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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS** |

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| **IRBA STRENGTHENS AUDITOR INDEPENDENCE BY MANDATING DISCLOSURE OF AUDIT TENURE**  Johannesburg / 04 December 2015  The Regulatory Board, in terms of Section 9 and 10 read with sections 1, 2 and 3 of the Auditing Profession Act, Act 26 of 2005, published a Rule in the Government Gazette Nr 39475 of 04 December 2015 which makes it mandatory that all auditor′s reports on Annual Financial Statements shall disclose the number of years which the audit firm / sole practitioner has been the auditor of the entity (audit tenure). A predecessor audit firm in this context refers to an audit firm where there has been mergers/de-mergers or other combinations in the audit firm and an audit firm shall therefore include a predecessor audit firm.  Audit tenure refers to the length of the auditor-client relationship. Thus tenure includes the period that the predecessor audit firms (where there has been mergers/de-mergers or other combinations in the audit firm) issued audit reports on the entity.  This rule applies to audit reports issued on the Annual Financial Statements of all public interest entities, as defined in the Companies Act of 2008 and prescribed by the Regulatory Board from time to time, for periods ending on or after 31 December 2015.  The Regulatory Board made the decision to require the mandatory disclosure of audit tenure in the context of strengthening auditor independence which is consistent with measures implemented in other jurisdictions. This disclosure of audit tenure will lead to transparency of association between audit firms and audit clients.  The IRBA will monitor compliance with the above rule for auditor′s reports on all Annual Financial Statements of public interest entities for periods ending on or after 31 December 2015.  **Additional Guidance:**   * All audit firms and sole practitioners are required to comply with the new disclosure requirement. * The audit tenure should reflect the number of years the audit firm/sole practitioner continuously served as auditor. * In the case of audit firm mergers/ de-mergers or change in name, the longest length of tenure should be disclosed. * Where the client is a company, information on the appointment and changes in auditors can be obtained from the Companies and Intellectual Property Commission (CIPC) or company secretarial records. * In the case of companies, as the appointment and continuation of auditors is the responsibility of the audit committee, auditors are advised to bring the requirement of this rule to the attention of the audit committee.   An illustrative example of this requirement in terms of SAAPS 3 *Illustrative Reports*, (Revised November 2013), is provided below: |

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| **Independent Auditor′s Report**  *To the Shareholders of ABC Limited*  **Report on the Financial Statements**  We have audited the financial statements of ABC Limited set out on pages ...to ...,which comprise the statement of financial position as at 31 December 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.  *Directors′ Responsibility for the Financial Statements*  The company′s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.  *Auditor′s Responsibility*  Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.  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.  We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.  *Opinion*  In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.  *Other reports required by the Companies Act*  As part of our audit of the financial statements for the year ended 31 December 20X1, we have read the Directors′ Report, the Audit Committee′s Report and the Company Secretary′s Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.  **Report on Other Legal and Regulatory Requirements**  In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that XX firm/ sole practitioner has been the auditor of XX client for X years.  *Auditor′s Signature*  Name of individual registered auditor  Capacity if not a sole practitioner: e.g. Director or Partner  Registered Auditor  Date of the auditor′s report  Auditor′s address |

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| **Bernard Peter Agulhas**  **Chief Executive Officer**  ***About the IRBA***  *The objective of the IRBA 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.* |