



FIT AND PROPER POLICY

1. INTRODUCTION

The Independent Regulatory Board for Auditors (IRBA) is a statutory regulatory body established in terms of Section 3 of the Auditing Profession Act, No. 26 of 2005 (APA), with its primary mandate being the regulation of auditors in South Africa.

Section 6, read together with section 37 of the APA, mandates the IRBA to, amongst others:

- a) prescribe minimum qualifications, competency standards and requirements for registration of auditors and candidate auditors in addition to those provided for in this Act;
- b) consider and decide on any applications for registration of auditors and candidate auditors;
- c) prescribe minimum requirements for the renewal of registration and re-registration of registered auditors and registered candidate auditors; and
- d) register auditors and candidate auditors, if, after considering an application, the IRBA is satisfied that the applicant has complied with the prescribed education, training and competency requirements for a registered auditor or registered candidate auditor; is resident within the Republic; is a fit and proper person to practice the profession; has met any additional prescribed requirements for registration.

The IRBA appreciates the importance of fit and proper auditors in the preservation of the integrity and good reputation of the profession. This is fundamental to the maintenance of public confidence in the profession and the IRBA as a regulator, which in turn, will ensure the attainment of the profession's mandate being the protection of public interest.

The IRBA further appreciates the principle of a 'fit and proper' person, while a fundamental one in the confirmation of an individual's fitness to properly perform the role they are undertaking, there is no single infallible test regarding what constitutes a 'fit and proper' person and in some instances, this will require an assessment on a case-by-case basis.

In view of the above, the IRBA adopts the fit and proper policy to provide the framework for the assessment and determination of fit and proper auditors.

2. PURPOSE

This policy seeks to give effect to sections 6 and 37 of the APA and sets out the requirements for fit and proper auditors, as well as considerations relevant thereto.

3. SCOPE

This policy is applicable to all applicants for registration as auditors, applicants for re-registration as auditors and all registered auditors.

4. LEGISLATIVE FRAMEWORK

This policy has been designed in accordance with the provisions of the Auditing Profession Act 26 of 2005, as amended.

5. DEFINITIONS

For the purposes of this policy, the following words will, unless otherwise indicated, bear the following meaning ascribed to them:

| Words | Description |
|------------------------------|---|
| Applicant(s) | an individual who has applied for registration or re-registration as an auditor in terms of the APA or a Registered Candidate Auditor for purposes of completing the Audit Development Programme. |
| Auditor(s) | (a) an individual applying for registration or re-registration as a Registered Auditor in terms of the APA; (b) an individual who is registered as such in terms of the APA and an individual applying for; and/or (c) who has applied for registration as a Registered Candidate Auditor for purposes of completing the Audit Development Programme. |
| Fit and proper person | a person of integrity and good standing. |
| Profession | the auditing profession. |
| Registration | includes re-registration. |
| Registered auditor | an individual who is registered as such in terms of the APA. |
| Registered Candidate Auditor | an individual who has applied or is applying for registration as a Registered Candidate Auditor for purposes of completing the Audit Development Programme. |

6. POLICY STATEMENTS

6.1. Fit and proper requirements

6.1.1. To ensure the integrity of the register of auditors:

6.1.1.1. All applicants for registration as auditors must be fit and proper persons to practice the profession; and

6.1.1.2. All registered auditors must continue to maintain their fitness to practice the profession while they remain registered with the IRBA.

6.1.2. All auditors have the duty to openly disclose any factors which may affect their fitness to practice or to continue to practice the profession i.e., upon registration, annually through the annual renewal process, and/or as and when circumstances change.

6.1.3. Pursuant to paragraph 6.1.1 above:

6.1.3.1. The IRBA will review whether auditors are fit and proper to practice the profession at entry to the profession i.e., during application for registration, annually, through the annual renewal process, in respect of registered auditors, and as and when information necessitating a review are declared or comes to the IRBA's attention.

6.1.3.2. Applicants for registration as auditors and registered auditors shall be considered fit and proper persons when they can demonstrate the following requirements which are key to the practice of a registered auditor:

- a) Ethics;
- b) Prescribed competencies;
- c) Financial soundness; and
- d) Capability.

6.2. Factors that may affect the auditor's fitness to practice the profession

6.2.1. Various factors may affect the auditor's fitness to practice the profession include, but are not limited to:

6.2.1.1. Dishonesty;

6.2.1.2. Breach of confidentiality;

6.2.1.3. Criminal convictions in relation to offenses other than those set out in 6.3.1.2 below;

6.2.1.4. Failure to satisfy financial commitments and/or obligations;

6.2.1.5. Insolvency;

- 6.2.1.6. Provisional sequestration;
 - 6.2.1.7. Entering into a compromise with creditors;
 - 6.2.1.8. Application for debt review;
 - 6.2.1.9. Dismissal from previous employment for misconduct;
 - 6.2.1.10. A guilty finding in respect of any misconduct in relation to professional activities; and/or
 - 6.2.1.11. Tarnished reputation.
- 6.2.2. In the event that, during the review of an auditor's fitness to practice the profession, factors come to the attention of the IRBA that may affect the auditor's fitness to practice the profession, the IRBA shall consider all such factors against any relevant circumstances and determine if they go to the core¹ of the auditor's fitness to practice the profession.
- 6.2.3. Various factors may be determined as affecting the auditor's fitness to practice the profession if they go to the core of the office of the registered auditor, the core of the profession and/or the core of the competencies set out in paragraph 6.1.3.2 above.

6.3. Factors that will affect the auditor's fitness to practice the profession

- 6.3.1. The following factors will render an auditor unfit to practice the profession, and therefore ineligible for registration or continued registration:
- 6.3.1.1. removal from an office of trust due to misconduct related to a discharge of that office;
 - 6.3.1.2. conviction, whether in South Africa or elsewhere, of theft, fraud, forgery, uttering a forged document, perjury, an offence under the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004), or any offence involving dishonesty, other than an offence committed prior to 27 April 1994 associated with political objectives;
 - 6.3.1.3. declaration, by a competent court, of being of unsound mind or unable to manage own affairs; and/or
 - 6.3.1.4. disqualification from registration under a sanction imposed in terms of the APA.

¹ Core refers to anything that is central or critical or integral to the office of a registered auditor.

7. NON-COMPLIANCE

- 7.1. An auditor who has been found not to be a fit and proper person shall not be registered as an auditor.
- 7.2. In the case of an auditor already registered, his/her registration shall not be renewed and/or must immediately be cancelled in line with the approved procedures.
- 7.3. Despite 7.1 and 7.2 above, and where the factors rendering the auditor unfit are those set out in paragraph 6.2.1 above, the IRBA may prescribe conditions which must be fulfilled prior to the individual's registration as a registered auditor or to enable the auditor to continue to be registered as a registered auditor.
- 7.4. Depending on the factors and circumstances giving rise to the auditor's unfitness to practice, the auditor may be referred for investigation, if such factors and/or circumstances may constitute improper conduct.

8. ADMINISTRATION AND REVIEW

- 8.1. This policy document will be subject to review and/or amendment as and when necessary.
- 8.2. Any proposed interim changes or additions to this policy are subject to normal recommendations, approval and publication processes.

9. APPROVAL

This policy must be approved by the IRBA Board.

10. EFFECTIVE DATE OF THE POLICY

This policy will come into effect on the date published in the Government Gazette.