matter of public record and are protected according to Section 14 of the South African Constitution, as well as the PAIA and POPI Act. For the release of such information over to yourself for research purposes, the University of KwaZulu-Natal will need express consent from the relevant data subjects. Data collected must be treated with due confidentiality and anonymity.

Yours sincerely


DR KE CLELAND: REGISTRAR

Office of the Registrar

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 7971 Email: registrar@ukzn.ac.za Website: www.ukzn.ac.za

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS

Appendix E: Gatekeeper letter (DUT)



Directorate for Research and Postgraduate Support
Durban University of Technology
Tromso Annex, Steve Biko Campus
P.O. Box 1334, Durban 4000
Tel.: 031-3732576/7
Fax: 031-3732948

25th March 2021
Mr Munkaila Aminu
c/o School of Accounting, Economics and Finance
University of KwaZulu-Natal

Dear Mr Aminu

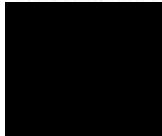
PERMISSION TO CONDUCT RESEARCH AT THE DUT

Your email correspondence in respect of the above refers. I am pleased to inform you that the Institutional Research and Innovation Committee (IRIC) has granted **Full Permission** for you to conduct your research "The implementation of mandatory audit firm rotation in KwaZulu-Natal" at the Durban University of Technology.

The DUT may impose any other condition it deems appropriate in the circumstances having regard to nature and extent of access to and use of information requested.

We would be grateful if a summary of your key research findings would be submitted to the IRIC on completion of your studies.

Kindest regards,
Yours sincerely



DR LINDA ZIRHONA LINGANISO
DIRECTOR: RESEARCH AND POSTGRADUATE SUPPORT DIRECTORATE

Appendix G: Language practitioner declaration

**LANGUAGE PRACTITIONER
DECLARATION**

I, DR MAUREEN LILIAN KLOS,

Being the holder of the following qualifications:

BA; STD; BEd (*cum laude*); MEd (*cum laude*); DEd

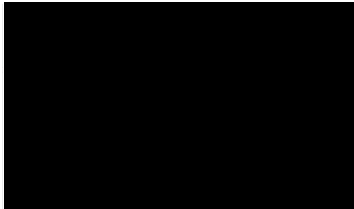
Hereby certify that I am the editor of the following document:

**THE IMPLEMENTATION OF MANDATORY AUDIT FIRM ROTATION IN
KWAZULU-NATAL**

By Aminu Munkaila

Student number: 220066529

**I hereby certify that I have edited the language, formatting and referencing
in the above document in its entirety.**



LANGUAGE PRACTITIONER

5 December 2021

DATE

Appendix H: Turnitin similarity report

Munkaila Aminu_-

_Final_Report_10_December_2021_Turnitin_report.docx

ORIGINALITY REPORT

7 %	5 %	2 %	3 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	hdl.handle.net Internet Source	<1%
2	Corinna Ewelt-Knauer, Anna Gold, Christiane Pott. "Mandatory Audit Firm Rotation: A Review of Stakeholder Perspectives and Prior Research", Accounting in Europe, 2013 Publication	<1%
3	Submitted to North West University Student Paper	<1%
4	ir-library.ku.ac.ke Internet Source	<1%
5	Michael Harber, Ben Marx. "Audit quality and independence concerns in the South African audit industry: Contrasting views", South African Journal of Accounting Research, 2019 Publication	<1%
6	ujcontent.uj.ac.za Internet Source	<1%