

# **IRBA**

# **National Road Show**

# **2009**

# Programme

- Overview of IRBA Strategy
- The impact of the new corporate legislation
- Amendments to the Audit Profession Act
- Limitation of auditor liability
- Proposed project on the future of the auditor qualification
- Raising awareness of the audit profession
- BB-BEE verification
- JSE listing requirements
- Accreditation of professional bodies
- Representation on international committees and international recognition as a regulator and standard setter
- Stakeholder relations
- Transformation of the profession
- Practice review philosophy
- Continuing professional development
- IRBA Code of Ethics
- Supervision of anti-money laundering compliance
- Other departmental projects

# Overview of IRBA Strategy

- Regulatory Philosophy
- Positioning in Financial Services Market
- Environmental Analysis
- Vision, Mission and Objectives
- Business Strategy
- Operational Strategy
- Resources and Funding

# The impact of the new corporate legislation

- Companies Act promulgated and effective mid 2010
- Impact on Audit Profession
  - Types of Assurance to companies
  - Providers of assurance services
- IRBA response
  - Proposed Review Standard
  - Liaison with DTI

# Amendments to the Auditing Profession Act

Task Group proposal - approved by the Board in October 2008

Proposed Amendments: Housekeeping and Technical in three parts:

- **Certain Definitions** that **will enhance their clarity and unambiguous interpretation** in the implementation of various sections throughout the Act that make reference to such definitions;  
Sections relating to the **practice of auditing** that were **retained from the previous PAA Act overtaken by Standards on Auditing and pronouncements** with which registered auditors in South Africa are required to comply in the conduct of an audit and are either, **no longer relevant, or inadequately describe**, the responsibilities of registered auditors; and
- Sections relating to **administrative processes** to be followed by the IRBA to **ensure certain administrative provisions**, mainly related to Disciplinary Processes, **are clear and unambiguous** which are intended to achieve the following: **time and cost savings; more effective achievement of the aims** of the Act; and the **elimination of unnecessary processes**.
- **Process and time frame:**
  - Task Group and Directors - drafting and editing – aim to complete by **August 2009**; thereafter to Board for Approval in Principle;
  - Proposed amendments to legal advisers and selected commentators to advise on possible flaws and any further changes;
  - Proposed amendments to National Treasury and then to State Law Advisers and Parliamentary Process, planned **before end of 2009**.

# Limitation of auditor liability

## Task Group proposal – Project approved by the Board in October 2008

- Research being undertaken regarding the Auditor Liability Regime and Risk Exposure of Auditors in SA and possible market impact in the event of a collapse by any of the large or middle tier firms as a result of huge claims currently being experienced
- Global Regulatory Working Group visit to SA and Presentation 11 Feb 2009 global trends – interface with Regulator Lobby Groups – Laws and Regulations affecting auditors and capping of auditor liability in all countries which have member bodies of IFAC
- Profiling profession in SA and barriers to entry and retention and global networks implications for auditor liability risk exposure
- SAICA Discussion Paper – need for wide consultation on proposals
- Identifying Stakeholders for consultation – both Initiatives
- Various Options being considered – apportionment of liability, capping, limited liability partnerships – research focus on SA aspects as well
- Report in progress - intend to submit to the Board for Approval in September 2009 with recommendations and anticipated proposed amendments to APA or other Statutes that will be required to implement
- Proceed with consultation with stakeholders as widely as possible to address issues raised;
- Draft proposed amendments to APA or other Acts - to Board for Approval
- Proposed amendments to legal advisers and selected commentators to advise on flaws and any further changes;
- Proposed amendments to National Treasury and then to State Law Advisers and Parliamentary Process **early in 2010**.

# Proposed project on the future of the auditor qualification

- Task team constituted
- 1<sup>st</sup> meeting 17 July 2009
- Exposure Draft – October 2009
- Discussion forums – January 2010
- Final recommendation report to the Education, Training and Professional Development Committee by June 2010
- IRBA – August 2010

# Raising awareness of the auditing profession

- Funding available for marketing the audit profession
- Strategy:
  - Raise awareness
  - Actively recruit
  - Retain competence
- Project launch 2010

# BB-BEE verification

- IRBA Role in drafting of guidance: 2007 – 2008
- SANAS accreditation of Verification Agencies
- SANAS R0-72 Guidelines – Independence / PI Insurance.
- Accreditation of Auditors by SANAS
- Mid 2009 - approached by DTI to assist due to challenges experienced with SANAS process and credibility of Rating Certificates issued by Verification Agencies
- Seeking blanket accreditation for all registered auditors who may wish to perform verification work for e.g. audit clients - in negotiation with DTI for accreditation / monitoring of verification agents.
- Watch this space.....

# JSE listing requirements

- Bulletin 3 Listing Requirements for auditors – IRBA concerns raised immediately
- Liaison with JSE, FSB and National Treasury
- Disciplinary provisions for auditors exceed powers of JSE in terms of Securities Services Act (SSA); confirmed by memorandum from attorneys, several meetings and submissions for changes to Listings Requirements
- In the meanwhile – Auditors have had to apply for Registration issues for Foreign Auditors in terms of information requested – may conflict with Privacy Legislation in some countries
- IRBA has corroborated information re individual registered auditors and their firms, Registration, Practice Review Status and Disciplinary record (if any)
- Impact for Practice Review
- We understand amendments have been drafted by JSE and are being considered by the FSB, but IRBA has not yet had sight of these and reserves its right to pursue further changes if its concerns are not fully addressed
- Reality is that some form of Accreditation will be applied by The JSE – but needs to be on a fair basis and in terms of the applicable legislation.

# Accreditation of professional bodies

- Accreditation Model
- SAICA accredited in 2007
- ACCA :
  - Applied in 2008
  - Accreditation Committee constituted- June 2008
  - Application suspended in May 2009
- Third professional body has expressed interest

# International representation and recognition as regulator and standard setter

- SA / IRBA involved in:
  - IFAC IAASB
    - Clarity Standards
    - Proposed Review Standard
    - Assurance Reports on Pro forma information
  - IFAC IESBA
  - IFAC NSS (Audit and Ethics)
  - IFIAR

# Stakeholder relations

- **Local**
  - Auditors
  - Regulators
  - Government
  - Media
  - Staff
  - Accredited and other Professional Institutes
  - Academia
- **International**
  - Audit Regulators
  - Audit and Ethics Standard Setters

# Transformation of the profession

- Participation in SAICA Transformation Initiative
- Funding available to IRBA
- Other initiatives

# Practice review philosophy

A new approach to Practice review

- Public interest versus non-public interest
- Firm versus practitioner
- Re-review criteria
- Firm review process

# Practice review philosophy (continued...)

## Public interest versus non-public interest

- Category A – public interest
- Category B – public interest
- Category C – non-public interest

## Firm versus practitioner

- Previous reviews/inspections concentrated on individual registered auditors
- 4<sup>th</sup> cycle reviews / inspections will be of **firms** with public interest audit clients
- Quality control and engagements

# Continuing professional development

- Review of policy and procedures underway
- Task team constituted
- 1<sup>st</sup> meeting – 6 July 2009
- Will consider:
  - Current reporting format
    - » Categories
    - » Verifiable and non-verifiable
    - » Type of report
  - Appropriateness of exemptions
  - Attest and non-attest

# IRBA Code of Ethics

- Working on Revision of IRBA Code – have completed mapping documents
- CFAE Task group considered mapping documents – basis likely to be new IFAC Code for Professional Accountants approved end of April 2009 Plus National Requirements of IRBA.
- Drafting of Proposed IRBA Code in progress – will go to CFAE for approval of Exposure Draft in July 2009 and thereafter recommended for approval to IRBA Board
- Plan to issue Exposure of Proposed Code early in August 2009 – on exposure for three months to end of October 2009 – comments considered and changes presented to CFAE and IRBA Board in November 2009
- Plan to issue new IRBA Code in December 2009 – phasing in period and then effective from 2010

# Supervision of anti-money laundering compliance

## FICA

Section 45 (1) of the Financial Intelligence Centre Amendment Act -  
“Every supervisory body is responsible for supervising and enforcing compliance with this Act by all accountable institutions regulated or supervised by it.”

The IRBA performs its supervisory role by:

- Issuing guidance for accountable institutions in the form of an Anti-Money Laundering Guide;
- Rating accountable institutions according to annual returns submitted;
- Perform on-site inspections at accountable institutions;
- 8 on-site inspections performed during 2008; and
- Participation in FICA task groups.

Areas of non-compliance found include insufficient record-keeping, inadequate or no internal rules and lack of management responsibility for the FICA requirements.

# Other departmental projects

- IT
- Funding of IRBA
- Recognition of IRBA Practice Review Process
- Media Liaison

# Questions?

# Contact details

## IRBA

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