



**irba**

INDEPENDENT REGULATORY BOARD FOR AUDITORS

**NEWS**

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# In 2019 Let's Follow the Right Path

And move forward with renewed hope for the profession

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## FROM THE CEO'S DESK

The past 18 months have been tumultuous, and 2018 will go down in audit history as one when the profession hit a crossroad. Through this time, our general advice to audit firms has been to take actions that will restore confidence as that cannot be done by the regulators alone. Firms have a key role to play in rebuilding trust in their quality and integrity. We have also emphasised that all role players in the financial reporting system, including management, those charged with governance, internal auditors and shareholders, have a role to play in restoring confidence in the profession.

The Steinhoff business failure cost the economy billions of rand. In the latest scandal with VBS Bank the auditor provided a clean audit report though millions of rand had been stolen and pensioners had lost their hard-earned investments.

Audit is a public interest responsibility. As such, auditors must consider the cost of their decisions on the public, investors and the economy.

During our engagement with the profession this year it became clear that the firms also do not see the gravity of reputational damage, and they do not realise the extent of the measures that need to be taken to reverse this. During past crises when there had been a loss of confidence, the first reaction had always been to deny that anything is wrong. Rather, there had always been an insistence that audit quality meets the required standard, while regulators have seen things differently, with inspection results supporting our view.

Auditors do not only require technical competence to perform a high-quality audit – they also require appropriate behavioural competence, and this is something that I have repeatedly addressed this year. Most audit failures are not only linked to poor audit quality. They have a lot to do with auditors behaving unethically, not exercising professional scepticism and not acting independently.

Furthermore, if leadership supports a culture that makes profits more important than ethical behaviour, this tone will permeate the whole organisation. Initially, we thought that the unethical behaviour was isolated, but as more wrongdoings have come to light, it is becoming clearer that we are dealing with a systemic problem in the profession.

It takes one “bad apple” for a firm, and indeed a profession, to be classified as a “barrel of rotten apples”. Therefore, individual errant partners should be dealt with swiftly as drawn out processes of disciplining auditors benefit no one and merely perpetuate the negative image of the profession. The IRBA is making every effort to get these processes concluded as quickly as possible in order to minimise the reputational damage to the profession as a whole.

I wish to emphasise that the regulator is there to assist the firms and caution them against potential audit failures. It is, therefore, advisable to work with us instead of opposing our attempts to help improve audit quality.

Times have also changed with regards to the environment in which we find ourselves. There is an increased awareness of the role of auditors and expectations by investors, the media and the public. The “new normal” is an active media as well as an educated and vocal public. The advent of social media has changed the speed at which the public forms its conclusions.

It seems that auditors have forgotten who the ultimate client is, and whose expectations they must satisfy. Being too cosy with the client can mean that the auditor is no longer comfortable to challenge the client on behalf of shareholders and investors. The expectation gap is therefore real.

The public expects more work to be done by auditors around fraud risks. Consequently, firms must improve and adapt their methodologies and work done around fraud risk on the engagement. It is no longer sufficient to claim that auditors are not expected to discover fraud. Rather, auditors need to strengthen their procedures so as to identify and respond to fraud risk factors, especially in the current environment of corruption and increased expectations from the public.

Much of what has happened has confirmed the concerns we voiced as far back as 2013 and 2014. We see that there is a lack of professional scepticism and independence, and conflicts of interest are not considered sufficiently. Many audit failures are a result of cosy relationships between auditors and their clients (audit committees, CFOs, management). Yet, auditors keep denying that these relationships have an impact on their independence and audit opinions.

It is time for auditors to start to take responsibility and accountability and stop being in denial and defensive. In 2019, there must be a commitment to clean up and focus on audit quality, especially in light of the IFIAR Public Report on audit findings and the deterioration in quality. Similarly, the IRBA will address any potential shortcomings in its regulatory oversight in its attempts to rebuild public confidence.

My hope for this holiday season is that we will all reflect on the year that was and resolve to make significant changes in 2019. I hope firms seriously start focusing on quality, not as a risk to be managed but as an imperative to regain public trust. Without trust there is no confidence; and without confidence an audit opinion has limited value.

Let's not wait for the market to change audit and decide on its continued relevance. Let's agree to make the changes in the profession that are necessary to ensure that the profession can weather this storm.

I wish you all a good festive season and a wonderful holiday break. My hope for 2019 is that we can finally draw a line in the sand and move forward with renewed hope for the profession.



*Bernard Peter Agulhas*  
**Chief Executive Officer**

## THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Standards:
  - Outreach by the IAASB.
  - Resources and Tools for Small- and Medium-sized Practitioners.
  - International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.
  - *Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme*.
  - Exposure Draft: Proposed International Standard on Related Services 4400 (Revised): *Agreed-Upon Procedures Engagements*.
  - Exposure Draft: *Proposed Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act*.
  - Exposure Draft: *Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts*.
  - Exposure Draft: Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), *Illustrative Reports*.
  - Revised Illustrative Banks Act Regulatory Auditor's Reports.
  - IAASB projects in progress.
- Ethics:
  - *IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)*.
  - Exposure Draft: Proposed amendments to Section 321 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018): *Second Opinions*.
  - IESBA projects in progress.

## Outreach by the IAASB

The International Auditing and Assurance Standards Board (IAASB) has on two recent occasions conducted outreach activities in South Africa, with both events hosted by the IRBA.

The IAASB invited all interested stakeholders to help shape the future of assurance over emerging forms of external reporting (EER) at an event held in Johannesburg on 23 October 2018, as part of a global series of discussions being held in seven locations worldwide. Marek Grabowski, who is the Director of Audit Policy at the Financial Reporting Council, the chairman of the EER Task Force of the IAASB and a member of the IAASB, led the discussion. Ciara Reintjes, a member of the Project Advisory Panel to the EER Task Force, facilitated the discussion. The event was well attended, with about 60 representatives from various constituencies that include assurance providers, professional accountancy organisations, preparers, the public sector, regulators, academics and consultants in attendance. This event was part of the preparations for the publication planned for early 2019 of a proposed International Assurance Engagement Practice Note, Addressing Challenges in the Application of ISAE 3000 (Revised) to EER.

Then, on 21 November 2018 all interested stakeholders were invited to an IAASB outreach event held with some of the IAASB's leadership and staff. High profile representatives from the IAASB were Professor Arnold Schilder (IAASB Chairman) and Mr Jasper van den Hout (Principal). The event offered stakeholders an opportunity to explore current IAASB projects, which included consultation on the next IAASB strategy; revisions to quality control standards and the proposed new approaches to quality management; a focus on the audit of accounting estimates; revisions to the risk identification and assessment standard; and an update on IAASB projects relating to data analytics, professional scepticism and extended forms of external reporting. In addition to this public event, a series of media interviews took place, as well as meetings with firm leadership of certain firms, and consultations with the African Organisation of Supreme Audit Institutions (English).



One of the media interviews IAASB Chairman Arnold Schilder, right, had was with eNCA's Bruce Whitfield from The Taking Stock Show.



The outreach also included a consultation session with AFROSAI-E representatives.

# STANDARDS cont.

## Resources and Tools for Small- and Medium-Sized Practitioners

The IRBA website has been updated for small- and medium-sized practitioners (SMP) resources and tools developed by the International Federation of Accountants (IFAC). This follows the IFAC's recent issue of updated information.

IFAC's SMP Committee represents the interests of professional accountants in the SMP sector. The committee develops guidance and tools, and also works to ensure that the needs of the SMP and the small- and medium-sized entities (SME) sectors are considered by standard setters and regulators.

SMPs may find the publications useful in running their practices and for SME engagements. A full list of resources and tools is available on the [IRBA SMP webpage](#).

These publications have not been issued as guidance in South Africa as they have not undergone the IAASB's or IRBA's due process for the development of International Standards. However, the guidance may be of use to SMPs, bearing in mind that registered auditors are required to apply the International Standard on Quality Control 1 and the IAASB's International Standards. Those standards also provide, in certain circumstances, for the perspectives of SME engagements to be considered.

The following document has been added to the list of SMP resources:

Description	Issued
Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities, Fourth Edition	17 July 2018

The new document listed above is available in PDF format and may be downloaded from the [IFAC website](#). Alternatively, a link to this document is available on the [IRBA SMP webpage](#). Should you have any further queries, please do not hesitate to contact the Standards Department by email at [standards@irba.co.za](mailto:standards@irba.co.za).

## Committee for Auditing Standards (CFAS)

### **International Standard on Auditing (ISA) 540 (Revised), Auditing Accounting Estimates and Related Disclosures**

The IAASB issued ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, on 3 October 2018.

The IRBA Board approved ISA 540 (Revised) for adoption, issue and prescription for use by registered auditors in South Africa at its meeting on 6 November 2018. The revisions to ISA 540 (Revised) include those that are responsive to the significant local and international inspection findings on the audit of accounting estimates.

Banks, insurers and other financial service providers have seen revolutionary changes in their accounting practices as they have moved to new accounting standards that transformed the way they

deal with loan provisions (International Financial Reporting Standard (IFRS) 9, *Financial Instruments*) and insurance contracts (IFRS 17, *Insurance Contracts*). ISA 540 (Revised) reflects this rapidly evolving business environment and ensures that the standard continues to keep pace with the changing market.

Some of the significant revisions include:

- An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors, in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- A requirement for a separate assessment of inherent risk and control risk.
- Specific material to show how the standard is scalable to all types of accounting estimates.
- Emphasis on the importance of applying appropriate professional scepticism when auditing accounting estimates to foster a more independent and challenging sceptical mindset in auditors. An example is the introduction of a "stand-back" requirement or "overall evaluation based on audit evidence obtained" that requires auditors to take into account all relevant audit evidence obtained, whether corroborative or contradictory.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after 15 December 2019. Early adoption of ISA 540 (Revised) is permissible and is encouraged by the IRBA.

It is critical that all parties in the financial reporting supply chain collaborate in the implementation of a standard that has such far-reaching effects on the audit of financial statements. The IAASB will provide implementation support to help auditors navigate and apply the revised standard. Please visit the IAASB website for more information.

ISA 540 (Revised) may be downloaded from the [IRBA website](#).

### **Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme**

The CFAS approved the *Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme (this Revised Guide)* in November 2018 for issue.

This Revised Guide provides guidance to a registered auditor on conducting an assurance engagement on the annual financial statements and annual statutory returns of a medical scheme.

This guidance focuses on understanding the nature and characteristics of a medical scheme, as well as the nature and extent of work on the engagement.

# STANDARDS cont.

## Revisions made to this Revised Guide

This Revised Guide addresses the following:

- Conforming amendments arising from the Constitutional Court ruling rendered on 6 June 2017 in relation to the correct accounting treatment of members' personal savings accounts (PMSA monies). This ruling applies prospectively.
- Conforming amendments arising from legislation changes that effect the treatment of accredited managed healthcare services.
- A reference to the Protection of Funds Act in the ISAE 3000 (Revised) illustrative report, as well as a reference to the Prescription Act 68 of 1969.
- Conforming amendments, where considered necessary, arising from the revision of the following ISAs:
  - ISA 260 (Revised), *Communication with Those Charged with Governance*;
  - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*;
  - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*;
  - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*;
  - ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*;
  - ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; and
  - ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*.
- Inclusion of requirements arising from the new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.
- All the ISAs mentioned above are effective for audits of financial statements for periods ending on or after 15 December 2016.
- Conforming amendments, where considered necessary, arising from the revision of the following International Standard on Assurance Engagement (ISAE):
  - ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This ISAE is effective for audits of financial statements for periods ending on or after 15 December 2015.
- Conforming amendments arising from Circular 38 of 2018, Audit tenure, issued on 3 August 2018 by the Council for Medical Schemes. Circular 38 of 2018 requires the auditor's reports on the annual financial statements to disclose the number of years that both the audit firm and the engagement partner have been the auditor of a medical scheme (audit tenure). This is applicable for audit reports on the annual financial statements of all medical schemes for periods ending on or after 31 December 2018.
- IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).

## Effective date

The Revised Guide is effective for engagements on accounting periods ending on or after 31 December 2018.

This Revised Guide is available in both Word and PDF formats and may be downloaded from the [IRBA website](#).

### **Exposure Draft: Proposed International Standard on Related Services 4400 (Revised): Agreed-Upon Procedures Engagements**

The IAASB has issued the proposed International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagement* (ED-ISRS 4400 (Revised)), for public comment.

The demand for agreed-upon procedures (AUP) engagements continues to grow across jurisdictions. Changes in regulation, such as the increase in audit exemption thresholds in many jurisdictions, have also driven increased demand for AUP engagements.

To ensure that the IAASB's standard on AUP engagements remains relevant in the current business environment, the IAASB proposes to enhance key concepts in the standard, including:

- The role of professional judgment in an AUP engagement.
- Disclosures relating to the practitioner's independence or lack thereof.
- Guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports.
- The use of a practitioner's expert in an AUP engagement.
- Restrictions on the distribution and use of the AUP report.

## Request for comments

The CFAS welcomes comments on all matters addressed in ED-ISRS 4400 (Revised), including responses to the specific questions set out in the Explanatory Memorandum. Comments should be submitted via email to [standards@irba.co.za](mailto:standards@irba.co.za) by **27 February 2019**. All comments will be considered as a public record.

Alternatively, we invite auditors and other interested parties to submit comments directly to the IAASB, via the [IAASB website](#), by **15 March 2019**.

A copy of ED-ISRS 4400 (Revised) is available on the exposure draft page on the [IRBA website](#).

### **Exposure Draft: Proposed Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act**

The CFAS approved the issuing of the proposed *Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act* (this proposed Revised Guide) on exposure in November 2018 for a period of 90 days.

This proposed Revised Guide provides guidance to registered auditors (auditors) on various matters relating to the audit, limited

## STANDARDS cont.

assurance engagement and other reporting obligations for authorised financial service providers (Providers) in compliance with the requirements of the Financial Advisory and Intermediary Services Act, 2002, Act No. 37 of 2002 as amended (the Act), and its subordinate legislation.

The purpose of this proposed Revised Guide is to provide assistance to auditors of Providers with respect to the auditor's responsibilities:

- To report to the Provider in terms of Section 19(3) of the Act;
- To report to the Financial Sector Conduct Authority (Authority) in terms of Section 19(4) of the Act; and
- Relating to his/her other reporting obligations.

This proposed Revised Guide has been updated for the following:

- Clarifying that the limited assurance engagement (Section 19(3)) is conducted in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
- Changes to legislation and the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018);
- Assurance related guidance in this regard; and
- The auditor's other reporting responsibilities.

### Proposed effective date

Depending on comments received, the expectation is that the final Revised Guide may be approved and issued by the CFAS in June 2019, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that the proposed Revised Guide will be effective for engagements commencing on or after 1 July 2019.

### Request for comments

The CFAS welcomes comments on all matters addressed in this proposed Revised Guide and seeks responses to three specific questions that are set out in the Explanatory Memorandum section.

We invite auditors and other interested parties to submit any comments regarding this proposed Revised Guide to the IRBA by **7 March 2019**. Comments, in Word format, should be submitted via e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a public record.

A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

### Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts

The CFAS approved the issue of the *Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts (this proposed Guide)* in November 2018 for a 90-day exposure period for public comment.

This proposed Guide was developed by a CFAS Task Group, which comprised technical staff representatives from auditing firms, the

Agricultural Produce Agents Council, the South African Institute of Chartered Accountants and the IRBA.

The guidance relates to understanding the nature and characteristics of an agricultural produce agent, and the nature and extent of assurance work on the engagement. As a consequence, this proposed Guide emphasises professional competence and professional scepticism.

This proposed Guide provides certain practical guidance to be considered in developing audit programmes. This proposed Guide does not override the requirements of the International Standards on Assurance Engagements (ISAE), nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement. As such, it should not be regarded as a checklist.

This proposed Guide is authoritative and includes:

- Guidance to a registered auditor on conducting an assurance engagement in accordance with ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* on a fresh produce agents' trust accounts in terms of the Agricultural Produce Agents Act 12 of 1992;
- An illustrative engagement letter and representation letter; and
- Illustrative interim and annual auditor's reports based on ISAE 3000 (Revised).

The abovementioned ISAE is effective for audits of financial statements for periods ending on or after 15 December 2015.

### Proposed effective date

Depending on the comments received, it is anticipated that the final Guide will be approved by the CFAS in June 2019 and issued in the same month, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that this proposed Guide will be effective for assurance engagements of financial year-ends of fresh produce agents' trust accounts ending on or after 31 December 2020. Early adoption is encouraged. As with early adoption of the new and revised ISAs permitted by the IAASB, early adoption of this proposed Guide will also be permitted where the auditor has early adopted the underlying suite of new and revised IAASB standards.

A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

### Request for comments

The CFAS welcomes comments on all matters addressed in this proposed Guide and seeks responses to three specific questions that are set out in the Explanatory Memorandum section.

We invite auditors and other interested parties to submit any comments regarding this proposed Guide to the IRBA by 15 March 2019. Comments, in Word format, should be submitted via e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered a matter of public record.

## CFAS Regulated Industries and Reports Standing Committee (RIRSC)

### **Exposure Draft: Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), Illustrative Reports**

The CFAS approved the issuing of the proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), *Illustrative Reports* (proposed SAAPS), on exposure in November 2018 for a period of 90 days.

The proposed SAAPS is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the International Standards on Review Engagements, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report.

Section 3 of the Explanatory Memorandum in the proposed SAAPS contains a number of significant matters deliberated by the CFAS during the revision of the proposed SAAPS, and specific comments are requested from respondents on these matters.

These significant matters are as follows:

- New format of the proposed SAAPS;
- New or significantly amended illustrative auditor's or independent reviewer's reports included in the proposed SAAPS;
- Other information – new guidance;
- Other information – public sector perspective;
- IRBA *Code of Professional Conduct for Registered Auditors (Revised November 2018)*; and
- Financial Reporting Pronouncements issued by the Financial Reporting Standards Council.

### **Proposed effective date**

Depending on comments received, the expectation is that the final SAAPS may be approved and issued by the CFAS in June 2019, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that the proposed SAAPS will be effective immediately.

### **Request for comments**

The CFAS welcomes comments on all matters addressed in the proposed SAAPS, especially those identified in the Request for Specific Comments section (Section 4) of the Explanatory Memorandum.

We invite registered auditors and other interested parties to submit any comments regarding the proposed SAAPS to the IRBA by **28 February 2019**. Comments, in Word format, should be submitted by e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a public record.

A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

### **Further implications of the Codes on the auditor's and assurance provider's reports**

We ask that you remain alert for a communique expected to be issued in January 2019 that will further deal with the implications of the IRBA *Code of Professional Conduct for Registered Auditors (Revised November 2018)* and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) on the auditor's and assurance provider's reports.

### **Revised Illustrative Banks Act Regulatory Auditor's Reports**

The CFAS approved the issue of the revised illustrative Banks Act regulatory auditor's reports on the Banks Act Returns (revised illustrative regulatory reports) for use by registered auditors (auditors) for banks with year-ends on or after 31 December 2018 as follows:

- South African and Consolidated Operations – Revised Illustrative Regulatory Reports A-I; and
- Foreign Operations (BA 610 returns) – Revised Illustrative Regulatory Reports A-H.

In terms of Regulations 39, 40 and 46 of the Banks Act (No. 94 of 1990), the external auditor of a bank is required to report to the Prudential Authority on various regulatory matters.

In terms of Regulation 46(6) of the Banks Act, the revised illustrative reports have been rendered in accordance with the wording and practices that the Prudential Authority, the South African Institute of Chartered Accountants (SAICA) and the IRBA agree to from time to time.

The revised illustrative reports are available in both PDF and Word formats and may be downloaded from the [IRBA website](#).

### **International Audit and Assurance Standards Board (IAASB)**

#### **IAASB projects in progress**

- Quality management at engagement level (ISA 220).
- Quality management at firm level (ISQM 1).
- Engagement Quality Review (EQR) (ISQM 2) – NEW STANDARD – see [IAASB website](#) for more information.
- Group audits (ISA 600).
- Professional scepticism.
- Auditor risk assessments (ISA 315 (Revised)).
- Data analytics.
- Integrated reporting (emerging forms of external reporting) assurance.

More information on these projects is available on the [IAASB website](#).



## Committee for Auditor Ethics (CFAE)

### **IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)**

The IRBA draws the attention of all registered auditors to the release of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code (Revised November 2018)). The IRBA Code (Revised November 2018) applies to all registered auditors (firms and individuals), regardless of whether their status is recorded in the IRBA's register as assurance or non-assurance.

The IRBA adopted the amendments made to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued during 2018, following the issue of proposed amendments on exposure in South Africa.

Board Notice No. 171 of 2018 was included in Government Gazette No. 42037 dated 16 November 2018, advising on the publication of the amendments to the IRBA Code (Revised November 2018) pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005).

Amendments to the IRBA Code (Revised November 2018) include the following:

1. Improving the Structure of the IESBA Code.
2. Revisions Pertaining to Safeguards.
3. New Guidance for Professional Scepticism and Professional Judgement.
4. Offering and Accepting of Inducements.
5. Restructure of South African Paragraphs.

The IRBA Code (Revised November 2018) is a positive response to recent concerns about auditor ethics and the goal of restoring confidence in the profession.

The [IRBA website](#) contains a list of links to relevant guidance on the IRBA Code (Revised November 2018), and this is guidance that has been developed internationally and locally. A [mapping table](#) is available to facilitate the tracking of changes from the extant IRBA Code to the IRBA Code (Revised November 2018).

### **Effective date**

The effective date of the IRBA Code (Revised November 2018) will be aligned with the effective dates of the amended IESBA Code. The effective dates are as follows:

1. Parts 1 and 3 of the IRBA Code will be effective as of 15 June 2019.
2. Part 4A of the IRBA Code relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019.
3. Part 4B of the IRBA Code relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 June 2019; otherwise, it will be effective as of 15 June 2019.

[Paragraph R540.19 shall have effect only for audits of financial

statements for periods beginning prior to 15 December 2023. This will facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organisation authorised or recognised by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.]

Part 2 of the IESBA Code relating to Professional Accountants in Business has been adopted by SAICA. Registered auditors are reminded of paragraphs 120.9 A2, 300.5 A1 SA and 300.5 A2 of the IRBA Code that clarify the applicability of Part 2 of the IESBA Code to registered auditors.

### **Implementation**

The release of the IRBA Code (Revised November 2018) will lead to significant changes and implementation risks that all registered auditors and audit firms will need to respond to, and these include the following:

- Training for firm personnel across all levels;
- Updating of the firm methodology, across audit and non-audit service lines;
- Considering amendments to firm policies and procedures;
- Noting differences between local requirements and international requirements;
- Transitional arrangements, and catering for the differing effective dates;
- Re-assessing safeguards currently used under the extant IRBA Code, among others; and
- Confirmation that all relevant firm personnel have understood the implications of the IRBA Code (Revised November 2018).

The IRBA Code (Revised November 2018) may be downloaded from the [IRBA website](#).

### **Exposure Draft: Proposed amendments to Section 321 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018): Second Opinions**

The CFAE approved the issuing of the amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* on exposure in November 2018 for a period of 60 days.

Circular 01/2006, *Giving Second Opinions* (the Circular), was issued in November 2006 by the CFAS. The Circular was issued to ensure appropriate communication between the auditor when asked to issue a second opinion, the existing auditor and their client to avoid misunderstandings and/or potential conflicts. The Circular includes practical guidance when there is a request for a second opinion on an accounting treatment.

When the IRBA adopted Parts A and B of the IESBA Code, it was not considered necessary for the Circular to be revised as the requirements, in principle, were incorporated into Section 230: *Second Opinions* of the IRBA Code (January 2011). The Circular was retained as it was still in use and offered good guidance.

## ETHICS cont.

In 2018 the CFAS requested that the Circular should be reconsidered by the CFAE as it is an IRBA Code related matter. Though the Circular was issued before the formation of the CFAE, it now falls under its mandate. The CFAE is also best placed to advise on whether the Circular should be amended, incorporated into the IRBA Code or withdrawn.

The CFAE considered whether the guidance contained in the Circular is still relevant and applicable to auditors. It also considered whether the guidance to be incorporated into Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* should be included as introductory material, requirements or application material.

Further, the Task Group considered whether the guidance included in Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* should be amended to:

- Align the guidance, where applicable, with South African amendments made elsewhere in the IRBA Code;
- Further strengthen the guidance by escalating certain application material to a requirement paragraph; and
- Include additional safeguards mentioned in other sections of the IRBA Code that might be relevant in addressing a possible self-interest threat when an auditor is engaged to provide a second opinion.

### Project timetable

Subject to comments received during the comment period, the CFAE plans to finalise the amendments during May 2019 for approval by the IRBA Board for issue in June 2019. It is anticipated that the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* will be effective on or after 15 January 2020.

### Request for comments

The CFAE welcomes comments on all matters addressed in the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions*, especially those identified in the Request for Specific Comments section of the Explanatory Memorandum.

We invite auditors and other interested parties to submit any comments regarding the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* to the IRBA by 5 February 2019. Comments, in Word format, should be submitted by e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a public record.

A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

## International Ethics Standards Board for Accountants (IESBA)

### IESBA projects in progress

- Safeguards and their applicability pertaining to non-assurance services.
- Fees.
- Professional scepticism.
- Technology.
- E-Code.
- Alignment of Part 4B of the Code and ISAE 3000 (Revised).

More information on these projects is available on the [IESBA website](#).



Imran Vanker

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# INVESTIGATIONS

## INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 28 matters to the Disciplinary Advisory Committee with recommendations.

## DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met once during this period and concluded on 13 matters.

### Decisions not to charge

One matter in terms of Disciplinary Rule 3.5.1.1 – the respondent was not guilty of improper conduct.

One matter in terms of Disciplinary Rule 3.5.1.2 – there is a reasonable explanation for the respondent's conduct.

Two matters in terms of Disciplinary Rule 3.5.1.4 – there are no reasonable prospects to succeed with a charge of improper conduct against the respondent.

One matter in terms of Disciplinary Rule 3.5.1.5 – it is not appropriate in the circumstances to charge the respondent.

### Decisions to charge and matters finalised by consent order

Eight matters were finalised by consent order.

#### Matter 1

The respondent, as director in an audit firm, failed to ensure that the annual financial statements of the firm had been prepared in accordance with Section 30 of the Companies Act.

The respondent was sentenced to a fine of R80,000, no cost order and publication by the IRBA in general terms.

#### Matter 2

The respondent, as executor of a deceased estate, failed to perform their duties with the required degree of professional competence as they failed to comply with the requirements of the Administration of Estates Act. The respondent's actions in relation to the fees charged lacked integrity and professionalism.

The respondent was sentenced to a fine of R150,000, of which R75,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

#### Matter 3

The respondent failed to identify that the annual financial statements did not comply with the requirements of International Financial Reporting Standards for Small and Medium-sized Entities, and further failed to perform adequate audit procedures on certain material balances and transactions. The respondent also prepared the financial statements and in so doing contravened Section 90(2)

of the Companies Act.

The respondent was sentenced to a fine of R180,000, of which R90,000 has been suspended for five years on condition that the respondent is not found guilty of any offence relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their audit staff attend external training on the practical application of auditing standards within 60 days of the imposition of the sentence and must provide evidence of compliance to the IRBA.

#### Matter 4

The respondent was mandated to prepare and submit a client's bi-monthly VAT returns. The respondent failed to submit a VAT return and alert the client thereof at the time. The respondent did not act diligently in the performance of professional services to the client.

The respondent was sentenced to a fine of R40,000, of which R20,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

#### Matter 5

The respondent signed the audit report before the annual financial statements were approved by the trustees. The financial statements were retracted and new financial statements were issued. The respondent failed to extend audit procedures to the date of the new auditor's report.

The respondent was sentenced to a fine of R40,000, of which R20,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

#### Matter 6

The matter was a referral from the Inspections Committee. The respondent breached Section 90(2) of the Companies Act by auditing financial statements that had been prepared by the audit firm. Furthermore, the annual financial statements did not disclose the details of the preparer of the financial statements, as required by the Companies Act.

The respondent was sentenced to a fine of R80,000, of which R40,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

#### Matter 7

The matter was a referral from the Inspections Committee. The statement of cash flow for the financial year and the comparative figures included unpaid dividends in the financing activities disclosure. The respondent issued an inappropriate audit opinion as the financial statements contained material misstatements.

## INVESTIGATIONS cont.

The respondent was sentenced to a fine of R100,000, of which R50,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

### **Matter 8**

The matter was a referral from the Inspections Committee. The respondent failed to document sufficient appropriate evidence on dividends disclosed in the statement of cash flow for the financial year. Furthermore, the respondent's audit file contained working papers created and modified after 60 days from the date of the audit report, with no documentation of supporting reasons.

The respondent was sentenced to a fine of R150,000, of which R50,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.



*Jillian Bailey*

**Director Investigations**

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## DISCIPLINARY COMMITTEE

The Disciplinary Committee sat three times during the period to hear two matters, both of which were part-heard matters that had

commenced previously. These matters were not finalised and will continue in 2019.

## Reportable Irregularities

Reportable Irregularities (RIs) for the quarter July-September 2018 (Note that RIs are reported on quarterly in arrears)

268 second reports were received, of which:

- RIs were continuing 125
- RIs were not continuing 140

- RIs did not exist 3

Of the 125 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature were:

(Note that in many cases, a second report received would identify more than one RI)

Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
- Tax and VAT-related contraventions, e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.	25.97%	The South African Revenue Service (SARS).
- Financial statements not prepared/not approved within the allotted timeframe.	21.55%	SARS, the Financial Sector Conduct Authority and the Companies and Intellectual Property Commission (CIPC).
- Various Companies Act Contraventions, e.g. reckless trading, breach of directors' fiduciary duties, irregular financial assistance to directors, AGM-related irregularities, etc.	15.47%	The CIPC.
- Contravention of the Estate Agency Affairs Act, e.g. trading without a valid fidelity fund certificate, etc.	14.36%	The Estate Agency Affairs Board.
- Suspected fraud and/or theft, and contravention of the Prevention and Combatting of Corrupt Activities Act.	3.87%	The Directorate for Priority Crime Investigation, the Financial Intelligence Centre, etc.
- Contraventions of the Public Finance Management Act.	1.66%	The Department of Public Enterprises, National Treasury, the Auditor-General, etc.
- Other, e.g. contraventions of the Johannesburg Stock Exchange Listing Requirements, the National Credit Act, the Sectional Title Schemes Management Act, etc.	17.12%	The Johannesburg Stock Exchange, the National Credit Regulator, the Community Schemes Ombud Service, etc.

## Holding Out

In February 2017, the Special Investigating Unit (SIU) requested that the IRBA should provide an affidavit as to whether an individual was registered with the regulator. The request related to an investigation regarding the granting of membership to contractors by the Construction Industry Development Board (CIBD). The application for membership to the CIBD required a submission of the contractor's audited annual financial statements.

The individual in question with regards to the query from the SIU was a registered auditor until his resignation in April 2009. It appeared that the individual had prepared a set of the contractor's "audited annual financial statements" after his resignation from the IRBA, and this was submitted to the CIBD. An affidavit was duly prepared and submitted to the SIU confirming this.

In November 2018, Caroline Garbutt, Manager: Registrations, was served with a subpoena to attend and testify at a disciplinary hearing instituted by the CIBD against the contractor on 21 November 2018.

At the hearing the contractor admitted guilt thereby curtailing the proceedings and Ms Garbutt was excused from testifying.

The IRBA did not pursue any action against the registered auditor since he had passed away in 2010.

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# REGISTRY

## INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 31 JULY 2018-6 NOVEMBER 2018

Andrew, Ryan Theophilus	Labuschagne, Maria Sophia	Nel, Diana Elsje
Badenhorst, Adele	Labuschagne, Rika Mare	Nieuwenhuis, Jacobus Petrus
Bedford, Richard	Lerm, Hertzog Johann	Ntsalaze, Zuziwe
Bellis, Amanda Jane	Liebenberg, Zelda	Nyakusendwa, Killian Shingirayi
Bismilla, Salman	Lindemann, Ruwald Rudolph	Oosthuizen, Manri
Black, Ian Foster	Livesey, Eugene Reyno	Ponu, Isaac Anlanne
Boshoga, Portia Thandi	Maduna, Mpumelelo Nathaniel	Poolman, Marisca
Cachalia, Muhammad	Maharaj, Amith Roshanlall	Rasivhetshele, Rofhiwa
Christian, David Frank	Mahomedy, Mohammed Yusuf	Senekal, Marelize
Dwarika, Renitha	Makwarela, Mashudu Gaynor	Senekal, Marthinus Hendrik
Grobbelaar, Philippus Dawid	Manicum, Kavinesh	Sims, Elanie
Habe, Simpiwe	Mdluli, Ziphazonke Trevor	Soobiah, Prenisha
Hormann, Sune Janet	Mguni, Fanuel	Van Deventer, Gerhardus Jacobus
Jackson, Shaun David	Mitri, Jared Lyndon	Van Graan, Hanneli
Jordaan, Rune	Mongatane, Thabo Godfrey	Vice, Derek John
Kalain, Raakhee	Moodley, Subashni	Visagie, Leana
Kgatuke, Khumo Bertha	Naidoo, Suren	Wessels, Willemina
Khan, Mohsin	Ndlela, Hlengiwe Penelop	Wolder, Clinton Ryan

## INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 31 JULY 2018-6 NOVEMBER 2018

Badat, Abdur Rehmaan
Berger, Matthew Cedric
Manilal, Manojkumar Mahendra
Momsen, James de Wet
Mould, Faure
Prins, Johannes Jurie

## INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 29 SEPTEMBER 2018-30 NOVEMBER 2018

Barac, Stephan Frank	Resigned	Jaffer, Ahmed Hassan	Resigned
Booyesen, Gysbert	Passed away	Kgokolo, Thomas Teddy Mogale	Resigned
Botha, Christo	Resigned	Mda, Slingsby Wonga	Resigned
Craig, Alan Campbell	Resigned	Minie, Charles	Resigned
Da Costa, Michelle Ana	Resigned	Rautenbach, Jan Andreas	Passed away
Desmarais, Christopher Robin Tanguy	Passed away	Richardson, Marlene	Resigned
Fortmann, Michael Grant	Resigned	Smit, Carel Albert Tecumseh	Resigned
Fridberg, Robyn Leigh	Resigned	Sutherland, Claire	Resigned
Ger, Max	Passed away	Watkins, Warren	Resigned

# EDUCATION AND TRANSFORMATION

## A Time to Reflect

*"If you don't like change, you will like irrelevance even less."* – General Eric Shinseki (US Army Chief of Staff, 1999-2003)

As this quote suggests, to exist it is necessary to adapt to change, and our response and attitude towards change determine our survival. This rings true for the auditing profession too, if it still wants to retain its position in society and continue to be seen as protecting the interests of the public.

The IRBA has been conducting Audit Development Programme (ADP) workshops at various cities around South Africa. During these workshops it has been encouraging to note that members of the profession are acknowledging and accepting the fast-paced changes occurring in the profession and the resultant need to adapt their business processes and models. Some of these changes include the impact of artificial intelligence and robotics, new legislation and regulations, globalisation as well as new accounting and auditing standards that are being introduced.

One only hopes that we are not merely acknowledging these changes as a profession and resting on our laurels, but that we are already imagining a future where auditors will continue to remain

relevant. More importantly, auditing firms and experienced members need to involve trainees and ADP candidates in this process as they are the future of the profession.

As we approach that time of the year when we reflect, revisit our goals and plan for the year ahead, we urge all members of the profession to evaluate their contribution and how they are adapting to the changes happening around them.

As the IRBA also responds to these changes and re-imagines the future of the auditor, you can look forward to the following changes in the near future:

- A new competency framework for auditors. In collaboration with SAICA, a research project was commissioned to identify the nature of the competencies that future auditors and professional accountants will require. Some of the high-level competencies identified include: leadership and citizenship; technology and communication (including the role of data analytics); higher order thinking; and business acumen, risk and strategy.
- A new Continuing Professional Development Policy.

## Successful Completion of the ADP

The IRBA is proud to present the candidates who successfully completed the ADP in the period between September and November 2018. We wish them all the best in their future endeavours and hope to see their positive impact as registered auditors in the near

future. We also take the time to congratulate their firms, especially the oversight registered auditors (ORAs), in supporting these candidates' journeys on the ADP.

#	Candidate	Firm
1	Disego Debeila	AGSA – Polokwane
2	Anilda Botes	Baillie Koseff & Grobler Incorporated
3	Professor Nomaqhawe Mafela	Nwanda Incorporated
4	Altea Blignaut	Equifin Incorporated
5	Alida Smit	Donna HD Chartered Accountants
6	Derick van Eeden	EY



Anilda Botes

I chose to stay in the auditing profession as I find it very stimulating. The diversity of the clients we serve, meeting new people and being challenged are all factors that I considered when choosing to stay in the profession. Success follows passion. My passion is to implement all the knowledge and skills that I have acquired through my journey as a student. Also, I am passionate about developing talent and imparting the knowledge I have acquired over the past 10 years onto the new generation of clerks that join our firm. It was overwhelming at first, and on numerous occasions I said that I would rather write an examination.

However, if I have to look back at the process, it was refreshing and it challenged me to think out of the box. By doing the programme I have grown from a personal and business point of view and am a better professional because of it.

## EDUCATION AND TRANSFORMATION cont.



**Altea Blignaut**

If you want to remain within the auditing profession, the additional time in relation to the programme should not be seen as a reason to not participate on the ADP. The support of my firm, and especially my RCA, was outstanding in not only helping me to be an auditor but to be an exceptional individual within the field.

I applied for RA registration the day after I received my final sign-off letter for the ADP.



**Disego Debeila**

I am currently in public audit working for the Office of the Auditor-General which aims to build public confidence through auditing. My stay in audit is to contribute to the economy and ensure proper financial and governance systems through auditing.

The ADP was a challenging journey as there were no other candidates from our firm. As the programme is still relatively new, it was difficult to get viable firm support. However, the portfolio of evidence we need to submit assisted me with regards to the audit documentation process, which I am applying in my day-to-day work.

Besides auditing, my passion is assisting with community outreach programmes that alleviate poverty. I also want to push more for the inclusion of blacks to the audit profession so they can contribute meaningfully to the economy of the country.



**Professor  
Nomaqhawe Mafela**

Ever since my first year as a junior trainee, auditing has been my passion. For me, auditors play an integral role in the well-being of businesses as well as the economy as a whole.

As auditors, we assist the receiver of revenue, the society and other stakeholders to uphold their purpose. To be a part of this gives me a sense of being a part of something greater than myself.

The thrill of working in the fast-paced audit environment as well as the opportunities to work on a diverse range of clients and with colleagues from different walks of life are two of the many reasons that have made me not to plan on leaving auditing.

Apart from this, training and assisting future CAs to meet their full potential gives me a sense of fulfilment. Watching their growth and development under my mentorship are some of my greatest achievements.

The programme, though challenging, was extremely comprehensive. Not only did it teach me a significant amount about audit but it also taught me about myself. It assisted me to grow as an auditor and as an individual.

I have already started encouraging other CAs to participate in the programme and will continue doing so. I feel that in order to grow as an auditor, the ADP is a must. Before I started with this programme I thought I knew everything that there was to know about the ISAs. However, after completing the programme I realised that there is a lot more that I have learnt and a lot more that can be learnt.



## EDUCATION AND TRANSFORMATION cont.



**Alida Smit**

At the time I finished my articles I was not yet sure what I wanted to do or where I should go. I decided that I am going to do the ADP and qualify as an RA as that was my ultimate goal when I started studying - that would also keep the different career options open. Also, in my view, the title "RA" is one that people look up to and it creates trust. I found the programme and its structure very good as it teaches you the responsibility of what it would mean when you have to sign the audit opinion one day. To compile the Portfolio of Evidence is hard work, but if you document everything after each audit the time constraint is manageable.

I am very happy with my work and the office environment and I would like to stay in the company. I would like to someday become a director/partner with my current firm. In the meantime, I want to help build our firm to be the best in our area, to gain knowledge in other accounting services and be able to help the firm extend into those services.

### Upcoming Dates for Proficiency Interviews

The IRBA has, as one of its mandates, the responsibility to ensure that all RAs are competent at entry into the profession, and that they remain so throughout their professional lives. Equally, the IRBA has the responsibility to ensure that all applicants who wish to enter the profession after an "extended absence" from the audit and assurance environment are competent. Proficiency interviews are regularly conducted to assess those candidates who would like to enter or re-enter the profession.

Below are the scheduled proficiency dates for 2019/2020:

- 23 May 2019
- 11 July 2019
- 12 September 2019
- 21 November 2019
- 13 February 2020

For queries on the ADP, please contact us at [adpadmin@irba.co.za](mailto:adpadmin@irba.co.za).  
For all other queries on education and transformation matters, contact us at [edutrain@irba.co.za](mailto:edutrain@irba.co.za).

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# COMMUNICATIONS

In the interest of improved communication with registered auditors and other stakeholders, a list of communiques sent by bulk e-mail during the reporting period for this issue is set out below. These communiques may be downloaded from the IRBA website at [www.irba.co.za](http://www.irba.co.za) under the News section.

11 December 2018	Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agent's Trust Accounts
7 December 2018	Proposed amendments to Section 321 of the IRBA Code (Revised November 2018): Second Opinions
7 December 2018	Proposed Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act
6 December 2018	Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme
4 December 2018	Revised Illustrative Banks Act Regulatory Auditor's Reports
29 November 2018	Exposure Draft: Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), Illustrative Reports
26 November 2018	Exposure Draft: Proposed International Standard on Related Services 4400 (Revised) – Agreed-Upon Procedures Engagements
12 November 2018	IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)
08 November 2018	IAASB Issues ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures
02 November 2018	Invitation to an IAASB Outreach Event hosted with the IAASB Chairman
29 October 2018	Call for the Nomination of Registered Auditors to Serve on the Committee for Auditing Standards
14 September 2018	Annual Report 2018 tabled in Parliament

## IRBA COMMUNICATIONS

Please advise Lebogang Manganye ([lmanganye@irba.co.za](mailto:lmanganye@irba.co.za)) if you would like to receive IRBA communications, or if you are aware of a non-auditor who would like to receive these.

# OPERATIONS

## Assurance Work Declaration (Annual Firm Declaration)

A communique issued on 30 November 2018 notified all active firms that additional information is required for the 2019 submission. The additional information is required to enhance the Inspections and Investigations processes and help fulfil the IRBA mandate. The communique is available on the IRBA [website](#).

Some of the additional information that will be needed is set out in the table below. For more details please see the communique on our website.

#	Additional information	Description
<b>Firm related information</b>		
1	Firm shareholder/ownership and director/partner information	Include names and registration numbers of all the firm's shareholders/partners, as per Section 38 of the Auditing Profession Act, Act 26 of 2005 (APA).  Exclude salaried registered auditors that do not share in the profits of the firm.
2	Firm structure	Include a list of all entities that form part of the network, as defined in the IRBA Code of Professional Conduct, and describe the relationship between the entities.
3	Local Firm Leadership: CEO, or equivalent Quality Leader, or equivalent Risk Leader, or equivalent	Names, professional qualifications and registration numbers of individuals who are ultimately responsible for the firm's system of quality control, as well as those assigned operational responsibility for the firm's system of quality control. It should be clearly indicated where more than one function is being performed by an individual.

We are also in the process of automating the submission of declarations, and this will reduce the administrative workload that may be experienced by some firms.

### Online Submission of Reportable Irregularities

We are in the final stage of testing an online submission functionality that will allow registered auditors to submit RIs via the IRBA [website](#). Formal communication on when this will be available for use will follow in due time.



*Nitasha Naicker*

**Director Operations**

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# GENERAL NEWS

## IFRS Trustees Meet with the Regulator

The Trustees of the IFRS Foundation were in South Africa recently for their meeting. During the visit they met with IRBA CEO Bernard Agulhas to share their experiences on the implementation of the IFRS standards and the state of the profession globally. The trustees included the incoming chairman of the IFRS Foundation Trustees, Erkki Liikanen; chairman of the International Accounting Standards Board, Hans Hoogervorst; and the executive director of the IFRS Foundation, Lee White.

## IRBA CEO Addresses the PAAB Namibia Board

Bernard Agulhas recently addressed the board of the Public Accountants and Auditors Board (PAAB) of Namibia as part of an MOU agreement between the IRBA and PAAB Namibia. The address focused on the importance of an independent regulator, the state of the profession and the AFIAR strategy.



**Standing: Hilya Haufiku, Sven von Blottnitz, Zaa Nashandi (PAAB Head of Secretariat), Romanus Kawana and Naomi Kafita. Seated: Bernard Agulhas and PAAB Board Chairman Junias Kandjeke.**

## African Bank Investment Limited Hearing Dates

The hearing into the conduct of the auditors responsible for the audit of African Bank Investment Limited continued on the 3rd, 4th, 5th, 6th and 7th of December 2018.

## 40 Graduate from the AWCA Duke Leadership Programme

IRBA CEO Bernard Agulhas was the keynote speaker at the African Women Chartered Accountants (AWCA) and Duke Corporate Education graduation ceremony on 10 October 2018. The graduates had completed their Women Leading Africa Board Leadership Programme, a joint initiative of AWCA and Duke. Since the commencement of the programme in 2014, there have been

more than 40 graduates who are both CAs and non-CAs.

The course covers critical leadership topics such as governance, ethical leadership, risk management, compliance and stakeholder engagement. During the two-day course candidates also participated in board and audit committee simulations through which they were able to put what they had learnt into practice.

In South Africa reports show that women who serve in boards still don't even constitute 25% of the membership. Together with corporate governance and ethics, this lack or slow pace of gender transformation has become one of the major concerns with regards to business sustainability.

Speaking on these concerns, the CEO highlighted the importance of good governance, the role of boards and the significant role that

## GENERAL NEWS cont.

women can play in bringing gender balances to the boards on which they serve. He then congratulated the graduates on taking their roles and responsibilities on boards seriously.

The IRBA continues to build a close working relationship with AWCA and commends the association on this worthy leadership initiative.



**In attendance at the recent AWCA Duke Leadership Programme graduation were Zama Khanyile, AWCA President (back row, third from left); Sharmla Chetty, Duke Corporate Education RSA President, Africa & Global Managing Director, Europe & Africa (back row, fifth from left); as well as, Bernard Agulhas, IRBA CEO; and Professor Owen Skae, the course lecturer from Rhodes University (in the front row).**

### The CEO Speaks at the Fraud Examiners' Conference

This year's annual conference of the Association of Certified Fraud Examiners took place on 15-17 October 2018 at the Sandton Convention Centre. IRBA CEO Bernard Agulhas was a speaker on the second day of the conference, and he gave an address on future-focused regulation for Africa. He spoke about the important role of auditors in contributing to efficient and robust capital markets, while also emphasising the role of the IRBA in maintaining oversight over auditors and auditing standards.

Highlighting recent corporate fraud and business collapses, the CEO stressed that there is a limitation on the external auditors' abilities to detect fraud and that an expectation gap exists as the public expects so much more. He focused on the five lines of defence model, stressing that the financial reporting chain has many different players and the external auditor is only one of those.

He, however, indicated that the IRBA is aware that the expectation gap means the audit product itself may need to be adjusted. He noted that the regulator is considering a revision of standards to increase the work auditors should do around fraud detection. This would have a consequence in terms of auditor training and qualifications. This is because auditors currently do not have the same level of competency that forensic investigators and fraud examiners have when it comes to fraud detection. As such, these specific competencies would need to be incorporated, to some degree, into the Audit Development Programme.

He concluded by giving a review of some of the developments across the continent with regards to accounting and auditing initiatives that are focused on continental integration. The risks of fragmented regulation are high on the agenda of most regulators and recognition has been given to the need to pursue comprehensive regulation of the accounting related professions.

### The IRBA Appoints a New Director Operations



**Nitasha Naicker**

Nitasha Naicker, the IRBA's new Director Operations, has experience that spans over 20 years, with outstanding performance as a senior leader working with high-performance teams in audit, finance, risk, project management and human resources in both the private and public sectors. Her passion for the education and training of chartered accountants and the development of people to build high-performance teams will add value to the IRBA.

Earlier this year Nitasha returned from Canada where, in her last position, she lectured in financial management at the British Columbia Institute of Technology (BCIT) in Vancouver as the lead instructor for Audit 1 and 2 and program head for the Accounting programme. She was extensively involved in the training of Chartered Professional Accountants during this time. In her five years with BCIT she achieved significant success as a degree level lecturer in cost management, management accounting and financial accounting, winning the Teacher Excellence Award in 2018. She was also the faculty advisor for the JDC West Case Competition, Canada's largest business case contest.

During her time in Canada she was also the Chief Financial Officer at TII Training Innovations Inc where she held a senior leadership role. Her responsibilities included finance and human resources, leading a strategic redesign of the company, business processes and performance management systems to optimise the company operations.

The IRBA is fortunate to have someone of Nitasha's calibre and skills-set to help drive internal business improvement initiatives, especially during this time of significant change in the profession.

Nitasha has a BComm Accounting degree from the University of KwaZulu-Natal and an HDip Comp Aud. She is both a CA (SA) and a Chartered Professional Accountant. She spent nine years at one of the Big Four firms where she became an Audit Director and Partner: Human Resources with responsibility for five countries. During this time, she led audit teams for a portfolio of clients and the HR team, which was accountable for 5,400 employees. She was also seconded to the Auditor-General for four years to support the management team and manage the execution of audits at national and provincial levels.

### Office Closure Notice

The IRBA offices will close on Friday, 14 December 2018, at 1pm and reopen on Wednesday, 2 January 2019.

The CEO and the staff of the IRBA wish you and your family a blessed, safe and happy Christmas and holiday season. May your holidays be filled with love, happiness and peace.