

Engage • Balance • Protect

2013 Annual Report

irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

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Highlights of the year

South Africa maintains its first place ranking for the strength of its Auditing and Reporting Standards in the World Economic Forum Global Competitiveness Survey for 2012/13, for a third consecutive year

Registration of first B-BBEE Approved Registered Auditors

First Integrated Report for the IRBA is issued

PART A: GENERAL INFORMATION

LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General - South Africa
APA	Auditing Profession Act, 2005, Act No. 26 of 2005 (The Act)
ARMCO	Audit and Risk Management Committee
BAC	B-BBEE Advisory Committee
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CAG	Consultative Advisory Group
CFAE	Committee for Auditor Ethics
CFAS	Committee for Auditing Standards
CPD	Continuing Professional Development
DAC	Disciplinary Advisory Committee
DISCO	Disciplinary Committee
DTI	Department of Trade and Industry
EDCOM	Education, Training and Professional Development Committee
FASSET	The Seta for finance, accounting, management consulting and other financial services
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspection Committee
INVESCO	Investigating Committee
IRBA	The Independent Regulatory Board for Auditors
MFRC	Micro Finance Regulatory Council
PFMA	Public Finance Management Act
PPE	Public Practice Examination
PSSC	Public Sector Standing Committee
RA	Registered Auditor
SAICA	The South African Institute of Chartered Accountants
SCWG	Standards Coordination Working Group
SSC	Sustainability Standing Committee

SIGNIFICANT FEATURES SUMMARY[1]

	2013	2012	2011	2010	2009
Activity indicators (numbers)					
Registered Auditors at year-end	**4306**	4258	4375	4398	4373
New registrations for the period	**306**	296	229	370	286
Trainee Accountants registered for the period[1]	**4090**	3677	3574	4124	3937
Entrants to Public Practice Examination (PPE)	**2288**	2054	1952	2798	2566
Reportable Irregularities (RIs) received					
• Total RIs received (first reports)	**710**	814	806	1108	1125
• Second reports - continuing	**459**	491	468	674	669
• Second reports - not continuing	**247**	312	328	340	407
• Second reports – did not exist	**3**	11	7	11	22
• Second reports - other	**1**	0	3	83	27
Disciplinary matters					
Investigations initiated	**85**	87	94	84	108
Investigation committee matters disposed of	**65**	62	59	74	81
Disciplinary committee hearings	**6**	5	2	6	6
Inspections performed					
• Firms	**22**	38	22	6	14
• Engagements	**440**	625	640	654	1004
Financial indicators					
Government Grant (R)	**32 208 000**	34 724 000	29 296 000	22 018 000	20 258 000
Total income (R)	**59 315 034**	44 849 330	39 324 594	45 743 973	33 995 045
Expenses (R)	**(81 775 158)**	(71 663 206)	(59 515 377)	(59 130 158)	(56 670 939)
Surplus/(Deficit) (R)	**9 747 876**	7 910 124	9 105 217	8 631 815	(2 417 894)
Transferred to reserves (R)	**(3 046 261)**	(7 090 695)	(1 760 365)	(10 722 228)	(454 899)
Surplus/(Deficit) after reserves (R)	**6 701 615**	819 429	7 344 852	(2 140 413)	(2 872 793)

1. The 2012 and 2013 numbers are for the 12 months ended 31 March and the previous years for the 12 months ended 31 December

STRATEGIC OVERVIEW

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 ethics standards.

The IRBA Vision

The IRBA vision is evolving to be an internationally recognised regulator of the auditing profession and other assurance services relevant to the South African environment.

The IRBA Mission

Our mission is to endeavour to protect the financial interests 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.

The 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 audit firms to grow and contribute to the protection of the public.

The IRBA Goal

The goal is to help create an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets 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;
- registration of auditors who meet the registration requirements;
- monitoring compliance with reportable irregularities and anti-money laundering legislation;
- 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.

Regulatory Philosophy

We adopt a "Prudential Approach" to regulation, which implies having an agreed set of principles and values supported by well-developed and internationally recognised standards, clear laws and regulations.

The IRBA's regulation is focused on the protection of the public interest, while recognising its role in creating an enabling environment in which auditors can deliver high quality audits.

Value Proposition

The IRBA creates continuing value through its role as an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thereby contributing to the protection of the public.

The IRBA Values

As the overall custodian of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament, and all its registrants and staff 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 committee 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.

Legislative and other mandates

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

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 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.

The Executive consists of the Chief Executive Officer and Directors. Relevant details are as follows:

Title	Name	Surname	Qualifications	Designation	Date Joined IRBA	Age
Mr	Bernard Peter	Agulhas	CA(SA)	Chief Executive Officer	June 2003	50
Ms	Willemina Hendrika	de Jager	CA(SA) CIMA	Director: Operations	May 2009	54
Ms	Laine	Katzin	M.Ed Educational Psychology	Director: Education, Training and Professional Development	August 2009	44
Mr	Imre	Nagy	CA(SA)	Director: Inspections	February 2013	37
Ms	Patricia Jane	O'Connor	BA, LLB	Director: Legal	June 1986	56
Ms	Sandra Dawn	Van Esch	CA(SA)	Director: Standards	August 2009	63
Mr	Paul	Van Helden	CA(SA)	Director: Inspections	January 1997*	61

** Retired December 2012*

ACCOUNTABILITY STRUCTURE

Pravin **Gordhan**
Minister of Finance

Willem Hendrik Gabriel **van der Linde, SC**
(Chairman)
B. Iuris LLB

Suresh Parbhoo **Kana** CA(SA)
(Vice-chairman)
MCom, B Compt (Hons)

Amanda **Dempsey** CA(SA)
MCom BCom Hons (Acc)

Hussan **Goga**
B Comm B Proc

Cynthia **Mbili** CA(SA)
MCOM, B Com
(Accounting)

Yunus Goolam Hoosen
Suleman CA(SA)
B Comm, B Compt

Francis **Timmins** CA(SA)
B SC (Econ)(Hons)
MA (Business Analysis)

Mohamed Iqbal **Khan**
CA(SA)
B Compt (Hons)

Lindelwa Yvonne CA(SA)
Majova-Songca
BCompt (Hons), MBA

Bernard Peter **Agulhas**
CA(SA)
Chief Executive Officer

Willemina Hendrika
de Jager
CA(SA) CIMA
Director: Operations

Laine **Katzin**
M.Ed Educational Psychology
Director: Education, Training
and Professional Development

Imre **Nagy**
CA(SA)
Director: Inspections

Sandra Dawn **Van Esch**
CA(SA)
Director: Standards

Patricia Jane **O'Connor**
BA, LLB
Director: Legal

MESSAGE FROM THE MINISTER OF FINANCE

Pravin Gordhan
Minister of Finance

As an independent and robust audit regulatory and standard setting body, the IRBA remains a vital component of South Africa's economy. With its firm commitment to good governance and financial accountability, the IRBA remains a critical role player in providing the required confidence in South Africa's financial markets. There are many factors which contribute to sustaining such confidence, but the provision of reliable financial information resulting from credible assurance expressed by auditors constitutes a substantial part of creating the necessary public trust, which in turn contributes to sustained confidence in South Africa's financial markets.

It is commendable that the IRBA has once again, for the third consecutive year, achieved the number one position in the world for the strength of our auditing standards, as ranked by the World Economic Forum. This significant achievement contributes to creating confidence in our financial markets, which in turn leads to increased investment, economic growth and job creation. While contributing and supporting other international audit regulatory and standard setting bodies, the IRBA continues to engage with stakeholders at the local level to ensure that it remains relevant foremost in the South African context.

Transformation in the auditing profession remains a priority. Recognising its role in this process, I am pleased to note that the IRBA has established a Transformation Committee to address the legacy of marginalisation. While seeking to avoid the duplication of various existing initiatives, IRBA has recognised the need to identify innovative strategies to influence and effect much needed change.

I wish to thank the outgoing IRBA Board Members whose term ended on 31 March 2013 for their sterling contribution to furthering the IRBA's strategic objectives; and to welcome the new Board Members. I have no doubt that the new Board will build on the success of its predecessor and guide the organisation to even greater heights.

FOREWORD BY THE CHAIRMAN

Willem van der Linde, SC
Chairman

I am pleased to present the Independent Regulatory Board for Auditors' (IRBAs') seventh Annual Report.

The country is now almost 20 years into its democracy and each year is still marked by change and challenges within a political and economic environment that remains volatile. Global financial markets are still reeling from the recent financial crisis and SA needs to again evaluate its position in the event of another global economic downturn. The SA public needs the confidence to invest and the assurance that issues such as unemployment and other social issues will be addressed - assurance that can be provided by the existence of a well regulated capital market, which, in turn, relies on a reputable auditing profession to provide capital providers with credible financial information.

The Minister of Finance also considers part of the solution in the reforms of international institutions as well as in improved coordination and cooperation, not only between local financial regulators, but also with international regulators. The latest international survey by the World Economic Forum confirmed South Africa in the pole position for its auditing standards in the global arena, for the third consecutive year. The maintenance of appropriate auditing and ethics standards is a major contributor to our reputation in local and foreign financial markets and therefore plays a large part in maintaining investor confidence and, indirectly, the creation of employment. It remains important for auditors to provide assurance that the financial information they report on is credible and reliable to enable investors to be confident about the decisions they take, especially in times of turmoil.

However, financial stability is not the only objective. The financial sector, including regulators, should do more to support the real economy. The sector has a vital role to play in the on-going transformation of our society, and a better life for all people. The IRBA therefore has to continue to evaluate its role in supporting government in achieving its broader objectives and must establish the appropriate space within which it can support other government initiatives, for example, find the appropriate role it needs to play in the fight against corruption.

In recognising the wider role it has to fulfil in the economy and society, the IRBA continues to offer support to government in disciplines which require some form of assurance, for example, the Independent Review which was introduced in the Companies Act, 2008 and Broad-based Black Economic Empowerment Verification. This will, however, require amendments to the Auditing Profession Act, 2005 which governs the IRBA, and we continue to engage with the Minister of Finance who will determine any changes to our mandate.

Further changes to the Auditing Profession Act may also need to be considered following the World Bank's recent Report on the Observance of Standards and Codes (ROSC) – Accounting and Auditing for South Africa. Several recommendations were made to the Minister which, if adopted, may also influence the auditing and accounting landscape in the country and likely further improve standards and regulation in the profession.

While recognising the importance of responding to local needs of the public, government and the profession, we remain committed to maintaining our international standing in the international arena. Although we continue to participate in, and influence developments in international standard setting, governance and regulation, we are particularly pleased to provide thought leadership on the International Integrated Reporting Council's initiative to provide assurance on Integrated Reports, the latest development in reporting on the activities of entities. In line with these developments, the IRBA also issued its first Integrated Report at the beginning of the current year.

In recognising the dynamic environment in which auditors deliver assurance services, we will be implementing a new audit development model to qualify auditors, taking into account current and future skills and competency requirements based on international and local experience. We also recognise that the IRBA continues to have an important role to play in not only growing the profession, but also attracting and retaining Black professionals. To fulfil this role, we established a Transformation Committee which will develop strategies to address the current transformation challenges in the profession.

Transformation is not the only challenge we need to respond to. Capacity and resources remain limited irrespective of what is expected to be delivered. We must also continue to consider how the IRBA is funded to create the necessary independence from the profession. Furthermore, recent audit failures globally resulted in oversight structures responding through strengthening independence requirements for auditors and we need to consider how these developments will impact on the South African profession and regulation. These developments also include capacitating Small and Medium Firms and addressing issues such as concentration in the audit market. The IRBA must carefully consider its own response to these and other developments bearing in mind its mandate to protect the public while providing an enabling environment in which the profession can deliver high quality audits.

The initiatives and challenges referred to above are only part of the issues which the IRBA had to deal with in the past reporting period. The rest of the annual report will provide more depth to operational and other matters.

Finally, I wish to thank the outgoing board members for their valuable contribution and support during their term, and welcome the new board members who were appointed with effect from 1 April 2013, following a public nominations process. I look forward to another year in which we will use every opportunity to maintain our international position for our standards, while delivering on our mandate to serve and protect the public.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Bernard Agulhas
Chief Executive Officer

I am pleased to present an overview of the IRBA's more significant activities for the year ended 31 March 2013.

We continued to deliver on our strategy and in terms of our mandate, while simultaneously remaining responsive to the needs of the public, the profession and other relevant stakeholders. In finding the appropriate space in which the IRBA must support government in achieving its national objectives, we also needed to develop strategies to respond to certain further demands placed on the capacity of the organisation. However, while managing the challenges and risks involved in implementing new initiatives, we remained mindful to protect our current standing in the international arena, and create the necessary confidence to establish the IRBA as a protector of the public.

The auditing landscape continued to be influenced by new legislation, international developments and stakeholder demands. Against this backdrop, we needed to develop appropriate strategies to respond to these changes and manage the risks associated with embarking on new projects, often in unfamiliar territory. The need for increased stakeholder engagement and communication became imperative, not only to educate stakeholders on the role of the IRBA, but also to raise awareness of the value add provided by the profession.

Some of our more significant achievements, projects and areas of influence are listed below.

International Best Practice

South Africa continues to actively influence developments in auditing and audit regulation through its representation on, and contribution to, international best practice. The IRBA is represented on IFAC's International Accounting Education Standards Board (IAESB) and has previously been represented on the Ethics and Auditing Standards Setting Boards. We will continue to seek representation on these structures. The IRBA is also a founding member of the International Forum of Independent Audit Regulators (IFIAR), an international forum which shares best practices as well as challenges in audit regulation and inspection processes. IFIAR has various working groups, one of which is the Standards Coordination Working Group (SCWG). The SCWG has the mandate to consider and provide inputs to the International Audit and Ethics Standards setting structures of IFAC and is chaired by South Africa.

IFAC also embarked on a project to develop a Framework for Audit Quality, which is particularly relevant in the current environment when the quality of work delivered by auditors is under scrutiny. South Africa is represented on this task force.

South Africa chairs the Consultative Advisory Group (CAG) to the international auditing standard setter. The CAG comprises representatives from various international bodies interested in audit standard setting and auditing standards and can influence the standard setting activities to ensure that standards continue to be set in the public interest. South Africa is also represented on the CAG of the IAESB.

Companies Act, 2008, with specific reference to Section 90(2) and Regulation 29

The Companies Act, 2008, became effective on 1 May 2011 and contained various provisions impacting on the auditing profession. Notwithstanding the IRBA's independence from the auditing profession, it remains, as the custodian of the profession, responsible for legislation or initiatives that may have a material impact on the profession, and through engagement with relevant stakeholders, it needs to facilitate processes which will address these impacts.

In response to the uncertainty with respect to certain provisions in the legislation, the IRBA, together with the South African Institute of Chartered Accountants (SAICA) obtained Senior Counsel opinion to assist with the interpretation of specific sections, and also conducted a survey to evaluate the impact of these sections on the auditing profession.

Auditing Profession Act

To ensure that the audit legislation remains relevant, effective and efficient, the IRBA made several proposals to the National Treasury to amend the legislation to give effect to improved legislation.

Furthermore, the IRBA has been requested by the DTI to take over the regulation of the B-BBEE Verification Industry. Once approved the Minister, the audit legislation will be amended to give effect to the IRBA's additional mandate.

As evidence of the increasing confidence in the IRBA as an internationally recognised standard setter and regulator, it has been suggested that it considers further increasing its mandate to also regulate other assurance services and the proposed draft amendments to the audit legislation contain provisions for this possibility. Before the IRBA agrees to any increase in its mandate for the regulation of services other than audit, it considers any potential risks involved, and measures that will mitigate such risks.

The Minister of Finance has the ultimate responsibility to approve amendments to the audit legislation, before the parliamentary process commences, and will consider the IRBA's capacity to respond to additional mandates in arriving at a final decision.

Regulation of the B-BBEE Verification Industry

The IRBA has been approached to regulate the B-BBEE Verification Industry, thus providing it with the opportunity to have a direct impact on government's transformation policies.

The IRBA will proceed with its responsibilities in this area once the Minister of Finance agrees that it has the necessary capacity and resources to deliver on this additional mandate. Relevant stakeholders, including the existing industry, have been consulted and the IRBA will continue to engage with them to draw on their expertise and experience in this environment.

Branding Strategy and Go-to-market Plan, Stakeholder Relationship Plan and Communications Plan

Given the need to attract and retain new talent in the profession, the IRBA embarked on a project to develop a Branding Strategy. The project commenced with a survey conducted amongst auditors, professional institutes, students, government and other relevant stakeholders and the feedback was used to develop a Branding Strategy to respond to those perceptions which were considered important to change.

The plan contains a detailed Stakeholder Relationship Plan which identifies the critical stakeholders as well as a detailed Communications Plan which deals with the important messages to be communicated to stakeholders during the implementation of the strategy.

Road Shows

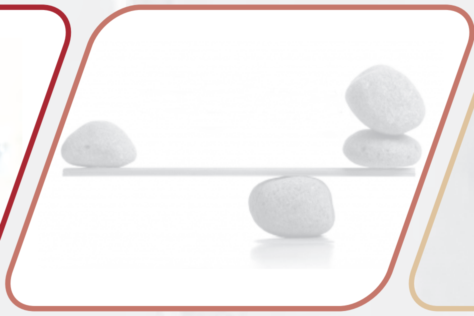
The IRBA conducted an annual road show to provide an opportunity for it to share projects and the strategy of the IRBA with registered auditors, as well as to obtain feedback from auditors on issues which they believe should be addressed by the IRBA.

The road shows addressed strategic issues such as the European Union Green Paper on Audit Policy, the Companies Act, Transformation and the IRBA's approach to be more supportive to small practitioners while maintaining its independence from the profession.

In addition to the annual road shows, the IRBA also conducted workshops on the Companies Act, the IRBA's new Code of Professional Conduct and the Consumer Protection Act, based on a need identified by auditors and in discharging its role as a responsible regulator by responding to such needs.

Matters relating to **Human Resources** are set out in the section on Human Resource Management and financial matters are covered by the **Report of the Accounting Authority** and the **Financial Statements.** The performance of the IRBA against its measurable objectives is also included under Part F (page 90) of the Annual Report. Although we did not achieve all our objectives, we have made the required progress and delivered on those projects which are required in terms of our mandate.

I thank the management team and staff of the IRBA, as well as the Board and its committees for the support and commitment on which we inevitably rely in driving the IRBA's strategy towards achieving our objectives.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PART B: FEEDBACK FROM STATUTORY COMMITTEES

EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT COMMITTEE

Professor Temba Zakuza

Members	Meetings attended
Prof. TS Zakuza (Chairman)	3 of 4
Prof. A Dempsey	2 of 4
N Dongwana	3 of 4
MY Ismail	4 of 4
C Lane	4 of 4
E Lehapa	4 of 4
MR Naidoo	1 of 4
F van den Berg	4 of 4
Prof A van der Watt	3 of 4
Prof. SPJ von Wielligh	2 of 4
H Wessels	3 of 4

The education and training landscape for Registered Auditors in South Africa is in the process of changing, mainly due to the development of a specialisation programme for candidate RAs, the development of a Competency Framework for RAs, and the re-drafting of the Accreditation Model (2007). These changes reflect the IRBA's on-going reflective practice and its ability to respond to the changing needs of society. During the period under review, these changes were approved by the board for final consultation, review and implementation.

In addition, the IRBA has worked closely with The South African Institute of Chartered Accountants (SAICA) through its accreditation model to ensure that the quality and standing of the RA designation is maintained and developed.

I am delighted to report on some of the Education, Training and Professional Development Committee's (EDCOM)'s current and strategic activities for the 2012/2013 financial year.

The Public Practice Examination

The PPE was written on Wednesday, 21 November 2012 and of the 2288 candidates who wrote, 1746 passed, resulting in a pass rate of 76% (74% in 2011). Candidates who attempted the PPE for the first time achieved a pass rate of 82% (80% in 2011).

The top ten candidates were honoured at a function to which industry leaders, training officers, professional bodies and other stakeholders were invited to congratulate those candidates who excelled in the final test of professional competence for RAs.

The Chairman of the Examination Committee and the committee members are commended for their dedication and tireless effort to ensure that the PPE remains an appropriate assessment of professional competence.

Transformation of the Profession

Transformation of the profession is a priority for the EDCOM. It is, therefore, encouraging that the number of Black African candidates who enter the PPE has increased steadily from 481 in 2008 to 570 in 2012. The number of candidates that passed has also increased from 204 in 2008 to 331 in 2012.

Of the 766 Black candidates (African, Coloured and Indian) that entered the 2012 PPE for the first time, 566 passed, resulting in an overall pass rate of 74%.

The EDCOM is particularly pleased about the results of the 2012 IRBA Support Programme. A support programme for Black repeat candidates has been presented on an annual basis for the past 11 years. In 2012, Fasset (the Seta for finance, accounting, management consulting and other financial services) provided the IRBA with funding for the Support Programme. Once again, the candidates who attended the Support Programme achieved better results on each question than repeat candidates who did not attend the IRBA's programme. Of the 40 candidates who successfully completed the programme, 24 passed, representing a pass rate of 60%. Of the 275 Black repeat candidates, who did not attend the IRBA Support Programme, 140 passed, representing a pass rate of 51%.

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 following recognised programmes were monitored during the period under review:

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

In order to enable the IRBA to carry out its monitoring function effectively and efficiently, it requires certain information concerning the recognised programmes conducted by an accredited professional body. The South African Institute of Chartered Accountants (SAICA), currently the only accredited professional body, submitted its self-evaluation and regular formal reports for the Academic, Education, Training and Institutional requirements on 31 March 2012. The Core Assessment Report was submitted on 30 April 2012. Through its Monitoring sub-committee, EDCOM has confirmed the on-going accreditation of SAICA and recognition of its programmes for 2013.

Strategic Initiatives

The IRBA's new delivery model for RAs includes the development of a Competency framework, the development of an Audit Development Programme and changes to the Accreditation Model. Each aspect of the model has been exposed for comment and professional bodies, firms and universities have been consulted. The Board approved the documents for final consultation in January 2013.

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 Audit Development Programme will commence in 2015.

Participation on the International Accounting Education Standards Board (IAESB)

The Chairman of the Committee for Auditor Ethics and the Director: Education, Training and Professional Development [his Technical Advisor] attended three IAESB meetings during the year under review. 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 has developed a strategic plan for the next three years. The main focus of the strategic plan is on adoption and implementation.

Appreciation

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

I also wish to thank the staff of the Education, Training and Professional Development Department for their dedication and commitment.

COMMITTEE FOR AUDITING STANDARDS

Michiel Engelbrecht

Members	Meetings Attended
M Engelbrecht (Chairman)	4 of 4
W Botha	2 of 4
M Bourne	3 of 4
K Bowman	4 of 4
Prof L de Beer	4 of 4
Dr HB Heymans	3 of 4
S Louw	3 of 4
D Manana	4 of 4
M Petros	2 of 4
Prof FE Prinsloo	2 of 4
A Ramikosi	3 of 4
EM Southey	2 of 4
D Spavins	1 of 1
G Tweedy	2 of 4
I Vanker*	4 of 4
P Ward	3 of 3

Alternate AGSA Representative, Ms S Petzer, attended 1 meeting on behalf of Mr Vanker.

It is my pleasure to present this report on the activities of the Committee for Auditing Standards (CFAS) for the 2012/2013 financial year.

CFAS Standing Sub-Committees

In order to address demands for standards and guidance developed for auditors, the CFAS maintains the following standing subcommittees:

CFAS Steering Committee

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

CFAS Regulated Industries and Reports Standing Committee (RIRSC)

The RIRSC maintains liaison with industry regulators and government departments to provide guidance for auditors in implementing international standards on audit, review and other assurance engagements by developing illustrative auditor's reports for specific regulated industries.

CFAS Public Sector Standing Committee (PSSC)

The PSSC develops guidance jointly with the Auditor General - South Africa, to assist registered auditors in understanding and meeting the additional requirements when performing audits in the public sector.

CFAS Sustainability Standing Committee (SSC)

The SSC develops guidance for auditors performing sustainability assurance engagements to enhance the quality of assurance reporting, contributes to thought leadership initiatives in integrated reporting, and conducts research into evolving demands for assurance on integrated reports.

CFAS B-BBEE Advisory Committee (BAC)

The BAC develops standards and guidance for B-BBEE approved registered auditors when providing assurance services and issuing B-BBEE verification certificates in compliance with the B-BBEE Act, the Generic B-BBEE Codes of Good Practice and relevant Sector Codes.

CFAS Strategy

The CFAS approved its Strategy for the three years from 2012 to 2014 in November 2011, which has continued to guide its work programme during 2013. 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 for the past year focused on the following areas:

- The development of guidance to meet the needs of South African regulators and government departments requiring audit and assurance opinions from auditors, and provision of comment on proposed legislation and regulations affecting auditors.
- The development of illustrative audit, review and other assurance reports and the identification of acceptable financial reporting frameworks that meet the requirements of the International Standards on Auditing (ISA) as well as corporate and public sector legislative requirements in South Africa.
- Influencing international standard-setting activities, projects and debates of the International Auditing and Assurance Standards Board (IAASB) by participating in IAASB Task Forces and providing comments on international exposure drafts and discussion papers;
- Informing implementation issues pertaining to the clarified ISA by participating in the IAASB's *Implementation Monitoring Project;* and
- Leading the International Integrated Reporting Council (IIRC)'s Technical Consultative Group (TCG): *Assurance on Integrated Reporting* <IR> to identify critical issues with respect to assurance matters related to <IR>, possible approaches to dealing with such issues, and the pros and cons of such possible approaches.

International and regional liaison

The Director: Standards and Senior Professional Manager participated in the annual IAASB National Standard Setters' meeting in New York in April 2012.

The IRBA hosted a visit by the Chairman of the IAASB, Professor Arnold Schilder and Jim Sylph, Executive Director: Professional Standards and External Relations at the IAASB during November 2012 at which insights into current developments and debates in auditor reporting, the audit of other information in financial statements, alignment of International Standards with the IESBA Code of Ethics for Professional Accountants and global developments in integrated reporting were presented and discussed.

The IRBA Chief Executive Officer participated as a member of the IAASB Task Force developing the Consultation Paper: *A Framework for Audit Quality,* issued in January 2013 for comment by 15 May 2013.

The SSC, appointed by the IIRC during 2012 as a TCG: *Assurance on Integrated Reporting,* issued three Discussion Papers (Versions V1-V3) and participated in conference calls with TCG members and international conference call participants. A final paper on <IR> assurance is being developed for the IIRC to coincide with the comment period for the IIRC's *Consultation Paper on the Integrated Reporting <IR> Framework* which was to be issued in April 2013.

Members of the Zimbabwean, Namibian and Lesotho Institutes of Accountants and Auditors are invited to, and attend quarterly meetings of the CFAS as observers, as part of the IRBA initiatives to encourage development of auditing standards and audit quality in the Southern African region.

CFAS INITIATIVES AND DELIVERABLES

Initiatives	Deliverables
Initiatives relating to financial statement audits – implementation guidance issued	
Auditor Reporting (ISA 700, ISA705, ISA706, ISA800 and ISRE 2400)	SAAPS 2 (Revised) Financial Reporting Frameworks and the Auditor's Report issued in June 2012 SAAPS 3 (Revised) Illustrative reports issued in June 2012
Initiatives relating to other assurance - Standards issued	
SASAE 3502 Assurance on B-BBEE Verification Engagements	SASAE 3502 Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates issued November 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	
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 issued December 2011, approved by the Board in July 2012
International Standards on Auditing	ISA 610 (Revised), Using the Work of Internal Auditors and conforming amendments to ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment issued March 2012, approved by the Board July 2012
Related Services Engagements	ISRS 4410 (Revised) Compilation Engagements issued March 2012 approved by the Board July 2012
Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	ISAE 3420 – illustrative reporting accountant's report adapted to meet South African legislative and regulatory requirements approved by the Board and issued in August 2012
Assurance on a Greenhouse Gas Statement	ISAE 3410 Assurance on a Greenhouse Gas Statement issued June 2012, approved by the Board November 2012
Review Engagements	ISRE 2400 (Revised) Engagements to Review Historical Financial Statements issued September 2012 approved by the Board January 2013
Comments submitted to the IAASB	
Auditor Reporting	Invitation to Comment: Improving the Auditor's Report - comments submitted October 2012
IAASB Clarified ISAs Implementation Monitoring Project	Clarified ISAs Implementation Monitoring Project – IAASB surveys circulated to audit committees, audit firms and individual auditors – responses submitted to the IAASB in November 2012
ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements	The Proposed ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon issued November 2012, comments submitted March 2013
The International Integrated Reporting Council (IIRC) – Technical Consultative Group (TCG) Assurance	
Discussion Papers on research being undertaken for the IIRC as a Technical Consultative Group (TCG) – regarding Assurance on Integrated Reporting <IR>	Discussion Paper V1 and Discussion Paper V2 Assurance Issues Related To Integrated Reporting <IR> issued during 2012 discussed with international conference call participants in January 2013. Discussion Paper (V3): Assurance Issues Related To Integrated Reporting <IR> issued March 2013 for comment by the TCG members and international conference call participants in April 2013.

Initiatives in progress	Activities
Initiatives relating to the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements in South Africa	
Status and Authority of South African Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements	South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements to be finalised following further consultation with South African Regulators.
Due Process Policy followed by the IRBA's Committee for Auditing Standards in the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements	CFAS Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements development to be finalised following further consultation with South African Regulators.
Initiatives relating to financial statement audits	
Auditor Reporting (ISA810 and ISRE 2410) Regulatory reporting by auditors on financial information of entities listed on the JSE Ltd Securities Exchange	JSE Reporting Guide: The Proposed Guide for Auditors Reporting on Interim, Preliminary, Provisional and Abridged Reports issued March 2013 for comment by 15 May 2013
ISA 505 External Confirmations	Proposed SAAPS 6 (Revised) External Confirmations from Financial Institutions issued March 2013 for comment by 15 May 2013

Appreciation

I wish to express my appreciation to the members of CFAS, its Standing Sub-Committees, the various Task Groups, and 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.

COMMITTEE FOR AUDITOR ETHICS

Edward Kieswetter

Members	Meetings Attended
E Kieswetter (Chairman)	4 of 4
S Ball	3 of 4
J Beaumont	4 of 4
S Davies	2 of 4
E Hamman	2 of 4
V Jack	2 of 4
P Naidoo	2 of 4
U Schäckermann	3 of 4
J Schoeman	3 of 4
Adv. L Vilakazi (resigned Nov 2012)	1 of 3

It is my pleasure to present this report on the activities of the Committee for Auditor Ethics (CFAE) for the 2012/2013 financial year.

Code of Professional Conduct and Rules Regarding Improper Conduct (the code)

The committee continued to focus its activities during this past year on implementation of the Code and identification of trends in unethical behaviours identified by the Legal and Inspections Departments, requiring further research and guidance for auditors. In particular, the introduction of the regulation by the IRBA of B-BBEE Approved Registered Auditors who are permitted to issue B-BBEE Verification Certificates from 1 October 2011, has given rise to potential unethical trends. Further research is being undertaken during 2013 to determine the most appropriate response by the CFAE and possible amendments to the independence sections of the Code, or further guidance to be developed.

The CFAE also provided support to the Legal Department on the interpretation of relevant sections of the Code in investigations regarding alleged unethical behaviour by registered auditors.

Ethics Workshops

The Ethics Workshops presented in the second half of 2012 were well attended and have given rise to a demand for these to be continued during 2013.

Broad-Based Black Economic Empowerment

The Committee for Auditing Standards (CFAS) issued the South African Standard on Assurance Engagements (SASAE) 3502, *Assurance Engagements On Broad-Based Black Economic Empowerment Verification Certificates*, in November 2012 and as a consequence the CFAE plans to develop additional ethics guidance for B-BBEE Approved Registered Auditors undertaking such engagements during the 2013 year. The SASAE requires all B-BBEE Approved Registered Auditors to comply, *inter alia*, with the Code and failure to do so may lead to investigation and disciplinary action being taken against any registered auditors providing such services.

CFAE Strategy

Having met its strategic objectives for the period 2011 to 2013, the CFAE will hold a strategy planning session during the 2013/14 financial year to plan and guide its activities for the period 2013 to 2016.

Activities of task groups

To assist the CFAE with its ongoing activities in implementation of its strategy for 2011 to 2013, the following Task Groups continued with their work to develop guidance for auditors:

CFAE Steering Committee

The CFAE Steering Committee guides and focuses the agenda for CFAE meetings, and considers proposals and priorities for new projects for inclusion in the CFAE Work programme.

Public Interest Task Group

The Public Interest Task Group monitors global developments regarding auditor independence and its impact on the public interest. During the year the Task Group proposed amendments to the definition of public interest in section 290.26 of the Code to provide further guidance to auditors engaged in audits of regulated industries in South Africa. The CFAE requested the Task Group to engage with various regulators to discuss the implications prior to issuing any proposed amendments for public comment.

Second Opinions Task Group

This Task Group met to consider possible revision of the existing Second Opinions Circular intended to prevent unethical behaviour by auditors when entities' management "shop around" for competing opinions on interpretations of financial reporting frameworks. The Task Group advised that regard be had to emerging trends faced by registered auditors when entities' management "shop around" to obtain an improved B-BBEE Scorecard Rating by simply appointing a different B-BBEE Approved Registered Auditor to provide a new B-BBEE Verification Certificate. The Task Group concluded that the revisions should proceed after the SASAE 3502 became effective from 31 December 2012.

B-BBEE Task Group

The Chairman of the B-BBEE Task Group participated proactively in the CFAS B-BBEE Advisory Committee, attending several of those meetings and guiding the development the SASAE 3502 that was issued in November 2012. The B-BBEE Task Group will now turn its focus to research and development of further ethics guidance by the CFAE for B-BBEE Approved Registered Auditors undertaking such assurance engagements, including more detailed independence considerations. It is anticipated that the Task Group may propose possible amendments to the Code during 2013/14 relating to independence in the conduct of B-BBEE assurance engagements.

International Ethics Standards Board for Accountants (IESBA) - National Standard Setters Meeting

Together with the Director: Standards, I attended the annual meeting of the IESBA National Standard Setters in New York in April 2012. Key discussions revolved around the proposed amendments to the IESBA Code for:

- Clarifying the definition of engagement team when using internal auditors to assist the external auditors - proposed amendments intended to align with the definition of the engagement team as referred to in ISA 610, *Using the Work of Internal audit;* and
- Considering the obligations of auditors and professional accountants for Addressing Suspected Illegal Acts.

Comment letters provided on International Pronouncements

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

- Response to the IESBA on the circumstances dealt with in section 290.151 of Key Audit Partners in South Africa, were submitted on 3 April 2012;
- Proposed changes to the Definition of Those Charged with Governance – comments were submitted on 31 October 2012; and
- Proposed changes to the Code of Conduct on Addressing Suspected Illegal Acts - Comments were submitted 29 December 2012.

In addition, comments were also submitted to the International Accounting Education Standards Board (IAESB) on 11 October 2013 on the proposed amendments to International Education Standard (IES) 4 dealing with Competency Requirements for professional auditors.

I participated in a Panel discussion during the IFAC Board meetings in Cape Town in November 2012 to share the experiences of the IRBA in dealing with Reportable Irregularities reports required from registered auditors, in light of the proposed amendments to the IESBA Code regarding the ethical responsibilities of auditors and professional accountants in addressing suspected illegal acts.

Appreciation

I wish to express my appreciation to the members of the 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.

I also take this opportunity to thank Messrs V Jack, P Naidoo and U Schäckermann, who retire from the CFAE having completed two terms. All three have contributed substantially to the development of the new IRBA Code and Rules, the development of the SASAE 3502 and other emerging ethics issues addressed by the CFAE during their terms.

INSPECTION COMMITTEE

Tasneem Abdool-Samad

Members	Meetings attended
T Abdool-Samad (Chairman)	4 of 4
N Griffith	3 of 4
G Joubert	4 of 4
T Masiela (resigned May 2012)	1 of 1
C Mbili	4 of 4
R McIntyre	4 of 4
BJ Olivier	1 of 1
FF Scheepers	1 of 1

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 2013 the Inspections Department has in its employ 1 Director, 8 Inspectors and 3 Administrative staff.

There are two types of inspections, being firm inspections and engagement inspections. The objective of a firm inspection is to monitor compliance by firms with 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 audits. Inspections are performed by following a risk-based approach on a 3 year inspection cycle. This report is in respect of the first year in the fifth inspection cycle of the IRBA.

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 determined in terms of pre-determined criteria applicable to the inspection cycle. 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 possible disciplinary action by the IRBA.

Engagement inspections

During the current financial year 440 (2012: 625) engagement inspections were performed of which 332 were submitted to the Inspection Committee. An average of 13% of the engagements showed deficiencies and were scheduled for follow-up inspections.

The most significant findings were found in the following areas:

- Fraud and ethics considerations
- Recognition of revenue
- Property, plant and equipment/Investment property
- Recognition and fair value measurement of financial instruments
- Cost of sales and operating expenditure

- Audit report
- Subsequent events
- Assessment of risks of material misstatements and the auditors response to it
- Client Acceptance and Continuance
- Laws and regulations
- Journal adjustments
- Related parties
- Opening balances/Initial engagements
- Other, including Accounts payable, Deferred tax/tax, Inventory and Going concern

Firm inspections

All registered firms involved in the audit of public interest entities are subjected to firm inspections at least once but up to 3 times 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, ethics requirements, client acceptance and continuance, human resources, engagement performance and monitoring. The scope of these inspections range between full scope, where all elements are tested, and limited scope, where only selected elements are tested, based on the size of the firms and public interest. During the current financial year 22 (2012: 46) firm inspections were performed. An average of 18% of the engagements showed deficiencies and were scheduled for follow-up inspections.

The most significant findings were found in the ethics requirements and human resources elements.

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 inspection process. I also thank the practitioners and firms who were subject to inspection for their co-operation.

I would like to bid a special farewell to Paul van Helden who retired at the end of 2012. We wish him all the best in his future endeavours, and at the same time congratulate Imre Nagy on his appointment as the new Director: Inspections.

INVESTIGATING COMMITTEE

Brian Smith

Members	Meetings attended
BW Smith (Chairman)	7 of 7
M Claassens	6 of 7
AR de Valence	6 of 7
D Deysel	6 of 7
EH du Plooy	7 of 7
R Juries-van-Staden (resigned May 2012)	1 of 2
MI Khan (resigned November 2012)	1 of 4
DNH Mostert (appointed July 2012)	4 of 5
M Tshishonga	6 of 7
D Von Hoesslin	6 of 7
H Wadiwala	6 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 raised by the IRBA itself, such as those arising out of the inspection process, or matters where investigations are initiated by the IRBA 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 clear exactly what it is that is being complained of.

Once a complaint is received and it is verified that the respondent is a Registered Auditor, 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 Section 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 Section 48(3)

Period under review

During the course of the twelve months under review 85 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.

Three 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.

The Committee met on seven occasions to consider 30 cases brought forward from the previous year, as well as 58 new cases and 12 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

The balance of 65 cases was referred to the Disciplinary Advisory Committee (DAC) with recommendations.

Other Matters

The Executive Committee has delegated to this committee the function of interviewing persons who have been sequestrated, with a view to recommending whether or not their registration should be cancelled. The Committee is presently considering two such applications.

Concluding remarks

The nature and complexity of cases over the period under review has increased with more cases being referred by the JSE Ltd as the reporting framework set by them has grown and is monitored more rigorously. It is also of concern that the number of serious matters referred to the disciplinary committee for hearings has increased.

Appreciation

I know that members of the committee spend a great deal of time in preparing for meetings and going through the vast quantum of papers that make up each case and I commend their dedication in this regard and thank them for their support over the past year.

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 compiling the case files for the Committee and we would not be able to operate without their well-documented support.

DISCIPLINARY COMMITTEE

Alan Dodson, SC

During the period under review the committee comprised the chairman, Adv. AC Dodson SC and two vice-chairmen, Adv. IV Maleka SC, and Adv. B Neukircher SC.

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, and LX Pierce, a businesswoman, Ms R van Wyk CA(SA) and a consultant Mr C Qually CA(SA).

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

Members	Number of sessions attended
A Dodson SC (Chairman)	7
I V Maleka SC (vice Chairman)	2
B Neukircher SC (vice Chairman)	7
LP Fourie	2
H Goga	9
H Griffiths	5
LX Pierce	6
CR Qually	6
CF Reid	4
N Russouw	3
R van Wyk	8

During the period concerned the Committee dealt with six matters, four 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 are part heard and resume in the new year. The latter will be dealt with in the next annual report. In addition, the finding in one of the finalised cases is currently on review, so the outcome will likewise be reported only in the next annual report.

The first matter heard to completion was that of Mr Lindemann of the firm Lindemanns Ingelyf. It was heard on 15 and 17 May 2012. He had been charged with 13 charges of professional misconduct. On Friday 11 May 2012 the respondent tendered his resignation as an auditor, in writing, with effect from 31 May 2012. He accordingly remained a registered auditor at the time of the relevant disciplinary proceedings. In any event, this was of no moment because section 39(7) of the Auditing Profession Act No. 26 of 2005 ("the Act") provides for the institution of disciplinary proceedings against an auditor whose registration has been cancelled or removed, in respect of conduct committed prior to the cancellation or removal. Shortly after proceedings recommenced, a document was received from the respondent in which he apologised for his failure to attend. He stated that he wished to plead guilty in respect of all of the charges save for charges 1, 2 and 12. He contended that in respect of charges 1 and 2 there were mitigating circumstances in that he was compelled to do what he had done and there had been no consequences for clients. As far as charge 12 was concerned, he persisted in his stance that he had not done anything wrong and presented certain mitigating circumstances. In response to the explanation given regarding charge 12 in the respondent's plea, the pro forma complainant sought the leave of the Committee in terms of rule

6.3.10 to withdraw that charge. Leave was granted and the charge was withdrawn.

The respondent was ultimately found guilty on all 12 charges. Six of those charges were offences involving serious instances of dishonesty. The charges included performing attest work whilst having rendered a 'non-attest' affidavit to the Board; amending a report prepared in terms of the rules of the Micro Finance Regulatory Council (MFRC) the effect of which was to conceal from the MFRC non-compliance with its rules by an entity; debiting fees before they were due; tendering cheques which were dishonoured; debiting amounts for VAT on services which did not attract VAT; failing to comply with an order of court; failing to reply to correspondence; and failing to account for monies in a deceased estate which he was administering.

The seriousness of the dishonesty was aggravated by the considerable amounts of money involved; the extent to which the respondent abused the trust which had been placed in him; and the vulnerable position of his clients who were the victims of the offences. The breach of trust was also evident, *inter alia,* in his having misappropriated funds from the estate of which he had been appointed co-executor.

In respect of each of the six charges involving dishonesty, the respondent's registration as an auditor was cancelled and his name removed from the register. Where the conduct also involved misappropriation of funds and related improper conduct, a fine was levied. Fines were also imposed in respect of the offences not involving dishonesty, in an amount proportional to the seriousness of the offence involved. Accordingly, the respondent was fined a total of R540 000. The fines were suspended on the condition that they would only become payable in the event that the respondent should at any future date seek to become re-registered as an auditor.

In addition the committee ordered that the respondent's full names, qualified in each instance by a reference to his firm, Lindemanns Ingelyf, the decisions of the committee on the charges against him and on the finding and reasons in respect of the sanctions imposed, were to be published in the IRBA News.

No order was made as to costs.

The second matter heard to completion (which had commenced last year) was heard on 25 May 2012. Judgement was handed down on 15 June 2012 and argument on sentence was heard on 21 August 2012. Sentence was handed down on 14 September 2012. This matter is on review in the High Court.

The third matter that was heard to completion was that of Mr Van Dyk. The committee sat on 25 to 29 June 2012 and again on 28 and 29 January 2013. The practitioner failed to appear before the committee.

The respondent was found guilty of eight charges of improper conduct related to the respondent's conduct as auditor in respect of four different entities. Two of these charges related to the African Dawn group of companies; two of the charges related to the Alliance Mining group of companies; one charge related to an entity called the Industrial Credit Company Africa Limited and two charges related to the Thorntree Trust. One related to independence.

The infringements involved in the first, third and fifth charges were particularly serious. They illustrate well the catastrophic consequences which can follow when there is a complete failure to perform the auditing function in accordance with the required standards. All three offences involved dishonesty and recklessness. Dishonesty and recklessness are the very antithesis of the qualities which are expected of an auditor.

Charges 2, 4, 6 and 8 are also serious. Working papers should be prepared in the course of an audit, retained and kept ready to be made available for a minimum period of five years in terms of the relevant standard. They should readily be made available to the Board whenever it is required to investigate the circumstances surrounding an audit. The respondent's conduct represented complete noncompliance. He gave the Board the *"run around"* in promising repeatedly to make the working papers available but, over a period of several years, repeatedly reneging on his promises, including promises made to the committee during the course of the proceedings. Nonetheless, the committee was willing to treat these infringements, for purposes of sanction, as being akin to a single infringement justifying a single sanction which was then apportioned between the different charges.

The offences underlying charge 5 did not have as serious financial consequences as the offences involved in charges 1 and 3.

The offence underlying charge 10 was less serious but was nonetheless considered by the committee to be symptomatic of a disregard by the respondent for ethics standards aimed at avoiding conflicts of interest. It also reflected a lack of appreciation for the independence required of an auditor. It involved infringement of a statute, the Companies Act, 1973, which provisions auditors should be entirely familiar with and which aim it should be to ensure strict compliance, particularly when it is their function to adjudge compliance by clients with those and other statutory standards.

In respect of each of the three charges involving dishonesty, the respondent's registration as an auditor was cancelled and his name removed from the register; in two of them a fine was levied as well. Fines were also imposed in respect of the other five offences not involving dishonesty, in an amount proportional to the seriousness of the offence involved. Accordingly the respondent was fined a total of R270 000. The fines were suspended on the condition that they would only become payable in the event that the respondent should at any future date seek to become re-registered as an auditor.

In addition the committee ordered that the respondent's name, the name of his firm, the findings in respect of the charges as well as the findings in respect of the sanctions imposed upon him be published in the IRBA News. He was ordered to pay a contribution to the costs incurred by the investigating committee and the disciplinary committee in the total sum of R1 100 000 (one million, one hundred thousand rand).

The final matter heard to completion was heard on 19 November 2012.

One practitioner was found guilty on six charges of improper conduct in failing to exercise the degree of care and skill which could reasonably have been expected of him in that he failed in five respects to document matters that are important in providing evidence to support an audit opinion and in providing evidence that the audit was carried out in accordance with applicable standards, and he dated an audit opinion prior to the date on which the financial statements were signed or approved by the company's management.

The practitioner was fined the sum of R40 000 in respect of each of the first five of the above charges, and R50 000 in respect of the sixth charge.

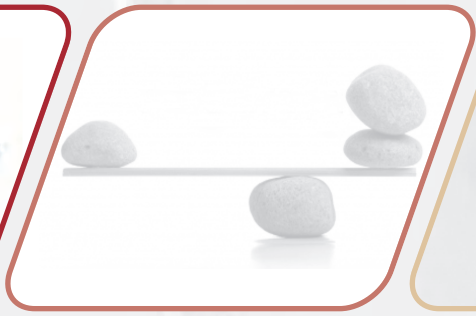
In a related matter, another practitioner was found guilty on one charge of improper conduct in failing to exercise the degree of care and skill which could reasonably have been expected of him, in that he failed to document matters that are important in providing evidence to support an audit opinion and in providing evidence that the audit was carried out in accordance with applicable standards.

In respect of the above charge, the practitioner was fined the sum of R50 000.

The practitioners were also directed to contribute to the reasonable costs incurred by the Board in the aforesaid matters in an amount of R2 000 000.

Appreciation

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


Engage • Balance • Protect

PART C: GOVERNANCE STRUCTURE

The Board

The Role of the Board

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

The IRBA continuously conducts a self-assessment 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. The results of the self-assessment showed improvements where opportunities to improve were previously identified. The IRBA will continue to monitor and enhance current practices on an ongoing basis.

Composition of the Board

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

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 and Board Subcommittee meeting attendance 2012/13

Board Member	Board	Operations Committee	Audit and Risk Management Committee	Disciplinary Advisory Committee	IT Steering Committee
Total number of meetings	4	4	5	8	1
WHG van der Linde (chairman)	3	n/a	n/a	n/a	n/a
Dr SP Kana	3	3	5	n/a	1
Prof A Dempsey	4	n/a	5	n/a	1
H Goga	4	3	n/a	n/a	n/a
MI Khan	3	3	n/a	n/a	n/a
Prof LY Majova-Songca	2	n/a	n/a	5	n/a
CN Mbili	3	n/a	3	n/a	1
NNN Radebe*				n/a	n/a
YGH Suleman	4	3	n/a	7	n/a
F Timmins	3	n/a	n/a	7	n/a

**Resigned April 2012*

During the period under review, the Board members were as follows:

TITLE	INITIALS	NAME	SURNAME	QUALIFICATIONS	DESIGNATION	DATE JOINED BOARD	AGE	DIRECTORSHIPS
Mr	WHG	Willem Hendrik Gabriel (Chairman)	Van der Linde	B. Iuris LLB	Advocate	01 April 2011	57	None
Dr	SP	Suresh Parbhoo (Vice-chairman)	Kana	MCom B Compt (Hons)	CA (SA)	01 April 2009	57	PricewaterhouseCoopers Inc. Ministerial appointment on Board of FRSC SAICA
Prof	A	Amanda	Dempsey	MCom BCom Hons (Acc)	CA (SA)	01 April 2009	52	Accounting Education (Pty) Ltd Ministerial appointment on FASSET's Board
Mr	H	Hussan	Goga	B Comm B Proc Aipsa Diploma in Insolvency Law and Practice Attorney, Notary and Conveyancer	Attorney Notary	02 April 2012	61	M A Goga Investments (Pty) Ltd Luriweb (Pty) Ltd MIMP Investments
Mr	MI	Mohamed Iqbal	Khan	B Compt (Hons)	CA (SA)	01 April 2011	47	House of Monatic Group Sea Harvest Incorporated
Prof	LY	Lindelwa Yvonne	Majova-Songca	Senior teacher's diploma BCompt (Hons) MBA	CA(SA)	01 April 2011	43	Capraway MasengViljoen Inc. Trustee: Jongilizwe Trust for Jongilizwe School of Traditional Leaders Board member: Nelson Mandela Museum SGB member: Hudson Park High School
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	41	Harith Fund Managers Johannesburg Water
Ms	NNN	Nomzamo Nomfundo Nomkosi	Radebe	BCom PG Dip Acc Commercial Property Practitioners	CA (SA)	01 April 2009 Resigned April 2012	35	Munich Reinsurance Company of Africa Ltd & EsS Pareto Ltd
Mr	YGH	Yunus Goolam Hoosen	Suleman	B Comm B Compt (Hons)	CA(SA)	01 April 2011	56	Chairman: KPMG Africa
Mr	F	Francis	Timmins	B SC (Econ)(Hons) MA (business analysis)	CA(SA)	01 April 2011	55	Grant Thornton
Ministerial representative								
Mr	F	Freeman	Nomvalo			01 April 2006		

Board meetings

The Board met four times during the year under review.

Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in the 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 adequately 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.

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 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.

The committee met five times during the period to review, inter alia, 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.

Disciplinary Advisory Committee

In terms of the Auditing Profession Act, 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 their 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 eight times to consider 66 cases, which include files brought forward from the previous year, as well as new referrals from Invesco.

Of these 66 cases:

- 49 matters were complaints received from members of the public;
- 4 matters were complaints received from the JSE Ltd;
- single complaints were received from the Law Society, the Master of the High Court, the FSB and the Inspections Department;
- 2 matters were received from the DTI/CIPC;
- 2 matters were received from banks; and
- 5 matters were initiated *mero motu*.

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, 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 61 matters were finalised. Of these:

- 37 were not prosecuted:
  - 6 in terms of Rule 3.5.1.1 (The practitioner is not guilty of unprofessional conduct)
  - 18 in terms of Rule 3.5.1.2 (The practitioner having given a reasonable explanation for the conduct)
  - 10 in terms of Rule 3.5.1.4 (There being no reasonable prospect of proving the practitioner guilty of the conduct in question)

- 3 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, four of these practitioners were admonished for their behaviour.

- 23 matters were settled by way of consent orders, and the practitioners were fined.
- One matter was closed as the practitioner had passed away.

Matters referred

Three matters were referred to the Disciplinary Committee, one has been set down for a hearing by the Disciplinary Committee in May 2013 and the remaining two matters still await set down dates.

Operations Committee

The objective of the committee is to assist the Board with **Human Resources**, namely 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 Board, 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.

Another function of this committee is the **Nominations** process, that is, 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.

On an **Operational** level the committee is responsible for considering the operational requirements of the organisation, including Information Technology (IT), human resources, and cash resources; for considering the IRBA's performance against budget, as well as the management accounts and any major deviations from budget. It will also review the processes followed for major tenders and ensure that operations are in terms of the policies of the Board.

Lastly, on a **Functional** level 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.

IT Steering Committee

During the year under review, the Board established an IT Steering Committee following the approval of the IT Strategy. The Objective of the IT Steering Committee is to assist the Board with IT Governance. The Board has entrusted the Committee with, *inter alia*, developing and recommending the IRBA policy to the Board in relation to IT, the review of IT project development plans, the creation of ad hoc committees to research strategic IT issues, as required, and make recommendations. The Committee advises the Board on issues of IT governance, in line with the recommendations of the King III report on Corporate Governance.

The Committee was established in November 2012 and operates in accordance with the terms of reference approved by the Board.

Internal Auditors

The IRBA appointed Business Innovation Group as its internal auditors during the year under review. The Audit and Risk Management Committee approved a four year rolling internal audit plan following the appointment. Internal audit therefore performed the activities as per the plan and tabled progress reports at Audit and Risk Management Committee meetings. Significant risks identified are monitored on a continuous basis.

External Auditors

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 auditors' independence and right to audit. The Auditor-General of South Africa is the auditor of the IRBA.

Strategic Plan and Budget

Management of the IRBA prepares the business plan, strategic plan and budget of the IRBA for Board consideration and approval. The strategic plan and budget are duly submitted to National Treasury for consideration and approval. Quarterly reports including the management accounts, performance information and PFMA compliance are submitted to National

Treasury as per the requirements of the PFMA and Treasury Regulations.

Social Responsibility

The IRBA continued with its formalised approach to corporate social responsibility and involvement with charitable institutions in the past year. Three local organisations each benefited again 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.

- All Stars

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 youngsters and their peers.

In addition the IRBA made a donation to Special Care Centrum in Pretoria.

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.

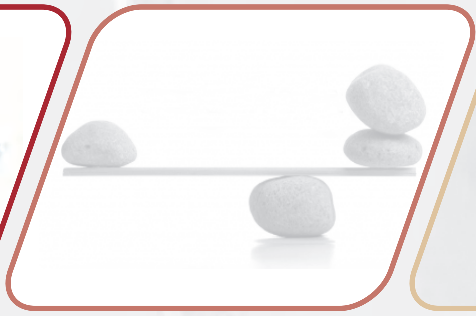
The office park in which the IRBA is located also has a waste sorting facility so that all office waste, including light bulbs and tubes, are safely sorted and recycled. Investigations are underway by the body corporate to explore rainwater harvesting and solar energy alternatives for the future, which the IRBA will wholeheartedly support.

Integrated Reporting

The IRBA issued its first Integrated Report in March 2013. The report was prepared in line with best practice, pursuant to the recommendations of the King III Report on Corporate Governance and the principles prescribed by the International Integrated Reporting Council.

Corporate Governance Environment in relation to the King III Report on Corporate Governance

Governance Area	Current Status
Accounting Authority and directors	The Board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct were approved by the Board in September 2011. The Board Charter is reviewed annually.
Performance Assessment	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 was completed.
Company Secretary	The Board Secretary was appointed in September 2011 and is fully operational in handling the governance and compliance of the IRBA.
Board Committees	Full Compliance for the reporting period.
Remuneration of Board members and directors	Full Compliance for the reporting period.
Audit Committee	The Terms of Reference of the Audit and Risk Management Committee were reviewed during the financial year, and approved by the Board.
Risk	The risk evaluations and monitoring is done by management and reviewed by the Board. The Risk Management Policy was approved by the Board on 26 January 2012
IT Governance	The Board established a Steering Committee for IT to assist with IT Governance. An Information Communication Technology strategy was approved by the Board in January 2012.
Compliance with laws, rules, codes and standards	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. Reports on compliance with the PFMA are issued quarterly to National Treasury following approval by the Board.
Internal Audit	The internal audit function is outsourced. Internal audit follows a risk based approach and reports to the Audit and Risk Management Committee on a quarterly basis.
Governing Stakeholder relationships	The IRBA appointed a Public Relations Manager in September 2012. A Stakeholder Management Plan and Communications Plan were approved by the Board in May 2013.
Integrated reporting and disclosure	The IRBA published its first Integrated Report for the year ended March 2012.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PART D: HUMAN RESOURCE MANAGEMENT

The value of human capital

The IRBA is a service entity and therefore its most valuable asset is its staff. The staff compliment, excluding contract workers, was 65 at 31 March 2013. Due to staff turnover and uncertainty about the B-BBEE function to be taken over by the IRBA, the approved budget compliment of 72 was not achieved. The total staff expenditure was R39,6 million, which represents 48% of the total expenses of the IRBA.

Overview of HR practices

The IRBA ensures that it complies with employment legislation [the Labour Relations Act (Act 66 of 1995), the Basic Conditions of Employment Act (Act 75 of 1997), the Employment Equity Act (Act 55 of 1998), the Skills Development Act (Act 97 of 1998), the Occupational Health and Safety Act (Act 181 of 1993] and various human resources (HR) codes of best practice. To ensure ongoing communication with staff members, monthly staff meetings are held to provide feedback to staff on relevant matters.

The IRBA has a manual of human resource policies and practices that are reviewed on a regular basis. During the year under review the following policies were updated and approved by the Board:

- Code of conduct
- Grievance policy
- Incapacity policy
- Disciplinary policy

Employee reward and performance management framework

The IRBA recognises that reward is a business issue, not just a human resources issue, as it has a direct impact on operational expenditure, culture, employee behaviour and ultimately the sustainability of the IRBA. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers.

The objectives of the IRBA's reward framework are to assist the IRBA to:

- compete for talent in an increasingly competitive labour market;
- retain competent employees who enhance business performance;
- motivate individual and team performance that drives stakeholder value for the IRBA;
- achieve most effective returns (employee productivity) for total employee cost; and
- ensure sufficient levels of equity.

To achieve these objectives, the IRBA rewards employees in a way that reflects the dynamics of the market and the context in which it operates. All components of the reward strategy, including the fixed pay portion, variable pay, performance management, learning and personal growth and the work environment, is aligned to the strategic direction and specific value drivers of the IRBA. The reward strategy is fully integrated into other management processes.

During the year the performance measurement of staff was extended to also include the behavioural competencies of the staff, by including a 360 degree evaluation of behaviours. All employees participated in the development of the evaluation technique which was successfully implemented.

Human resource oversight statistics

Staff complement

The workforce (excluding contract staff) over the last five years as at 31 March was as follows:

	2013	%	2012	%	2011	%	2010	%	2009	%
Black female	27	42	25	39	24	36	26	38	20	33
White female	19	29	20	31	19	29	16	24	15	25
Black male	12	18	11	17	15	23	16	24	14	23
White male	7	11	8	13	8	12	10	15	11	19
TOTAL STAFF	65	100	64	100	66	100	68	100	60	100

Personnel Cost of permanent staff

The total staff expenses consist of the following:

	2012/13 R	2011/12 R
Cost to employer (CTE)	35 860 112	33 013 762
Overtime and relief staff	591 903	447 400
Consultants	1 346 688	1 391 925
Staff training and seminars	366 986	728 018
Incentives	1 473 237	1 257 500
TOTAL PERSONNEL COSTS	39 638 926	36 838 605
Total operating expense for the IRBA	81 775 158	71 639 181
Personnel expenditure as % of total expenditure	48%	51%
Number of employees	65	64
Average CTE cost per employee	551 694	515 840

Training Costs

	Training Cost R	Bursary Costs R	Total Training Cost R
Top Management	2 302		2 302
Senior Management	48 630		48 630
Professional qualified	167 160		167 160
Skilled	15 333	6 650	21 983
Semi-skilled	101 598	177 984	279 582
Unskilled	2 639		2 639
TOTAL	337 662	184 634	522 296

The IRBA gave financial assistance to employees studying at a university during the year.

Employment and vacancies

	2011/2012 No. of Employees	2012/2013 Approved Posts	2012/2013 No. of Employees	2012/2013 Vacancies
Top Management	1	1	1	0
Senior Management	5	5	5	0
Professional qualified	22	27	24	3
Skilled	8	12	8	4
Semi-skilled	20	22	22	0
Unskilled	8	5	5	0
TOTAL	64	72	65	7

Due to the scarce skills in the market in the senior management positions as well as for professionally qualified individuals, the recruitment process for these positions usually takes some time to fill. Every effort is made to advertise and interview for these positions as soon as a vacancy is identified but, due to the competitive salaries that these individuals are receiving from the private sector it is difficult to find suitable employment equity candidates for these positions.

Three of the vacancies are due to the delay in the transfer of the regulation of the B-BBEE verification industry from the DTI, and accordingly in the appointment of the relevant employees.

Employment changes

The changes in employment over the financial year were as follows:

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	5	1	1	5
Professional qualified	22	6	4	24
Skilled	8	1	1	8
Semi-skilled	20	2	2	20
Unskilled	8	0	1	7
Total	64	10	9	65

The majority of changes in recruitment happened at the professionally qualified level. Most of the candidates that resigned at this level were CAs (SA) and were also Employment Equity candidates. These employees represent scarce skills within the financial field and are paid much higher salaries and premiums in the private sector. IRBA is not in a position to compete with the salary expectations or the benefits paid to these candidates.

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignation	5	55%
Dismissal	1	11%
Retirement	1	11%
Expiry of training contract	1	11%
Retrenchment	1	11%
Total	9	100%

Staff mainly left following resignations, especially for inspectors that have better promotion and salary prospects in the private sector. The Director: Inspections took early retirement in December 2012 following health concerns. A support staff member was dismissed following a disciplinary procedure after she had been absent from work without leave for over a month. An intern in the Finance department left the IRBA following the expiry of her fixed term contract in January 2012.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Written Warning	2
Final Written warning	1
Dismissal	1

Equity Target and Employment Equity Status

Target 2013

Occupational Levels	Male			Female				White Male	Total	Disabled
	A	C	I	A	C	I	W			
Top Management		1							1	
Senior Management							4	1	5	1
Professionally qualified	4	2	3	3	2	2	3	8	27	
Skilled technical	2			1	2		1	1	7	
Semi-skilled	4	1		8	3	1	8	1	26	
Unskilled				6					6	
Total employees	**10**	**4**	**3**	**18**	**7**	**3**	**16**	**11**	**71**	**1**
	14%	4%	4%	25%	10%	4%	23%	15%	100%	1%

Actual 2013

Occupational Levels	Male			Female				White Male	Total	Disabled
	A	C	I	A	C	I	W			
Top Management		1							1	
Senior Management							4	1	5	1
Professionally qualified	1	1	4	4		3	5	6	24	
Skilled technical	1			2	1		4		8	
Semi-skilled	5			10	1		6		22	1
Unskilled				5					5	1
Total employees	**7**	**2**	**4**	**21**	**2**	**3**	**19**	**7**	**65**	**3**
	11%	2%	5%	34%	3%	5%	30%	11%	100%	4%

The IRBA makes every effort to achieve its employment equity targets for the period. This is being addressed by the premium approach incorporated into the recruitment and selection policy from November 2010. This method is being used in pursuance of establishing an equitable staff composition for IRBA.

The Employment Equity Forum, consisting of eight staff members representing all areas of employment equity, is also making every effort to become more involved in the recruitment process in order to ensure compliance with the policy as well as to ensure fairness and transparency throughout all recruitment drives within the organisation.

PART E: FINANCIAL INFORMATION

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Professor Amanda Dempsey
Chairman

We are pleased to present the report for the financial year ended 31 March 2013.

The committee is a sub-committee of the Board 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 and approved by the Board.

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 5 meetings were held. Meeting attendance appears on page 34.

Committee Responsibility

The committee reports that it has complied with its responsibilities arising from section 38(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 noncompliance 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

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance and the PFMA. The Board has delegated certain aspects of its authority as it pertains to risk management to the Audit and Risk Management Committee.

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 Accounting Officer of the IRBA during the year under review.

Information Technology (IT)

During the year the Board constituted an Information Technology Steering Committee (ITSCOM). The approved terms of reference sets out the responsibility of the committee. The committee approved an IT strategy for the IRBA.

The committee will ensure that its procedures and processes are compliant with the recommendations in the King III Report on Corporate Governance.

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 the Accounting Officer;
- 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.

External Audit

The committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

Going Concern

The annual financial statements of the IRBA were prepared on the 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 in this financial year.

REPORT OF THE AUDITOR-GENERAL

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 (IRBA) set out on pages 57 to 87, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and 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 South African 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 2013, and its financial performance and cash flows for the year then ended in accordance with the SA 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 Measurable Objectives as set out on pages 90 to 94 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's 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 Measurable Objectives report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

11. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

12. 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

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

Auditor-General.

Pretoria

22 August 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

INDEX

The reports and statements set out below comprise the annual financial statements presented to the parliament:

Contents	Page

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. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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 on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and place 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 or deficit.

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, it is 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 reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on page 50.

The annual financial statements set out on pages 53 to 87, which have been prepared on the going concern basis, were approved by the accounting authority on 22 August 2013 and were signed on its behalf by:

Willem van der Linde, SC
Chairman

REPORT OF THE ACCOUNTING AUTHORITY

The accounting authority submits its report for the year ended 31 March 2013.

1. Introduction

The accounting authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the year ended 31 March 2013, 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 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.

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 R55,4 million from R42,0 million. The inspection fees increased to R20,5 million from R14,4 million which resulted from the new inspection fee billing method. The income from training contracts increased to R6,7 million from R5,3 million due to an increase in the fees and more contracts being registered. In an attempt to recover the high cost of disciplinary cases the contributions to expenses and fines have increased to R5.1 million from R0,8 million.

Revenue from non-exchange transactions

During the year, the IRBA received government grants amounting to R32,2 million (2012: R34,7 million). Included in the previous 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 R81,7 million from R71,6 million, representing an increase of 14%. The main reasons for the increase are as follows:

- Employment cost increased by 9,2% due to vacancies in the previous year that were filled in the current year. Salaries increased by an average of 7,2%. The appointment of new senior staff resulted in an increase of R892k for placement fees.
- Computer costs increased to R2,9 million from R2,3 million due to the maintenance and changes required to the workflow system.
- The legal costs increased to R11,1 million from R7,8 million, an increase of R3,3 million. The increase is due to additional legal cases being pursued by the IRBA. Approval was obtained from National Treasury to retain R6,4 million of the accumulated reserves in 2012, to cover these costs.
- The bad debts increased with R1,6 million due to the impairment of the costs awards and fines related to disciplinary cases.
- The local travel expenses decreased by R570k due to better planning of inspection travelling, although the overseas travel cost increased with R667k due to the increase in participation on international committees.

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. Limited additional development was done and the net intangible assets decreased due to amortisation.

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

The cash balance increased to R32,2 million from R21,7 million. R29,7 million of the cash are required to back up the reserves required to safeguard the IRBA's ability to continue as a going concern.

3.4 Liabilities

Non-current liabilities include the operating lease incentive and equalisation amount of R2,5 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 R9,7 million (2012: R7,9 million) arose mainly due to the additional income from trainee levies (R1,4), net of disciplinary fines (R3,0) and an increase in inspection fees (R1,1). The accumulated surplus for the year, after transfers to the reserves, increased by R6,7 million to R16,7 million.

The PFMA states that a Public Entity may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained (PFMA Chapter 6: Public Entities, Section 53 (d)). The National Treasury requested the IRBA to surrender an amount of R1,79 million after the year-end based on the request of the IRBA for the accumulated surpluses as at 31 March 2012.

The total accumulated surplus of R16,7 million as disclosed in the financial statements for the year ended 31 March 2013, was reduced to R14,9 million after the year end by surrendering R1,79 million to the National Revenue Fund as required by the National Treasury.

The IRBA will further request to retain certain of the remaining accumulated reserves due to the specific roll-over of certain expenses to 2013/14 and excess funds contributed by Registered Auditors. The total amount that was requested to be retained amounted to R14,1 million with an amount of R800k being available to be surrendered to the National Revenue Fund depending on the final approval.

3.6 Reserves

Reserves include the following funds that were approved by National Treasury: Education Fund, Trust Fund and two Contingency funds for Disciplinary cases and Operational working capital requirements. The Contingency fund for Disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs. The Education Fund was established to fund education and training activities in support of previously disadvantaged persons to become registered auditors. 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 Contingency fund for operational expenses was established to fund short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at an amount which represents approximately three months' operational expenditure.

The total reserves to be retained are R29,8 million.

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 breakeven budget was approved by the Board for 2012/13 excluding the direct impact of the reserve funds. This budget would ensure that the IRBA will be in a position to deliver on its mandate as required by the Auditing Profession Act.

REPORT OF THE ACCOUNTING AUTHORITY (continued)

4. Members of the Board

WHG van der Linde (Chairman)

Dr SP Kana (Deputy Chairman)

Prof A Dempsey

Prof LY Majova

CN Mbili

MI Khan

YGH Suleman

F Timmins

H Goga Appointed 02 April 2012

NNN Radebe Resigned April 2012

5. Ministerial Representative

SF Nomvalo

6. Business and Registered Address

Physical address

Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

Postal address

IRBA
P O Box 8237
1610
DOCEX: DX008 Edenvale

7. Auditor

The Auditor-General of South Africa

8. Bank

Standard Bank of South Africa

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Inventories	7	150 147	186 244
Loans receivable	8	171 579	120 845
Trade and other receivables	9	5 157 829	6 471 019
Cash and cash equivalents	10	32 289 759	21 740 744
		37 769 314	28 518 852
Non-Current Assets			
Plant and equipment	3	3 907 313	4 461 822
Intangible assets	4	2 585 108	3 240 323
		6 492 421	7 702 145
Restricted cash	6	10 000 000	10 000 000
		16 492 421	17 702 145
Total Assets		54 261 735	46 220 997
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	11	5 177 313	6 354 875
Non-Current Liabilities			
Operating lease	5	2 545 307	3 074 883
Total Liabilities		7 722 620	9 429 758
Reserves		29 795 445	26 749 184
Accumulated surplus		16 743 670	10 042 055
Total Net Assets		46 539 115	36 791 239
Total Net Assets and Liabilities		54 261 735	46 220 997

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

Figures in Rand	Notes	2013	2012
Revenue	13	89 301 766	77 802 072
Operating expenses		(81 775 158)	(71 639 181)
Operating surplus	14	**7 526 608**	**6 162 891**
Investment revenue		2 221 268	1 771 258
Finance costs		-	(24 025)
Surplus for the year		**9 747 876**	**7 910 124**

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2013

Figures in Rand	Trust fund	Education fund	Contingency fund: Disciplinary cases	Contingency fund: Operational	Total reserves	Accumulated surplus	Total net assets
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	819 429	7 910 124
Surplus for the year as previously reported at 31 March 2012	-	-	-	-	-	7 387 430	7 387 430
Correction of error	-	-	-	-	-	522 694	522 694
Surplus for the year 31 March 2012 as restated	-	-	-	-	-	7 910 124	7 910 124
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 01 April 2012 as restated	**10 000 000**	**2 280 565**	**14 468 619**	**-**	**26 749 184**	**10 042 055**	**36 791 239**
Changes in net assets	-	770 330	(4 442 913)	6 718 844	3 046 261	6 701 615	9 747 876
Surplus for the year	-	-	-	-	-	9 747 876	9 747 876
Transfer to education fund	-	770 330	-	-	770 330	(770 330)	-
Transfer from contingency fund: Disciplinary cases	-	-	(4 442 913)	-	(4 442 913)	4 442 913	-
Transfer to contingency fund: Operational	-	-	-	6 718 844	6 718 844	(6 718 844)	-
Balance at 31 March 2013	**10 000 000**	**3 050 895**	**10 025 706**	**6 718 844**	**29 795 445**	**16 743 670**	**46 539 115**

CASH FLOW STATEMENT

for the year ended 31 March 2013

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Cash receipts from registrants and other sources		90 265 126	75 830 972
Interest income		2 221 268	1 771 258
		92 486 394	77 602 230
Payments			
Cash paid to suppliers and employees		(81 003 177)	(67 959 980)
Net cash flows from operating activities	18	**11 483 217**	**9 642 250**
Cash flows from investing activities			
Purchase of plant and equipment	3	(739 661)	(542 190)
Proceeds from sale of plant and equipment	3	15 493	7 110
Purchase of other intangible assets	4	(159 301)	(580 933)
Net cash flows from investing activities		**(883 469)**	**(1 116 013)**
Cash flows from financing activities			
Movement in loans receivable		(50 733)	39 782
Finance lease payments		-	(367 922)
Net cash flows from financing activities		**(50 733)**	**(328 140)**
Net increase/(decrease) in cash and cash equivalents		**10 549 015**	**8 198 097**
Cash and cash equivalents at the beginning of the year		21 740 744	13 542 647
Cash and cash equivalents at the end of the year	10	**32 289 759**	**21 740 744**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2013

Budget on Accrual Basis

Figures in Rand	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual
STATEMENT OF FINANCIAL PERFORMANCE			
Revenue			
Revenue from exchange transactions			
Rendering of services	47 842 760	55 405 292	7 562 532
Other income	3 082 800	1 688 474	(1 394 326)
Interest received	1 999 065	2 221 268	222 203
Total revenue from exchange transactions	52 924 625	59 315 034	6 390 409
Revenue from non-exchange transactions			
Government grants	32 208 000	32 208 000	-
Total revenue	85 132 625	91 522 178	6 389 553
Expenditure			
Personnel	(40 695 167)	(37 925 252)	2 769 915
Depreciation and amortisation	(2 071 617)	(2 094 049)	(22 432)
Debt impairment	(181 000)	(1 735 182)	(1 554 182)
Committee expenses	(3 823 943)	(3 142 683)	681 260
General expenses	(18 256 278)	(14 732 570)	3 524 564
Direct expenses	(9 247 785)	(13 081 879)	(3 834 094)
Departmental expenses	(7 704 492)	(6 490 585)	1 213 907
Expenses for reserve funds	(9 145 122)	(2 572 958)	6 572 164
Total expenditure	(91 125 404)	(81 775 158)	9 350 246
Operating (deficit)/surplus	(5 992 779)	9 747 876	15 740 655
Transactions accounted for in reserve funds	5 992 779	(3 244 087)	(9 236 866)
	5 992 779	(3 243 231)	(9 236 010)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	6 503 789	6 503 789

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 the accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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 is 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 period. In determining whether an impairment loss should be recorded in surplus or deficit, the management 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 amounts of cash-generating units and individual assets 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.

Effective interest rate

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.

1.2 Plant and equipment

Plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, 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 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.

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.

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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.

The useful lives of items of plant and equipment have been assessed as follows:

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity 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
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be 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.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any 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 useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.3 Intangible assets (continued)

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 is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (class and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at amortised cost

1.4 Financial instruments (continued)

The entity has the following types of financial liabilities (class and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests are accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 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.

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.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, when 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.

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.

1.6 Inventories (continued)

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 IRBA.

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.

1.7 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, the IRBA estimates the recoverable service amount of the asset.

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 was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating asset remaining service potential.

The present value of the remaining service potential of a non-cash-generating 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 the 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, the 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.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for services rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the IRBA has indicated to other parties that it will accept certain responsibilities and as a result, the IRBA has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.8 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the IRBA recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 IRBA measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the IRBA has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 Revenue from exchange transactions

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party 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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Measurement

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

Government grants

Government grants are recognised as revenue:

- when it is probable that the economic benefits or service potential associated with the transaction will flow to the IRBA,
- when the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year 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.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which 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 year 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.

1.15 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.15 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.17 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.18 Related parties

The IRBA operates in an economic sector currently 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.

Management are those persons responsible for planning, directing and controlling the activities of the IRBA, including those charged with the governance of the IRBA in accordance with legislation, in instances where they are required to perform such functions.

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

1.19 Reserves

The following reserves as approved by National Treasury have been established in order to provide for sufficient cash resources for possible contingencies and for the education expenses and the Trust Fund:

Contingency fund - Disciplinary cases

This is a fund established to maintain the IRBA's long-term capital requirements and to protect the Board's operating capacity against the effects of inflation and unforeseen events. This will further cover the unforeseen expenses for Disciplinary cases that cannot be covered within the normal budget parameters. This reserve is maintained at a maximum of 20% of the income from registered auditors.

Contingency fund - Operational

This is a fund established to fund short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at approximately 3 months' operational expenditure.

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 from ringfence 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 disadvantaged students who aspire to become Registered Auditors, and to raise awareness of the Auditing profession at various levels, and is therefore transferred to the Education Fund.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the IRBA has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	This 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. The impact on the financial results and disclosure was minimal.
GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	This standard of GRAP deals with the presentation and disclosure of budget information as required by GRAP 1. The impact on the financial results and disclosure was minimal.
GRAP 21: Impairment of non-cash-generating assets	01 April 2012	This 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. The impact on the financial results and disclosure was minimal.
GRAP 26: Impairment of cash-generating assets	01 April 2012	This 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. The impact on the financial results and disclosure was minimal.
GRAP 104: Financial Instruments	01 April 2012	This standard of GRAP deals with the recognition, measurement, presentation and disclosure of financial instruments. The impact on the financial results and disclosure was minimal.

2.2 Standards and Interpretations early adopted

The IRBA has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Revised standard of GRAP prescribes the basis for presentation of general purpose financial statements. The impact on the financial results and disclosure was minimal.
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Revised standard of GRAP prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The impact on the financial results and disclosure was minimal.
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Revised standard of GRAP prescribe the accounting treatment of revenue arising from exchange transactions and events. The impact on the financial results and disclosure was minimal.
GRAP 12 (as revised 2012): Inventories	01 April 2013	Revised standard of GRAP prescribes the accounting treatment for inventories. The impact on the financial results and disclosure is considered to be minimal.
GRAP 13 (as revised 2012): Leases	01 April 2013	Revised standard of GRAP prescribes, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. The impact on the financial results and disclosure was minimal.
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Revised standard of GRAP prescribes the accounting treatment for property, plant and equipment so that the users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The impact on the financial results and disclosure was minimal.
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Revised standard of GRAP prescribes the accounting treatment for intangible assets that are not dealt with specifically in another Standard of GRAP. The impact on the financial results and disclosure was minimal.

2.3 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 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	*	New standard of GRAP: Establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.
GRAP 25: Employee benefits	01 April 2013	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. The impact on the financial results and disclosure is considered to be minimal.
GRAP 106: Transfers 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. The impact on the financial results and disclosure is considered to be minimal.
GRAP 20: Related parties	*	New standard of GRAP deals with the presentation and disclosure of related parties information. The impact on the financial results and disclosure is considered to be minimal.

* No effective date had been determined by the Minister of Finance.

3. Plant and equipment

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 887 758	(1 842 650)	1 045 108	2 718 541	(1 685 767)	1 032 774
Motor vehicles	387 786	(244 374)	143 412	387 786	(205 037)	182 749
Computer equipment	2 507 154	(1 778 283)	728 871	2 236 255	(1 682 481)	553 774
Leasehold improvements	4 901 826	(2 911 904)	1 989 922	4 901 826	(2 209 301)	2 692 525
Total	**10 684 524**	**(6 777 211)**	**3 907 313**	**10 244 408**	**(5 782 586)**	**4 461 822**

Reconciliation of plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation/ Change in accounting estimate	Total
Furniture and fixtures	1 032 774	188 809	(3 689)	(172 786)	1 045 108
Motor vehicles	182 749	-	-	(39 337)	143 412
Computer equipment	553 774	550 852	(10 948)	(364 807)	728 871
Leasehold improvements	2 692 525	-	-	(702 603)	1 989 922
	4 461 822	**739 661**	**(14 637)**	**(1 279 533)**	**3 907 313**

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**

4. Intangible assets

	2013			2012		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and development cost	4 107 201	(1 522 093)	2 585 108	3 947 900	(707 577)	3 240 323

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software and development cost	3 240 323	159 301	(814 516)	2 585 108

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

Figures in Rand	2013	2012

5. Operating lease

Total lessor incentive	819 750	1 171 071
Less: Current liabilities	(351 321)	(351 321)
Lessor incentive	468 429	819 750
Operating lease accrual	2 076 878	2 255 133
	2 545 307	**3 074 883**

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 a annual escalation of 8,8%. The lease agreement is not renewable at the end of the lease term.

6. Restricted cash

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

7. Inventories

Stationery	150 147	186 244

8. Loans receivable

At beginning of the year	120 845	160 627
Advances/(Repayments)	50 734	(39 782)
	171 579	**120 845**

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.

Figures in Rand	2013	2012

9. Trade and other receivables from exchange transactions

Trade debtors	2 273 216	4 522 517
Prepaid expenses	403 620	99 841
Fines, penalties and legal cost recoveries outstanding	2 421 450	264 925
Sundry - other	1 632 754	616 895
- Department of Trade and Industry (B-BBEE)	-	750 000
- World Bank (Zimbabwe Support Program)	437 040	508 760
Less: Impairment provision	(2 010 251)	(291 919)
	5 157 829	6 471 019

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	4 243 533	1 626 502

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(291 919)	(242 452)
(Increase)/Release of provision for impairment	(1 718 332)	(49 467)
	(2 010 251)	(291 919)

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.

The increase in provision for impairment relates mainly to two legal cases where costs awarded to the IRBA are being taken on review.

Figures in Rand	2013	2012

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 631	2 777
Bank balances	31 400 352	4 104 007
Cash funded reserves	-	16 749 184
12 Month Term Deposit	884 776	884 776
	32 289 759	21 740 744

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.

Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Education fund R3 050 895 (2012: R2 280 565), Contingency fund - Disciplinary cases R10 025 706 (2012: R14 468 619) and Contingency fund - Operational (first year 2013) R6 718 844.

12 Month Term Deposit

An amount of R884 776 (2012: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

11. Trade and other payables from exchange transactions

Trade payables	2 747 862	2 982 441
Accrued leave pay	929 140	836 504
Operating lease incentive	351 321	351 321
Other accruals	1 148 990	2 184 611
	5 177 313	6 354 877

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.

Figures in Rand	2013	2012

12. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Loans receivable	-	171 579	171 579
Trade and other receivables from exchange transactions	5 157 829	-	5 157 829
Cash and cash equivalents	-	32 289 758	32 289 758
	5 157 829	32 461 337	37 619 166

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 177 315	5 177 315

2012

Financial assets

	At fair value	At amortised cost	Total
Loans receivable	-	120 845	120 845
Trade and other receivables from exchange transactions	6 471 019	-	6 471 019
Cash and cash equivalents	-	21 740 744	21 740 744
	6 471 019	21 861 589	28 332 608

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 354 877	6 354 877

Figures in Rand	2013	2012

13. Revenue

Government grants	32 208 000	34 724 000
Other income	1 688 474	984 707
Rendering of services	55 405 292	42 093 365
	89 301 766	77 802 072

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

Disciplinary expense contributions	1 905 000	255 000
Disciplinary fines	3 198 330	650 000
Examination fees	4 551 356	3 789 316
Income for capacity building in Africa	799 480	653 276
Inspection fees	20 555 996	14 452 796
Licence fees	12 960 188	11 975 593
Monitoring fees	353 000	326 700
Proficiency test fees	20 790	11 300
Registration fees	2 291 648	1 828 380
Support programme	1 278 951	1 157 090
Training programs for registered auditors	753 438	1 604 760
Training contracts and levies	6 737 115	5 389 154
	55 405 292	42 039 365

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

Transfer revenue

Government grants	32 208 000	34 724 000

Figures in Rand	2013	2012

14. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Building		
• Lease rentals on operating lease	4 295 890	4 295 890
Gain (loss) on sale of plant and equipment	856	(29 479)
Loss on sale of intangible assets	-	(3 804)
Amortisation on intangible assets	814 516	694 469
Depreciation on property, plant and equipment	1 279 533	1 430 258
Employee costs	37 925 252	34 718 662

15. Debt impairment

Debt impairment	1 735 182	157 387

16. 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).

17. Auditors' remuneration

Auditor's remuneration - internal	615 235	436 119
Auditor's remuneration - external	836 398	798 462
	1 451 633	**1 234 581**

18. Cash generated from operations

Surplus	9 747 876	7 910 124
Adjustments for:		
Depreciation and amortisation	2 094 049	2 124 727
(Gain)/loss on sale of assets	(856)	33 283
Finance costs - Finance leases	-	24 025
Debt impairment	1 735 182	157 387
Movements in operating lease	(529 576)	(139 281)
Net movement in assets available for sale	-	47 800
Changes in working capital:		
Inventories	36 097	(54 683)
Trade and other receivables	1 313 190	(1 971 100)
Impairment provision	(1 735 182)	(157 387)
Trade and other payables from exchange transactions	(1 177 563)	1 667 355
	11 483 217	**9 642 250**

Figures in Rand	2013	2012

19. Commitments

Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	5 251 009	4 825 466
- in second to third year inclusive	7 669 363	12 920 372
	12 920 372	**17 745 838**

20. Contingencies

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The total accumulated surplus amounted to R 16 743 670 as disclosed in the financial statements for the year ended 31 March 2013. Subsequent to 31 March 2013 the IRBA surrendered R 1 791 000 to the National Revenue Fund as per the National Treasury requirement. The stated accumulated funds effectively reduced to R14 952 670, relating to this period.

21. Related parties

Relationships

Members of key management	Refer to note 22 for the disclosure of Key Management's and Board Members' remuneration

22. Key Management's and Board Members' Remuneration

Key management

2013

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	2 019 060	290 000	303 643	12 500	2 625 203
L Katzin, Director: Education, Training and Professional Development	1 202 641	107 000	182 989	9 500	1 502 130
PJ O'Connor, Director Legal	1 152 512	107 000	248 362	9 500	1 517 374
P van Helden, Director: Inspections (Retired December 2012)	973 323	-	185 902	7 100	1 166 325
SD van Esch, Director: Standards	1 299 279	107 000	197 100	9 500	1 612 879
WH de Jager, Director: Operations	1 311 772	107 000	198 995	9 500	1 627 267
I Nagy, Director: Inspections (Appointed February 2013)	272 708	-	30 958	1 600	305 266
	8 231 295	718 000	1 347 949	59 200	10 356 444

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

	2013	2012
Board members' fees		
WHG van der Linde, SC	21 956	26 141
Dr SP Kana	46 659	40 254
Prof A Dempsey	38 254	50 560
Prof LY Majova	20 282	29 158
CN Mbili	37 510	10 978
MI Khan	26 226	29 352
YGH Suleman	57 953	57 638
F Timmins	33 851	55 809
H Goga	92 707	-
NNN Radebe	-	22 567
LJ Lekale	-	29 426
	375 398	351 883

23. Prior period errors

During 2013, the IRBA discovered that revenue from training contacts of R522 693 which should have been recognised in 2011/12 were incorrectly omitted from 2011/12 and recognised as revenue in 2012/13.

The accounting records for 2012/13 show revenue from training contacts as R7 259 809 (including R522 694 for training contacts which should have been recognised in 2011/12).

The correction of the error results in adjustments as follows:

	2013	2012	2012
Statement of Financial Performance (Extract)		Restated	Previously reported
Revenue	89 301 766	77 802 072	77 279 378
Operating expenses	(81 775 158)	(71 639 181)	(71 639 181)
Operating surplus	7 526 608	6 162 891	5 640 197
Investment revenue	2 221 268	1 771 258	1 771 258
Finance costs	-	(24 025)	(24 025)
Surplus for the year	9 747 876	7 910 124	7 387 430
Statement of changes in Net Assets (Extract Accumulated Surplus) As at 31 March			
Opening accumulated surplus	10 042 055	9 222 624	9 222 624
Surplus for the year	9 747 876	7 910 124	7 387 430
Surplus previously reported	-	7 387 430	-
Correction of error	-	522 694	-
Movement to other reserves	(3 046 261)	(7 090 695)	(7 060 695)
Closing accumulated surplus	**16 743 670**	**10 042 053**	**9 519 361**

24. Comparative figures

Certain comparative figures have been restated as per note 23.

25. Risk management

Financial risk management

The IRBA's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The IRBA's risk to liquidity is a result of the funds available to cover future commitments. The IRBA manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The IRBA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

Interest rate risk

As the IRBA has no significant interest-bearing assets, the IRBA's income and operating cash flows are substantially independent of changes in market interest rates.

26. Going concern

The annual financial statements have been prepared on the basis of accounting 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.

27. Events after the reporting date

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, except for that disclosed in Note 20.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

Figures in Rand	Notes	2013	2012
Revenue			
Government grants		32 208 000	34 724 000
Other income		1 688 474	984 707
Rendering of services		55 405 292	42 093 365
	13	89 301 766	77 802 072
Other income			
Interest received		2 221 268	1 771 258
Operating expenses			
Auditors' remuneration	17	(1 451 633)	(1 234 581)
Bad debts		(1 735 182)	(157 387)
Building operating expenses		(863 529)	(668 010)
Capacity building in Africa		688 888	763 868
Committee expenses		(3 142 683)	(2 858 414)
Computer expenses		(2 942 196)	(2 346 138)
Consulting and professional fees		(1 346 688)	(1 391 925)
Depreciation, amortisation and impairments		(2 094 049)	(2 124 727)
Employee costs		(37 925 252)	(34 718 662)
Examination expense		(4 218 684)	(3 213 621)
Insurance		(204 453)	(183 769)
Lease of building		(4 295 890)	(4 295 890)
Legal fees		(11 112 018)	(7 869 081)
Loss on disposal of assets		-	(33 283)
Other expenses		(1 490 905)	(1 477 723)
Placement fees		(1 370 397)	(423 643)
Printing and stationery		(997 169)	(654 720)
Proficiency test		(19 802)	(13 390)
Public relations		(571 929)	(649 792)
Publications		(748 773)	(488 510)
Staff welfare		(729 164)	(993 420)
Support programmes and education fund expenses		(1 179 433)	(1 651 219)
Training courses for Registered Auditors		(322 110)	(1 185 856)
Travel - local		(977 565)	(1 547 910)
Travel - overseas		(1 334 256)	(667 158)
Workmans compensation		(12 510)	(26 484)
		(81 775 158)	(71 639 181)
Operating surplus	14	9 747 876	7 934 149
Finance costs		-	(24 025)
Surplus for the year		9 747 876	7 910 124

PART F: PERFORMANCE AGAINST MEASURABLE OBJECTIVES

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

for the year ended 31 March 2013

Strategic Focus Area 1: Auditing and Ethics Standards and Reportable Irregularities

Strategic Objective	Developing and maintaining auditing and ethics standards which are internationally comparable				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the year ended 31 March 2013
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	80%	**Achieved** Achieved 82% by 31 March 2013 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 enables IRBA to take Disciplinary action where necessary	Target Dates for issuing additional guidance is as per CFAE work programme adjusted on a quarterly basis	80%	**Achieved** Achieved 90% by 31 March 2013 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.	**Achieved** 93% of a total of 676 reportable irregularities

Strategic Focus Area 2: 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	
				2012/13	The year ended 31 March 2013
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** 100% of the work schedule to date.
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** SAICA submitted the Draft Monitoring report for the Academic Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Core Assessment programme – 60 days after submission of the draft monitoring report by Accredited Entity	**Achieved** SAICA submitted the Draft Monitoring report for the Core assessment Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Education programme – 60 days after submission of the draft monitoring report by Accredited Entity	**Achieved** SAICA submitted the Draft Monitoring report for the Education Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Training programme 60 days after submission of the draft monitoring report by Accredited Entity	**Achieved** SAICA submitted the Draft Monitoring report for the Training Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Institutional requirements 60 days after submission of the draft monitoring report by Accredited Entity	**Achieved** SAICA submitted the Draft Monitoring report for the Institutional requirements on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
Present a Support Programme for Black repeat candidates who have been unsuccessful in previous attempts at the Public Practice Examination	To present a Support Programme that addresses the needs of Black candidates	To increase the number of potential Black RAs by offering educational support to Black repeat candidates	Provide a Support programme for Black repeat candidates on an annual basis in accordance with the Support Programme work schedule	80% compliance to the work schedule	**Achieved** 100% compliance with the work schedule.

PERFORMANCE AGAINST MEASURABLE OBJECTIVES
for the year ended 31 March 2013 (continued)

Strategic Focus Area 3: Inspections

Strategic Objective	Monitor registered auditors' compliance with professional standards				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the year ended 31 March 2013
To inspect the assurance work of registered firms on a regular basis	Inspection reports	Firms (with their individually registered auditors) who comply with the auditing, and ethics standards	Number of inspections completed in accordance with the inspection plan	90% adherence to inspection plan	**Achieved** Firm inspections • Planned 23 • Actual 22 Achieved 96% File Inspections • Planned 478 • Actual 440 Achieved 92%
To determine through the registration process the number of Accountable Institutions (AIs)	List of AIs for Inspection	Inspections performed and reports handed to the FIC	Inspection plan developed and the number of FICA Inspections conducted of accountable institutions in accordance with the inspection plan	Inspection plan to be developed by 30 June 2012 and 85% adherence to inspection plan	**Not achieved** MOUs with FSB and FIC were signed late in the financial year. FIC inspections will be planned, performed and measured as part of the normal inspections process going forward.

Strategic Focus Area 4: Registration and Legal

Strategic Objective	To investigate and take appropriate action against registered auditors in respect of improper conduct				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the year ended 31 March 2013
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** - 83% of complaints were closed within 18 months.
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"	90%	**Achieved** 99% of the 282 new registrations were done within one month from date of receipt.
	Annual renewal of individual RAs who meet renewal requirements	To maintain the integrity of the register of RAs	By set renewal deadline date	90%	**Achieved** More than 95% 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	
				2012/13	Status for the year ended 31 March 2013
To collaborate and build relationships with critical stakeholders	Approved Stakeholder relationship strategy and Communication Plan completed and implemented	Informed and improved co-operation with stakeholders	Date of approval and revision of Stakeholder relationship Strategy	July 2012	**Not achieved.** Public Relations manager was only appointed on 25 September 2012. The Strategy was presented to the Board at its meeting on 29 January 2013, at which further recommendations were made for the strategy to be approved at the next board meeting in May 2013.
			Date of approval of revised Communication plan	August 2012	**Not achieved.** Public Relations Manager was only appointed on 25 September 2012. The plan was presented to the board at its meeting on 29 January 2013, at which further recommendations were made for the plan to be approved at the next board meeting in May 2013.
				Implementation of activities as per milestones in plan	As explained above, the activities could not be implemented according to the milestones in the plan; however, activity did continue in the form of meetings with journalists, media statements and opinion pieces issued, interviews conducted and public presentations.
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	Sept 2012	**Achieved** The Compliance Framework was approved on 01 November 2012. Implementation of the Framework is in progress.
	Compliance to legislation and governance		Compliance as reported to Audit and Risk Management Committee	70% adherence to Compliance Reported	**Achieved** During the year zero non-compliance was reported.

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

for the year ended 31 March 2013 (continued)

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	
				2012/13	Status for the year ended 31 March 2013
To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate	Funding/ Income received to equal the expenses	Financial sustainability to deliver on mandate	Funding/income received to equal actual expenses excluding special reserve funds	10% deviation of funding/ income from actual expenses excluding special reserves funds	**Achieved** The total income received was 109% of total expenses
	Maximum utilisation of resources		% deviation on expenses from budget vs. actual	15% deviation, up or down	**Achieved** Actual expenses were 3,5% less than budget
	Financial discipline adherence		Clean audit report	100% clean report	**Achieved** A clean audit report on all aspects reported by the Auditor General.
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 time frames	The successful implementation of the approved IT strategy and plan	Enhanced internal effectiveness and service delivery	Progress against IT implementation plan within financial limited resources	90% achievement of milestones within the IT strategy and plan	**Not achieved** 55% of milestones achieved. A number of the milestones included and depended on the outsourcing of the IT service provider. During the first round of the tender a suitable service provider could not be identified and a second split tender was completed. The service provider was appointed from 1 May 2013. From a risk perspective this was a safer option for the IRBA.
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 2012	**Achieved** Employment equity plan approved by the Board in March 2013.
			% of employment equity targets achieved in total	90% of target achieved as indicated in employment equity plan	**Achieved** The actual Black representation is 59% against a target of 62%. The actual female representation is 72% against a target of 62%.

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