irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

annual report 2012

Setting tomorrow's standards today

HOW TO CONTACT US

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WHO WE ARE, WHAT WE STAND FOR

Legislative Mandate

The Independent Regulatory Board for Auditors (IRBA) is established in terms of section 3 of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act).

The objects of the Act as set out in section 2 of the Act are as follows:

- To provide for the establishment of an Independent Regulatory Board for Auditors;
- To protect the public in the Republic by regulating audits performed by registered auditors;
- To improve the development and maintenance of internationally comparable ethics standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- To provide for procedures for disciplinary action in respect of improper conduct.

HIGHLIGHTS OF THE YEAR

- South Africa remains in number 1 position for a second consecutive year, out of 139 countries, for its auditing standards, in the World Economic Forum's 2010 global competitiveness rankings
- The IRBA is selected by the World Bank to roll out a pilot project to strengthen regulation in Africa
- A Transformation Committee is formed to address the shortage of Black auditors
- The IRBA launches a competency framework for Registered Auditors
- The IRBA approves the first Registered Auditor who qualified to perform Broad-Based Black Economic Empowerment services
- The IRBA hosts Ethics Workshops and Information Sessions on the Companies Act and Consumer Protection Act
- 80% first time pass rate achieved in Public Practice Examination

SIGNIFICANT FEATURES SUMMARY

	2012	2011	2010	2009	2008
Activity indicators (numbers)					
Registered Auditors at year-end	**4 258**	4 375	4 398	4 373	4 374
New registrations for the period	**296**	229	370	286	414
Trainee Accountants registered for the period [1]	**2 672**	3 574	4 124	3 937	3 859
Entrants to Public Practice Examination (PPE)	**2 054**	1 952	2 798	2 566	2 479
Reportable Irregularities received					
Total RIs received (first reports)	**814**	806	1 108	1 125	780
• Second reports - continuing	**491**	468	674	669	424
• Second reports - not continuing	**312**	328	340	407	316
• Second reports - did not exist	**11**	7	11	22	19
• Second reports - other	**-**	3	83	27	21
Disciplinary matters					
• Investigations initiated	**87**	94	84	108	120
• Investigation committee matters disposed of	**62**	59	74	81	92
• Disciplinary committee hearings	**5**	2	6	6	5
Inspections performed					
• Firms	**38**	22	6	14	9
• Engagements	**625**	640	654	1004	322
Financial indicators					
Government Grant (R)	**34 724 000**	29 296 000	22 018 000	20 258 000	17 095 000
Total income (R)	**44 326 636**	39 324 594	45 743 973	33 995 045	31 742 875
Expenses (R)	**71 663 206**	59 515 377	59 130 158	56 670 939	45 499 458
Surplus/(Deficit) (R)	**7 387 430**	9 105 217	8 631 815	(2 417 894)	3 338 417
Transferred to reserves (R)	**(7 090 695)**	(1 760 365)	(10 772 228)	(454 899)	(322 839)
Surplus/(Deficit) after reserves (R)	**296 735**	7 344 852	(2 140 413)	(2 872 793)	3 015 578

[1] *The 2012 numbers are for the 12 months ended 31 March 2012 and the previous years for the 12 months ended 31 December.*

ABOUT THE IRBA

Strategic focus

The strategic focus of the IRBA is to:

Protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethical standards.

The IRBA Vision

Our vision is to be an internationally recognised and respected regulator of the auditing profession, relevant to the South African environment.

Translating the vision, it means that the IRBA has to create an enabling environment to facilitate suitably qualified auditors to enter and remain in the profession. It also means that the IRBA should grow and maintain the number of auditors who, through the maintenance of excellent standards, become world class auditors that will protect the financial interest of the public. Given the myriad of external changes that may impact on the number of auditors, it is important that the IRBA remains focused on strategies to sustain the profession. It is equally important that South Africa retains its status as an internationally recognised standard setter and regulator, which has earned it the number 1 position in the world for auditing standards, for the past two consecutive years.

The IRBA Mission

Our mission is to endeavour to protect the financial interest of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

IRBA Objectives

In line with our legislative mandate, the IRBA objectives are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors, and to support registered auditors who carry out their duties competently, fearlessly and in good faith.

Furthermore, we shall strive to create an enabling environment which allows suitably qualified auditors and audit firms to grow and contribute to the protection of the public.

The IRBA Goal

Our goal is to help create an ethical, value-driven financial sector that encourages investment and confidence, and promotes sound practices.

This is done by:

- Developing and maintaining auditing and ethics standards which are internationally comparable;
- Providing an appropriate framework for the education and training of properly qualified auditors as well as their ongoing competence;
- Registering of auditors who meet the registration requirements;
- Monitoring compliance with reportable irregularities and anti-money laundering;
- Monitoring registered auditors' compliance with professional standards;
- Investigating and taking appropriate action against registered auditors in respect of improper conduct;
- Developing and maintaining stakeholder relationships to enhance performance, accountability and public confidence; and
- Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economic, efficient and effective manner, in accordance with the relevant regulatory frameworks.

The IRBA Values

As overall custodians of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament, and ascribe to the following core values:

Independence, integrity and objectivity

It is imperative that we are not just independent of the auditing profession in our composition and membership, but also reflect independence in the perception of our key stakeholders through our actions and behaviour. It is therefore important that we act with integrity and objectivity in our deliberations, decisions and actions.

Commitment

We recognise the scope and extent of our mandate in respect of both the public and the profession and undertake to execute and deliver on this mandate with diligence and commitment in terms of our vision.

Transparency and Accountability

As a public entity in the overall delivery structure of the South African government and a beneficiary of public funds, we promote transparency in our interactions with the relevant stakeholders, and recognise our accountability to the Parliament of South Africa and the Minister of Finance as our Executive Authority.

2011 PUBLIC PRACTICE EXAMINATION - OUR TOP ACHIEVERS

The successful Top 10 candidates with Bernard Agulhas (Chief Executive Officer) and Temba Zakuza (Chairman: Education Committee)

The following candidates achieved the top ten places in the 2011 Public Practice Examination:

1	Mr Tim Acker (Honours)
2	Ms Byravi Yogeswaran (Honours)
3	Ms Tessa Hanan (Honours)
4	Mr Tim Escott (Honours)
5	Mrs Chantell Haines (Honours)
6	Ms Mahdiyyah Moola (Honours)
7	Ms Preeti Sukha
8	Mr Renier Strydom
9	Ms Lori Berelowitz
Joint 10th	Ms Carri Aronson and Mr Darren Roy

The top candidate from the Support Programme was Mr Shaheen Amra.

GOVERNANCE STRUCTURES

The Board

The Role of the Board

The Board is the designated accounting authority and governs the IRBA in accordance with the provisions of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), the Public Finance Management Act, 1999 (the PFMA) and good corporate governance principles.

The members of the Board are all non-executive members appointed by the Minister of Finance. The Minister appoints competent persons, including registered auditors, to effectively manage and guide the activities of the IRBA, based on their knowledge and expertise.

During the course of the financial period, a self-assessment was undertaken to assess the extent to which the IRBA applies the best practice recommendations of the King Report on Corporate Governance for South Africa (King III). No material issues were identified to suggest flaws in governance; instead, opportunities to enhance current practice have been noted and addressed or are scheduled to be addressed and monitored on an ongoing basis.

The roles of the chairman of the Board and the Chief Executive Officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The chairman of the Board has no executive functions.

Board Committees

The Board is assisted by the following committees in the execution of its duties:

Audit and Risk Management Committee

The objective of the committee is to assist the Board with its responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee operates in accordance with a terms of reference authorised by the Board and reviewed annually. The auditors have unrestricted access to the committee members. The committee is also responsible for risk management. The committee ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

Board and Board-committee meeting attendance

Board Member	Board	Audit and Risk Management Committee	Operations Committee	Disciplinary Advisory Committee
Total number of meetings	**5**	**7**	**6**	**7**
WHG van der Linde (Chairman)	5			
Dr SP Kana	4	6	5	
Prof A Dempsey	4	7		
LY Majova-Songca	3			7
CN Mbili	0	3		
F Timmins	3			6
MI Khan	2		5	
YGH Suleman	4		5	7
LJ Lekale (Resigned as Board member effective 25 January 2012)	2		3	
NNN Radebe	2			5

Note: Not all Board members are members of the Board committees.

The committee met seven times during the period to review the matters arising from internal risk analysis, the external audit plan and budget, the matters arising from the completed audit, and the fair presentation of the financial statements presented to the Board. *(See committee report on p.36).*

Operations Committee

Human Resources

Responsibilities include the annual review of the performance and remuneration of the CEO, recommendations on the performance bonus of the CEO and staff, assessing staff benefit plans and reviewing changes to the personnel policies of the IRBA, monitoring trends for remuneration and benefits for the CEO, senior management and staff, reviewing succession plans for senior management, and reviewing the overall results of staff performance appraisals.

Nominations

Responsibilities include receiving nominations for appointments to all IRBA committees and the IRBA. After consideration it makes recommendations to the Board or the Minister, as appropriate. The committee oversees the removal of committee or task force members for non-performance or other good cause, as well as the filling of vacancies on any committee or task force as they may arise.

Operational

The committee is responsible for considering the operational requirements of the organisation, including information technology, human resources, and cash resources, for considering the IRBA's performance against budget, as well as overseeing management accounts and any major deviations from budget. It also reviews the processes followed for major tenders and ensures that operations are in terms of the policies of the IRBA.

Functional

The committee is responsible for considering quarterly reports from departments and taking any measures they consider necessary for the proper performance and exercise of their functions or duties to achieve the objects of the Act.

Disciplinary Advisory Committee

The Disciplinary Advisory Committee supports the investigation and disciplinary processes. *(See committee report on p. 31).*

Internal Audit

The internal audit function of the IRBA is outsourced and the service provider performed its functions as per the three year rolling audit plan during the period under review. Significant risks identified are monitored on a continuous basis. The period of appointment of the previous service provider expired at the end of the financial year. A new service provider has been appointed and has prepared a three year rolling plan in line with the requirements of the PFMA. Risks identified by the outgoing service provider have been incorporated into the new plan.

Statutory Committees

The following committees assist the Board in the performance of its functions:

Statutory committees	Chairman	Chairman's Report (page)
Education, Training and Professional Development Committee	TS Zakuza	17
Committee for Auditing Standards	F Timmins	21
Committee for Auditor Ethics	E Kieswetter	25
Inspection Committee	T Abdool-Samad	27
Investigating Committee	B Smith	29
Disciplinary Committee	Adv. A Dodson	33

External Audit

The external auditors provide an independent assessment of the IRBA's systems of internal financial control and express an independent opinion on the IRBA's Financial Statements. The external auditors' plan is reviewed by the Audit and Risk Management Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to audit. The Auditor-General of South Africa is the auditor of the IRBA.

RESPONSIBILITY

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. The Board has ultimate responsibility for ensuring that adequate accounting records and effective systems of internal control are being maintained. To enable the Board to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the Auditing Profession Act, 2005.

STRATEGIC PLAN AND BUDGET

Management of the IRBA prepares the business plan, strategic plan and budget for Board consideration and approval. The strategic plan and budget are also duly submitted to National Treasury for consideration and approval. Quarterly reports are submitted to National Treasury as per the requirements of the PFMA and Treasury Regulations.

CORPORATE GOVERNANCE ENVIRONMENT IN RELATION TO THE KING III REPORT ON CORPORATE GOVERNANCE (KING III)

Governance Area	Status 2010/11	Current Status	Planned Completion
Accounting Authority and directors	Planned completion for Board Charter – September 2011	The Board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct was approved by the Board in September 2011.	n/a
Performance Assessment	Planned completion for evaluation process – September 2011	The Board approved the Board Performance and Evaluation Policy Framework in January 2012. The performance evaluation of the Board for the financial year ended March 2012 is in progress.	June 2012
Company Secretary	Planned completion for appointment of Board Secretary – September 2011	The Board Secretary was appointed in September 2011.	n/a
Board Committees	Full compliance	Full Compliance for the reporting period.	n/a
Remuneration of Board members, directors and Senior Executives	Full compliance	Full Compliance for the reporting period.	n/a
Audit Committee	Planned completion for review of Terms of Reference – September 2011	The Terms of Reference of the Audit and Risk Management Committee was reviewed during the financial year, and approved by the Board in January 2012.	n/a
Risk	Planned finalisation of Risk Policy – November 2011	The risk evaluation and monitoring is done by management and reviewed by the Board. The Risk Management Policy was approved by the Board in January 2012.	n/a
IT Governance	In progress	The Board established a Steering Committee for IT to assist with Governance. An ICT strategy was approved by the Board in January 2012.	n/a
Compliance with laws, rules codes and standards	Planned completion of Compliance Framework – November 2011	The Regulatory Universe of the IRBA was completed and adopted by the Board in May 2012. The principal laws to comply with are the Auditing Profession Act and the PFMA and there was full compliance during the reporting period. Compliance monitoring is done by the Board Secretary, who also acts as the Compliance Officer.	n/a
Internal Audit	Full compliance	The internal audit function is outsourced. Internal audit follows a risk based approach and reports back to the Audit and Risk Management Committee on a quarterly basis.	n/a
Governing Stakeholder relationships	Planned completion for a formal dispute resolution process for internal and external disputes - December 2011	Not achieved in the past financial year, and a formal process to be developed.	September 2012
Integrated reporting and disclosure	September 2011	A framework for integrated reporting was considered and adopted by the Board in May 2012. The integrated report for 2011/12 is in progress.	September 2012

MESSAGE FROM THE MINISTER OF FINANCE

Hon. Pravin Gordhan
Minister of Finance

As the audit regulator, the IRBA remains a vital role player to provide the public with the confidence that auditors give reliable reports on entities' financial affairs, thereby creating credible financial markets and a vibrant economy. The consequential investment must necessarily impact positively on employment and confirms the IRBA's critical role in the audit, accounting and assurance industry.

In the current climate of repeated exposures of malpractice, unethical conduct and demonstrable greed in search of profits and bonuses an audit regulator and the audit profession have a profoundly important role. The public and investors generally, and the other regulators and government more specifically are reliant on diligent and credible audit reports and auditing processes in order to make sound judgements and decisions. IRBA will be required to play a more dynamic role in shaping an enhanced culture of accountability and transparency both in South Africa and beyond.

Equally important, much has been done to transform the demographics of the active economic participants in the country, and it is recognised that more is still to be done by the relevant players.

The progress made with the transfer of the regulation of the Broad-Based Black Economic Empowerment industry to the IRBA is encouraging, as it demonstrates the confidence that government has in its regulatory abilities. I am also pleased that the IRBA has taken on this responsibility with vigour and appreciates the bigger role it has to play in government's greater policy for the country.

There is no doubt that the IRBA's global number one rating for its auditing standards for the second consecutive year can significantly influence investment in the country and stimulate the economy, which is currently much needed. I congratulate the IRBA for maintaining the pole position in its industry, and for contributing through such recognition towards government's objectives.

I believe that setting the highest standards for ourselves will increase the confidence in our economy and lay a solid foundation for sustainable and inclusive growth.

Pravin Gordhan
Minister of Finance

The Board Members for the period under consideration were:

	TITLE	INITIALS	NAME	SURNAME	QUALIFICATIONS	DESIGNATION	DATE APPOINTED	AGE	DIRECTORSHIPS
CHAIRMAN									
1.	Mr	WHG	Willem	Van der Linde	B. Iuris LLB	Advocate Senior Counsel	01 April 2011	56	None
VICE-CHAIRMAN									
2.	Dr	SP	Suresh Parbhoo	Kana	MCom BCompt (Hons)	CA (SA)	01 April 2009	56	PricewaterhouseCoopers Inc. Ministerial appointment on Board of FRSC SAICA

	TITLE	INITIALS	NAME	SURNAME	QUALIFICATIONS	DESIGNATION	DATE APPOINTED	AGE	DIRECTORSHIPS
	BOARD MEMBERS								
3.	Prof	A	Amanda	Dempsey	MCom BCom Hons (Acc)	CA (SA)	01 April 2009	51	Accounting Education Board Ministerial appointment on FASSET's Board
4.	Mr	MI	Mohamed Iqbal	Khan	B Compt (Hons)	CA (SA)	01 April 2011	46	House of Monatic Group Sea Harvest Incorporated
5.	Prof	LY	Lindelwa Yvonne	Majova-Songca	Senior teacher's diploma BCompt (Hons) MBA	CA(SA)	01 April 2011	42	Capraway MasengViljoen Inc. Trustee: Jongilizwe Trust for Jongilizwe School of Traditional Leaders Board member: Nelson Mandela Museum SGB member: Hudson Park High School
6.	Ms	C	Cynthia	Mbili‡	MCOM Certificate in Investment Management Post Graduate Diploma in Accounting B Com (Accounting) Seniors Secondary Teachers Diploma Certificate in Life Insurance and Retirement funds	CA(SA)	01 April 2011	40	Harith Fund Managers Johannesburg Water
7.	Ms	NNN	Nomzamo Nomfundo Nomkosi	Radebe‡	BComm PG Dip Acc Commercial Property Practitioners	CA (SA)	01 April 2009 *Resigned 03 April 2012*	34	Munich Reinsurance Company of Africa Ltd & EsS Pareto Ltd
8.	Mr	YGH	Yunus	Suleman	BComm BCompt (Hons)	CA(SA)	01 April 2011	55	Chairman: KPMG Africa
9.	Mr	F	Francis	Timmins	BSC (Econ)(Hons) MA (business analysis)	CA(SA)	01 April 2011	54	Grant Thornton
10.	Mr	LJ	Lepono	Lekale‡	BProc LLM	Attorney	01 April 2011	48	Matoepes Inc.

‡ Absent from photo

It is my pleasure to present this fifth annual report following my first year as chairman of the Board.

The past year has seen many changes in the auditing landscape, locally and internationally, and as a responsible regulator, the IRBA had to be responsive to them.

The global financial crisis, which seems to have only recently reached South Africa, has sparked some reaction from regulators and governments worldwide to further strengthen the auditing profession. The most important of these has been the Green Paper on Audit Policy published by the European Commission in October 2010 and further proposals on statutory audit published in November 2011. These Papers have had a mixed reaction, but they do contain some recommendations that will assist in attaining their intended objectives. The IRBA will closely monitor developments on the proposals and the impact on the South African profession.

Locally, the Companies Act, 2008, also impacted the auditing profession and, while we are still uncertain as to the extent that provisions such as the independent review and the independence requirements will eventually affect auditors, we continue to work closely with the Department of Trade and Industry's Companies and Intellectual Properties Commission to monitor areas which might require clarification to ensure the smooth implementation of the legislation.

We are pleased to have been appointed by the World Bank to provide support to the audit regulator in Zimbabwe to strengthen its independence from the profession and so contribute to overall governance and the quality of financial reporting in Zimbabwe. This project has proved successful and we are quietly confident that similar initiatives will be approved for other countries in Africa.

Transformation in the profession remains high on the IRBA's agenda, and the constitution of the Transformation Committee has been a positive step towards the development of initiatives to work towards the achievement of our transformation objectives. Further, the decision by the Department of Trade and Industry to appoint the IRBA as the regulator for the Broad-Based Black Economic Empowerment industry has provided an excellent opportunity to demonstrate the IRBA's commitment to transformation on a wider scale.

Closely related to transformation is the attraction and retention of talent in the profession, which remains a challenge. The Board has implemented specific initiatives, including a Branding Strategy, to address these challenges.

In line with the then Minister's recommendation that the IRBA revisit the Auditing Profession Act a few years after implementation, which was 2006, we have also commenced with the process to amend the legislation which should result in further efficiencies in our processes, while simultaneously incorporating our extended mandate to regulate other services. We expect this process to be completed in 2013, after a public consultation process.

Finally, the Board is proud of the IRBA achieving the number one position, for the second consecutive year, for its auditing standards, according to the World Economic Forum's global competitiveness survey conducted in 2011. While we will remain responsive to the needs of the local profession and public, we will continue to influence international developments in regulation and standard setting through our participation on the relevant international structures, and in so doing strive to ensure the continued respect from the international community. This will secure the public's confidence in the profession and the regulator.

I thank the Honourable Minister for his confidence in the IRBA, and the Board and management for their unfailing support and dedication to have made our achievements possible.

WHG van der Linde, SC
Chairman

The Executive Management of the IRBA for the period under review were:

	TITLE	NAME	SURNAME	QUALIFICATIONS	DESIGNATION	DATE JOINED IRBA	AGE
1.	Mr	Bernard Peter	Agulhas	CA(SA)	Chief Executive Officer	June 2003	49
2.	Ms	Willemina Hendrika	De Jager	CA(SA) CIMA	Director: Operations	May 2009	53
3.	Mrs	Laine	Katzin	M.Ed Educational Psychology	Director: Education, Training and Professional Development	August 2009	43
4.	Mrs	Patricia Jane	O'Connor	BA, LLB	Director: Legal	June 1986	55
5.	Mrs	Sandra Dawn	Van Esch	CA(SA)	Director: Standards	August 2009	62
6.	Mr	Paul	Van Helden	CA(SA)	Director: Inspections	January 1997	60

STRATEGIC

It is my pleasure to present my third report. The past year has been an interesting one, as some of the initiatives which commenced in the previous year started to manifest in the changes we saw in the auditing landscape. The one change that was necessary was that we realise how important it is for all stakeholders to work together and collaborate on initiatives that do not only impact the profession, but the public at large.

Internationally, the last few months saw regulators, standard-setters, auditors and investors enter into discussion around issues that affect the public interest. This has been a necessary development to ensure that there is no expectation gap amongst the different stakeholders. The International Forum of Independent Audit Regulators (IFIAR), a body which shares best practice in audit regulation with the ultimate objective of protecting the public interest, made even further progress in getting the stakeholders to engage through interactive sessions at IFIAR meetings and its working groups liaising more on common issues such as auditor reporting, audit quality, auditor independence and auditors' responses to the global financial crisis.

Locally, South Africa was again one of the first countries to see joint guidance issued by the IRBA and the Auditor-General, highlighting the importance of collaboration between the private and public sectors. We are also pleased with the increase in requests from other regulators and government for the IRBA to provide solutions to some of the challenges they have been facing.

But being responsive to other stakeholders' needs, whether on the international or local front, requires adequate capacity and funding. The IRBA continues to work on the development of a funding model that will ensure its sustainability while maintaining its independence, as well as build capacity to deliver on its increasing demands.

While we respect the need to remain independent of the profession, we also appreciate that we need to support auditors through guidance and initiatives such as workshops and information sessions, for example the successful Ethics workshops held during the year to further explain the IRBA's expectations regarding the new Code of Professional Conduct, and the new Companies Act. Through initiatives such as these, we recognise that high quality audits and the ultimate protection of the public interest remain a joint responsibility of the IRBA and the auditing profession, and we shall continue to seek opportunities to partner with the relevant stakeholders to achieve this objective.

At the same time, we must continue to set the example for governance and adhering to the highest standards, and I am pleased that we have again received clean reports on all counts for the 2012 financial year. However, standards and the external environment are ever-changing, and while our own policies and procedures must remain in tandem with new legislation and governance requirements, we continue to respond to changes in reporting and disclosures required in the external environment, such as the rapid developments on Integrated Reporting.

I thank the IRBA management and staff, as well as the Board, Board committees and statutory committees for their unfailing support in the past year in ensuring that the IRBA achieved its strategic as well as performance objectives as set out at the end of this report. Further details of their activities are reported in the individual reports, and the operational matters are further explained below.

The result of everyone's combined efforts has earned us the number one position for auditing standards worldwide for the second consecutive year, and I am confident that we can maintain this position if we continue to work together for the greater good of the country.

OPERATIONAL

Stakeholder Management

Stakeholder interaction included, inter alia, meetings with, presentations to, seminars and speeches to:

- The World Bank;
- USA AICPA and UK CIMA;
- Government;
- Professional bodies;
- Parliament;
- the Auditor-General;

- Delegations visiting from other countries;
- Universities;
- IFIAR;
- IAASB; and
- the public.

The IRBA also considers its community, staff, Board, committees and general public as key stakeholders.

National training

While no national road show was held in 2012, a number of training initiatives took place instead.

In August 2011, the IRBA presented a comprehensive training workshop for Registered Auditors, which covered the Consumer Protection Act and the Companies Act of 2008.

In January and February 2012 the IRBA also facilitated the presentation of a comprehensive Ethics Workshop for Registered Auditors.

The aim of the workshops was to improve the ethical decision making skills of registered auditors and their staff and for them to gain an understanding of the practical implementation of the Code in their firms and engagements.

Media

During the period the IRBA ensured that it maintained its presence in the media, with news, interviews and features including:

- promotion of good governance;
- irregularities reported to the IRBA;
- the release of the Public Practice Examination results;
- Maintaining South Africa's top position in the ranking of auditing and reporting standards, according to the World Economic Forum's global competitiveness survey; and
- Commenting on matters impacting the auditing profession.

Participation in international forums ‡

Conference/Meeting	Country	Date	Attendee/s
IAASB & IESBA National Standard Setters (NSS) meeting	Toronto, Canada	25 – 29 April	SD van Esch, E Kieswetter, BP Agulhas
IFAC Audit Quality Task Force	Toronto, Canada	26 – 27 April	BP Agulhas
IAESB meeting	Toronto, Canada	24 – 27 May	L Katzin
IFAC Audit Quality Task Force meeting	Stockholm, Sweden	28 – 29 July	BP Agulhas
IFIAR meeting	Bangkok, Thailand	26 - 28 September	BP Agulhas
Inspections Workshop	Washington	31 September – 7 October	P Cloete
LIA Conference	Lesotho	20 October	BP Agulhas
IAESB Outreach Programme	Cape Town, South Africa	28 October	BP Agulhas, L Katzin, E Kieswetter
ACAMS Conference	Johannesburg, South Africa	4 November	BP Agulhas
IAESB CAG meeting	Dublin, UK	9 – 10 February	A Dempsey
Inspections Workshop	Abu Dhabi, UAE	5 - 9 March	N Rossen
IAESB meeting	Mexico	7 – 9 March	L Katzin, E Kieswetter
Governance, Risk and Compliance Conference	Johannesburg, South Africa	28 March	BP Agulhas

‡ *See full list of Acronyms on p.82*

SOCIAL RESPONSIBILITY

The IRBA once again maintained its formalised approach to corporate social responsibility and involvement with charitable institutions in the past year. Three local organisations each benefited from donations by individual staff members that, in turn, were matched by IRBA. These organisations are:

- **The Thembalami Care Centre**
  Located on the border of Alexandra in Gauteng, the centre provides sheltered accommodation to frail pensioners of limited means, primarily persons receiving a social or disability grant from the Government.

- **SPCA Sebenza**
  Staff members contributed consignments of pet food, blankets and newspapers, and arranged for the regular delivery of dry pet food from a manufacturer on the West Rand.

- **All Stars (Child Welfare Kempton Park)**
  This is a shelter in Kempton Park for boys between the ages of 12 and 18 who are in need of a temporary shelter until they can be reunited with their families. IRBA staff members undertook to provide the boys with warm winter clothing, and hope to be able to build awareness of the auditing profession with the boys and their peers.

Environmental and 'green' awareness remain important and the IRBA participates in numerous recycling initiatives, including one for toner cartridges whereby all cash received for recycled cartridges is donated to Child Welfare South Africa on the IRBA's behalf.

HUMAN RESOURCES

Staff Complement

Staff complement reported in occupational levels:

	31 March 2012	%
Male – African	6	9%
Male – Coloured	2	3%
Male – Indian	3	5%
Female – Africa	21	33%
Female – Coloured	2	3%
Female – Indian	2	3%
Female – White	20	31%
TOTAL	**56**	**87%**
Male – White	8	13%
TOTAL	**64**	**100%**

The IRBA achieved its Employment Equity targets as set out in the Employment Equity Plan for the year ended 31 March 2012.

Recruitment and Selection

A total of 6 permanent positions were filled or replaced at the following occupational levels for the period:

	Male		Female			TOTAL
	B	W	B	W	I	
Middle Management				1	1	**2**
Junior management			1			**2**
Skilled		1				**1**
Semi-skilled	1		1			**2**
TOTAL	**1**	**1**	**2**	**1**	**1**	**6**

Employees who resigned from the organisation between the period 1 April 2011 and 31 March 2012:

	Male			Female		TOTAL
	B	W	C	C	B	
Junior Management	1		1			**2**
Skilled	2	1			1	**4**
Semi-skilled	1			1		**2**
TOTAL	**4**	**1**	**1**	**1**	**1**	**8**

Reward strategy

To ensure that competent employees can be recruited and retained, a reward strategy is in place, which includes detailed job profiles that are graded according to a recognised grading system. This enabled the IRBA to do a benchmark salary survey in order to establish market remuneration for all positions. The IRBA therefore align its rewards with the market in order to motivate individual performance, achieve effective returns and ensure sufficient levels of equity within the organisation.

Performance Management

The IRBA has implemented a new performance management system. The system links performance to rewards, and ensures that it is aligned with the strategic objectives of the IRBA.

Training

The IRBA continues to assist trainees with post graduate qualifications. Currently the IRBA has one trainee employed on a contract basis for three years with special conditions.

A total of R687 727 was spent on various training programmes during the period under review.

Employee Wellness Programme

The IRBA recognises that the physical, mental and emotional wellbeing of its staff contribute to the IRBA being a successful organisation that is able to meet its mission and objectives. An annual wellness day was held for staff, which consisted of overall wellness assessment and counselling, HIV/Aids voluntary counselling and testing (VCT), vision screening and elements of stress management programmes. Diet, exercise and a healthy lifestyle are also promoted and encouraged. A very well attended weight-loss programme was sponsored by the IRBA and very positive results were obtained. Staff were also supported with one-on-one counselling sessions by a professional organisation, where required.

INFORMATION TECHNOLOGY

An Information Technology strategy was developed and approved by the Board in January 2012. Implementation of the strategy is in progress.

The integrated workflow and database system was rolled out during the year, and provides workflow processes on all the activities of registered auditors while integrating the financial systems. The next year will be used to stabilise the system.

FINANCIAL REPORT

The financial performance, cash flows and financial position are set out in the annual financial statements on pages 42 to 77.

APPRECIATION

I would like to express my thanks to the Chairman and Board for their support and contributions, to the Minister of Finance and to the IRBA management and staff, who collectively for the second year earned South Africa the number 1 position in the world. I look forward to continuing to make good on our mandate to serve and protect the public interest in the financial year ahead.

BP Agulhas
Chief Executive Officer

EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT COMMITTEE

Members		Meetings attended
1	Prof TS Zakuza (chairman)	3 of 4
2	Prof A Dempsey	2 of 4
3	N Dongwana	2 of 4
4	MY Ismail	4 of 4
5	C Lane	3 of 4
6	E Lehapa	3 of 4

Members		Meetings attended
7	MR Naidoo ‡	2 of 4
8	F van den Berg ‡	4 of 4
9	Prof A van der Watt ‡	3 of 4
10	Prof SPJ von Wielligh ‡	2 of 4
11	H Wessels ‡	3 of 4
12	M Olivier (SAICA rep)	

‡ *Absent from photo*

The period under review proved to be ground-breaking, mainly due to the development of a Competency Framework for Registered Auditors (RAs), the development of a specialisation programme for candidate RAs and the re-drafting of the Accreditation Model (2007) to reflect these changes.

In addition, the Government Gazette Notice 34612, which appoints the IRBA as the approved regulatory body charged with the responsibility of approving and registering RAs to provide Broad-Based Black Economic Empowerment (B-BBEE) assurance services, has resulted in a review of the Continuing Professional Development (CPD) Policy.

The committee has stayed close to the changes in the processes of SAICA, and through its monitoring mechanisms is able to ensure that SAICA and the IRBA remain partners in developing and maintaining the high standing of the audit profession locally and internationally.

The changes to the IRBA's delivery model have not occurred in a vacuum, and there has been a process of consultation and public comment which has informed the committee in its deliberations. The committee wishes to thank those members of the profession who provided constructive, considered feedback. It is encouraging to know that the profession is actively committed to ensuring that the RA designation retains its international recognition.

I am delighted to report on the committee's current and strategic activities for the 2011/2012 financial year.

THE PUBLIC PRACTICE EXAMINATION (PPE)

The objective of the PPE is to assess the professional competence of candidates at entry to the auditing profession. Within the constraints of a written examination, the IRBA has developed the PPE to ensure that it is an appropriate assessment of professional competence and that it reflects the multidisciplinary public practice environment.

The PPE was written on Thursday, 24 November 2011 in 23 local venues and three international venues; Namibia, Swaziland and the United Kingdom. Of the 2054 aspirant accountants and auditors who wrote the PPE in 2011 (1952 in 2010), 1517 (1585 in 2010) passed resulting in a pass rate of 74% (81% in 2010). Of the 1707 candidates who wrote the examination for the first time, 1361 passed; resulting in a first time pass rate of 80%.

Transformation of the profession remains a priority for the IRBA. Of the 912 black candidates who wrote the PPE, 599 passed, representing an overall pass rate of 66%.

TRANSFORMATION OF THE PROFESSION

The growth in the number of Black candidates who have passed the PPE and are choosing to enter the profession is very encouraging with numbers having more than doubled since 2002.

We recognise, however, that there is much to be done in order to achieve an appropriately transformed profession. As part of IRBA's initiative to increase the number of Black auditors it presents a support programme for Black repeat candidates. In 2011, FASSET (the Seta for finance, accounting, management consulting and other financial services) provided the IRBA with funding to assist in running the support programme. The support programme proved to be successful in 2011. Without exception the candidates who attended the Support Programme achieved better results on each question than repeat candidates who did not attend the programme.

PROFICIENCY ASSESSMENTS

The IRBA has, as one of its mandates, the responsibility to ensure that all RAs are competent at entry to the profession and remain so throughout their professional lives.

In terms of this mandate, the IRBA sets the competency requirements at entry to the profession through the PPE and supports on-going competence through its CPD Policy. Equally, the IRBA has the responsibility to ensure that all applicants, who wish to enter the profession after an extended absence from audit, are competent.

In order to carry out its mandate with regard to the competency of auditors who fall into the categories defined above, the IRBA may conduct a proficiency assessment.

In the year under review 12 proficiency assessments were conducted. Of the 12 candidates who attended the proficiency interviews, 6 were registered immediately and 2 were registered after completing a file review and gaining experience in Public Practice. Four candidates were requested to update their audit and assurance proficiency before they can register with the IRBA.

MONITORING OF RECOGNISED PROGRAMMES

Central to achieving the objectives of the IRBA is the monitoring of the institutional and programme requirements to be complied with by accredited professional bodies. The Institutional requirements and the recognised programmes monitored during the period under review were:

- the Academic Programme;
- the Core Assessment Programme;
- the Training Programme; and
- the Education Programme.

Through its Monitoring sub-committee, EDCOM has confirmed the ongoing accreditation of The South African Institute of Chartered Accountants (SAICA), currently the only accredited professional body, and recognition of its programmes for 2012.

CONTINUING PROFESSIONAL DEVELOPMENT

In terms of the Act, the IRBA must "prescribe minimum qualifications, competency standards and requirements for the registration of auditors" (section 6(1)(a)). From this duty to ensure competence at entry to the profession, the regulator has a similar duty to ensure that those persons, who are registered, continue to develop and maintain their professional competence throughout the period in which they engage in public practice. Section 7(1)(f) requires that the regulator prescribe competency requirements and these would not only be relevant at entry to the profession but throughout the period of registration as an RA. The Act thus provides, in section 7(1)(c.), that the Regulatory Board "prescribes requirements for and conditions relating to the nature and extent of continued education, training and professional development".

RAs are required to sign a declaration of their CPD activities along with the submission of their annual return. For the year under review 99% of the RA population indicated that they were compliant. The IRBA also conducted random monitoring of the CPD records of 60 RAs. Of the 60 members whose records were requested only 7 were found to be non-compliant. Those members who are not compliant have been given opportunity to get their CPD records up to date or face having their registration with the IRBA cancelled.

The responsibility for the regulation of RAs who may undertake B-BBEE assurance services has resulted in the EDCOM undertaking a review of the CPD policy and recommending appropriate CPD requirements for RAs who may offer B-BBEE assurance services. The EDCOM has formed a working group that will assist it in these deliberations.

STRATEGIC INITIATIVES

In 2010 the committee embarked on a journey to create a new delivery model for RAs. The work undertaken by the committee included:

- Development of a Competency Framework for RAs;
- Changes to the Accreditation Model as a direct result of the new IRBA delivery model; and
- Development of the Specialist Audit Development Programme to be completed by potential RAs.

After months of research, drafting and consultation, the committee is nearing the end of this phase of the project. The next phase will constitute a primary study to ensure that the implementation of the Specialist Audit Development Programme in 2015 is seamless.

The new delivery model will be phased in from 2014. This means that the Public Practice Examination, in its current form, will only be presented to first time candidates until 2013. In 2014 the PPE will only be available to repeat candidates. The Specialist Audit Development Programme will commence in 2015.

Internationally, the future of accounting and auditing education is going through a number of fundamental changes. Some of the most important and relevant changes are:

- The move from a rules based to a principle based approach;
- Increased focus on public protection;
- More emphasis on professional scepticism and judgement;
- A heightened awareness of independence; and
- A general appreciation that, although technical competence is important, the skills, values and attitudes that also form part of professional competence are equally important.

The IRBA's competency framework and its approach to the development of professional competence has taken international trends into account, thereby maintaining the relevance and standing of CAs and RAs internationally.

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD (IAESB)

The work of the IAESB has focused on the revision of the current International Education Standards (IES 1 – 8). This review is nearing completion and the IAESB is in the process of developing a strategic plan for the next three years. The main focus of the strategic plan will be on adoption and implementation.

APPRECIATION

My sincere gratitude is extended to the staff of the department and the committee members for their valuable contributions during their term of office. Without their commitment our achievements this year would not have been possible.

TS Zakuza
Chairman

COMMITTEE FOR AUDITING STANDARDS

Members		Meetings attended
1	F Timmins (chairman) ‡	4 of 4
2	W Botha (from November 2011)	1 of 2
3	K Bowman	3 of 4
4	M Bourne ‡	3 of 4
5	Prof L de Beer	2 of 4
6	M Engelbrecht	3 of 4
7	H B Heymans ‡	3 of 4
8	D Manana	4 of 4
9	M Petros ‡	2 of 4
10	Prof F E Prinsloo	4 of 4
11	A Ramikosi	4 of 4
12	EM Southey ‡	3 of 4
13	D Spavins	4 of 4
14	G Tweedy ‡	3 of 4
15	J van Schalkwyk (until June 2011) ‡	1 of 1
16	I Vanker (from June 2011) * ‡	2 of 3
17	P Ward	2 of 4

* Alternate AGSA Representative, S Petzer, attended the meeting missed by I Vanker.
‡ Absent from photo

It is my pleasure to present this report on the activities of the Committee for Auditing Standards (CFAS) for the 2011/2012 financial year.

CFAS STANDING SUB-COMMITTEES

In order to address demands for guidance developed for auditors, the CFAS maintains the following standing sub-committees:

- **CFAS Steering Committee**
  The CFAS Steering Committee guides the CFAS Agenda and priorities and considers proposals for new projects.

- **CFAS Reports Standing Committee (RSC)**
  The RSC addresses all aspects of reporting on financial statements and regulatory reporting matters for many regulators and government departments.

- **CFAS Public Sector Standing Committee (PSSC)**
  The PSSC develops guidance to assist registered auditors in performing public sector audits.

- **CFAS Sustainability Standing Committee (SSC)**
  The SSC focuses on developing reporting guidance for auditors performing sustainability engagements to enhance the quality of such reports and contributes to thought leadership initiatives in integrated reporting and evolving demands for assurance on integrated reports.

- **CFAS B-BBEE Advisory Committee (BAC)**
  The BAC was established during this year to develop the assurance standard for B-BBEE approved registered auditors when providing assurance services to issue B-BBEE verification certificates. In addition the BAC has assisted the Department of Trade and Industry (DTI) with the process for approval of Registered Auditors who are suitably qualified to provide B-BBEE verification certificates to entities that comply with the B-BBEE Act and Codes of Conduct.

CFAS STRATEGY

The CFAS approved its Strategy for the three years from 2012 to 2014 in November 2011 that will guide its work programme. The CFAS Strategy focuses the activities of CFAS, establishes pre-determined objectives for the three year period and prioritises projects that address emerging issues. The Strategy focuses on the following areas:

- Development of guidance that addresses the needs of South African regulators for audit and assurance from auditors, and provides comments on new regulations affecting auditors.
- The development of illustrative auditors' and independent reviewers' reports and the identification of acceptable financial reporting frameworks, that meet the requirements in the Companies Act, 2008 and Regulations, that became effective from 1 May 2011.
- Contributing to the International Audit and Assurance Board (IAASB) Projects and Strategy by way of participation in the IAASB Task Forces and provision of comments on international exposure drafts and discussion papers; and
- Participation in the IAASB's Implementation Monitoring Project of the clarified ISAs.

PARTICIPATION IN INTERNATIONAL PROJECTS

In line with one of the key strategies of the CFAS to influence and participate in international standard-setting activities, the CFAS participated in an IAASB Task Force to develop the International Standard on Assurance (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. ISAE 3420 was issued in December 2011 with an effective date of 31 March 2013.

CFAS INITIATIVES AND DELIVERABLES

Standard	Deliverables
Initiatives relating to financial statement audits – implementation guidance issued	
Auditor Reporting (ISA 700, ISA705, ISA706, ISA800 and ISRE 2400)	Proposed SAAPS 3 (Revised) *Illustrative reports* issued on exposure for public comment January 2012
Auditor Reporting (ISA 800 and Regulatory requirements)	Estate Agency Affairs Board: (Revised) *Auditor's Report on the audit of Estate Agents Trust Accounts* issued in September 2011
Auditor Reporting (ISRS 4410 and Regulatory requirements)	Department of Trade and Industry: *Auditor's factual findings report on grant claims* for the *Enterprise Investment Programme, Manufacturing Investment Programme* and *Tourism Support Programme*

CFAS INITIATIVES AND DELIVERABLES

Initiatives	Deliverables
Initiatives relating to financial statement audits – implementation guidance issued	
ISA 250, *Consideration of laws and regulations in an audit of financial statements* and ISA 315 *Identifying and assessing the risks of material misstatement though understanding the entity and its environment*	Joint guidance developed with the Auditor-General South Africa for registered auditors auditing in the public sector: *Guide for Private Sector Auditors Performing Audits of Public Sector Entities* issued in 2012
Initiatives relating to other assurance and related services – Standards and implementation guidance issued	
ISAE 3000 *Assurance Engagements other than audits or reviews of historical financial information*	Joint guidance developed with the Auditor-General South Africa for registered auditors auditing in the public sector: *Guide on the Audit of Pre-Determined Objectives*, issued in 2012
SASAE 3502 Assurance on B-BBEE Verification Engagements	Proposed South African Assurance Engagement (SASAE) 3502 *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates* issued on exposure for public comment January 2012
Initiatives relating to International Standards – IAASB International Standards and Practice Notes issued and approved by the Board and prescribed for use by registered auditors	
Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	Participation in IAASB Task Force as a conference call participant, in the development of the International Standard on Assurance (ISAE) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued December 2011
Status and Authority of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements	The *Amended Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*
IAPN 1000 *Special Considerations in Auditing Complex Financial Instruments*	The International Auditing Practice Note (IAPN) 1000 *Special Considerations in Auditing Complex Financial Instruments*
Comments submitted to the IAASB	
Assurance Engagements Other Than Audits or Reviews of Historical Financial Information	The proposed ISAE 3000, (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, with proposed consequential changes to ISAE 3402 and 3410
Review Engagements	The proposed ISRE 2400 (Revised) *Engagements to Review Historical Financial Statements*
Assurance on a Greenhouse Gas Statement	The proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement*
Financial Statement Disclosures	The Discussion Paper *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*
Comments submitted to the International Integrated Reporting Council	
International Discussion Paper on Integrated Reporting	The International Integrated Reporting Council's (IIRC) Discussion Paper *Towards Integrated Reporting* in November 2011

Initiatives in progress	Activities
Initiatives relating to financial statement audits	
Status and Authority of International Standards adopted in South Africa and pronouncements developed by the CFAS and issued by the IRBA and Due Process Policy of CFAS	Development of a South African Preface and Due Process Policy to reflect the CFAS standard setting activities and development of pronouncements issued by the IRBA
Auditor Reporting	Development of new JSE Guide on *Reporting on Interim, Preliminary, Provisional and Abridged Reports* to meet the JSE Listing Requirements

CFAS INITIATIVES AND DELIVERABLES

Initiatives in progress	Activities
Initiatives relating to other assurance and related services	
SASAE 3501 *Assurance on eXTensible Business Reporting Language(XBRL) engagements*	Proposed South African Assurance Engagement (SASAE) 3501 *Assurance Engagements on eXtensible Business Reporting Language (XBRL)* developed and approved for issue on exposure
SASAE 3502 Assurance Engagements on B-BBEE Verification Certificates	SASAE 3502 *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates* - development of final SASAE in progress post comments received
Initiatives relating to International Standards issued	
ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*	Implementation guidance in progress, ISAE 3420 –auditors' report adapted to meet South African legislative and regulatory requirements
Participant in the IAASB Clarified ISAs Implementation Monitoring Project	Clarified ISAs Implementation Monitoring Project – IAASB surveys circulated to audit committees, audit firms and individual auditors – responses to be submitted to the IAASB in 2012

APPRECIATION

I wish to express my appreciation to the members of CFAS, its Standing Sub-Committees, the various Task Groups tasked with the development of projects, the auditing firms who support the CFAS with resources and emerging trends, and the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAS.

F Timmins
Chairman

COMMITTEE FOR AUDITOR ETHICS

Members		Meetings attended
1	E Kieswetter (chairman)	4 of 4
2	S Ball	4 of 4
3	J Beaumont	4 of 4
4	S Davies ‡	4 of 4
5	E Hamman	3 of 4
6	AK Hoosain (Resigned – May 2012) ‡	1 of 4

‡ Absent from photo

Members		Meetings attended
7	V Jack ‡	3 of 4
8	P Naidoo	4 of 4
9	S Palanee (Resigned - August 2011) ‡	1 of 2
10	U Schäckermann	3 of 4
11	J Schoeman	4 of 4
12	N van Graan (Resigned – February 2012)‡	1 of 3
13	Adv L Vilakazi ‡	2 of 4

It is my pleasure to present this report on the activities of the Committee for Auditor Ethics (CFAE) for the 2011/2012 financial year.

CODE OF PROFESSIONAL CONDUCT FOR REGISTERED AUDITORS AND RULES REGARDING IMPROPER CONDUCT

The CFAE is mandated in terms of section 21(2) of the Auditing Profession Act, Act No. 26 of 2005 to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct. The CFAE met four times during the year under review. Following the issue and prescribing of the new IRBA *Code of professional conduct for registered auditors* (the Code) and *Rules regarding Improper Conduct* that became effective from 1 January 2011, the committee focused its activities on facilitating implementation of the new Code and identification of trends in unethical behaviours requiring further guidance for auditors.

Ethics Workshops arranged and presented in main centres around South Africa during January and February 2012 were well attended by approximately 1000 auditors. A further in-house session was presented at one of the large firms during April 2012. The multicultural approach taken in the Ethics Workshops was well received given the challenges faced daily in the environment in which auditors operate in the country. Due to the demand further workshops will be presented in the second half of 2012.

CFAE STRATEGY

The committee held a meeting on 16 July 2011 to develop its strategy for the period 2011 to 2013. The priorities for the CFAE will focus on the following:

- The development and issue of professional ethics pronouncements for registered auditors and determining what constitutes improper conduct;
- Comments on international pronouncements and global developments and consideration of any proposed changes to the IESBA *Code of Ethics for Professional Accountants* (the IESBA Code) that might require possible changes to the IRBA Code;
- The issue of guidance in the form of circulars and guides to support auditors;
- The issue of rulings and guidance on interpretation of the Code in respect of ethical issues arising identified by the legal and inspections departments;
- Communiqués and other means of communication to facilitate implementation of the Code by auditors where emerging undesirable trends are identified; and
- Facilitation of training and CPD appropriate for auditors implementing the Code.

ESTABLISHMENT OF TASK GROUPS

To assist the CFAE with its ongoing activities in implementation of its strategy, the following Task Groups were established to develop guidance for auditors:

- *Public Interest task group:* considers global developments and implications of the Companies Act, 2008 Public Interest Score for possible amendments to the IRBA Code and guidance for auditors in applying the independence requirements in the Code;
- *Multicultural task group:* considered whether any further guidance is needed;
- *Second Opinions task group:* this task group will be recommending the revision of the extant IRBA Circular on Second Opinions ; and
- *B-BBEE task group:* awaiting finalisation of the *Proposed South African Assurance Engagement* (SASAE) 3502, *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates* being developed by the B-BBEE Advisory Committee of the Committee for Auditing Standards, to propose amendments to the IRBA Code which addresses ethical issues faced by B-BBEE Approved Registered Auditors providing B-BBEE Verification Certificates.

COMMENT LETTERS PROVIDED ON INTERNATIONAL PRONOUNCEMENTS

Comments were submitted during the year on the following proposed changes to the IESBA Code:

- The Proposed Change to the IESBA Code of Ethics for Professional Accountants Related to Conflict of Interest; and
- The Proposed Change to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code,

APPRECIATION

I wish to express my appreciation to the members of CFAE and its sub-committees for their commitment and support, as well as the staff of the Standards Department, in delivering on the mandate of the CFAE.

E Kieswetter
Chairman

INSPECTION COMMITTEE

Members	Meetings attended
1 T Abdool-Samad (chairman)	4 of 4
2 N Griffith	4 of 4
3 G Joubert	3 of 3
4 T Masiela	2 of 3

Members	Meetings attended
5 R Mc Intyre	4 of 4
6 C Mbili	1 of 4
7 B J Olivier	4 of 4
8 FF Scheepers ‡	3 of 4

‡ *Absent from photo*

Inspections are performed in terms of Section 47 of the Auditing Profession Act, 2005. One of the objectives of the Act is to protect the South African public by regulating audits performed by Registered Auditors (RAs). The functions of the IRBA include promoting the integrity of the auditing profession through conducting inspections. Inspections are performed by qualified professional staff employed on a full time basis by the IRBA. As at 31 March 2012 the Inspections Department had in its employ 11 Chartered Accountants, 1 Advocate and 4 Administrative staff.

There are two types of inspections in place, being firm inspections and engagement inspections. The objective of a firm inspection is to monitor compliance by firms to current standards of quality control, while the objective of an engagement inspection is to monitor compliance by individual RAs with appropriate levels of professional standards in the performance of the attest function. Engagement inspections are performed either on a 3-year (public interest) or a 6-year (non-public interest) inspection cycle, depending on the classification of the RA's attest portfolio.

Findings from inspections are reported quarterly, on an anonymous basis, to the Inspection Committee, which is responsible for determining the final result of an inspection. Final results of inspections are in terms of pre-determined criteria applicable to the inspection cycles. A decision would be either:

- Satisfactory, meaning an inspection only in the next cycle; or
- Not Satisfactory, meaning some matters still require attention before a satisfactory result is achieved and a follow-up inspection will be scheduled; or
- Referral to the Investigating Committee, meaning disciplinary action by the IRBA.

ENGAGEMENT INSPECTIONS

During the current financial year 625 engagement inspections were performed. About 10% of the engagements showed deficiencies and were scheduled for follow-up inspections. The major reason for inspection results not being rated as satisfactory relates to documentation being insufficient and/or inappropriate. Non-documentation of audit evidence does not necessarily imply that an inappropriate audit opinion was expressed.

Areas identified on engagement reviews as not having sufficient and appropriate audit evidence documented include:

- Fraud and ethical considerations
- Independence considerations
- Use of an expert, another auditor or a service organisation
- Related parties
- Testing for impairment
- Carrying value of fixed assets
- Fair value considerations
- Going concern considerations.

FIRM INSPECTIONS

All registered firms involved in the audit of public interest entities are subjected to firm inspections at least once in a 3-year inspection cycle. The objective of a firm inspection is to inspect the design and implementation of a firm's quality control system, organised under the following elements: leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring. To date a total of 105 firm inspections (37 in the first 3-year cycle) have been performed.

During the current year 38 firm inspections have been performed. Improvement was noted in the documented policies and procedures of those firms, the enforcement of those policies and procedures as well as implementation of our recommendations made during the first 3-year cycle.

APPRECIATION

I record my thanks to the staff of the Inspections Department, who have performed diligently and consistently throughout the period, and to the Inspection Committee members for their time and dedication to the practice review process. I also thank the practitioners and firms who were subject to inspection for their co-operation.

Finally, I wish to thank Paul van Helden, Director: Inspections, who will be retiring at the end of 2012. His commitment and dedication to the continuous improvement in the performance of inspections is much appreciated. We wish him well for the future.

T Abdool-Samad
Chairman

INVESTIGATING COMMITTEE

Members		Meetings attended
1	BW Smith (chairman)	7 of 7
2	M Claassens	6 of 7
3	A de Valence	7 of 7
4	D Deysel	6 of 7
5	EH du Plooy	7 of 7

‡ *Absent from photo*

Members		Meetings attended
6	R Juries-van-Staden	1 of 1
7	MI Khan	3 of 7
8	D Spavins ‡	7 of 7
9	M Tshishonga ‡	7 of 7
10	D von Hoesslin	7 of 7
11	H Wadiwala	7 of 7

An investigation is initiated once a complaint is received either from an external party, or it may be initiated from within the IRBA.

Externally originated complaints are lodged by a member of the public, or are matters referred by a court or other regulator. Internally originated complaints are lodged by the IRBA itself, such as those arising out of the inspection process, or matters where investigations are initiated by the IRBA itself as a result of information which comes to its attention.

Complaints lodged with the IRBA are required (by the Disciplinary Rules) to be on an affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, it is essential where the information is solely within the knowledge of the complainant. If the information which forms the subject of the investigation is a matter of public record, it is not necessary for this to be on an affidavit. The Disciplinary Rules also stipulate that the affidavit should make it perfectly clear exactly what it is that is being complained of.

Once a complaint is received, a check is made to ascertain that the respondent is a Registered Auditor and the complaint is then perused by the Department's forensic investigator to ascertain if further information is needed from the complainant, or if specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director: Legal must decide in terms of §48(1) whether or not to refer the matter to the Investigating Committee (INVESCO). Most cases will be referred and INVESCO must then investigate the matter in terms of §48(3).

PERIOD UNDER REVIEW

During the course of the twelve months under review 87 new investigations were initiated. These include enquiries or allegations of improper conduct received by the directorate, as well as investigations initiated by the IRBA itself. This figure represents only matters where a case file is opened, and excludes matters conciliated on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned practitioners across the spectrum from the smallest to the largest firms, and across a wide spectrum of conduct.

Eight matters were finalised after a case file had been opened but before the matter was tabled before INVESCO, usually after resolution with the assistance of the directorate, as follows:

- Seven matters were withdrawn; and
- In one matter the complainant did not furnish information necessary for the investigation of the matter.

The committee met on seven occasions to consider 31 cases brought forward from the previous year, as well as 63 new cases and 8 cases referred back for reconsideration. Other cases are still under preliminary investigation by the directorate and are not yet ready for referral to INVESCO.

INVESTIGATIONS CONCLUDED

Six matters were finalised by INVESCO, usually after resolution with the assistance of the committee, as follows:

- One matter was postponed until the finalisation of concurrent litigation; and
- Five complaints were withdrawn.

The balance was referred to the Disciplinary Advisory Committee (DAC) with recommendations. In one instance, although the complainant had withdrawn his complaint, the committee considered that the matter was serious enough to continue with the investigation, and the matter ultimately proceeded to a hearing.

CONCLUDING REMARKS

The new committee took office from 1 April 2011: one meeting was attended by both new and outgoing members, to ensure a smooth transition.

APPRECIATION

The case load of INVESCO requires a significant contribution by members of the committee. I record my appreciation to both those retiring members who ensured a smooth handover to the new members, as well as the ongoing committee.

Finally I wish to record my sincere gratitude to the Director and her staff in the Legal Department. They do a tremendous amount of work in getting the case files to the committee and we would not be able to operate without their well-documented support.

BW Smith
Chairman

DISCIPLINARY ADVISORY COMMITTEE

The members of the committee for the period under review were (L - R): YGH Suleman (chairman), Prof LY Majova-Songca and F Timmins.

In terms of the Auditing Profession Act, 2005, (Act No. 26 of 2005), the Investigating Committee (INVESCO) investigates all complaints and then recommends to the Board whether or not to charge a practitioner with unprofessional conduct.

INVESCO meets every six weeks, but the Board does not meet frequently enough to consider recommendations from INVESCO after each of its meetings. Therefore, the Board has delegated this function to the Disciplinary Advisory Committee (DAC). This committee consists exclusively of Board members.

The DAC consists of four members of which two are Registered Auditors. The DAC functions independently from the INVESCO and the Disciplinary Committee and reports to the Board.

The DAC meets about three weeks after each INVESCO meeting and considers all matters where INVESCO has made a recommendation upon finalisation of its investigation. DAC will not contradict a recommendation but rather refer matters back to INVESCO if it does not agree with the recommendation.

PERIOD UNDER REVIEW

During the twelve months under review, the DAC met seven times to consider 70 cases, including files brought forward from the previous year, as well as new referrals from INVESCO. This is a substantial number of cases and is indicative of the continued awareness regarding the disciplinary processes amongst users of services provided by Registered Auditors. Furthermore, I believe, it is an indication of trust in the auditing profession and the ability of the Board to effectively discipline its members.

MATTERS FINALISED

During this period 62 matters were finalised. Of these:

- 41 were not prosecuted:
    - 10 in terms of Rule 3.5.1.1 (The practitioner is not guilty of unprofessional conduct);
    - 19 in terms of Rule 3.5.1.2 (The practitioner having given a reasonable explanation for the conduct.);
    - 8 in terms of Rule 3.5.1.4 (There being no reasonable prospect of proving the practitioner guilty of the conduct in question); and
    - 4 in terms of Rule 3.5.1.5 (In all the circumstances it is inappropriate to charge the practitioner with unprofessional conduct).

Whilst not being formally charged, six of these practitioners were admonished for their behaviour:

- 13 practitioners were found guilty by consent, and fined.

MATTERS REFERRED

Seven matters were referred to the Disciplinary Committee. Some of these have been heard and are reported on in the report of the Chairman of the Disciplinary Committee, and others still await set down for hearing by the Disciplinary Committee.

In addition, one matter was withdrawn consequent upon the criminal conviction of the respondent, with imprisonment, which rendered the further criminal prosecution of the matter unnecessary.

APPRECIATION

The time and effort put into this committee by the Director and her department is invaluable and therefore I would like to record my sincere appreciation to them and to my fellow committee members.

YGH Suleman
Chairman

DISCIPLINARY COMMITTEE

Members		Meetings attended
1	A Dodson SC (chairman)	7
2	IV Maleka SC (vice chairman) ‡	2 (1 as chairman)
3	B Neukircher SC (vice chairman)	2
4	LP Fourie ‡	3
5	H Goga	8

‡ *Absent from photo*

Members		Meetings attended
6	H Griffiths	3
7	LX Pierce ‡	1
8	CR Qually	4
9	CF Reid ‡	6
10	N Russouw ‡	3
11	R van Wyk	8

During the period under review the committee comprised the chairman, Adv. A Dodson SC and two vice-chairmen, Adv. IV Maleka, SC and Adv. B Neukircher SC (appointed 27 July 2011).

The Registered Auditors who served on the committee were Messrs H Griffiths, CF Reid, LP Fourie and N Russouw. The non-auditor members were two lawyers, Messrs H Goga, LJ Lekale (who resigned on 27 October 2011) and LX Pierce (appointed on 27 January 2012 to replace him), a businesswoman, Ms R van Wyk CA(SA) and a consultant, Mr C Qually CA(SA).

The table above reflects the number of sessions attended by these individuals. A session may extend over more than a day and sometimes did.

During the period concerned the committee dealt with five matters, three of which were finalised within the year, although sometimes requiring more than one sitting. The committee sat for a number of days on the two further matters, both of which were partly heard and resume in the new year. The latter will be dealt with in the next annual report.

The first matter heard to completion was that of Mr L. It commenced on 17 May 2011 and resumed on 3 October 2011. The charges included operating a purported "trust account" in contravention of the Board's circular in this regard, negligently representing to certain shareholders and banks that funds would be paid out of that account and acting as auditor to a public company when he was a trustee and income beneficiary of a company holding shares in the company. On the first day, the parties dealt with a challenge to the admissibility of a transcript of evidence led at an enquiry in terms of sections 414 and 415 of the Companies Act of 1973 on the grounds that it would breach the practitioner's constitutional rights. The committee dismissed the objection.

Before the reconvened hearing, the pro forma complainant and the respondent entered into a plea and sentence agreement. The agreement was presented to the Disciplinary Committee at the resumed hearing for its approval. The committee approved the sanctions provided for in the agreement, which included a suspension from practice for a period of 6 months and various fines. In doing so, the committee complimented the parties for the sensible approach which they had adopted in dealing with the matter by way of a plea and sentence agreement and for the appropriateness of the sanctions which had been agreed upon.

The second matter was that of Mr Ockert Vermeulen. He declined to attend the enquiry. He faced five charges pertaining to his having prepared PAYE, VAT and provisional tax returns for a client and then having stolen the funds provided by the client for payment to SARS pursuant to the returns. He was also charged with stealing a blank cheque from the client which was then forged and banked as a cheque payable to himself.

By the time of the hearing, the respondent had himself removed his name from the register of auditors. In terms of section 39 (6) and (7) the Board is entitled to persist with disciplinary proceedings regardless of such a removal. The practitioner had also been sequestrated. The practitioner was found guilty on all the charges.

In addressing the issue of an appropriate sanction, the Committee observed that the criminal conduct in which the respondent engaged was of the worst possible kind that an auditor might involve himself in. He used his position of trust as auditor and accountant to provide the opportunity for engaging in criminal conduct.

The committee observed that had he not removed his name from the register, it would certainly have ordered this. The committee went on to impose a sanction of the maximum fine in respect of each of the charges. Given the unlikelihood of being able to recover payment of the fines and the committee's desire to discourage any attempt to seek registration again, the committee suspended the fines on the condition that they would become payable as a condition of any re-registration.

The third matter was that of Mr M. The matter had been postponed from a previous date as the respondent had not arrived for the hearing due to alleged ill health. On the second occasion, the respondent was once again absent and the hearing proceeded in his absence. The charges related to his having failed properly to perform the audits of attorneys' trust accounts required by the Law Society's rules, in two successive years.

The practitioner was found guilty. In imposing sentence, the committee had to deal with the problem that the attorneys, who were guilty of the breaches of their rules which the practitioner as auditor had failed to identify and report, were treated very leniently by the Law Society in its own disciplinary proceedings. In arriving at an appropriate sanction, the committee said –

> *"The two professions have their own respective statutes, their own respective rules and their own respective practice and traditions insofar as the matter of appropriate sanctions is concerned, and they also have their own expectations as far as levels of conduct on the part of practitioners is concerned. And the auditing profession*

also has to bear in mind that when sanctions are imposed they send out certain signals to the broader auditing profession as to how certain forms of misconduct are or are not viewed. It has also been taken into account by the committee that the auditor in the situation of auditing trust accounts is in a sense the last line of defence. People are looking to the profession to find out where there has been negligence and worse on the part of attorneys, and if they are not there to provide that last line of defence there is the potential for all sorts of abuse and decline in standards."

Having said all of that the committee finds that it must to a degree nonetheless take into account the light sanction that was imposed on the attorneys concerned. The impression which is also gained by the committee is that one is dealing with a small auditing firm that will not necessarily have a significant capacity to pay a fine and that has been carefully taken into account along with all the relevant considerations in arriving at an appropriate sanction.

The committee imposed a fine of R50 000, portion of which was suspended, along with a contribution of R60 000 to the costs.

ANNUAL WORKSHOP OF LEGAL STAKEHOLDERS

As in the previous year, a constructive annual workshop of legal stakeholders was held. Various matters of ongoing concern to the committee were addressed. The policy on postponements, referred to in the previous report, is now in place and is already an effective tool in ensuring that matters are heard at the appointed time, unless there is a reason of substance for not doing so.

APPRECIATION

We express our gratitude to the Director and her department for the efficient and effective manner in which the proceedings of the Committee are administered and supported.

The former chairman of the committee concluded his term on the committee on account of his election as chairman of the Board. The committee was also unfortunate to lose the services of Mr Lepono Lekale, on account of his appointment as a judge of the High Court in the Free State Province.

We thank them both for their years of excellent service on the committee and wish them well in their new positions.

A Dodson, SC
Chairman

REPORT OF THE
AUDIT AND RISK MANAGEMENT COMMITTEE

The members of the committee for the period under review were (L - R): Dr SP Kana, Prof A Dempsey (chairman) and Ms C Mbili (absent from photo).

We are pleased to present our report for the financial year ended 31 March 2012.

The committee is a Board committee and consists of non-executive Board members. The committee's overall objective is to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded, assessing the going concern status, reviewing the financial information and preparing the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies significant risks associated with the environment within which the IRBA operates and develops a framework for managing these risks. The Risk Management Strategy, incorporating a Fraud Prevention Plan, which covers strategic, operational and financial risks, has been developed accordingly.

The committee meets at least three times per annum as per its approved terms of reference. Members of the management, internal auditors and external auditors attend these meetings by invitation. Since the committee is an advisory committee, it does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective adviser and it operates as an overseer, making recommendations to the Board for final approval.

During the reporting year 7 meetings were held.

COMMITTEE RESPONSIBILITY

The committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the Public Finance Management Act of 1999 (PFMA) and Treasury Regulation 3.1.

The committee also reports that it has operated within the terms of reference of the Audit and Risk Management Committee, has regulated its affairs in compliance with the terms of reference and has discharged all its responsibilities as contained therein.

EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent.

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

The committee is satisfied with the expertise and adequacy of resources within the Operations Department, which is responsible for the finance function of the IRBA. The committee relies on feedback obtained from both external and internal audit to make these assessments.

RISK MANAGEMENT

A Risk Management Strategy, incorporating a Fraud Prevention Plan, is in place. Given the dynamic environment within which the IRBA operates, the effectiveness and relevance of these plans are assessed on a regular basis. Risks identified as significant to the IRBA are periodically evaluated and the risk management plan is reviewed accordingly.

The committee is satisfied with the effectiveness of the risk management process.

The committee is satisfied with the content and quality of quarterly reports prepared and issued by the Executive Management of the IRBA during the year under review.

EVALUATION OF FINANCIAL STATEMENTS

The committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and Executive Management;
- reviewed the Auditor-General's management report and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed possible significant adjustments resulting from the audit, of which there were none.

The committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

INTERNAL AUDIT

The committee is satisfied that the internal audit function is operating effectively and that its internal audit procedures have addressed the risks pertinent to the IRBA.

The committee is also satisfied with the Combined Assurance Approach applied by the Internal and External Auditors.

AUDITOR-GENERAL SOUTH AFRICA

The committee has met with the Auditor-General South Africa to ensure that there are not unresolved issues.

GOING CONCERN

The annual financial statements of the IRBA were prepared on a going concern basis and the Board is satisfied that the IRBA is financially sound and has adequate resources to continue operating for the foreseeable future.

APPRECIATION

I wish to express my appreciation to the members of the committee and to the Director: Operations and the Operations Department for their commitment and support.

Prof A Dempsey
Chairman

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INDEPENDENT REGULATORY BOARD FOR AUDITORS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Independent Regulatory Board for Auditors set out on pages 46 to 76 which comprise, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the performance against measureable objectives report as set out on pages 78 to 81 of the annual report.

9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

   The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the performance against measureable objectives report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

11. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

12. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor-General

Auditor-General
Pretoria
30 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the IRBA as at the end of the reporting period and the results of its operations and cash flows for the period then ended, in conformity with Statements of Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the IRBA sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the IRBA and all employees are required to maintain the highest ethical standards in ensuring the IRBA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the IRBA is on identifying, assessing, managing and monitoring all known forms of risk across the IRBA. While operating risk cannot be fully eliminated, the IRBA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Accounting Authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2013 and, in the light of this review and the current financial position, they are satisfied that the IRBA has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the IRBA's annual financial statements. The annual financial statements have been audited by the IRBA's external auditors and their report is presented on page 39.

The annual financial statements set out on pages 42 to 77, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2012 and were signed on its behalf by:

WHG van der Linde, SC
Chairman

1. INTRODUCTION

The Accounting Authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the period ended 31 March 2012, to the Minister of Finance, the Executive Authority in terms of section 55 (1)(d) of the Public Finance Management Act No. 1 of 1999 as amended (PFMA).

2. PRINCIPLE ACTIVITIES OF IRBA

The IRBA is established in terms of section 3 of the Auditing Profession Act No. 26 of 2005 ("the Act"), which had an effective date of 1 April 2006. The objectives of the Act as set out in section 2 of the Act are as follows:

- to provide for the establishment of an Independent Regulatory Board for Auditors;
- to protect the public in the Republic by regulating audits performed by registered auditors;
- to improve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- to provide for procedures for disciplinary action in respect of improper conduct.

3. ANALYSIS OF FINANCIAL STATEMENTS

3.1 Revenue

The operations of the IRBA are funded by revenue from exchange transactions and government grants.

Revenue from Exchange Transactions

Revenue from exchange transactions is primarily comprised of license fees, examination fees, inspection fees, registration fees, and revenue derived from the administration of training contracts. During the year under review, the revenue from exchange transactions increased to R40,9 million from R37,8 million. The inspection fees decreased to R14,4 million from R15,7 million due to inspections performed on small and medium sized firms taking less time than budgeted. The income from Training contracts increased to R4,8 million from R3,2 million. The number of students writing the PPE exam increased and resulted in an increase of examination income to R3,7 million from R3,2 million. An additional amount of R1,1 million was received for training courses offered by the IRBA to registered auditors.

Government Grants

During the year, the IRBA received government grants amounting to R34,7 million (2011: R29,2 million). Included in the current year is R6 million that was received during the adjustment budget to recover additional costs due to unavoidable and unforeseen legal expenses. The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

3.2 Expenses

Operating expenses increased to R71,6 million from R59,4 million, representing an increase of 20%. The main reason for the increase is as follows:

- Employment cost increased by only 3% due to vacancies of senior positions not filled as a result of scarcity of skills. Salaries increased by an average of 7%.
- Depreciation, amortisation and impairment costs increased to R2,1 million from R1,8 million because of the amortisation on the newly implemented workflow system.
- Committee expenses increased to R2,8 million from R2,1 million due to the additional number of disciplinary hearings that took place.
- Computer costs increased to R2,3 million from R1,4 million due to the maintenance and changes required to the workflow system.
- The legal costs increased to R7,9 million from R3,2 million, an increase of R4,7 million. The increase

- is due to additional legal cases being pursued by the IRBA. Approval was obtained from National Treasury to retain R5 million of the accumulated reserves in 2011, to cover these costs.
- The IRBA further embarked on additional projects eg:
  - Support to Zimbabwe on commission of the World Bank (R763 982)
  - Two additional training courses for registered auditors (R1,1 million).

For these additional projects there is corresponding income.

3.3 Assets

Limited replacement was done for plant and equipment and the decrease in the net assets are therefore due to the depreciation for the year. The intangible assets increased due to the development cost of a new database and workflow process.

A major portion of current assets are comprised of trade receivables. Most of the outstanding balance was collected subsequent to year end.

The cash balance increased to R21,7 million from R13,5 million. The IRBA has a positive operating cash balance of R4,1 million (2011: R2,9 million) after providing cash for the Education Fund and Disciplinary Fund Reserves. It is of critical importance for the IRBA to retain the cash and maintain sufficient funds to ensure that the IRBA can remain solvent, has a provision to cover unexpected expenses in addition to operating expenses, and to comply with Generally Recognised Accounting Practice (GRAP).

3.4 Liabilities

Non-current liabilities include the operating lease incentive and equalisation amount of R3 million, which represents an amount received from the landlord for leasehold improvements to be amortised over the lease, as well as accounting for lease instalments on the straight line basis.

Trade and other payables consist primarily of trade payables, fees received in advance and accruals, including an accrual for leave pay.

3.5 Surplus

The surplus of R7,4 million (2011: surplus of R9,1 million) arose mainly due to the additional grant of R6 million received for legal cases being pursued and other funding arrangements entered into by the IRBA. The accumulated surplus for the year, after transfers to the reserves, increased by R296 735 to R9,5 million.

3.6 Reserves

Reserves include three funds:

- The Disciplinary Fund was established to protect the operating capacity of the IRBA against the impact of unforeseen, disciplinary costs;
- The Education Fund was established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors; and
- The Trust Fund was established as prescribed by the Minister of Finance consisting of R10 million representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets. The interest income on the funds in the trust is transferred to the Education Fund.

3.7 Budget

The PFMA states the following in Chapter 6: Public Entities, Section 53 (3):

“A public entity which must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.” The budget approved by the Board for 2011/12 resulted in a deficit of R353 711. This budget would ensure the IRBA will be in a position to deliver on its mandate as required by the Auditing Profession Act, No 26 of 2005.

4. MEMBERS OF THE BOARD

WHG van der Linde	(Chairman)
Dr SP Kana	(Deputy Chairman)
Prof A Dempsey	
NNN Radebe	(Resigned – 3 April 2012)
LJ Lekale	(Resigned – 25 January 2012)
Prof LY Majova	
CN Mbili	
MI Khan	
YGH Suleman	
F Timmins	

5. MINISTERIAL REPRESENTATIVE

SF Nomvalo

6. BUSINESS AND REGISTERED ADDRESS

Physical address
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein

Postal address
IRBA
PO Box 8237
GREENSTONE
1616

DOCEX: DX008 Edenvale

7. AUDITORS

The Auditor-General of South Africa.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2012

	Note(s)	2012 R	2011 R
Assets			
Non Current Assets			
Plant and equipment	3	**4 461 822**	5 364 351
Intangible assets	4	**3 240 323**	3 357 663
		7 702 145	8 722 014
Restricted cash	7	**10 000 000**	10 000 000
		17 702 145	18 722 014
Current Assets			
Inventories	8	**186 244**	131 561
Loans receivable	9	**120 845**	160 627
Trade and other receivables	10	**5 948 325**	4 499 919
Cash and cash equivalents	11	**21 740 744**	13 542 647
		27 996 158	18 334 754
Non current assets held for sale	12	**-**	69 927
Total Assets		**45 698 303**	37 126 695
Net Assets and Liabilities			
Net Assets			
Reserves		**26 749 184**	19 658 489
Accumulated surplus		**9 519 361**	9 222 626
		36 268 545	28 881 115
Liabilities			
Non Current Liabilities			
Operating lease	6	**3 074 883**	3 214 164
Current Liabilities			
Finance lease obligation	13	**-**	343 897
Trade and other payables from exchange transactions	14	**6 354 875**	4 687 519
		6 354 875	5 031 416
Total Liabilities		**9 429 758**	8 245 580
Total Net Assets and Liabilities		**45 698 303**	37 126 695

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2012

	Note(s)	2012 R	2011 R
Revenue	16	**77 279 378**	67 311 095
Operating expenses		**(71 639 181)**	(59 421 974)
Operating surplus	17	**5 640 197**	7 889 121
Investment revenue		**1 771 258**	1 309 499
Finance costs	19	**(24 025)**	(93 403)
Surplus for the period		**7 387 430**	9 105 217

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2012

	Trust fund R	Education fund R	Disciplinary fund R	Total reserves R	Accumulated surplus R	Total net assets R
Balance at 01 April 2010	**10 000 000**	**1 157 973**	**6 740 151**	**17 898 124**	**1 877 774**	**19 775 898**
Changes in net assets	-	955 365	805 000	1 760 365	7 344 852	9 105 217
Surplus for the period	-	-	-	-	9 105 217	9 105 217
Transfer to education fund	-	955 365	-	955 365	(955 365)	-
Transfer to disciplinary fund	-	-	805 000	805 000	(805 000)	-
Balance at 01 April 2011	**10 000 000**	**2 113 338**	**7 545 151**	**19 658 489**	**9 222 626**	**28 881 115**
Changes in net assets	-	167 227	6 923 468	7 090 695	296 735	7 387 430
Surplus for the period	-	-	-	-	7 387 430	7 387 430
Transfer to education fund	-	167 227	-	167 227	(167 227)	-
Transfer to disciplinary fund	-	-	6 923 468	6 923 468	(6 923 468)	-
Balance at 31 March 2012	**10 000 000**	**2 280 565**	**14 468 619**	**26 749 184**	**9 519 361**	**36 268 545**

CASH FLOW STATEMENT
for the year ended 31 March 2012

	Note(s)	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Cash receipts from members and other sources		**75 830 972**	67 042 978
Interest income		**1 771 258**	1 309 499
		77 602 230	68 352 477
Payments			
Cash paid to suppliers and employees		**(67 959 980)**	(56 355 829)
Net cash flows from operating activities	22	**9 642 250**	11 996 648
Cash flows from investing activities			
Purchase of plant and equipment	3	**(542 190)**	(363 660)
Proceeds from sale of plant and equipment	3	**7 110**	24 074
Purchase of intangible assets	4	**(580 933)**	(2 891 083)
Net cash flows from investing activities		**(1 116 013)**	(3 230 669)
Cash flows from financing activities			
Movement in loans receivable		**39 782**	(39 771)
Finance lease payments		**(367 922)**	(491 004)
Net cash flows from financing activities		**(328 140)**	(530 775)
Net increase in cash and cash equivalents		**8 198 097**	8 235 204
Cash and cash equivalents at the beginning of the period		**13 542 647**	5 307 443
Cash and cash equivalents at the end of the period	11	**21 740 744**	13 542 647

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared on the assumption that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current period, the correction is made retrospectively as far as is practicable, and the prior period comparatives are restated accordingly. Where there has been a change in accounting policy in the current period, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Loans and receivables

The IRBA assesses its loans and receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recorded in the statement of financial performance, the IRBA makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of individual assets and cash generating units have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The IRBA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Useful lives and residual values
The IRBA re assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

Effective interest rate and deferred payment terms
The IRBA uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

1.4 Plant and equipment

Plant and equipment are tangible non current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the IRBA; and
- the cost or fair value of the item can be measured reliably.

Plant and equipment is initially measured at cost.

The cost of an item of plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

The initial estimate of the costs, if any, of dismantling and removing the item and restoring the site on which it is located is also included in the cost of plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial measurement plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequent to initial measurement plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation commences when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Furniture and fixtures	10 - 15 years
Motor vehicles	5 years
Equipment held under finance lease	3 to 5 years
Computer equipment	3 to 5 years
Leasehold improvements	7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the IRBA and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the IRBA or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the IRBA; and
- cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their expected useful lives to their estimated residual value.

The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate in the statement of financial performance.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation commences when the asset is ready for its intended use. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software and development cost	3 to 5 years

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when IRBA becomes a party to the contractual provisions of the instruments.

The IRBA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of financial assets

At each end of the reporting period the IRBA assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The credit quality of a financial asset or group of financial assets that is neither past nor impaired is assessed / monitored by reference to historical information about counterparty default rates. The following are the criteria and indicators that are applied to assess whether or not the financial asset or group of financial assets may be impaired:

- counterparty has evidenced a trend of defaults that indicates that the recoverability of the outstanding balance of the financial asset or group of financial assets is doubtful; and
- financial difficulties identified from an analysis of the counterparty's financial position that would indicate that the recoverability of the outstanding balance of financial asset or group of financial assets is doubtful.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Derecognition

A financial asset is derecognised only when:

- the right to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a 'pass through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

Loans receivable

These financial assets are classified as loans and receivables.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, plus direct transaction cost, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, less direct transaction cost, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables and borrowings are classified financial liabilities at amortised cost.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the

purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. Cash and cash equivalents are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.
Cash and cash equivalents are classified as loans and receivables.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Any contingent rents are expensed in the period in which they are incurred.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Operating leases lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight line basis over the lease term.

Any contingent rent is recognised separately as an expense when paid or payable and is not straight lined over the lease term.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.
The cost of inventories comprises of all costs of

purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash generating assets

Cash generating assets are those assets held by the IRBA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Identification

The IRBA assesses at each reporting date whether there is any indication that a cash generating asset may be impaired. If any such indication exists, IRBA estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the IRBA also tests a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use
Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, IRBA estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and IRBA applies the appropriate discount rate to those future cash flows.

Discount rate
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)
If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss
The IRBA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of non-cash-generating assets
Cash-generating assets are those assets held by the IRBA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification
The IRBA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, IRBA estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that IRBA would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The IRBA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non cash generating asset may no longer exist or may have decreased. If any such indication exists, IRBA estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

The Board contributes to a retirement fund. The retirement fund is a defined contribution plan. Contributions in terms of defined contribution plans are charged against income as incurred.

1.13 Provisions and contingencies

Provisions are recognised when:

- The IRBA has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the IRBA settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed (in note 24), unless the possibility of an inflow/outflow of resources embodying economic benefits is remote.

1.14 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the IRBA;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the IRBA satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the IRBA.

When, as a result of a non-exchange transaction, the IRBA recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

1.16 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the IRBA has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met, a liability is recognised.

1.17 Interest income

Interest income is accrued on a time proportioned basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Reserves

In order to provide for sufficient cash resources for possible future expenditure for disciplinary, education expenses and the Trust Fund, The following reserves have been established:

Disciplinary fund

This is a fund established to protect the operating capacity of IRBA against the impact of unforeseen disciplinary costs which may result in the future. Disciplinary fines levied during the year are transferred to the disciplinary fund at the end of each reporting period.

Education fund

This fund is established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors. Any surplus or deficit arising out of these activities is transferred to or out of this fund at the end of each reporting period.

Trust fund

This fund is established to ring fence the capital proceeds of the sale of the building as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantage students who aspire to become Registered Auditors and to raise awareness of the Auditing profession at various levels, and therefore transferred to the Education Fund.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 29 of 1999).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified as accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Budget information

The IRBA is subject to budgetary limits in the form of appropriations and budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation of similar authorisations. A reconciliation between budget and actual information has been included in the notes to the annual financial statements and both are prepared on the same basis of accounting (Refer to note 30 Reconciliation from budget to actual information).

1.24 Related parties

IRBA, a state owned entity, operates in an economic sector dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of IRBA, including those charged with the governance of the IRBA in accordance with legislation, in instances where they are required to perform such functions. IRBA regards all individuals at senior management as key management per the definition of the financial reporting standard.

Close members of the family of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with IRBA.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Related party disclosure for transactions between government entities that took place on terms and conditions that is considered arms' length are not required in accordance with IPSAS 20, Related Party Disclosure.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards not applicable to the entity's operations

Standard	Summary and impact	Effective date
Amendment to IFRS3 (AC140) Business Combinations	Amendments to accounting for business combinations.	APB Issue date: February 2008
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
Revised **IFRS 3(AC 140) Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards.	IASB Issue date: August 2009 APB Issue date: N/A
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2010
*IFRIC 9(AC 442)	Reassessment of Embedded Derivatives	APB Issue date: May 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
**IFRIC 13(AC 446)	Customer Loyalty Programmes (Fair value of award credit)	IASB Issue date: August 2009 APB Issue date: N/A
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 January 2011
IFRIC14(AC447)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Prepayments of a minimum funding requirement)	APB Issue date: January 2010
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 January 2011
IFRIC 17(AC 450)	Distributions of Non-cash Assets to Owners	APB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
IFRIC 18(AC 451)	Transfer of Assets from Customers	APB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009

2.2 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2012 or later periods:

Standard	Summary and impact	Effective date
GRAP18 - Segment Reporting	New standard of GRAP: Establishes principles for reporting financial information by segments.	ASB Issue date: March2005
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 20 – Related parties	New standard of GRAP: deal with the presentation and disclosure of related parties information.	ASB Issue date: March 2011
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 21: Impairment of Non-cash-generating Assets	New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	ASB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012

Standard	Summary and impact	Effective date
GRAP 23: Revenue from Non exchange Transactions	New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.	ASB Issue date: February 2008
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012
GRAP 24: Presentation of Budget Information in the Financial Statements	New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1.	ASB Issue date: November 2007
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012
GRAP 25: Employee Benefits	New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits.	ASB Issue date: November 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 26: Impairment of Cash generating Assets	New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	ASB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012
GRAP 103: Heritage Assets	New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements.	APB Issue date: July 2008
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012
GRAP 104: Financial Instruments	New standard of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments.	ASB Issue date: October 2009
	The impact on the financial results and disclosure is considered to be minimal.	***Effective date: years commencing on or after 1 April 2012
GRAP 105: Transfer of Functions Between Entities Under Common Control	New standard of GRAP establishes accounting principles for the acquirer and transfer or in a transfer of functions between entities under common control.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 106: Transfer of Functions Between Entities Not Under Common Control	New standard of GRAP establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 107: Mergers	New standard of GRAP establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister

** **Improvements to the standards of GRAP**

ASB Issue date: N/A | Effective date: 1 April 2011

Improvements have been made to the following standards of GRAP: GRAP 1 4, 9 14, 16 17, 19 and 100 as part of the ASB's improvement project.

** The IRBA expects to adopt the improvements for the first time in the 2011 annual financial statements. It is unlikely that the improvements will have a material impact on the IRBA's annual financial statements.

*** **Improvements to the interpretations**

ASB Issue date: N/A | Effective date: 1 April 2011

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

*** The IRBA expects to adopt the interpretation and accounting standards for the first time in the 2012 annual financial statements. It is unlikely that the interpretations will have a material impact on the IRBA's annual financial statements.

3. PLANT AND EQUIPMENT

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	**2 718 541**	**(1 685 767)**	**1 032 774**	1 399 873	(340 410)	1 059 463
Motor vehicles	**387 786**	**(205 037)**	**182 749**	204 761	(153 418)	51 343
Equipment held under finance lease	**-**	**-**	**-**	1 117 582	(829 910)	287 672
Computer equipment	**2 236 255**	**(1 682 481)**	**553 774**	2 015 684	(1 444 938)	570 746
Leasehold improvements	**4 901 826**	**(2 209 301)**	**2 692 525**	4 901 826	(1 506 699)	3 395 127
Total	**10 244 408**	**(5 782 586)**	**4 461 822**	9 639 726	(4 275 375)	5 364 351

Reconciliation of plant and equipment 2012

	Opening balance	Additions	Disposals	Reversal of classified as held for sale	Depreciation / Change in accounting estimate	Total
Furniture and fixtures	**1 059 463**	**44 968**	**(218)**	**22 127**	**(93 566)**	**1 032 774**
Motor vehicles	**51 343**	**195 345**	**(12 319)**	**-**	**(51 620)**	**182 749**
Equipment held under finance lease	**287 672**	**-**	**-**	**-**	**(287 672)**	**-**
Computer equipment	**570 746**	**301 877**	**(24 052)**	**-**	**(294 797)**	**553 774**
Leasehold improvements	**3 395 127**	**-**	**-**	**-**	**(702 602)**	**2 692 525**
	5 364 351	**542 190**	**(36 589)**	**22 127**	**(1 430 257)**	**4 461 822**

Reconciliation of plant and equipment 2011

	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Total
Furniture and fixtures	1 245 939	41 060	(25 635)	(58 469)	(143 432)	1 059 463
Motor vehicles	106 096	-	-	(11 458)	(43 295)	51 343
Equipment held under finance lease	671 235	-	-	-	(383 563)	287 672
Computer equipment	810 836	322 600	(17 846)	-	(544 844)	570 746
Leasehold improvements	4 097 724	-	-	-	(702 597)	3 395 127
	6 931 830	363 660	(43 481)	(69 927)	(1 817 731)	5 364 351

Assets subject to finance lease (Net carrying amount)	**2012 R**	**2011 R**
Equipment held under finance lease	-	287 672

Refer to note 31 for additional movement in cost and accumulated depreciation for furniture and fittings and computer equipment.

Management changed the decision to sell certain canteen assets. The change was as a result of alternative uses that were found for the assets. The net result is a reversal of R22 127 from Available for Sale to Assets in Use.

4. INTANGIBLE ASSETS

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and development cost	**3 947 900**	**(707 577)**	**3 240 323**	3 621 933	(264 270)	3 357 663

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and development cost	**3 357 663**	**580 933**	**(3 804)**	**(694 469)**	**3 240 323**

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and development cost	501 067	2 891 083	-	(34 487)	3 357 663

5. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2012 R	2011 R
Trade and other receivables	**5 948 325**	4 499 919
Loans receivable	**120 845**	160 627
Cash and cash equivalents	**21 740 744**	13 542 647
	27 809 914	18 203 193

Credit quality of financial assets
The credit quality of trade, other and loans receivables, and cash and cash equivalents are assessed as follows:

Low credit grade - The counter party has evidenced high instances of defaults and / or re negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the low credit grade category pose a high credit risk to the entity.

Medium credit grade - The counter party has evidenced instances of defaults and / or re negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the medium credit grade category pose a medium credit risk to the entity.

High credit grade - The counter party has evidenced no or minimal instances of defaults and / or re negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the high credit grade category pose a low credit risk to the entity.

6. OPERATING LEASE

	2012 R	2011 R
Total lessor incentive	**1 171 071**	1 522 393
Less: Current liabilities	**(351 321)**	(351 321)
Lessor incentive	**819 750**	1 171 072
Operating lease accrual	**2 255 133**	2 043 092
	3 074 883	3 214 164

The lessor gave an incentive on occupation of the new building. The incentive is set off against the rent payable over the term of the lease. The lease payment has an annual escalation of 8.8%. The lease agreement is not renewable at the end of the lease term.

7. RESTRICTED CASH

An amount of R10 000 000 was received from the sale of land and buildings owned by IRBA. The Minister of Finance restricted the use of the capital amount.

8. INVENTORIES

Stationery	**186 244**	131 561

9. LOANS RECEIVABLE

At beginning of the period (High Credit Grade)	**160 627**	120 856
Advances	**-**	39 771
Repayments	**(39 782)**	-
	120 845	160 627

Loans receivable consist of study loans and travel advances paid to staff members. The loans are not interest bearing and the effect of discounting is not material.

10. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Inspections	**3 999 823**	3 720 265
Prepaid expenses	**99 841**	170 464
Fines, penalties and legal cost recoveries outstanding	**264 925**	466 545
Sundry – Other	**616 895**	385 097
– Department of Trade and Industry (B-BBEE)	**750 000**	-
– World Bank (Zimbabwe Support Program)	**508 760**	-
Less: Impairment provision	**(291 919)**	(242 452)
	5 948 325	4 499 919

10. RECEIVABLES FROM EXCHANGE TRANSACTIONS (cont.)	2012 R	2011 R

Trade and other receivables pledged as security
The IRBA does not hold any collateral as security.

Fair value of trade and other receivables
The fair value of trade and other receivables is equal to the invoice amounts related to these receivables.

Trade and other receivables past due but not impaired
The ageing of amounts past due but not impaired is as follows:

1 month past due 30 days (Minimum Credit Grade)	**1 626 502**	956 602

Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**(242 452)**	(158 849)
(Increase) / Release of provision for impairment	**(49 467)**	(83 603)
	(291 919)	(242 452)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Cash on hand	**2 777**	4 790
Bank balances	**4 104 007**	2 994 592
Cash funded reserves	**16 749 184**	9 658 489
12 Month Term Deposit	**884 776**	884 776
	21 740 744	13 542 647

The cash and cash equivalents held by the IRBA may only be used in accordance with its mandate. No restrictions have been placed on the use of cash and cash equivalents for the operations of the IRBA.

Fair value of cash and cash equivalents
The carrying value of cash and cash equivalents as disclosed, approximates the fair values. The maximum exposure to credit risk, as a result of carrying cash and cash equivalents, is limited to the carrying value of cash and cash equivalents.

Cash funded reserves
In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Education fund R2 280 565 (2011: R2 113 338) and Disciplinary fund R14 468 619 (2011: R7 545 151).

12 Month Term Deposit
An amount of R884 776 (2011: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

12. NON-CURRENT ASSETS HELD FOR SALE

	2012 R	2011 R

The non-current assets are to be sold piecemeal. The decision was taken by management to dispose of new and used canteen assets.

	2012 R	2011 R
Assets and liabilities		
Non-current assets held for sale		
Plant and equipment	-	69 927

13. FINANCE LEASE OBLIGATION

	2012 R	2011 R
Minimum lease payments due		
- within one year	-	367 922
less: future finance charges	-	(24 025)
Present value of minimum lease payments	-	343 897
Present value of minimum lease payments due		
within one year	-	343 897

The average lease term was 5 years and the average rate implicit in the lease was 13% (2011: 13%).

The IRBA's obligations under finance leases are secured by the lessor's charge over the leased assets (refer note 3). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The fair value of the IRBA's lease obligations approximates its carrying amount.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2012 R	2011 R
Trade payables	**2 982 440**	1 661 929
Accrual for leave pay	**836 504**	842 081
Operating lease incentive	**351 320**	351 321
Other accruals	**2 184 611**	1 832 188
	6 354 875	4 687 519

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average age credit period is less than 30 days. The IRBA considers that the carrying amount of trade and other payables approximates the fair value.

Included in trade and other payables is an accrual for leave pay. Employees' entitlement to annual leave is recognised when it accrues to the employee. An accrual is recognised for the estimated liability for annual leave due as a result of services rendered by employees up to reporting date.

15. FINANCIAL LIABILITIES BY CATEGORY	2012 R	2011 R

The accounting policies for financial instruments have been applied to the line items below:

Trade and other payables	**6 366 344**	4 687 519

16. REVENUE

Rendering of services	**40 917 395**	37 823 809
Government grants	**34 724 000**	29 296 000
Other income	**1 637 983**	191 286
	77 279 378	67 311 095

The amount included in rendering of services arising from exchanges of goods or services are as follows:

Disciplinary expense contributions	**255 000**	35 000
Disciplinary fines	**650 000**	805 000
Examination fees	**3 789 316**	3 284 833
Inspection fees	**14 452 796**	15 717 595
Licence fees	**11 975 593**	11 265 980
Monitoring fees	**326 700**	302 500
Proficiency test fees	**11 300**	19 200
Registration fees	**1 828 380**	1 385 962
Training courses	**1 604 760**	582 128
Support programme	**1 157 090**	1 202 632
Training contracts and levies	**4 866 460**	3 222 979
	40 917 395	37 823 809

The amount included in revenue arising from non exchange transactions is as follows:

Government grants	**34 724 000**	29 296 000

17. OPERATING SURPLUS

	2012 R	2011 R
Operating surplus for the period is stated after accounting for the following:		
Operating lease charges		
Building		
- Lease rentals on operating lease	**4 295 890**	4 295 890
(Loss) on sale of assets	**(33 283)**	(19 407)
Amortisation of intangible assets	**694 469**	34 487
Depreciation on plant and equipment	**1 479 634**	1 817 734
Change in accounting estimate on plant and equipment	**(49 377)**	-
Employee costs	**34 718 662**	33 688 398

18. BAD DEBTS

Bad debts	**157 464**	121 700

19. FINANCE COSTS

Finance leases	**24 025**	93 403

20. TAXATION

No provision has been made for taxation as IRBA is exempt from tax in terms of section 10(1)(cA) of the Income Tax Act, 1962 (Act No. 58 of 1962).

21. AUDITORS' REMUNERATION

Auditor's remuneration - internal	**436 119**	600 192
Auditor's remuneration - external	**798 462**	715 133
	1 234 581	1 315 325

22. CASH GENERATED FROM OPERATIONS

	2012 R	2011 R
Surplus	**7 387 430**	9 105 217
Adjustments for:		
Depreciation, amortisation and impairment	**2 124 727**	1 852 221
Loss on sale of assets and liabilities	**33 283**	19 407
Finance costs Finance leases	**24 025**	93 403
Bad debts	**157 464**	121 700
Movements in operating lease	**(139 281)**	219 446
Net movement in assets available for sale	**47 800**	-
Changes in working capital:		
Inventories	**(54 683)**	(2 615)
Receivables from exchange transactions	**(1 448 406)**	(268 117)
Impairment provision	**(157 464)**	(121 700)
Payables from exchange transactions	**1 667 355**	977 686
	9 642 250	11 996 648

23. COMMITMENTS

	2012 R	2011 R
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	**4 825 466**	4 435 171
- in second to fifth year inclusive	**12 920 372**	17 745 838
	17 745 838	22 181 009

24. CONTINGENCIES

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. Approval has been obtained from National Treasury to retain prior year accumulated surplus funds. The current total accumulated funds as at 31 March 2012 is R9 519 361.

25. RELATED PARTIES

Relationships

Members of key management - Refer to note 26 for the disclosure of Key Management's and Board Members' remuneration.

26. KEY MANAGEMENT'S AND BOARD MEMBERS' REMUNERATION

Key management: 2012	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	**1 857 123**	**267 500**	**299 285**	**12 000**	**2 435 908**
L Katzin, Director: Education, Training and Professional Development	**1 042 611**	**92 000**	**170 122**	**9 000**	**1 313 733**
PJ O'Connor, Director Legal	**1 006 581**	**65 000**	**226 946**	**9 000**	**1 307 527**
P van Helden, Director: Inspections	**1 370 047**	**-**	**205 004**	**9 000**	**1 584 051**
SD van Esch, Director: Standards	**1 212 181**	**120 000**	**195 832**	**9 000**	**1 537 013**
WH de Jager: Director: Operations	**1 211 768**	**120 000**	**196 540**	**9 000**	**1 537 308**
	7 700 311	**664 500**	**1 293 729**	**57 000**	**9 715 540**

Key management: 2011	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	1 664 343	210 000	268 882	7 000	2 150 225
L Katzin, Director: Education, Training and Professional Development	870 127	76 000	141 804	9 000	1 096 931
PJ O'Connor, Director Legal	895 854	76 000	197 236	9 000	1 178 090
P van Helden, Director: Inspections	1 038 613	76 000	167 457	5 250	1 287 320
SD van Esch, Director: Standards	1 137 090	76 000	184 748	9 000	1 406 838
WH de Jager: Director: Operations	1 136 430	76 000	184 748	9 000	1 406 178
	6 742 457	590 000	1 144 875	48 250	8 525 582

Board members' fees	2012 R	2011 R
WHG van der Linde (chairman)	**26 141**	-
Dr SP Kana	**40 254**	38 328
Prof A Dempsey	**50 560**	53 810
NNN Radebe	**22 567**	13 376
LJ Lekale	**29 426**	-
C Mbili	**10 978**	-
MI Khan	**29 352**	-
YGH Suleman	**57 638**	-
F Timmins	**55 809**	-
LY Majova	**29 158**	-
DCM Giwhala	**-**	43 335
LER De Vries	**-**	56 177
DD Nagar	**-**	29 964
P Mnisi	**-**	40 128
TS Zakuza	**-**	41 197
WP Du Plessis	**-**	105 823
	351 883	422 138

27. RISK MANAGEMENT

In the course of IRBA's operations it is exposed to credit, liquidity and market risk. IRBA has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit and Risk Management Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk
IRBA manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Financial instrument		Current interest	Due in less than a year	Due in two to five years
Trade and other payables	extended credit terms	-%	6 366 344	-

Credit risk
Financial assets, which potentially subject IRBA to the risk of non-performance by counter parties consist mainly of cash, trade and other receivables and loans receivable.

IRBA limits its treasury counter party exposure by only dealing with well-established financial institutions approved by National Treasury.

Trade and other receivables consist of registered auditors spread over a wide geographical area. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk with respect to registered auditors paying license fees is limited due to the nature of the income received. IRBA's concentration of credit risk is limited to the audit profession in which IRBA operates. No events occurred in the profession during the year that may have an impact on accounts receivable that have not yet been adequately provided for.

Market Risk
A sensitivity analysis has not been performed due to the fact that market risk presents a low risk to the IRBA. The IRBA manages interest rate risks by transacting with reputable financial institutions at floating rates for current financial instruments. Surplus funds are invested at call deposits to ensure that sufficient free cash flow is available to service supplier payments.

Operation risk
Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. IRBA cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, IRBA is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes.

28. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

29. EVENTS AFTER THE REPORTING DATE	2012 R	2011 R

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

30. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Deficit as per approved Board budget	**(353 711)**	(9 674 840)
Additional funding from National Treasury	**-**	6 000 000
Required cost saving on expenditure by National Treasury	**-**	2 500 000
Required cost saving on legal costs by National Treasury	**-**	1 700 000
Surplus as approved budget by National Treasury	**(353 711)**	525 160
Additional funding from National Treasury	**6 000 000**	-
Over recovery of income	**2 729 793**	1 445 971
(Over) / Under spending of expenditure	**(988 729)**	7 134 086
Surplus per financial statements	**7 387 353**	9 105 217

The additional funding from National Treasury of R6 000 000 was specifically requested and received for a Disciplinary Case that is still under investigation. These funds are transferred to the Disciplinary fund, which aim is to ensure that sufficient cash resources are available to protect the operating capacity of the IRBA against the impact of unforeseen disciplinary costs which may result in the future.

31. CHANGE IN ESTIMATE

Plant and equipment

The useful life of certain plant and equipment was estimated in 2007 to be 3 - 10 years. In the current period management have revised their estimate to 5 - 15 years. The assets affected were mainly taken over from the PAAB. The assets were carried at the book value on the date of transfer. The reassessment resulted in the following entry to split cost and accumulated depreciation: Furniture and Fittings (Cost) increased by R1 245 000 and Furniture and Fittings (Accumulated Depreciation) increased by R1 119 000, with a net result of R47 000; Computers (Cost) increased by R122 000 and Computers (Accumulated Depreciation) increased by R120 000, with a net result of R2 000. The effect of this revision has reduced the depreciation charges for the current period by R49 000 and this amount will be depreciated in future periods over the respective remaining useful lives.

DETAILED INCOME STATEMENT

	Note(s)	2012 R	2011 R
Revenue			
Rendering of services		**40 917 395**	37 823 809
Government grants & subsidies		**34 724 000**	29 296 000
Other income		**984 708**	191 286
World Bank income		**653 275**	-
	16	**77 279 378**	67 311 095
Other income			
Interest received		**1 771 258**	1 309 499
Operating expenses			
Auditors remuneration	21	**(1 234 581)**	(1 315 325)
Bad debts		**(157 387)**	(121 700)
Building operating expenses		**(668 010)**	(642 333)
Committee expenses		**(2 858 414)**	(2 152 639)
Computer expenses		**(2 346 138)**	(1 480 902)
Consulting and professional fees		**(1 391 925)**	(337 824)
Depreciation, amortisation and impairments		**(2 124 727)**	(1 852 221)
Employee costs		**(34 718 662)**	(33 688 398)
Examination expense		**(3 213 621)**	(2 892 312)
Insurance		**(183 769)**	(205 820)
Lease of building		**(4 295 890)**	(4 295 890)
Legal fees		**(7 869 081)**	(3 204 963)
Loss on disposal of assets		**(33 283)**	(19 407)
Other expenses		**(1 477 723)**	(1 499 525)
Placement fees		**(423 643)**	(182 090)
Printing and stationery		**(654 720)**	(450 666)
Proficiency test		**(13 390)**	(32 208)
Public relations		**(649 792)**	(285 904)
Publications		**(488 510)**	(632 856)
Staff welfare		**(993 420)**	(682 338)
Support programmes and education fund expenses		**(1 651 219)**	(868 140)
Training Courses for Registered Auditors		**(1 185 856)**	(546 004)
Travel - local		**(1 547 910)**	(1 743 261)
Travel - overseas		**(667 158)**	(281 968)
Workman compensation		**(26 484)**	(7 280)
World Bank expenses		**(763 982)**	-
		(71 639 181)	(59 421 974)
Operating surplus	17	**7 411 378**	9 198 620
Finance costs	19	**(24 025)**	(93 403)
Surplus for the period		**7 387 430**	9 105 217

The supplementary information presented does not form part of the annual financial statements and is unaudited.

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

STRATEGIC FOCUS AREA 1: AUDITING AND ETHICAL STANDARDS AND REPORTABLE IRREGULARITIES

STRATEGIC OBJECTIVE: Developing and maintaining auditing and ethical standards which are internationally comparable

Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2011/12	Status for the year ended 31 March 2012
To develop and issue new audit guidance to ensure guidance remains relevant and actively addresses gaps.	Issued auditing pronouncements.	To provide auditors with guidance to perform high quality audits.	Target dates for issuing audit pronouncements as per CFAS Project Timetable, adjusted on a quarterly basis.	75%	**Achieved** Achieved 85% by 31 March 2012 according to the CFAS Project plan for the year.
To develop and issue additional guidance on ethical issues from the Code of Professional Conduct.	Issued additional guidance on ethical issues.	To provide auditors with a Code consistent with International Codes and enable the IRBA to take Disciplinary action where necessary.	Target Dates for issuing additional guidance is as per CFAE work programme,adjusted on a quarterly basis.	75%	**Achieved** Achieved 90% by 31 March 2012 according to the CFAE Work Programme for the year.
To process reportable irregularities reports received from registered auditors timeously.	Closed reportable irregularities files.	To comply with the Auditing Profession Act.	Time taken to close reportable irregularities files.	90% Adherence to targets – files closed within 40 days from receipt of initial reportable irregularities report.	**Not Achieved** An improvement of 11% against the previous year, after the systems were in place and staff trained, resulting in an 82% adherence to planned target.

STRATEGIC FOCUS AREA 2: PROGRAMME EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT

STRATEGIC OBJECTIVE: Providing an appropriate framework for the education and training of properly qualified auditors

To establish processes so that only competent candidates enter the audit profession.	Assessment of professional competence.	Competence is established at entry to the profession.	Adherence to dates in assessment programme schedule.	100% adherence to the work schedule.	**Achieved**
To monitor the programmes and institutional requirements of accredited professional bodies.	Monitoring reports.	To ensure compliance with the Accreditation Model.	Date of submission of final monitoring reports.	Academic programme – 60 days after submission of the draft monitoring report by Accredited Entity.	**Achieved** The Academic Programme report was received on 16 August 2011 and the IRBA's response was sent on 28 September 2011.
				Core Assessment programme – 60 days after submission of the draft monitoring report by Accredited Entity.	**Achieved** The Draft Monitoring report for the 2011 QE1 was received on 23 September 2011. The IRBA's response was sent on 08 November 2011.
				Education programme – 60 days after submission of the draft monitoring report by Accredited Entity.	**Achieved** The Education Programme report was received on 16 August 2011 and the IRBA's response was sent on 28 September 2011.
				Training programme – 60 days after submission of the draft monitoring report by Accredited Entity.	**Achieved** The Training Programme report was received on 16 August 2011 and the IRBA's response was sent on 28 September 2011.
				Institutional -requirements 60 days after submission of the draft monitoring report by Accredited Entity.	**Achieved** The Institutional requirements report was received on 16 August 2011 and the IRBA's response was sent on 28 September 2011.

STRATEGIC FOCUS AREA 2: PROGRAMME EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT					
STRATEGIC OBJECTIVE: Providing an appropriate framework for the education and training of properly qualified auditors					
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2011/12	**Status for the year ended 31 March 2012**
Raise awareness of the auditing profession and contribute towards transformation of the profession.	Support Programme that met the needs of Black candidates Create awareness of auditing as a career path. Promote actively the recruitment and retention of candidates into the auditing profession.	Increased number of potential Black RAs in the market. Raise awareness of auditing as a career path. Recruit and retain candidates in the auditing profession.	Provide a Support programme for Black repeat candidates on an annual basis in accordance with the Support Programme work schedule. Adherence to the Education Fund Committee's work approved work schedule .	80% compliance to work schedule.	**Achieved** 100% compliance with the Support Programme work schedule.

STRATEGIC FOCUS AREA 3: INSPECTIONS					
STRATEGIC OBJECTIVE: Monitor registered auditors' compliance with professional standards					
To inspect and review the work of registered auditors on a regular basis.	Inspection reports.	Auditors who comply with the auditing and ethics standards.	Number of inspections completed in accordance with the inspection plan.	85% adherence to inspection plan.	*Firm inspections:* **Achieved** 100% Planned = 38 and Actually done = 39 *File inspections:* **Achieved** 100% Planned = 713 and actually done = 735
To supervise registered auditors who are accountable institutions in terms of FICA.	FICA Inspections reports for accountable institutions.	IRBA To perform its duties as a supervisory body in terms of FICA.	Number of FICA Inspections conducted of accountable institutions in accordance with the inspection plan.	80% adherence to inspection plan.	**Not applicable** After the target was set the responsibilities regarding FICA changed due to the duplication of the FSB's responsibilities. During the year 130 Inspections of firms did take place as an initial project.

STRATEGIC FOCUS AREA 4: REGISTRATION AND LEGAL					
STRATEGIC OBJECTIVE: To investigate and take appropriate action against registered auditors in respect of improper conduct					
To finalise all complaints received timeously.	Closed case files.	Fair and appropriate outcome of investigations.	% of complaints closed within 18 months of receipt of complaint *(excluding matters referred to disciplinary hearings).*	80%	**Achieved** 82% target achieved.
STRATEGIC OBJECTIVE: Registration of registered auditors (RA) who meet the registration requirements					
Adherence to individual registration policies and procedures.	First and re-registration of individual RAs who meet registration requirements.	To maintain the integrity of the register of RAs.	Registration within one month from date of receipt of complete application, with the exception of applications received in terms of the "3 year-rule".	85%	**Achieved** More than 90% achieved.
	Annual renewal of individual RAs who meet renewal requirements.	To maintain the integrity of the register of auditors.	By set registration deadline date.	85%	**Achieved** More than 90% achieved. Lapsing due to non-payment of fees has been done. Cancellation for failure to submit documentation has been done.

STRATEGIC FOCUS AREA 5: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

STRATEGIC OBJECTIVE: Developing and maintaining corporate and stakeholder relationships to enhance performance, accountability and public confidence

Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2011/12	Status for the year ended 31 March 2012
To collaborate and build relationships with critical stakeholders.	Approved Stakeholder relationship strategy and Communication Plan completed and implemented.	Informed and improved cooperation with stakeholders.	Date of approval and revision of Stakeholder relationship Strategy.	May 2011.	**Not achieved** The Stakeholder Relationship Plan and Communications Plan will be one of the outputs from the Branding Strategy. This was expected to be completed in December 2011 but the Go-To-Market plan from the Branding Strategy was only approved by the Board in March 2012 due to delays in the project. The Strategy and plan will therefore only be developed in the new financial year. Even without the strategy the IRBA maintained good relationships with all its stakeholders and continued to have numerous engagements with the different stakeholders.
			Date of approval of revised Communication plan.	June 2011 Implementation of activities as per milestones in plan.	**As above**
Compliance with legislation and governance.	Approved compliance framework and the successful implementation thereof.	The IRBA as a regulator be a compliant entity.	Date of approval of revised compliance framework.	June 2011.	**Not achieved** The Board secretary was only appointed on 13 September 2011.
	Compliance to legislation and governance.		Compliance as reported to Audit and Risk Management Committee.	80% adherence to Compliance Reported.	**Not applicable yet** Will measure compliance once Compliance Framework approved.

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS

STRATEGIC OBJECTIVE: Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks

To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate.	Acceptable MTEF submission to National Treasury to achieve funding model.	Financial sustainability to deliver on mandate.	Funding proposals are obtained as per ENE proposal.	80% of funding collected.	**Achieved** The original funding requested from National Treasury was R42,4 million based on the new funding model. After the ENE it was decided not to implement the new funding model and was therefore adjusted. The required funds excluding the above were therefore R34, 9mil and the total received was R34,7 million. Funding of 99% from adjusted ENE request.
	Maximum utilisation of resources.		% deviation on expenses from budget vs. actual.	20% deviation, up or down.	**Achieved** Over spending of 0,8% of total budgeted expenses.
	Financial discipline adherence.		Clean audit report.	100% clean report.	**Achieved**

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS					
STRATEGIC OBJECTIVE: Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks					
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2011/12	**Status for the year ended 31 March 2012**
To ensure that appropriate talent is recruited, developed and retained to support the execution of the IRBA mandate by developing and implementing recruitment, training and retention strategies.	Approved training strategy and plan and the successful implementation thereof.	Appropriate skilled staff.	Revised approved training strategy and plan.	30 June 2011	**Not achieved** The main emphasis for the year moved towards performance management to identify training needs. Will therefore be re-evaluated after the performance appraisals system has been implemented.
To maintain and align IT systems to support business needs and overall objectives of the IRBA by implementing the IT strategy and plans within specific timeframes.	Approved updated IT strategy and plan and the successful implementation thereof.	Enhanced internal effectiveness and service delivery.	Approved updated IT strategy and plan.	Sep 2011	**Achieved** IT strategy plan submitted to ARMCO for approval by Board in Jan 2012.
			Progress against IT implementation plan.	90% achievement of milestones within the IT strategy and plan.	**Not applicable yet.** Based on approval of IT strategy the next steps are applicable in the next financial year.
To transform the IRBA in line with employment equity legislative requirements by implementing employment equity plans and achieving targets within the plan.	Approved employment equity plan and the Implementation thereof.	Transformed organisation.	Review employment equity plan.	Aug 2011	**Achieved** OPSCOM recommend plan in November 2011 to Board for approval in Jan 2012.
			% of employment equity targets achieved in total.	90% of target achieved as indicated in employment equity plan.	**Achieved**

ACRONYMS

ACAMS	Association of Certified Anti-Money Laundering Specialists
ARMCO	Audit and Risk Management Committee
the Act	Auditing Profession Act, 2005, (Act No. 26 of 2005)
AGSA	Auditor General - South Africa
BAC	B-BBEE Advisory Committee
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CFAS	Committee for Auditing Standards
CFAE	Committee for Auditor Ethics
CIPC	Companies and Intellectual Properties Commission
CAG	Consultative Advisory Group
CPD	Continuing Professional Development
DTI	Department of Trade and Industry
DAC	Disciplinary Advisory Committee
DISCO	Disciplinary Committee
EDCOM	Education, Training and Professional Development Committee
EC	European Commission
EU	European Union
FASSET	the Seta for finance, accounting, management consulting and other financial services
INSCOM	Inspection Committee
IAESB	International Accounting Education Standards Board
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INVESCO	Investigating Committee
LIA	Lesotho Institute of Accountants
NSS	National Standard Setters
PFMA	Public Finance Management Act
PPE	Public Practice Examination
PSSC	Public Sector Standing Committee
RA	Registered Auditor
RSC	Reports Standing Committee
SSC	Sustainability Standing Committee
IRBA	The Independent Regulatory Board for Auditors
SAICA	The South African Institute of Chartered Accountants
WEF	The World Economic Forum

NOTES

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