



# MANEO

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NEWSLETTER FROM THE PUBLIC ACCOUNTANTS' AND AUDITORS' BOARD  
NUUSBRIEF VAN DIE OPENBARE REKENMEESTERS- EN OUDITEURSRAAD

## REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

This is our last issue of Maneo for the 2002 year. It has been a year in which the auditing professions internationally have come under intense scrutiny following the continuing incidences of corporate failures around the world following the major Enron collapse towards the end of last year. Investor confidence in the capital markets has been severely dented and governments around the world have been under severe pressure to review and reform regulation.

Whilst the accountancy profession has been at the forefront of much of the criticism, a growing realisation has emerged that the causes of failure are often deep rooted in poor corporate governance and the selfish greed of those responsible for the management of companies.

Nevertheless, the accountancy profession, and especially its auditing arm, has a mountain to climb to restore public confidence in our profession and its critical role in the capital markets. The strategies and initiatives of the Board to improve our operations and to prepare for the future have been consistently featured in Maneo, on our website and in the media over the past two years and we have devoted significant effort to their implementation.

In our March 2002 edition of Maneo, we reported on the decision of the

Minister of Finance to put our proposed new Accountancy Profession Bill on hold pending its review in the light of the spate of corporate failures both nationally and internationally. The PAAB supported this decision of the Minister and welcomed his undertaking to actively engage with the role players concerning the Bill over the coming months. In our June 2002 edition of Maneo, we reported on certain additional initiatives that were put in place to move forward with our strategies for improvement and preparing for the future.

In August, National Treasury informed us that the Minister of Finance would be establishing a Review Group to finalise the new legislation. The PAAB and SAICA were asked to put forward names of persons to represent the profession. The names put forward are

Vassi Naidoo, Chief Executive of Deloitte & Touche, Sindi Zilwa, Executive Chairman of Nkonki & Associates, Roy Andersen, Chief Executive of Liberty and Peter Moyo, Deputy Managing Director of Old Mutual. At the time of writing, we understand that it is the intention of the Minister to finally appoint this Review Group and to get the process underway before year-end.

The Board really welcomes this initiative from Government. There is a great need for certainty and finality and the PAAB is well prepared to give constructive input and assistance to achieve this. ■

**COSTA QUALLY**  
*Chairman*

**CLAUDE O'FLAHERTY**  
*Chief Executive Officer*

## SEASONS GREETINGS

On behalf of the PAAB  
we wish all our members and their families  
a joyous festive season  
and a happy and prosperous 2003.



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## AUDITING STANDARDS

### AUDITING STANDARDS COMMITTEE (ASC)

The following IFAC exposure drafts have been issued for comment in South Africa:

Title	Comment Date
Reporting on Compliance with International Financial Reporting Standards	8 January 2003
Audit Risk: Proposed International Standards on Auditing and Proposed Amendment to ISA 200 "Objective and General Principles Governing an Audit of Financial Statements"	14 March 2003

These exposure drafts can be downloaded from the PAAB web site [www.paab.co.za/AuditingStandards/AuditingStandards\\_003.html](http://www.paab.co.za/AuditingStandards/AuditingStandards_003.html).

The proposed practice statement on Reporting on Compliance with International Financial Reporting Standards (IFRSs) supplements guidance provided in ISA 200 Objective and General Principles Governing an Audit of Financial Statements and ISA 700 The Auditor's Report on Financial Statements. In particular it provides additional guidance when the auditor expresses an opinion on financial statements prepared in accordance with:

- IFRSs,
- IFRSs and relevant national standards and practices, and
- Relevant national standards and practices but where disclosure is given in the notes to the financial statements on the extent of compliance with IFRSs.

The IAASB states in its explanatory memorandum to the audit risk exposure draft that "it believes the proposed ISAs will increase audit quality as a result of better risk assessments and improved design and performance of audit procedures to respond to the risks. The improved linkage of audit procedures and assessed risks is expected to result in a greater concentration of effort on areas where there is a greater risk of misstatement. In some cases, this may result in a change to the audit approach, including the audit procedures performed. In many cases, implementation of the proposed ISAs will result in an overall increased work effort by the audit team, particularly for new engagements or when first implemented on continuing engagements. It is also likely that to implement the new requirements will require new skills and competencies, and may increase the need for specialist assistance on audits."

The following table sets out the proposed audit risk ISAs and the ISAs to be replaced once the proposed audit risk ISAs are approved:

Proposed ISA	Existing ISA to be replaced
Amendment to ISA 200 Objective and General Principles Governing an Audit of Financial Statements	Proposed addition only to ISA 200
ISA XX Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement	ISA 310 Knowledge of the Business ISA 400 Risk Assessments and Internal Control ISA 401 Auditing in a Computer Information Systems Environment
ISA XX The Auditor's Procedures in Response to Assessed Risks	ISA 400 Risk Assessments and Internal Control ISA 401 Auditing in a Computer Information Systems Environment
ISA XX Audit Evidence	ISA 500 Audit Evidence

All registered accountants and auditors in public practice are urged to submit their comments on the audit risk exposure draft since these Standards establish the basic framework for the audit process.

All comments received on these exposure drafts will be submitted to the IAASB and will also be considered by the ASC in finalising the proposed SAAPS and statements of SAAS.

### AUDITING STANDARDS BOARD (ASB)

At its last meeting on 18 October 2002 the ASB approved for issue the following pronouncements:

- SAAS 502 Enquiries Regarding Litigation and Claims which becomes effective for all audit reports issued on or after 31 January 2003. This statement of SAAS will replace AU 257 Enquiries of Attorneys which will be withdrawn from the effective date of this statement of SAAS.
- SAAS 545 Auditing Fair Value Measurements and Disclosures which becomes effective for audits of financial statements for periods ending on or after 31 December 2003.
- SAAPS 1004 The Relationship Between Banking Supervisors and Banks' External Auditors.
- SAAPS 1006 Audits of the Financial Statements of Banks.

SAAS 502 establishes new requirements when dealing with enquiries regarding litigation and claims. In particular:

- Representation letters are only to be sent when the auditor has identified material litigation and claims or believes they may exist, i.e. they are not sent as a matter of course.
- The representation letter should only be sent once the



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## AUDITING STANDARDS

auditor is satisfied that the letter has been properly completed by management. (Attorneys have been instructed not to respond to requests where the schedule to the request has not been properly completed).

- Attorneys are afforded the opportunity to bring to the auditor's attention further material litigation and claims of which they are aware. The request for the representation letter is to provide an indication of the amount below which litigation and claims are not considered material for the purposes of the enquiry and which need not be considered by attorneys when attorneys take the opportunity of bringing further litigation and claims of which they are aware to the attention of the auditor.

SAAS 502 also provides guidance on enquiries of employee legal advisors.

SAAS 545 is based on ISA 545 which was issued to address the increasing number of complex accounting pronouncements containing measurement and disclosure provisions based on fair value. It addresses audit considerations relating to the valuation, measurement, presentation and disclosure for material assets, liabilities, and specific components of equity presented or disclosed at fair value in financial statements. In particular SAAS 545 provides guidance on:

- Understanding the entity's process for determining fair value measurements and disclosures and relevant control procedures,
- Assessing the appropriateness of fair value measurements and disclosures,
- Using the work of an expert,
- Testing the entity's fair value measurements and disclosures,
- Evaluating the results of audit procedures,
- Management's process for determining fair value and management representations, and
- Communication with those charged with governance.

When auditing fair value measurements and disclosures auditors are reminded of the provisions of SAAS 700.33 which states that "the auditor should consider modifying the auditor's report by adding an emphasis of matter paragraph if there is a significant uncertainty, the resolution of which is dependent upon future events, and which may affect the financial statements." Fair values may be subject to significant uncertainty and hence the auditor may consider modifying the audit report with an emphasis of matter with respect to this significant uncertainty.

SAAPS 1004 and SAAPS 1006 have been based on the equivalent International Auditing Practice Statements which were issued to assist auditors in addressing the unique issues associated with bank audits and to enhance the effectiveness of bank audits worldwide.

### PRONOUNCEMENTS ISSUED BY SAICA

The following circulars were issued by SAICA in August 2002:

- Circular 2/2002 Subordination Agreements, and
- Circular 3/2002 Letters of Support.

Watch out for a SAICA circular on Reporting on Summarised Financial Information Contained in Interim Reports, Preliminary Reports, and Voluntary Announcements of Annual Results.



C. O'Flaherty (PAAB CEO); D. Esdon (IAASB Vice-Chairman); D. Mertin (IAASB Chairman); I. Sehoole (SAICA Executive President) and C. Qually (PAAB Chairman).

### INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)

The PAAB and SAICA jointly hosted the second, very successful, IAASB meeting in Cape Town from 23-27 September 2002. At this meeting the IAASB approved for issue the following pronouncements:

- An exposure draft of proposed International Standards on Audit Risk.
- An exposure draft of a proposed International Auditing Practice Statement on Compliance with International Financial Reporting Standards.
- An exposure draft of a proposed Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services and an Operations Policy on Bold Type Lettering.

The board considered the progress of task forces working on the following proposed pronouncements:

- A revised International Standard on Using the Work of Another Auditor,
- A proposed International Auditing Practice Statement on The Audit of Group Financial Statements, and
- An International Standard on Review of Interim Financial Statements.

The Board also received an update on the activities of the AICPA in response to the Sarbanes-Oxley Act and reporting on internal control. ■

— KAREN LAUF



## EDUCATION AND TRAINING

# OPEN-BOOK ASSESSMENT AND THE PPE

The PAAB has conducted a thorough investigation into the value of open-book assessment with respect to the Public Practice Examination (PPE). After much research and exploration the Education Committee of the PAAB published a draft document outlining its proposals and setting out the philosophy underpinning an open-book format for the PPE.

The document was presented to interested parties and providers of the education and academic programme for comment and discussion. The final decision, on whether or not the PPE will assume an open-book format, has not been finalised.

The information presented below is an overview of the philosophy behind the PAAB's proposed change. It will hopefully give a broader understanding of the debate and help clarify certain fundamental issues.

Research into open-book assessment for the PPE does not only stem from major changes in education, but also arises from the changing nature of knowledge. Professional accountants are expected to use and have access to a rapidly increasing volume of knowledge and are required to improve their ability to locate information effectively. They need to become "knowledge managers".

In order to understand knowledge management within the context of the PPE, an understanding of what the PPE examines and expects of the candidates is necessary.

The aim of the PPE is to assess the professional competence of a candidate to apply integrated knowledge, skills and professional values appropriate to the practice of a registered accountant and auditor at entry level. The PAAB specifically states that the learning content of academic material should go beyond the transfer and recall of knowledge and enable candidates to develop skills and values appropriate for self-directed enquiry and research. The academic programme (university programme) develops "core competence" and the candidate demonstrates that core competence through the successful completion of a professional qualifying examination (Part I). The candidate's "professional competence" is subsequently developed through the training programme and the education programme (auditing specialist course), and assessed through the PPE. Assessment of professional competence therefore needs to take place in a situation that reflects the diverse nature of the public practice environ-

ment. Accordingly, the PPE questions are based on practical situations likely to be encountered in the multi-disciplinary public practice environment. Candidates are required to draw on an integration of knowledge and skills.

In practice, however, practitioners are required to find solutions to complex problems over an extended period of time and after appropriate consultation with other professionals and relevant literature. An assessment approach, which sought to mimic this aspect of the environment, would require the introduction of assessment methodologies not limited to written examinations. While there certainly is merit in alternative forms of assessment, the introduction of open-book assessment must be viewed for now, within the current written format of the PPE.

Professionals, confronted with everyday problems, should be able to offer some immediate response based on already acquired and embedded knowledge. However, depending upon the nature of the problem, there will be times when a professional would not be expected to offer a full response without further consultation with other professionals and without reference to relevant literature. This implies that, if the objective of the PPE is to assess professional competence (the integration of knowledge and skills), one would need to distinguish between knowledge which one could reasonably expect a candidate to have embedded and knowledge which would be unreasonable to expect the candidate to have embedded, but which the candidate should be able to access effectively and efficiently.



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Given the written format of the PPE, and in order to properly test professional competence, the assessment must enable the evaluation of both the above facets of professional knowledge. This assessment can be best achieved by permitting students access to relevant texts during the written examination. Open-book examinations may take a number of forms relating to the nature of the texts allowed and the time given to candidates to use the texts. The PAAB proposes that access should be limited to certain texts only and that time for the examination should also be limited. With limits placed on both time and access, one is able to assess both types of professional knowledge. Candidates would need to draw upon knowledge reasonably expected to be embedded, as time constraints would not enable those candidates who need to refer to texts for fundamental principles to complete the paper. Candidates would also need to be able to refer to permitted texts for that portion of professional knowledge not expected to be embedded, but would need to do so effectively and efficiently in order to complete the paper within the given time. This format, limited time and access, is most suited for the PPE as it encourages and allows for “knowledge management”.

The term “knowledge management” refers to “any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance”. The terminology provides an understanding of the complex nature of knowledge, knowledge acquisition and knowledge organisation. Blacker (1995) puts knowledge into the following categories:

- Embedded in technologies, rules and organisational procedures;
- Encultured as collective understandings, stories, values and beliefs;
- Embodied into practical activity-based competencies and skills; and
- Embraced as conceptual understanding and cognitive skills.

Knowledge is either held individually or collectively. Embodied or embraced knowledge is individual and embedded and cultural knowledge is collective. How we use this knowledge and process it becomes an important aspect of knowledge management. At this point in the discussion it becomes useful to distinguish between data, information and knowledge:

- Data consists of the basic facts – the building blocks for

information and knowledge;

- Information is data that have been processed in a way which is meaningful to individuals;
- Knowledge is information put to productive use – it is personal.

Within an individual context, knowledge management is the transforming of data into meaningful information to be effectively put to use. The relevance of this for open-book assessment is entrenched in the idea that not all professional knowledge can be held in ones head. It therefore stands to reason that candidates should not be expected to recall all information by heart. Certain resource materials, particularly those that change regularly, should be allowed into the examination room. Candidates then have the opportunity to transfer data into information that is accessible and productive.

The responsibility lies with the candidate to effectively prepare his/her understanding of the data in order to find it quickly and use it productively. “Knowledge management” refers to an individual’s ability to effectively access data, transform it into meaningful information and use it productively. The situation becomes one of placing more emphasis on understanding and application and less on the regurgitation of data.

The discussion above gives an indication of the complex nature of knowledge and knowledge management. In this regard written examinations admittedly have limitations, however, at this time, it remains the most appropriate form of assessment. This view is supported by IFAC (International Federation of Accountants) which suggests that a written examination as near as possible to the end of the training programme is the most appropriate form of assessment. For this reason a five-hour case-study type examination is retained, while the philosophy of knowledge management is introduced in the form of an open-book examination using limited access and limited time. Of the many benefits to be derived from the introduction of open-book assessment, the most important are:

- the enhancement of the teaching/learning process and
- the enhancement of the PPE as a better assessment of professional competence.

As stated at the outset of this article, no final decision regarding a change of the PPE to an open-book format has yet been made. The matter is still being discussed and feedback from interested parties and providers is being processed. ■

— LAINE KATZIN



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## PRACTICE REVIEW

### IFAC: FORUM OF FIRMS

Launched in January 2001, the Forum of Firms is an organisation of international firms that perform audits of financial statements that are or may be used across national borders. Members of the Forum voluntarily agree to meet certain requirements, including undergoing a global independent quality review. Commitment to the obligations of membership in the Forum contributes to raising the standards of the international practice of auditing in the interest of users of the profession's services.

### STRUCTURE

The Forum conducts its business primarily through the Transnational Auditors Committee, an IFAC committee whose members have been nominated by the members of the Forum.

### MEMBERSHIP REQUIREMENTS

Membership in the Forum will be open to firms of all sizes that –

- have transnational audit appointments or are interested in accepting such appointments;
- agree to conform to the Forum's Quality standards; and
- agree to subject their assurance work to periodic external quality assurance reviews.

The Forum's Quality Standards require that member firms –

- have policies and methodologies used for conducting transnational audits which, as a minimum, require compliance with International Standards on Auditing, in addition to relevant national standards on auditing
- comply as a minimum with the Code of Ethics in addition to relevant national codes of ethics
- maintain training programmes to keep partners and staff who perform transnational audits aware of international developments relevant to financial reporting, including auditing and ethics
- maintain appropriate quality control standards and conduct regular internal quality assurance reviews to monitor compliance with the Member Firm's policies and methodologies for conducting transnational audits.

International networks of firms practicing under the same name or whose member firms are otherwise closely identified with one another, such as through common elements in their name, will be expected to join as one organisation.

Membership of the Forum will include the obligation to provide resources to participate in the Forum's activities and to pay appropriate fees.

### TRANSNATIONAL AUDITORS COMMITTEE

The Transnational Auditors Committee is an executive committee of IFAC dedicated to representing and meeting the needs of the members of the Forum of Firms. It is a key component of the international self-regulatory regime adopted by IFAC and plays a major role in encouraging member firms to meet high standards in the international practice of auditing.

### ROLE AND RESPONSIBILITIES

The Transnational Auditors Committee will –

- develop, maintain and administer a global peer review program to assess the consistency of the policies and practices of members of the Forum of Firms with the Forum's Quality Standard;
- encourage the adoption of internationally recognised standards of accounting and auditing;
- regularly review issues relevant to auditors with transnational clients and provide supplementary guidance of interest to those firms;
- propose observers to participate on other key IFAC committees and work closely with other IFAC committees on matters of interest to Forum members; and
- supervise the provision of additional technical material regarding the specifics of transnational work necessary to supplement the guidance already issued by IFAC.

The Transnational Auditors Committee has created a Quality Assurance Subcommittee to develop the procedures and oversee the process of international quality assurance reviews for members of the Forum of Firms.

### OBJECTIVE OF THE FORUM OF FIRMS QUALITY ASSURANCE REVIEW

The ultimate objective of the Forum of Firms Quality Assurance Review is to review and report on the design of the firm's policies and procedures in accordance with the Forum of Firms' Quality Standard, and the firm's compliance, in all material respects, with those policies and procedures.

*Information extracted from the IFAC website on 5 November 2002. ■*

— JILLIAN BAILEY



### QUARTERLY REPORT FROM THE DIRECTOR: LEGAL

for the period 1 July 2002 to 30 September 2002

#### INVESTIGATION COMMITTEE

The Investigation Committee met twice during this period and disposed of 24 cases as follows:

- Six cases were either withdrawn by the complainant, not prosecuted, or not proceeded with by the Committee, for various other reasons, including settlement.
- Four cases in terms of Disciplinary Rule 3.9.1 (the accused having given a reasonable explanation for the conduct).
- One case in terms of Disciplinary Rule 3.9.2 (the conduct complained of not constituting unprofessional conduct).
- Three cases in terms of Disciplinary Rule 3.9.3 (there being no reasonable prospect of proving the accused guilty).
- One practitioner was cautioned; the matter related to negligence.
- Two practitioners were reprimanded; one matter related to a conflict of interest and the other to failure to contact the previous auditor.
- Seven practitioners were fined. All had pleaded guilty, and were found guilty. The matters were as follows: One matter related to negligent tax work (R3 000); the second to a loan (R2 000), the third to a lack of independence (R3 000); the fourth to poaching clients (R5 000); the fifth to dismissal of a trainee (R3 000) and the sixth to practice review (R15 000 suspended on conditions).

#### DISCIPLINARY COMMITTEE

The Disciplinary Committee heard five cases during this period.

##### FIRST MATTER

On 8 July 2002 the Committee heard the case against Mr C. He was found guilty on three out of eight charges.

##### First guilty finding

The accused admitted that he should not have permitted a certain restructuring arrangement to have been incorporated into the annual financial statements as at 28 February 1993. He failed without reasonable cause or excuse to perform his duties in this regard with such a degree of care and skill as in the Board's opinion was reasonably to be expected. As such he was found guilty on this ground of contravening disciplinary rule 2.1.5

##### Second guilty finding

The accused conceded that the description of the compromise with creditors as a rights issue was incorrect. The Board found that the use of these words was misleading and accordingly found the accused guilty of contravening disciplinary rule 2.1.5.

##### Third guilty finding

The Board found that the report entitled "Report of the Independent Auditors" dated 4 July 1994 did not comply with generally accepted auditing standards relating to reports by auditors, either in form or in content, and was misleading. In the circumstances the Board found the accused guilty of contravening disciplinary rule 2.1.21 and that in drawing the report and making it available to the world at large, the accused contravened disciplinary rule 2.1.5

##### Sentence

The Committee combined all the findings for the purposes of punishment and imposed the following sentence:

- A fine of R30 000,
- an award of costs of R50 000,
- publication of the facts of the case, the sentence imposed, but not the name of the accused or that of his firm, in *Maneo*.

#### SECOND MATTER

On 29 August 2002 the Committee met again to hear a case against Mr B. The accused was however taken ill the night before and the matter had to be postponed.

#### THIRD MATTER

Die Komitee het op 11 September 2002 die saak teen Mnr L aangehoor. Daar was drie klagtes teen die praktisyn voorspruitend uit sy praktyk oorsig. Hy is skuldig bevind aan al drie klagtes.

##### Die eerste klag

Die praktisyn is skuldig bevind aan onbehoorlike gedrag soos bedoel in dissiplinêre reël 2.1.5 deurdat hy, sonder redelike oorsaak of verskoning, versuim het om sy werk of pligte as ouditeur van [F], wat werk of pligte was wat gewoonlik deur 'n geregistreerde rekenmeester en ouditeur uitgevoer word, met sodanige mate van omsigtigheid en bedrewenheid uit te



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voer as wat volgens die Raad se oordeel redelikerwys verwag kan word, deurdat:

- Die praktisyn versuim het om ouditwerkspapiere of ouditbewyse (alternatiewelik het die praktisyn versuim om voldoende of volledige ouditwerkspapiere of ouditbewyse) op te stel of te bekom of te behou in verband met sy oudit van die finansiële state. Hy het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 230 en/of SAOS 500.
- Daar was nie 'n vaste bate register vir die maatskappy nie, soos vereis deur Art 284(1)(b) van die Maatskappywet, 1973.
- Die finansiële state het, ten opsigte van krediteure, wesenlik verskil van die werkspapiere. Daar was geen verduideliking hiervoor nie.
- Die finansiële state het ten opsigte van die bankoortrekkingsbalans, wesenlik verskil van die werkspapiere. Daar was geen verduideliking hiervoor nie.
- Die praktisyn het nie die ouditrisiko en die ouditwesenskap en ouditprogramme gedokumenteer nie. Die praktisyn het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 300 en/of SAOS 320 en/of SAOS 400.

### Die tweede klag

Die praktisyn is skuldig bevind aan onbehoorlike gedrag soos bedoel in dissiplinêre reël 2.1.5 deurdat hy, sonder redelike oorsaak of verskoning, versuim het om sy werk of pligte as ouditeur van [A], wat werk of pligte was wat gewoonlik deur 'n geregistreerde rekenmeester en ouditeur uitgevoer word, met sodanige mate van omsigtigheid en bedrewenheid uit te voer as wat volgens die Raad se oordeel redelikerwys verwag kan word, deurdat:

- Die praktisyn versuim het om ouditwerkspapiere of ouditbewyse (alternatiewelik het die praktisyn versuim om voldoende of volledige ouditwerkspapiere of ouditbewyse) op te stel of te bekom of te behou in verband met sy oudit van die [A] finansiële state. Hy het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 230 en/of SAOS 500:
- Die praktisyn het nie die ouditwesenskap en ouditprogramme gedokumenteer nie. Die praktisyn het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 300 en/of SAOS 320.

### Die derde klag

Die praktisyn is skuldig bevind aan onbehoorlike gedrag soos

bedoel in dissiplinêre reël 2.1.5 deurdat hy, sonder redelike oorsaak of verskoning, versuim het om sy werk of pligte as ouditeur van die Prokureursfirma, wat werk of pligte was wat gewoonlik deur 'n geregistreerde rekenmeester en ouditeur uitgevoer word, met sodanige mate van omsigtigheid en bedrewenheid uit te voer as wat volgens die Raad se oordeel redelikerwys verwag kan word deurdat:

- Die praktisyn versuim het om ouditwerkspapiere of ouditbewyse (alternatiewelik het die praktisyn versuim om voldoende of volledige ouditwerkspapiere of ouditbewyse) op te stel of te bekom of te behou in verband met die opstel, ondertekening en uitreik van die prokureursfirma-verslag. Hy het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 230 en/of SAOS 500.
- Daar was geen rekord dat die praktisyn geskrewe bestuursverklarings verkry het nie. Die praktisyn het derhalwe versuim om te voldoen aan algemeen aanvaarde ouditstandaarde en meer in besonder SAOS 580.

### Vonnis

Die Komitee se vonnis en redes was as volg:

Die Komitee het Mnr L se tipe praktyk, sy ouderdom en sy verhouding met sy kliënte in ag geneem. Die Komitee het in besonder ook die feit in ag geneem dat daar geen aantuiging van oneerlikheid teen Mnr L gebring is nie. Die pro forma klaer het in argument juis aangevoer dat Mnr L oor integriteit beskik.

Die Komitee het kennis geneem van die feit dat Mnr L sekere stappe geneem het om die tekortkominge in sy ouditpraktyk aan te spreek. Die Komitee het egter bevind dat die stappe geneem deur Mnr L nie voldoende was om die tekortkominge, soos uitgewys deur die praktykoorsigte, aan te spreek nie, en verder was daar aanduidings dat hy sekere vereistes as onprakties en onnodig beskou het.

Die Komitee wou dit duidelik stel aan Mnr L dat hulle sy houding in hierdie verband in 'n ernstige lig beskou. Versuim om aan die vereiste standaarde te voldoen is vir die Komitee onaanvaarbaar, en die Komitee kan, in publieke belang, in hierdie verband nie enige vergunnings toelaat nie. In ooreweging van die gepaste vonnis het die Komitee Mnr L se vorige skuldigbevindings en gepaardgaande opgeskorte vonnisse in ag geneem.

By 'n vorige geleentheid is Mnr L 'n boete van R15 000 opgelê, opgeskort vir 'n tydperk van drie jaar op voorwaarde dat hy nie binne daardie tydperk weer skuldig bevind word aan 'n oortreding voortspruitend uit 'n praktykoorsig nie. By 'n ander geleentheid is Mnr L, inter alia, geskors van praktyk



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vir 'n periode van twee jaar, welke skorsing opgeskort is vir 'n periode van drie jaar op voorwaarde dat Mnr L gedurende daardie tydperk nie skuldig bevind word aan 'n oortreding van Reël 2.1.5 nie.

Die Komitee was onseker of die eerste van die opgeskorte vonnisse nog afdwingbaar was nie, maar het in hul diskresie besluit om nie enige van die twee opgeskorte vonnisse in werking te laat treë nie. Mnr L is die volgende vonnis opgelê:

- Dat hy van praktyk geskors word vir 'n periode van vyf jaar, welke skorsing vir vyf jaar opgeskort is op die volgende voorwaardes:
  - Dat Mnr L weer 'n praktykkoersig moet ondergaan soos bedoel in Artikel 22A van die Openbare Rekenmeesters- en Ouditeurswet, op 'n datum wat vasgestel moet word tussen Maart en Mei 2003;
  - Dat Mnr L nie skuldig bevind word aan oortreding van Dissiplinêre Reël 2.1.5 en/of 2.1.21 gedurende sy periode van opskorting van sy vonnis nie.
- Dat Mnr L gelas word om R20 000 tot die kostes van die verhoor by te dra.
- Dat die feite van die saak sowel as die vonnis opgelê, in *Manao* gepubliseer word op voorwaarde dat Mnr L se naam en die van sy praktyk nie gepubliseer mag word nie.

### FOURTH MATTER

On 11 September 2002 the committee heard another case, against Mr M. He was found guilty of two charges, arising out of practice review.

#### The first charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 in that, without reasonable cause or excuse, he failed to perform his duties as auditor to [C], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all in that

- In respect of his audit of the financial statements, the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate audit working papers and audit evidence. He accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

#### The second charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 in that, without reasonable cause or excuse, he failed to perform his duties as auditor

to [ML], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all in that

- In respect of his audit of the financial statements the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate working papers and audit evidence. He accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

#### Sentence and reasons

The Committee took into account the evidence presented in mitigation and particularly Mr M's obvious commitment to improving the standards of his audit practice. However the Committee also took into account the seriousness of the failure to apply the required auditing standards, particularly in view of the fact that Mr M has professional staff in his office who must learn from his example.

The Committee also heard evidence of Mr M's previous convictions. It considered that certain convictions prior to 1995 should not be taken into account. However, the Committee took into account the conviction and sentence imposed by the Investigation Committee in 2000. In that matter, a practice review matter, Mr M had been found guilty and sentenced to pay a fine of R15 000 which fine had been suspended for three years on condition that Mr M was not found guilty of an offence arising out of a complaint lodged by the Practice Review Committee relating to work done during that period.

In the circumstances the Committee imposed the following sentence:

- Mr M was suspended from practice for a period of three years, but that suspension was itself suspended for a period of three years on the following conditions:
  - Mr M's practice is to be reviewed as contemplated in section 22A of the Public Accountants' & Auditors' Act within a period of 12 months
  - That Mr M is not found guilty of contravening disciplinary rule 2.1.5 and/or 2.1.21 as a result of any work done during the period of suspension.
- The suspended fine of R15 000 imposed by the Investigation Committee in 2000 was brought into effect and was imposed on Mr M.
- Mr M was ordered to pay a contribution to the costs of the proceedings in the amount of R10 000.
- Publication of the facts and the sentence imposed were





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ordered to take place in *Maneo*, but on condition that neither Mr M's name nor that of his practice is mentioned.

### FIFTH MATTER

On 12 September 2002 the committee heard the case against Mr S. He was found guilty of two out of three charges, arising out of practice review.

#### The first guilty charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 in that, without reasonable cause or excuse, he failed to perform his duties as auditor to [G], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all, in that

- In respect of his audit of the [G] financial statements the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate audit working papers and audit evidence. He accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

#### Second guilty charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 in that, without reasonable cause or excuse, he failed to perform his duties as auditor to [A], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all, in that

- In respect of his audit of the financial statements the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate audit working papers and audit evidence. The practitioner accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

#### Sentence and reasons

The Committee took into account the factors raised by Mr S in mitigation. In particular, the Committee took into account the fact that Mr S had pleaded guilty, acknowledged the seriousness of the offence and gave evidence that he has taken genuine steps to improve his auditing standards. It also took into account that there was no suggestion of any dishonesty on the part of Mr S.

Mr S had one previous conviction. He had been sentenced

by the Investigation Committee in 1999 to the payment of R15 000 which fine had been suspended for a period of three years. In the view of the Committee there was no certainty that the suspension was still in force, and the Committee did not bring that fine into force.

In all the circumstances the Committee imposed the following sentence:

- Mr S was suspended from practice for a period of one year, which suspension was suspended for a period of three years on condition that Mr S is not found guilty of contravening disciplinary rule 2.1.5 and/or 2.1.21 as a result of audit work done during the period of suspension.
- Mr S was ordered to pay a contribution to the costs of the proceedings in the amount of R15 000.
- Publication of the facts and the punishment were ordered to take place in *Maneo*, but on condition that neither Mr S's name nor that of his practice is published.

### SIXTH MATTER

On 12 September 2002 the committee heard another case, against Mr N. He was found guilty of three charges, two arising out of practice review and one of a failure to respond to correspondence.

#### The first charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 in that, without reasonable cause or excuse, he failed to perform his duties as auditor to [CB], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all, in that

- In respect of his audit of the [CB] financial statements the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate audit working papers and audit evidence. He accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

#### The second charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.5 of the disciplinary rules in that, without reasonable cause or excuse, he failed to perform his duties as auditor to [GS], being work or duties commonly performed by a practitioner, with such a degree of care and skill as in the opinion of the Board may reasonably be expected, or he failed to perform the work or duties at all in that:



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- In respect of his audit of the financial statements the practitioner failed to keep audit working papers and audit evidence, alternatively he failed to keep adequate audit working papers and audit evidence. He accordingly failed to comply with statements of auditing standards SAAS 230 and/or SAAS 500.

### The third charge

The practitioner was found guilty of improper conduct within the meaning of disciplinary rule 2.1.14 in that he failed to answer or to deal with appropriately within a reasonable time correspondence or other communications from the Board which required a reply or other response.

### Sentence and reasons

The Committee considered the evidence in mitigation and particularly that Mr N had pleaded guilty, noted that he was acutely aware of the seriousness of the offences, and has taken extensive steps to improve his auditing standards.

Mr N had one previous conviction in respect of which the Investigation Committee had imposed a suspended fine of R15 000.

In all the circumstances the Committee imposed the following sentence:

- A fine of R20 000, which fine was suspended for a period of two years, on condition that Mr N is not found guilty of contravening disciplinary rule 2.1.5 and/or 2.1.21 as a result of any audit work done during the period of suspension.
- The previously suspended fine of R15 000 imposed by the Investigation Committee was brought into effect.
- In respect of the third charge, the Committee reprimanded Mr N
- Mr N was ordered to pay a contribution to the costs of the proceedings in the amount of R15 000.

- Publication of the facts and the punishment was ordered to take place in *Maneo*, but on condition that neither Mr N's name nor that of his practice is published.

### PREVIOUS MATTER

It was reported in the last issue of *Maneo* that on 24 April 2002 the Disciplinary Committee heard a case but that the practitioner had indicated that he was taking the matter on review, and that it was accordingly not appropriate to comment on that matter. The practitioner has since reconsidered his stance and is not proceeding with a review. We accordingly report on the case, as follows:

On 24 April 2002 the Committee heard the case against Mr B. He was found guilty of one out of two charges brought against him, arising out of the reporting of a material irregularity.

### Finding

The practitioner was found guilty on the alternative first charge in reporting material irregularities in terms of section 20(5) of the Public Accountants' and Auditors' Act. More particularly he was found guilty of an error of professional judgement which reflected a lack of due care and skill on his part.

### Sentence

The practitioner was reprimanded and ordered to pay a contribution of R15 000 towards costs.

The findings of the Committee and the punishment imposed are to be published in *Maneo* without the name of the practitioner, or that of his firm.

### DISCIPLINARY PROCESS

As reported in the last issue, as from 1 January 2003 the new disciplinary dispensation will come into effect. ■

— JANE O'CONNOR

## INDIVIDUALS ADMITTED TO THE REGISTER OF THE BOARD

From 1 August 2002 to 30 September 2002

**Baloo Dharmesh**  
**Beekmans Carl Henricus**  
**Bell Tracy**  
**Buson Marlise**  
**Chili Gillian Nonhlanhla**  
**Codd Alan Leslie**  
**Conradie Pierre Johannes**  
**Davias George**  
**Dos Santos Tosca Nadine**

**Duvenhage Jako**  
**Esterhuizen Anton**  
**Ghini David**  
**Jenkins-Ferrett Kerry Claire**  
**Josselowitz Brett Alan**  
**Hugo Jacobus Stephanus**  
**Kermis Morne August**  
**Keshav Narvindchand Lala**  
**Hani Neo Phakama**

**Kandaial Vinesh Narpath**  
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**Riga Kamlesh Motilal**  
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**Van Niekerk Scha**  
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**Vosloo Marius**  
**Warren Richard**  
**Wiggett Johannes Hendrik**



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## INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE BOARD

From 1 August 2002  
to 30 September 2002

**Cloete** *Freddie Edward*  
**De Vries** *Colin Michael*  
**Landman** *Nicolaas Jacobus*  
**Liebenberg** *Schalk Willem*  
**Minnaar** *Johannes Martinus*  
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**Oates** *Vivian Keith*  
**Salanje** *Gerald Mfanyana*  
**Smit** *Jacobus Francois*  
**Snyman** *Neil James Francis*

## INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD

From 1 August 2002  
to 30 September 2002

**Braude** *Jonathan Herbert (emigrated)*  
**Gentin** *Alvin (emigrated)*  
**Gross** *Max (resigned)*  
**Joseph** *Roy Alan (emigrated)*  
**Krowitz** *Larry Mark (emigrated)*  
**Ogilvie** *Duncan Cameron (emigrated)*  
**Quinlan** *Frank John (resigned)*  
**Richardson** *Walter MacLaren (resigned)*  
**Tsanwani** *Aluimelwi Josias (deceased)*

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Jerome Mvelase – Printer  
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Priscilla Mlaba – Support Services  
Maria Maganedis – Support Services  
Queen Maboshego – Support Services  
Moses Maruping – Transport/Mailroom Clerk