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Examining Mandatory Audit Firm Rotation and Audit Quality in South Africa: Practitioner and Academic Perspectives

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ABSTRACT

In this study, we examined the perceptions of practitioners and academics perspectives about the impact of mandatory audit firm rotation (MAFR) on audit quality (AQ) in South Africa within the province of KwaZulu-Natal. The paper considered the position of the European Union (EU) and the South African Independent Regulatory Body for Auditors (IRBA) regarding its policy shift on MAFR. The study examined the logical connection between MAFR and AQ. This was through the opinion of 101 practitioners and academics gathered from Tier 2 audit firms and two public institutions about the readiness of the rule in South Africa's jurisdiction. We utilised a quantitative research method through descriptive statistics to understand the influence of the policy on AQ. Opinions of audit experts through closed-ended questionnaires were a distinct feature of our research, while analysis of the descriptive study was on the usage of feedback from respondents. Results from the data analysis presented provided a general overview of respondents' opinions on the rule. Affirming our research aim, data from the majority of respondents agreed that the policy would strengthen AQ but maintained that the results of the additional imposition of cost could be worse. While this paper contributes to the existing literature on MAFR and AQ, it recommends that future research should consider the views of audit experts from different financial reporting ecosystems in South Africa to obtain diverse opinions regarding a framework that shall contribute to effective MAFR on AI and AQ.

Keywords: Audit quality, Audit experts and mandatory audit firm rotation
JEL Classifications: M41, M42, M48

1. INTRODUCTION

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. The paper noted that public confidence in audit firms has eroded over the years as a result of prior 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 and James, 2019).

There have been prior accusations of auditor's improper conduct for which Regal Bank, Randgold and Leisure-net are examples of firms accused in South Africa (SA) of audit misconducts (Marques and Cerbone, 2018). Harber and Marx (2020) point out that the South African IRBA is with the perception that the absence of AI has resulted in most financial reporting failures. While Tertius et al. (2017) argue that auditor misconduct has led to concern about the influence of long auditor tenure on AI and AQ. In response to corporate scandals and auditor misconduct in many jurisdictions including South Africa, there has been an increase in the call for stringent regulations to address issues of AI and AQ (Holm and Zaman, 2012).

In the past decade, there have been legislative changes in some jurisdictions to serve the public interest by improving regulations governing auditing. Examples of such reforms include 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 the formation, adoption and implementation of MAFR in many financial reporting ecosystems. MAFR as per the definition of Sarbanes (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." It's in this regard that the South African IRBA in consultation with its stakeholders adopted the measures on MAFR and its implementation date is April 01, 2023 (Tertius et al., 2017). One of IRBA's perceptions of international and local corporate material misstatements and fraud is a result of the misconduct by auditors some of whom lack the capacity to deliver an independent audit opinion when inspecting companies' financial statements (IRBA, 2017), which could be the result of overly long tenure with clients. Cameran et al., (2015) soundly concur that policy change such as MAFR comes with an additional financial burden to audit firms because it mostly results in institutional disruptions and start-up costs, which could have implications on AQ.

The available literature on pre-MAFR implementation concentrated on its effects on AQ, AI and market concentration by various scholars from different jurisdictions (Velte and Stiglbauer, 2012, Ewelt-Knauer et al., 2013 Cameran et al., 2016, Velte and Loy, 2018). Consistent with MAFR proponents, our study draws experience from many other economies and then blind's it to the South African purpose in order to contribute to the IRBA discourse concerning the rule of MAFR.

The study noted a limitation of research on auditor's and academic perceptions (Audit experts) regarding the pre - MAFR rule and its implications on AQ in a South African context. Primarily, this paper aims to contribute to the growing discourse surrounding pre - MAFR rule. However, previous research from different jurisdictions has shown variations internationally concerning MAFR rule policy, with some countries conducting it for all listed entities while others for only specified financial institutions (Cameran et al., 2016; Widyaningsih et al., 2019).

The arguments made by many of the proponents of MAFR from different jurisdictions are consistent with those of the South Africa's IRBA, although the rule has met strong opposition from various institutions including the South Africa's appeal court, which recently ruled against the policy (IRBA, 2023). Significantly, in line with those arguments, the study examines the perceptions of audit experts about MAFR on AQ seeking to evaluate the perceptions of auditors and academics regarding pre-implementation of the rule on the quality of audits in KwaZulu-Natal, South Africa.

2. LITERATURE REVIEW

2.1. Audit Quality Theoretical Underpinning

Audit quality (AQ) has been highlighted as a very important pillar in this research. The IRBA aims to improve it by identifying problems, such as the long-term tenure of firms, and formulating policies to rectify it through the implementation of MAFR, which will restore confidence in audit service in South Africa (IRBA, 2021). In addition, AQ is considered a tool that ensures that audit professionals do not experience conflict of interest when providing non-audit services (Watts and Zimmerman, 1981, DeAngelo, 1981a). DeAngelo (1981b) and Palmrose (1988) soundly contend that AQ is the joint chance of detecting, exposing facts and figures regarding financial statement errors. DeAngelo (1981a) concurs that AQ depends on the competency and ability of financial reporting experts to detect and report 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, AQ is determined by clients conforming to regulations, which the auditor should make clear to them (Francis, 2011). Significantly, AQ is not just about regulations or auditing standards but it's 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. Mohd-Sanusi et al., (2008) contend that the International Auditing and Assurance Board (IAAB) adopted the International Standard for Quality Control (ISQC) 1 in 2004 to ensure AQ when firms review financial statements and provide various services leading to the independence of auditors.

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). One of ISQC1's core mandates is to improve the quality of audits by strengthening the ethical environment of the audit firm so that AQ is sustained (Brivot et al., 2018).

2.2. South Africa's 2023 Policy on Mandatory Audit Firm Rotation

The South African new audit regulation on a MAFR rule will take effect in 2023 with policy conditions on audit firms, which will see entities allowed a maximum of a 10-year tenure of audits relevant to only public interest firms (IRBA, 2017b). At the same time, the rule on MAFR in South Africa will require all audit firms that are of public interest with tenure of audit being 10 or >10 financial reporting years perpetually before and after the effective date of mandatory rotation and a cooling off period for 5 years before reappointment. Concisely, KPMG (2016) alludes that the EU rule on MAFR is requires audit firms to be considered for rotation every ten years and provision for extension up to a maximum of 20 years is allowed if a tender process can be made publicly after 10 or 24 years on the basis of a joint audit.

The unsettled discourse concerning the influence of MAFR on AI and AQ continues to be an issue within the financial reporting eco-system, with many studies resulting in conflicting outcomes. While SAICA (2016a) contends that the rule will provide an avenue where investor defence will be a top agenda and this will contribute to transformation through the creation of opportunities for previously disadvantaged audit firms.

However, the latest ruling from South Africa's Supreme Court of Appeal has for now set aside the IRBA policy on MAFR. IRBA, (2023) soundly alludes that the court of appeal's decision means the rule on the rotation of firms is no longer mandatory for companies to appoint new audit firms every ten years and therefore, the limitations cease to be effective. The decision by the court is consistent with Martani et al. (2021), whose study concurs that although MAR positively influences the quality of audits but has a lower positive impact during regimes of Big 4 firms. It suggests that the relationship between audit quality and tenure of auditors was insignificant and could possibly be partly of the reasons policy decision-makers from Indonesia championed the cause of abolishing the audit firm rotation rule in 2015.

2.3. Proponents of Mandatory Audit Firm Rotation on Audit Quality

The most efficient and effective means of strengthening the quality of audits is by implementing a MAFR rule (Franzel, 2004, Narayanaswamy and Raghunandan, 2019). Elder et al. (2015) investigated the impact of audit firm rotation policy on AQ and found that there was a positive correlation. The study recommended that municipalities implement the rule on a rotation of firms and use auditors specialising in public sector audits to ensure AQ (Elder et al., 2015). While Bronson et al. (2016) study found that MAFR regulation improves AQ through the reduction of incidences of earnings smoothing, by reducing reporting of insignificant profits and increasing that of large losses. Fathi and Rashed (2021) examine MAFR's impact on the quality of audits using a sample of auditors drawn from Big4 and non-big4 audit firms in Egypt. The study found that MAFR has a positive relationship with AQ, but added that the rule has a useful means of improving auditor independence.

Additionally, Sulistyo Kalanjati et al. (2019) document a link between audit partner rotation and audit firm rotation with much attention to the quality of audits. Results from the study revealed partner level rotation is associated positively with AQ, and audit firm rotation is negatively connected with it. Hai and Quy (2019) concur by adding that the rule on a mandatory rotation of auditors and competence has effects on the quality of audits. Pinto et al. (2019) contend that senior auditors in the financial reporting ecosystem have a negative perception of auditor rotation resulting in a loss of client-specific knowledge and argue that the link between audit tenure and independence is weak resulting in a negative effect on AQ. Previously, Tobi et al. (2016), argue that MAFR and AQ are correlated positively, but the correlation is not statistically significant but safeguards the quality of audits.

Also, due to jurisdictional variations in pre and post-MAFR from in and around the financial reporting ecosystem. Widyaningsih et al. (2019) soundly point out that there is no evidence to suggest the relevance of the rule on the quality of audits, although the policy has a positive relationship between MAFR and AQ. Aschauer and Quick (2018) maintain that even with audit partner rotation auditor independence is not guaranteed as the majority of audit opinions result in lower AQ. Qawqzeh et al. (2018) study found that long tenure of audits compromises auditor objectivity and independence, which in most cases affects AQ as it found occasions where issues of quality decrease with firm rotation in place.

Quick and Schmidt (2018) study concentrated on the perceptions of banks directors and institutional investors in one of the EU's biggest economies (Germany) concerning audit firm rotation impact, auditor retention and joint audits on the quality of audits and AI. The study found joint audits and a 24-year rotation cycle negatively affected AI resulting in a decrease in AQ significantly, compared to a rotation cycle of 10-year period. While Kriti Bhaswar and Abhishek (2019) study concentrated on the effects of audit firm rotation, their research results showed that audit firm rotation has an insignificantly positive relationship with abnormal working capital accruals. Also, the results of research by Choi et al., (2017) on MAFR rule against AQ of the big 4 in South Korea revealed that the quality of audit is generally lower in post-turnover. Contrary to the results of Choi et al., (2017) study, KPMG South Africa's position at the time was not in support of MAFR due to a lack of evidence to support the IRBA's hypothesis that policy would strengthen auditor independence, which would then lead to improved AQ (KPMG, 2017).

Pouwels (2017) examines the link between the rotation of audit firms and AQ employing data from 196 listed companies from eight EU countries that showed varying degrees of investor protection. The outcome of the results revealed that the rule on MAFR has no bearing on the quality of audits in countries with stronger and weaker investor protection, but quick to add that it negatively influences quality in jurisdictions with feeble defence of investors (Pouwels, 2017). Myntti (2019) study obtained data from auditors who were attached to three Big 4 firms that revealed MAFR has the possibility of increasing AI and professional scepticism, but its effects on AQ were inconclusive. Malela (2020) study also found that audit firm rotation enhances the quality of audits and decreases most firms' dependence on clients.

3. RESEARCH METHODOLOGY

The paper utilizes a positivist paradigm in addressing the objective of the research with the adoption of a quantitative approach. The quantitative research approach employed in this article led to the statistical analysis and interpretations that reflected the opinions of a sample of participants, which aided in the generalisation of our study outcome to a larger population as a whole (Arghode, 2012). Strictly, the positivist philosophy in this paper depended on quantifiable observations analysed statistically, which in this article were the opinions of academics and auditors concerning MAFR and its implications on the quality of audits collected in a survey (Gall et al., 2007) conducted in the province of KwaZulu-Natal in South Africa using primary data.

The research population of our study were audit experts (auditors and academics), while the paper utilizes a purposive non-probability sampling method which led to the selection of participants with detailed knowledge of the relationship between MAFR, AQ and the variables that have direct effects on this research based on our own judgement (Cresswell and Plano Clark, 2011, Etikan et al., 2016). The research sampled audit experts both in professional practice and in the academic world situated in South Africa within the confines of KwaZulu-Natal province. Participatory audit experts were knowledgeable in the field of financial reporting and auditing with a deeper understanding of the phenomenon of interest. The study employed a quota-sampling technique in the selection of participants because their practices were professionally the same but affiliated with different entities in KwaZulu-Natal.

The sample size of this paper was 133 audit experts and 168 for audit firms and academic institutions, which were determined through a guide (30-500 participants) recommended by Sekaran and Bougie (2016) and (Yamane, 1967, Israel, 1992). We gathered about 168 perceptions of anonymous audit experts using an online survey questionnaire and quantified in terms of numerical data (Creswell and Creswell, 2017) inspired by (Said and Khasharmeh, 2014:Salifu and Mahama, 2015: Gwala and Nomlala, 2021) whose studies examine issues of MAFR with conflicting results. The participants in this article's survey were audit partners, registered auditors, academics and audit managers. In total, out of 168 questionnaires distributed, 102 respondents returned the survey questionnaires representing 60.7% which was acceptable for a researcher to draw a conclusion as recommended by Fincham (2008), who soundly argues that for the range of a survey to reach an acceptable target, it will need not <60% survey response rate.

Conclusively, to ensure that the study instrument utilized in this research was reliable and its validity acceptable a test was conducted resulted in removing, editing and simplifying questions. We then used Cronbach's alpha to measure the internal consistency of our questionnaire (Goforth, 2015) arriving at 0.796 indicating that our instrument for collecting data was reliable and consistent.

4. DISCUSSION OF RESEARCH DATA RESULTS

This part of the article presents the research demographic data with AQ and MAFR responses from participants utilizing descriptive statistics.

Analysis of age with gender classification of respondents showed that 65.3% of the majority of the respondents were male (66), whereas 34.7% of females were 35. Data from our study regarding age distribution revealed that 47.1% (48) of the respondents were 40 years older and above, while 45.1% (46) were between the ages of 31 and 40 years old, and 7.8% (8) were between 25 and 30 years as shown in Table 1.

On classification of race, highest academic and professional qualifications. Data results showed that Indians were 49.0%, Africans were 25.5%, and whites were 19.6%, whereas coloureds were 5.9% as illustrated in Table 2. In addition, the results analysis of our data revealed that the majority of respondents disclosed having degrees of honours were 76.0%, 23.0% of the respondents had doctorial and master's degrees. while respondents with a bachelor's degree were 1.0%. Results further revealed that respondents who were CA's with SAICA affiliation were 99.0% and CA's affiliated to other professional accounting bodies were 1.0% as shown in Table 2.

The analysis of data regarding positions showed that 89.2% (91) of participants were audit partners and RA's with IRBA affiliation, whereas, 8.8% of the respondents were auditing lecturers and 2.0% were professional auditing participants but were academics in different accounting disciplines as illustrated in Table 3. Meanwhile, analysis of data about respondent's working experience showed a 36% of the participants had served between 11 and 20 years, 36% of the respondents had served between 5 and 10 years, 17% of them had work experience for over 20 years, while respondents with <5 years of experience were 11% as illustrated in Table 3.

Additionally, Table 4 presents an analysis of employees from public institutions and Tie 2 audit firms in KwaZulu-Natal with 89.2% of total respondents from Tie 2 audit firms while 2.9% and 7.8% of respondents were from institutions 1 and 2. While data analysis regarding full-time employees revealed (90)91.8%, that of respondents serving on a part-time basis was (8) 8.2% as described in the fourth table.

Research data results analysed on the implementation of MAFR in 2023 from institutions and audit firms in support of the rule on MAFR showed (90) 88.2% of the respondents who were registered auditors and academics agreed that their employers

Table 1: Age and gender classification

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

Table 2: Race classificationsy

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

Table 3: Professional and academic 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/doctoral degree	23	23.0	Total	102	100.0

Table 4: Positions and work experience of participants

Position variable	F	VP	Work experience variable	F	VP
Audit partner	91	89.2	<5 years	11	11
Lecturer-Auditing	9	8.8	5-10 years	36	36
Lecturer-Others	2	2.0	11-20 years	36	36
	102	100	>20 years	17	17

were in support of MAFR implementation. However, general results on data from some academics and registered auditors revealed that (2) 2.0% of firms were not in support, while respondents who were uncertain regarding the rule were (10) 9.8%. On tie 2 audit firms, (79) 86.8% of respondents affirmed their companies supported MAFR implementation, while (2) 2.2% of respondents indicated that their employers were not in support and (10) 11% were not certain. All 11 respondents from institutions 1 and 2 in KwaZulu-Natal province indicated that their employers supported the MAFR implementation as illustrated in Table 5.

Also, analysis of research data results provided respondents a rear opportunity to give an account of their opinion on the impending 2023 MAFR implementation rule yet to be applied by audit firms. Results from data showed that (90) 88.2% agreed, while (2) 1.96% disagreed, and (10) 9.8% were uncertain respondents. Buttressing further, the research enquired from participants on whether respondents had experienced mandatory auditor rotation since the inception of their working years. The data analysis showed that (58)56.9% of the respondents indicated no, (38) 37.3% indicated yes, where (5) 4.9% were uncertain as shown in Tables 5 and 6 respectively.

Table 5: Tier 2 audit firms and institutions as well as employment status

No of employee's variable	F	VP	Status variable	F	VP
Tier 2 audit firm	91	89.2	Full time	90	91.8
Institution 1	8	7.8	Part-time	8	8.2
Institution 2	3	2.9	Total	98	100.0

Analysis from Table 7 above showed a 0.563 SD and a mean of 4.02, which is 4 approximately, meaning 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

Table 6: 2023 MAFR in South Africa

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 and 2	11	-	-	11	10.78	-	-
Total	90	2	10	102	88.23	1.96	9.80

Table 7: MAFR on audit quality statements

Statement	n	Standard/Mean
Q-19 MAFR will generally improve AQ in South Africa.	102	0.563/4.02
Q-20 MAFR is an essential measure to increase competition and improve the quality of audits 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 AQ 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 the quality of audits in general.	102	1.032/3.94
Q-23 The need to preserve a firm reputation and client revenue could be motivation for an audit firm to maintain AQ when the MAFR rule 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 AQ.	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

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.

4.1. The Perception of Audit Quality when MAFR is in Place

Inconsistent with the results of Thornton (2016), who contend that MAFR rule implementation would have consequences that cannot be ignored, whereas data results of this study showed that most respondents agreed MAFR would improve AQ. In addition, various other researchers concur with this result (Elder et al., 2015, Bronson et al., 2016, Tobi et al., 2016, Williams and Wilder, 2017, Martani et al., 2021). On the contrary, Choi et al. (2017) maintain that MAFR negatively affects AQ, which is lower in the post-turnover period (Choi et al., 2017), while Sulistyo Kalanjati et al. (2019) contend that auditor firm rotation is negatively associated with and decreases AQ.

Data results revealed that 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 inconsistent with Harber and Maroun (2020) argument that the market concentration of the Big 4 audit firms will increase with the implementation of MAFR.

Respondents neither agreed nor disagreed that MAFR would 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 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 the 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 general.

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).

5. CONCLUSION

In addressing the perceptions of audit experts about MAFR on AQ through evaluation of respondent's inputs regarding pre-implementation of the rule on the quality of audits in KwaZulu-Natal, South Africa. Our study gathered participants' perceptions through an online survey questionnaire (Q19-Q25). We examined and found conflicting outcomes: Firstly (Q19-Q23), data revealed a mean average of 3.9 and 3.2, while analysis of the data showed a majority of the respondents agreed that AQ would improve during the MAFR regime. On the other hand (Q24-Q25), our data showed that most respondents neither agreed nor disagreed that MAFR has the potential to reduce AQ. Generally, there would be an increase in competition amongst all audit firms, although tie2 companies might struggle due to a lack of expertise and resources to compete with Big4 audit firms during the MAFR regime.

This study contributes to existing knowledge and the continuous debate on the rule regarding MAFR in South Africa and other jurisdictions. It has the potential to grant clear and more understanding to interested parties in the auditing profession regarding the dynamics of the audit industry concerning the logical connections between AQ and MAFR. The implication of the results of this research may contribute to policies of auditing institutions and other jurisdictions in the industry intending to address some of the unequal discrepancies affecting the quality of audits. Employing MAFR as an alternative mechanism to address AQ challenges may not be the remedy due to continued conflicting research outcomes from different jurisdictions in and around the financial reporting ecosystem. We conclude that MAFR as an extreme alternative to be employed by IRBA in South Africa, is neither practical nor workable due to jurisdictional differences with reasons of culture and prevailing market conditions. We suggest future research should consider the views of audit experts from different financial reporting ecosystems in South Africa to obtain diverse opinions regarding a framework that shall contribute to effective MAFR on AI and AQ.

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