



2020 Regulatory Transparency Report  
Deloitte & Touche South Africa  
30 September 2020



MAKING AN  
IMPACT THAT  
MATTERS  
*Since 1845*

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# Deloitte & Touche South Africa leadership message<sup>1</sup>



**Andrew Mackie**  
Managing Partner  
Audit & Assurance  
Deloitte Africa

## State of the Profession

The professional services industry in South Africa, and globally, has been under intense scrutiny and this is true for the audit profession in particular, which exists within a context of increased levels of economic crime, unethical business behaviour by executives and those charged with governance, conflicts of interest and corporate failures. The role of auditors in these scandals and the perceived absence of accountability highlights the expectation gap on the role of external audit.

The financial reporting ecosystem is complex, interdependent and each component of the ecosystem is integral to the proper functioning of the others. This means that the entire ecosystem must adapt in concert and with speed. Management, audit committees, regulators, policy-makers, standard-setters, investors, and auditors are in this together. It is important to remember that the purpose of the financial reporting ecosystem is to serve the public interest by enabling complete, accurate, transparent corporate financial disclosures.

At Deloitte, we take our responsibilities to serve the capital markets and public interest very seriously. Accordingly, we are deeply committed to investing in capabilities and continuous improvement to deliver high-quality audit services.

## Corporate reporting and audit – a collective responsibility

Through the corporate reporting process, stakeholders need to be able to identify well-governed companies who act in the public interest. Transparent reporting and robust governance mechanisms are key tenets of public interest and drive trust.

All stakeholders that form part of the financial reporting ecosystem, including the accounting profession, the corporate world, regulators, and investors, need to work together to drive change across the corporate reporting ecosystem to respond to the changing relationship between companies and the society they work within.

We support the market side developments, including strong regulation over director responsibilities for the internal control environment and the regulatory oversight of corporate reporting. It is critical that companies and their boards are transparent and accountable for their business and an appropriate strong regulatory environment exists to drive responsible behaviours in the public interest. The fact that CEOs and CFOs of JSE listed entities will be required to attest to the adequacy of controls will ensure that where corporate reporting takes place, individuals are stepping up to the responsibilities of ethical governance.

Deloitte is committed to this evolution of corporate reporting in the public interest and will explore elements of this further in a series of points of view to stimulate and inform the debate.

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<sup>1</sup> Throughout this report, the terms “Deloitte, we, us, and our” refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms, and their related entities. For more information about the Deloitte network, please see p. 3 or <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-the-network.html>.

### **The impact of COVID-19**

We acknowledge the devastating impact that COVID-19 had on lives, the economy and employment. Our first priority always remains ensuring that clients and employees remain safe and protected. We adhere to the letter and the spirit of the regulations published and adopted where necessary. We are delighted by the agility shown by Deloitte employees and partners alike to adapt to the new normal. We continue to grow in digitisation and believe that there will be many enhancements in the auditing profession due to innovation that the COVID-19 landscape put into play.

The auditing profession has never been more connected than it is now. This is evident from the formation of the financial reporting task team for COVID-19, under the IRBA, that involved regulators such as the JSE, the Prudential Authority and the Big Four audit firms to ensure the effectiveness of financial reporting processes amid the pandemic. This is a wonderful example of what can be achieved if we all work together.

### **At Deloitte**

We are dedicated to continuous improvement at every level of our organisation and unwavering in our efforts to deepen accountability at every step of the audit.





Deloitte Network



# Deloitte Network South Africa

## Legal structure and ownership

Deloitte & Touche South Africa is connected to the Deloitte network through the Deloitte Pan African Trust, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte & Touche South Africa is referred to throughout this report as “Deloitte South Africa”, and Deloitte Pan African Trust is referred to throughout this report as “Deloitte Africa”. Deloitte Africa holds practice rights to provide professional services using the “Deloitte” name which it extends to Deloitte entities within its territory, comprised of practice offices in Botswana, Burundi, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and territorial rights over Ethiopia, Lesotho, Rwanda and Swaziland.

Deloitte South Africa is authorised to serve as an auditor for clients in South Africa, under IRBA registration number 902276. Our audit firm operates as a partnership and is established under South African law, with the head office registered at 5 Magwa Crescent, Waterfall City, Waterfall, Johannesburg.

## Network description

### The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.

## Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm’s affiliated entities.

“Deloitte” is the brand under which approximately 312,000 dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, financial advisory, risk advisory, tax and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the “Deloitte organization”. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities.



Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organization is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

#### **Deloitte South Africa: governance – leadership in action**

Deloitte South Africa is governed by the Deloitte Africa Board, which is constituted by the firm's governance agreements. Deloitte South Africa is a partnership that consists of 242 partners and directors as at the end of August 2020 who are jointly and severally liable for the partnership. Partners and directors are effectively the shareholders in the business, of which black voting rights under the element of ownership currently constitute 42.98%.

#### **The board of partners and directors**

The board of partners and directors is constituted in terms of the partnership agreement and is elected by partners and directors every three years. The partnership agreement provides for a basis of election, which is designed to ensure that the interests of all partners and directors are represented on the board and that provision is made for external viewpoints with appropriate emphasis on current strategic initiatives.

Our newly elected Board serving for the term commencing on the 1<sup>st</sup> of September 2020 includes female representation at 35% and 69% of our South African Board members are Black. This is a wonderful achievement which demonstrates our ongoing commitment to Women's Advancement and Transformation in the firm.

In accordance with the best traditions of corporate governance, we insist on a separation between the board of partners and directors and executive management. The strength and effectiveness of a Board is also dependent on the experience and diversity of the Board's members. The average number of years as partner of our Board is 15.4 years and the average age of our Board is 49.5 years; this is indicative of the depth of experience of the Board.

Our board of partners and directors regards its primary responsibilities as fourfold:

- to approve the corporate vision and mission
- to oversee the development and implementation of strategy
- to ensure ethical behaviour and legal compliance
- to select, monitor, evaluate and compensate the firm's CEO.



## Deloitte Africa Board



Lwazi Bam  
Chief Executive Officer  
Ex-officio



Sihlalo Jordan  
Deputy Chief Executive  
Officer Ex-officio



Ruwayda Redfearn  
Chair



Olufemi Abegunde  
Deputy Chair  
West Africa



Prof. Njabulo Ndebele  
Independent Non-  
Executive



Prof. Pat Utomi  
Independent Non-  
Executive



Doreen Mbogho  
East Africa



Oduware Uwadiae  
West Africa



Pam Maharaj  
Southern Africa



Nina le Riche  
Southern Africa



Zama Dlamini  
Specialist Member



Eric Tshabalala  
Specialist Member



Mike Jarvis  
Chief Operating Officer  
Ex-officio



Murray Dicks  
Reputation & Risk  
Leader  
Ex-officio



Rik Vanpeteghem  
EMEA Managing  
Partner & DTTL  
Observer



Eshak Harunani  
East Africa



Alice Tembo  
Southern Africa



Nazeer Essop  
Southern Africa



Alex Gwala  
Southern Africa



Graeme Berry  
Southern Africa



### Audit & Assurance Business Leader

Andrew Mackie, Audit & Assurance Business Leader, is appointed by the Deloitte South Africa CEO and together with senior management develop and implement the strategy for the Audit & Assurance practice, including related policies and procedures. In all of their activities, the senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. The Deloitte South Africa strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Deloitte South Africa's Audit & Assurance leaders participate in Deloitte network groups that set and monitor quality standards, and from which a number of audit quality initiatives emanate.

### Chair

According to our partnership agreement, the CEO cannot be the chairperson of the board. The chairperson is appointed by members of the board and is responsible, together with the deputy chairperson, for the running of board meetings and ensuring that the members of the board effectively perform their duties and responsibilities. The chairperson is greatly focused on ethical behavior and legal compliance as well as building the external eminence of the firm. Ruwayda Redfearn is the chairperson of the board.

### Clarification of roles and responsibilities of Exco

We have mapped out the roles and responsibilities of our senior partners and directors of the partnership below.

### Chief Executive Officer/Partner (CEO/CEP)

The CEO is elected by the board and holds office for a fixed term not exceeding four years. The CEO is responsible for the execution of policy and the national administration of the firm and is accountable to the Board. Lwazi Bam assumed office as CEO on 1 June 2012, upon the retirement of Grant Gelink. During June 2017, Lwazi Bam was re-appointed as Africa CEO until 31 May 2023.

### Chief Operating Officer (COO)

The COO is appointed by the CEO and is responsible for the day-to-day operations of the firm. Mike Jarvis was appointed to this role on 1 June 2016.

### Executive Committee (Exco)

Exco comprises the firm's executive management and is responsible for the day-to-day operations of the firm.



Lwazi Bam



Sihlalo Jordan



Mike Jarvis



Murray Dicks



Justine Mazzocco



Delia Ndlovu



Karin Hodson



Andrew Mackie



Roger Verster



Navin Sing



Bongisipho Nyembe



Capital market impact

# What Deloitte Audit & Assurance brings to capital markets

## Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including Deloitte South Africa. Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

The Deloitte Way: standardization of audit processes supported by our global technology suite

Real-time audit quality monitoring

Enhanced talent model which includes learning, rewards and recognition, centres of excellence, and delivery centres

Agile deployment of tools and technologies to respond to changing environments

Deloitte South Africa has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte South Africa only accepts engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest considerations.
- Considered the integrity of the potential client's management team.

### **Audit innovation<sup>2</sup>**

Innovation is an expectation in today's fast-changing business environment and this holds true for the Audit profession as well.

Given the complex business environment and tech evolution, there is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate.

While traditional procedures still have a place in auditing, Deloitte auditors are making use of more technology-based analytics, Artificial Intelligence (AI), cognitive & cloud-based technologies, etc. to allow for the overall process to be dynamic, multidimensional and insightful.

The innovation aims to improve routine tasks, bring to life analytics that yield a deeper, more insightful view into the data, and make use of artificial intelligence that enhances human discovery and problem-solving.

This is due in part to the increased automation and effectiveness that data analytics and other tools provide, but also the need for Deloitte to stay ahead of the curve of the technological advances.

With the introduction of The Deloitte Way, one standard Global Approach intended to standardize, digitize and automate, Deloitte is bringing innovation into the core of how we audit through Illumia, our global analytics platform, as well as an integrated suite of enabling innovation tools which are all connected in the cloud.

Our audit teams today, use analytics and benchmarking through the utilisation of Spotlight, our general ledger analytics solution which analyzes 100% of the journal entry data to assist in identifying anomalies and exceptions shifting our focus to where it is needed.

Deloitte's Icount technology enabled audit teams to perform real-time, remote Inventory counts during the lock down period, that led to significant audit process optimization.

In addition, our audit teams use our cloud hosted OCR platform, Argus, to digitally interrogate electronic documentation, such as revenue contracts, using advanced machine learning techniques and natural language processing to quickly identify, analyse, and extract key information, providing key insights and supporting further standardisation.

Engagement teams also use our Audit Control Centre communication technology, Deloitte Connect, which is a secure virtual workspace and workflow that enables our Global Audit Operations team to communicate, collaborate, and track deliverables and milestones, to ensure seamless collaboration and delivery.

Overall, Innovation is an integral part of the entire audit delivery process and Deloitte is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets.

### **Partner remuneration**

A partner or director's total compensation includes salary, medical aid, shares in profits, retirement and group life benefits, and interest on capital. Remuneration is based on a comprehensive evaluation of their individual and team contributions to achieving the firm's strategic objectives.

All partners/directors are subject to partner grading, which is reviewed annually. Each level of grade describes the skills, attributes and broad performance expected of a partner/ director. Each level reflects a wide band of total remuneration units so that relative contributions can be recognised. Partner/director performance is evaluated, beginning with the Africa Board's approval of the total remuneration strategy proposed by the Africa Executive Committee and concluding with the Board's review of the recommended profit allocation and grading for each individual partner/director. These outcomes are disclosed in full with all partners and directors. The Remuneration Committee of the Board oversees the process, with a focus on consistent and equitable treatment.

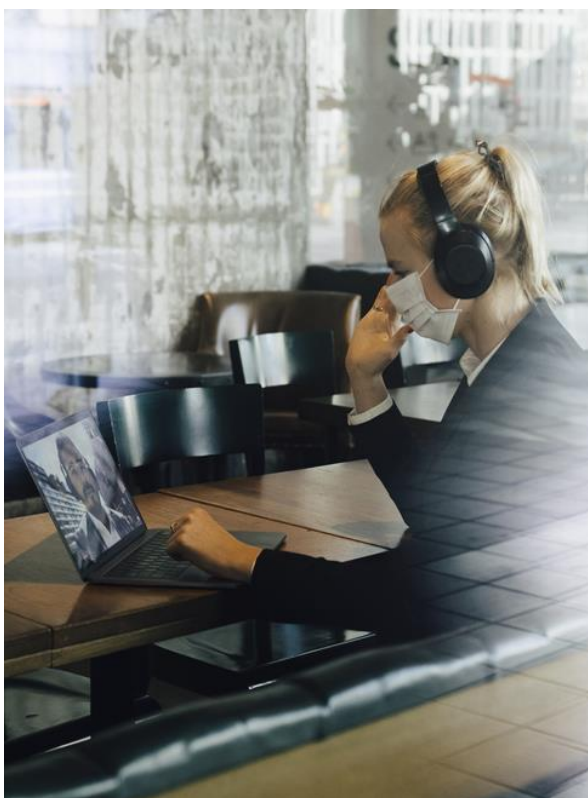
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<sup>2</sup> For more information about Deloitte audit innovation, please refer to Deloitte [Global Impact Report](#).



### Coronavirus disease 2019 (COVID-19)

Deloitte's highest priority is the safety and well-being of its employees. Deloitte is committed to continue to comply with all applicable Health and Safety legislation and any amendments and regulations issued, including those regulations issued in terms of Disaster Management and related legislation. All possible controls were put into place based on our internal risk assessments to ensure workplace readiness and to ensure that remote working solutions meet the necessary safety measures that minimise the risk of COVID-19 transmissions.



Entity management is faced with significant uncertainty in making judgments to project future operating results and cash flows, going concern, and developing valuation analysis, etc. The financial reporting process likely requires careful analysis and further considerations of impact from management and auditors given the current environment.

All stakeholders of the financial reporting ecosystem must exercise significant judgment in this unprecedented and uncertain environment—governments, when projecting the length of closures; bankers, when deciding if a loan can be repaid in full; management, when evaluating if a company can continue operating as a going concern and audit committees providing oversight of management; auditors, when assessing these judgments; and investors, when analyzing the available financial information in light of these unprecedented uncertainties. As the impact of COVID-19 unfolds, investors and stakeholders are looking

to auditors to provide an independent opinion on companies' financial statements more than ever.

Although the existing accounting frameworks have provisions for uncertainties, it is important for financial statement users and regulators to expect a higher degree of market and economic volatility in the near future.

Deloitte welcomes the public statements and guidance issued by regulators that recognize the current uncertainties and emphasize the importance of high-quality, forward-looking corporate disclosures. Importantly, some regulators have conveyed that good faith attempts to provide investors and other market participants with appropriately framed forward-looking information will not be second-guessed.

Deloitte's global technology and infrastructure has allowed for an agile and rapid response to the various impacts of COVID-19. We have prepared for various contingencies in order to support changing client needs and to keep Deloitte professionals informed while working remotely. Deloitte's business continuity plans have been updated and we have affirmed that Audit & Assurance products and solutions have the necessary bandwidth to ensure continuity. We have launched the Deloitte Global Audit & Assurance Technical Delivery Resource Center—a central location for globally relevant and locally adaptable Audit & Assurance COVID-19 related resources. In addition, COVID-19 industry disclosures have been added to the Disclosure Analytics tool to provide example disclosures across several areas, including risk factors, subsequent events, and management's discussion and analysis.



# Shaping the future

## Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed.

We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets

## Actively engaging stakeholders on relevant debates

We continuously engage with key stakeholders to capture and understand different viewpoints and interests relating to the audit profession, and, in particular, to our firm. We do so with the understanding of the responsibility that a firm like ours has in maintaining the integrity of the capital markets, and in protecting public trust.

Having embraced the shift of being a more engaging and transparent firm, we remain conscious of the need to strike the right balance between client confidentiality and the occasional expectation from the public for specific disclosures of information relating to those clients.

However, since beginning of 2019, we have been deliberate in a strategy focused on a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders and the best interest of the firm.

We appreciate the complex environment within which we operate, and the need to be attuned to the interests of the wide array of stakeholders therein.

We have proactively engaged with various stakeholders including, government, regulators, professional bodies, the investor community, universities and other societal organisations.

During the past 12 months, our stakeholder engagement included:

- Ongoing engagement and CEO-led roundtables with government, regulators, clients, institutional investors and media on developments in the audit environment reputational issues affecting the firm
- CEO-led town hall meetings with staff across the country and teleconferences across Africa
- We have been an active member in the profession-wide forum, South African Auditing Profession Trust Initiative (SAAPTI), which seeks to identify proactive responses to the concerns prevalent in the South African financial markets and the role of the audit profession in adding value to such markets. In light of current developments in the profession, we have been active in policy development processes and provided commentary on amendments to various laws and regulations including:
  - Amendments to the Auditing Profession Act, 2005 (through written and oral submissions in Parliament)
  - Companies Act, 2008 Amendment Bill 2019
  - Amendments to JSE Listings Requirements. We seek to remain engaged in these and other matters of public interest, and we welcome any opportunity to discuss these issues further.

# Hard-wiring audit quality into our day to day

We embarked on a deep and wide review of all we do in our audit business - the “Future-Fit” project. Whilst our overarching values remain the same, we embarked on a process to become future fit to thrive in a volatile world of mandatory audit firm rotation and heightened stakeholder and public expectations. The Future Fit project was capacitated by local and global advisors, with deep experience in Audit Quality. The implementation of the project’s recommendations have commenced and are designed to not only restore our brand, but to significantly enhance audit quality.

## Future Fit outcomes:



We have implemented the following business and governance changes:

### **Implement new operating model**

#### **Best of Deloitte everywhere**

We have nationalised our audit and assurance business. This ensures a far more integrated audit approach, enabling us to manage regional delivery dynamics more effectively and efficiently and achieve better consistency in our audit approach across a group engagement.

#### **Reconfigure organisational structures**

We reconfigured the organizational structure and reporting lines to ensure that the key functions are fully capacitated to execute their tasks appropriately and are empowered to hold any and all parties accountable for Quality, and can be held accountable, if necessary

### **Improve operational discipline**

#### **Single accountability for quality**

We reconfigured our organisational structure and reporting lines to ensure that our audit quality and audit risk functions are fully capacitated, with appropriate capabilities, to execute and are empowered to hold any and all parties accountable for Audit Quality. We recognised the need for a strong and empowered Quality leader, separate from the role of the Chief Operating Officer. The separation of these roles ensures that audit quality is not compromised for commercial reasons. We created a single accountability for quality through the Africa Audit Quality & Risk Leader, which is aligned to our global structure with equal status to the Africa Audit COO.

#### **The Company we keep**

In this regard we have terminated our relationship with a number of clients, who did not meet our increasingly stringent requirements for being a Deloitte client.

### **Appropriate focus on public and private**

We created a segmented focus within our business between both public and private clients, deploying our capabilities in a way that is more aligned to our clients' specific circumstances. With bespoke training for our teams based on the types of clients they serve, and deployment of situation-specific tools, our audit process is significantly enhanced.

### **Raised accountability for quality**

#### **Accountability framework**

We recognised that our accountability for audit quality was too dispersed and needed to receive more priority and focus. We have deployed an accountability framework to ensure that all individual engagement files that are reviewed result in the right individual, process or system owner being held accountable, for both positive and negative audit quality

#### **Governance over lead client service partner, the engagement quality control reviewer and engagement team allocation**

We established a Portfolio Governance Board, convened to debate and decide on the partner, engagement quality control reviewer and team allocation to our listed client portfolio, considering industry experience, capabilities, quality history, workload and business chemistry.

#### **Enhanced engagement quality control review (EQCR)**

We have recently enhanced our EQCR support capability to respond to quality results and ineffective EQCR processes in the business, with specific focus on spending focussed time, at the right time, with the right skills and capabilities to perform an effective EQCR.

### **Strategic talent management**

#### **Addition of non-traditional skillsets**

We have focused on strategic talent management ensuring we deliver the most distinctive client experience by integrating new capabilities and skills into our audit teams, bringing in valuable non-CA skillsets such as data analytics and project management and bringing further deep technical IFRS and audit skills to our listed client portfolio.

#### **Enhanced engagement support**

We embedded engagement support related to financial statements, SENS releases and long and short forms for all listed engagements provided.

#### **Coaching**

We identified a need for assistance on "coaching" and to drive a coaching culture into the practice. Effective January 2020, we seconded an experienced coaching expert from our DTTL US firm for a two year period, in the capacity as a coach to audit partners.

### **Technical excellence**

We have made several investments in our audit technical capabilities and infrastructure to provide deep technical and specialised support to audit engagement teams on IFRS and audit and regulatory matters, including dedicated IFRS and audit technical experts who are integrated into audit teams

### **Robust performance management**

#### **Systems of quality management**

We continue to invest in our systems of quality management to drive continuous improvements in audit quality and to ensure that we are prepared for the enhancements required to our quality management processes as noted in the proposed International Standards on Quality Management (ISQM1).



# Organisational capabilities we build

## Learning and development initiatives

As one of the top organisations in the world for developing leaders, Deloitte's learning philosophy is geared to improve our ability to serve clients; improve our people and grow the firm.

We develop highly skilled practitioners that can be deployed anywhere in the world. Through Deloitte learning, our practitioners are positioned to build client confidence in our leadership capabilities by delivering outstanding client service.

Learning offerings provide staff with learning and development opportunities and annually, all staff are assisted in identifying a learning development plan. Each business unit has a dedicated learning advisor whose role is to assist staff identify and plan their learning needs. The talent leader, together with the business unit leader, will allocate budgets for the learning planned for the year.

To further enhance this process, all business units have a customised learning curriculum in place which outlines technical, leadership and management skill programmes per level.

Deloitte has made substantial investments in talent and learning strategies and transformed the technical audit curriculum to build the refreshed skillsets and proficiency required by level:

- At the core, we have a single, global mandatory audit technical learning curriculum for auditors, targeting learners by level, using a dynamic blend of live instructor-led, digital on-demand courses, and on-the-job activities.
- All client service professionals are required to complete at least 20 hours of continuing professional education (CPE) each year and at least 120 hours every three years, through structured, formal learning programs, such as internal or external courses, seminars, or e learning covering all areas of the competency model (e.g., shared competencies function-specific technical competencies, and competencies in areas of specialization).
- In addition, as part of their SAICA and/or IRBA CPD (Continuous Professional Development), audit practitioners will develop a tailored plan based on their unique learning needs which may include some

of their mandatory learning modules or alternatively comprise of elective learning modules.

- All client service professionals have clearly defined role expectations and our global Talent Standards outline the capabilities that are required of practitioners at each level.
- Deloitte South Africa provides on-the-job coaching through the EQCR Support Function on engagement teams as well as through the Internal Control Coaches.
- Mandatory and supplementary courses are conducted throughout the year. Mobile applications are used to keep record of attendance to ensure that updated information and tracking of attendance takes place.

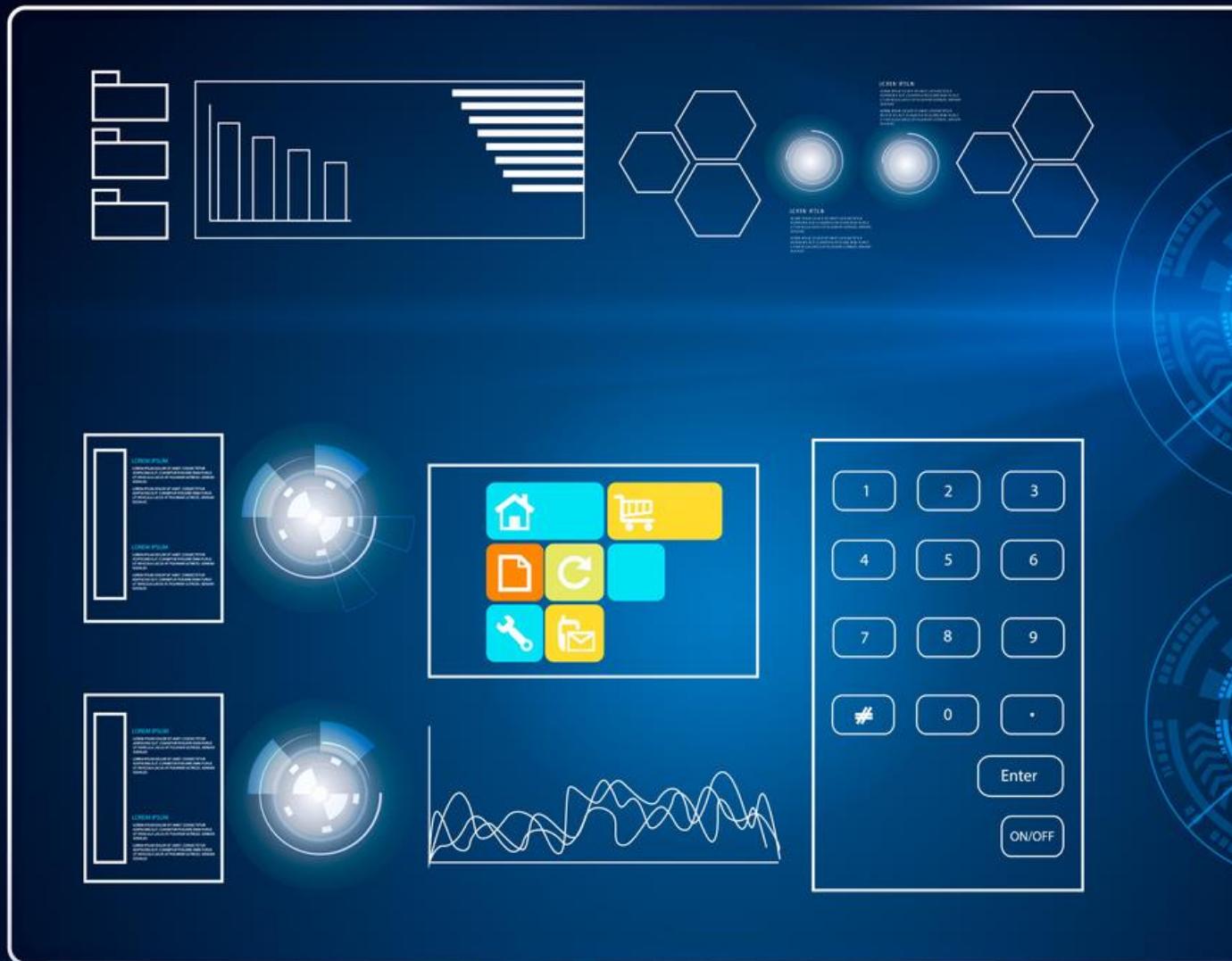
## Learning opportunities

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. The firm continues to provide world-class learning and career development for all staff, thereby ensuring that both staff, clients and the market benefit as a result.

As part of our mandatory GAAL (Global Audit and Assurance Learning) curriculum which we follow, all internal specialists are required to complete 2



curriculums. In addition, there is a separate Global curriculum specific to IT specialist which our IT specialists also complete. In the current year, specialists within FSA and Adjacencies were invited to specific topics or classroom learning modules as part of our GAAL curriculum.



Audit quality monitoring

# Audit quality monitoring & measurement

## Audit Quality Monitoring and Measurement programme

Our Audit Quality Monitoring and Measurement programme drives credible, reliable and real-time audit quality monitoring activities that have contributed to our quality improvement goals. We are focused on identifying audit issues early, understanding what caused the issues, identifying key themes, and determining the actions needed to resolve the audit deficiencies. The early recognition of thematic or pervasive issues continues to be a critical focus to drive our firm remediation. Below is a description of the monitoring procedures performed, conclusions drawn and where relevant, a description of systemic, repetitive or other significant deficiencies and the steps taken to resolve or amend those deficiencies.

Deloitte South Africa maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte South Africa focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.

### Deloitte health checks

Our health checks, which is an independent review of the implementation of specific audit areas, drive faster interventions to identify potential audit quality deficiencies on audit engagements while they are in progress. 34 health checks were completed during 2019 as part of our continuous improvement focus.

Subject matter	Completed
Accounting estimates	4
General IT controls	3
Group audit planning	6
Group audit evaluation and concluding	3
Internal controls	3
Management override of controls	6
Revenue recognition	7
Substantive analytical reviews	1
Related parties	1

## Key observations from health checks

The causal factor analysis undertaken in respect of health checks identified the need to improve aspects of our audit work in the following areas:

### Risk assessment

- Insufficient risk assessment procedures performed to provide a reasonable basis for identifying risks of material misstatement, or not appropriately assessing the risks of material misstatement, or the significant risks are not clear and concise.

### Group audits

- Insufficient direction and supervision of the component audit team by the group engagement team, including understanding the components, group-wide controls and consolidation process.

### Testing journal entries for management override of controls

- Insufficient documentation of the procedures performed to test journal entries, including understanding of controls, reconciliation of the journal entry population, parameters used to select journal entries, and obtaining evidence to determine the appropriateness of selected journal entries.

## Deloitte In-flight engagement reviews

Our in-flight engagement review performs a review of audit planning, an in-depth review on a selection of key audit areas driven off an assessment of risks inherent in the engagement, as well as the reporting and concluding phases while the engagement is in progress. **8 in-flight engagement reviews** were completed during 2019.

**Key observations from in-flight engagement reviews**

The causal factor analysis undertaken in respect of in-flight engagement reviews identified the need to improve aspects of our audit work in the following areas:

**Project management**

- Insufficient project management of the audit process, including compliance with our audit quality milestones program.

**Internal controls**

- Insufficient evaluation of the design and testing of the implementation and operating effectiveness of relevant controls to address the risk of material misstatement.

**Group audits**

- Insufficient direction and supervision of the component audit team by the group engagement team, including understanding the components, group-wide controls and consolidation process.

**Engagement quality control review**

- Insufficient evidence to demonstrate a robust independent objective evaluation and capacity to perform.

**Deloitte Internal practice review process**

Risk-based approach focusing on high-risk and high-profile engagements where the audits have been conducted in terms of the International Standards on Auditing or the Public Company Accounting Oversight Board (PCAOB) auditing and related professional practice standards. The selected engagement files are reviewed to determine whether quality control procedures have been appropriately applied, assess the adequacy of the implementation of the audit approach, including compliance with our policies and procedures, monitor compliance with applicable local laws and assess the overall quality of service provided to clients. Consistency in findings and engagement ratings is driven by a mandatory moderation panel.

We believe our Deloitte internal practice review process is extensive, and provides a deeper coverage on the areas that matter most from an audit perspective. We continue to heavily invest in our audit quality monitoring and measurement program which included an increase in person-hours committed to our practice review process, and a greater focus on our systems of quality control. The 2019 practice review process absorbed 14 768 person-hours (2018: 12 445 person-hours) across our Africa practice offices. 43 engagement files (39 partners) in South Africa (2018: 42 partners) were reviewed.

**Internal practice review metrics**

The 2020 practice review cycle is currently in progress, with expected completion in October 2020.

Metric	2019	2018	Observation
# of partners / engagement files assessed	43	42	<ul style="list-style-type: none"> <li>• Listed entities 16 (2018:16)</li> <li>• Public interest entities 3 (2018:11)</li> <li>• Non-public interest 24 (2018: 16)</li> </ul>
Individual engagements with “no or limited reportable findings”	51%	67%	<ul style="list-style-type: none"> <li>• We have intensified our efforts in our FY21 audit quality plan to specifically respond to the deterioration in our quality results and achieve our desired quality indicator targets.</li> </ul>
Average # of reportable findings (high/medium) identified in the individual engagements	2.1	2.3	<ul style="list-style-type: none"> <li>• We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.</li> </ul>
# of individual engagements which included a high or a number of medium reportable findings	14	13	<ul style="list-style-type: none"> <li>• Warning letters issued</li> <li>• Financial sanctions of R426,250 levied (2018:R365,125)</li> <li>• 5 partners have subsequently resigned or are in the process of leaving the employment of firm</li> <li>• 2 partners no longer perform audits of financial statements.</li> </ul>
Individual listed engagements “no or limited reportable findings” or “requires improvement findings”	81%	94%	<ul style="list-style-type: none"> <li>• We have intensified our efforts in our FY21 audit quality plan to specifically respond to the deterioration in our quality results and achieve our desired quality indicator targets.</li> </ul>
# of individual listed engagements which included a high or a number of medium reportable findings	3	1	<ul style="list-style-type: none"> <li>• We have intensify our efforts in our FY21 audit quality plan to specifically respond to the deterioration in our quality results and achieve our desired quality indicator targets.</li> </ul>



During the 2019 practice review cycle, 6.5% of total engagement hours were reviewed, 28 group audit engagements selected for review, team leaders and engagement reviewers assigned by DTTL represent 24.3% of total practice review hours, 14 audit engagements were reviewed by our DTTL AQMM Global Review Support (AGRS) teams and 3 audit engagements were reviewed by International Reviewer Program (IRP) teams.

### Key observations from internal practice reviews

The causal factor analysis undertaken in respect of our internal practice review identified the need to improve aspects of our audit work in the following areas:

#### Risk assessment

- Insufficient risk assessment procedures performed to provide a reasonable basis for identifying risks of material misstatement, or not appropriately assessing the risks of material misstatement, and inappropriate substantive audit responses based on the risk assessment conclusions.

#### Group audits

- Insufficient direction and supervision of the component audit team by the group engagement team, including insufficient communication of procedures performed as of the issuance date of the clearance memo; not maintaining required communications and documentation from the component auditor; and not modifying the audit plan when the component auditor did not perform sufficient audit work on a significant risk area.

#### Testing journal entries for management override of controls

- Insufficient documentation of the procedures performed to test journal entries, including reconciliation of the journal entry population, parameters used to select journal entries, and obtaining evidence to determine the appropriateness of selected journal entries.

#### Internal controls

- Insufficient evaluation of the design and testing of the implementation and operating effectiveness of relevant controls, including management review controls, and insufficient identification and testing of information used in the control.

#### Accounting estimates

- Insufficient substantive procedures performed for accounting estimates, including lack of consideration of contradictory evidence, and insufficient exercise of professional scepticism.

#### Substantive testing

- Insufficient or inappropriate substantive procedures performed for certain significant accounts and assertions to address the risk(s) of material misstatement.

#### Archival of audit files

- Improved compliance required with the time periods and procedures to ensure that individual audit engagement files are archived within the prescribed period from the audit report date.

### Remedial actions from health checks, in-flight engagement reviews and internal practice reviews

A summary of remedial actions implemented to date in response to our internal monitoring reportable deficiencies (not an exhaustive list) include the following:

- We deployed enabling tools, namely Guided Risk Assessments and Workflows to address the most common quality scenarios on audit engagements and provided a standardised process on risk assessments and executing audit procedures on an account balances, financial statement cycle or a non-account process.
- We designed and implemented a project management center of excellence which comprises individuals who have specific project management capabilities and are assigned to significant engagements to facilitate project management techniques and ensure that engagement teams are better managing the various aspects of the audit lifecycle to alleviate the pressures towards the end of the engagement.
- We enhanced our audit quality milestone program to drive the earlier timing and sequencing of audit planning and interim activities and to assist engagement teams to focus attention on doing the right audit activities at the right time, driving project management. Audit quality milestones are mandatory for listed engagements.
- During 2019, we implemented a risk operations capability, which was a pro-active independent upfront challenge of the engagement teams risk assessment for specific clients. This capability, from March 2020, has been included in our EQCR and Engagement Support center of excellence.
- We deployed technical excellence specifically addressing guidance on accounting estimates, professional skepticism and audit documentation.

- We deployed a mandatory weekly audit webcasts series, delivered by our IFRS and Audit Technical team, which includes focus of common themes from internal and external inspections, changes in professional standards, best practices and lessons learnt through our quality activities.

Our casual factor analysis themes and detailed remedial actions have been included in our **Africa Audit Quality Plan**.



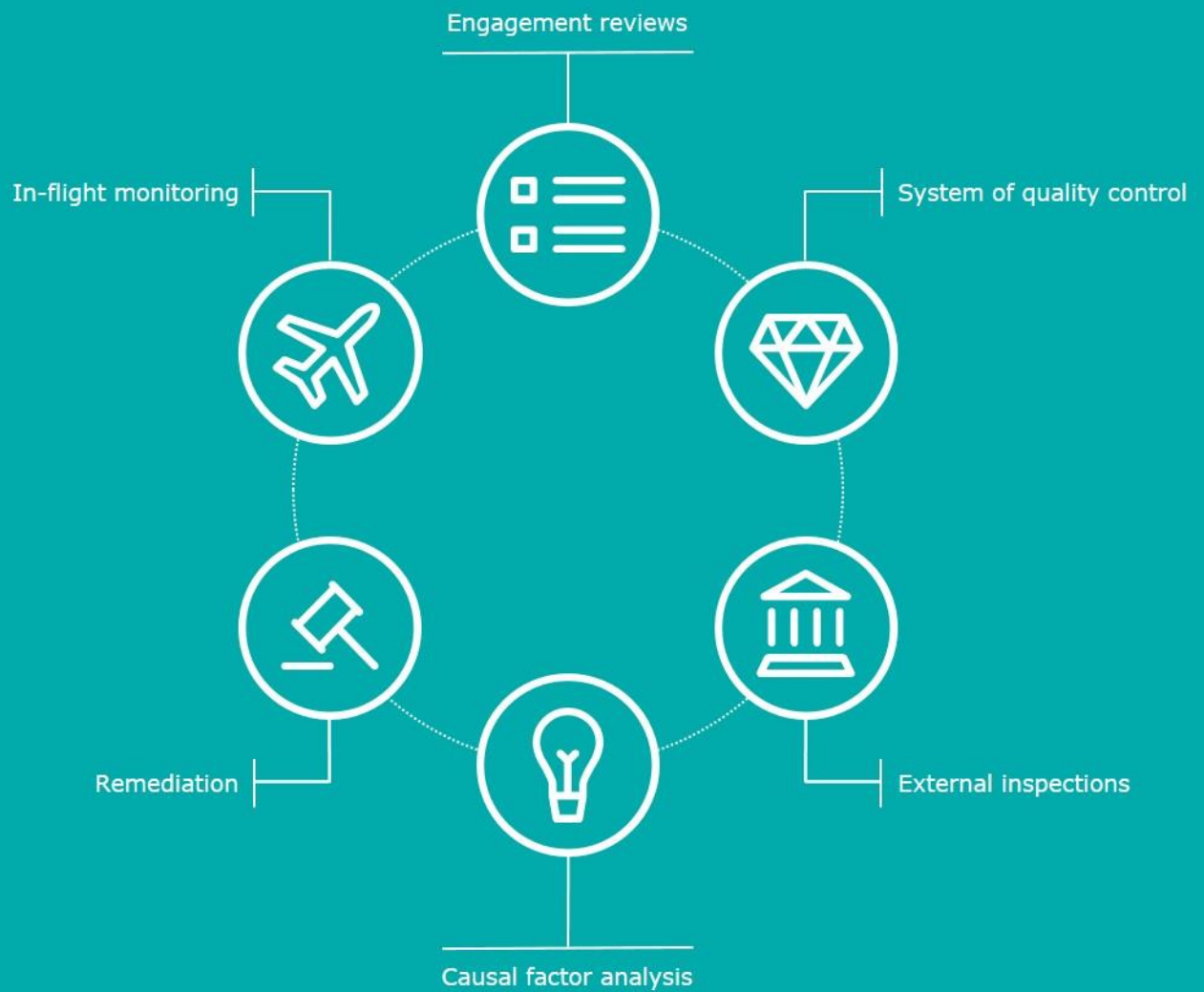
- The prior year financial statements for all listed entities are subjected to a pro-active review by the Deloitte Technical Accounting team within the Audit Quality & Risk Office, followed by a fit for purpose IFRS workshop with the engagement team on specific IFRS considerations and material disclosures.
- We designed and embedded an Engagement Quality Control Review (EQCR) and Engagement Support centre of excellence with centralised capabilities that comprise a pool of focused specialists to accommodate for the time, experience and effort necessary to maximise the impact of EQCR on the quality of an audit. We enhanced our EQCR learning (through webcasts) and continued deployment of best practices and guidance to support engagement teams and EQCR.
- We enhanced functionality in our engagement management system to facilitate timeous archiving, including archiving dashboards.
- Our accountability framework, recently implemented, assesses every reportable finding from any engagement file review post 1 June 2020, to establish accountability, which forms part of the assessment of an individual partner's quality history rating.

# Conclusion

Our leadership has reinforced its commitment to drive continuous improvement and implement the necessary corrective steps, including a continuous review of our audit portfolio, a review of audit partner workloads, continued investment in our system of quality control and an enriched partner and manager learning curriculum, on specific technical accounting and auditing matters considered necessary to achieving our desired quality levels.

We continue to increase the rigor and refinement of our processes, enhance our audit quality initiatives and audit quality plans to achieve the Global quality goal we strive to achieve. As a result, Deloitte has a robust process in place to assess the quality of our system of quality control and the audit engagements undertaken. Where areas of improvement are identified, there are appropriate consequences to the engagement partner and a system in place to ensure that the root cause of the shortcoming is properly understood and remedial activities are undertaken to prevent findings from recurring.

## Audit Quality Monitoring & Measurement





### System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.

In terms of the objective of ISQC 1, Deloitte has established, maintains and monitors a system of quality control to provide us with reasonable assurance that:

- Deloitte and our personnel comply with professional standards and the applicable legal and regulatory requirements; and
- Reports issued by our engagement partners are appropriate in the circumstances.

The Deloitte policies and procedures are designed to address the following main elements of the system of quality control:

- Leadership responsibilities for quality within the firm;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.



### Causal factor analysis and remediation

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified. Engagement level remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings. An Audit Quality Plan is prepared by Deloitte

South Africa and provides for effective implementation and monitoring of key audit quality priorities. The appropriateness of the design, implementation and effective operation of our system of quality control is monitored through both the IRBA and through our Deloitte internal monitoring processes.

A summary of the IRBA, Deloitte Africa and DTTL reportable deficiencies, root cause and remedial action themes are set out in the table below.

Monitoring	Reportable deficiency summary (full detail of matters i to v are on page 9 and 10)	Root cause theme	Remedial action theme
<b>IRBA Inspection</b>	<ul style="list-style-type: none"> <li>Inaccuracies of submissions to IRBA in annual return declaration (i)</li> <li>Insufficient response to independence threat, evaluation and safeguards (ii)</li> <li>Inappropriate timeliness of individual engagement file archiving (iii)</li> <li>Enhancements required to strengthen engagement quality control review (iv)</li> <li>Enhancements required for the effectiveness of firm's quality control practices (v)</li> </ul>	<ul style="list-style-type: none"> <li>Practitioner mindset</li> <li>Foundation skills</li> <li>Project management</li> <li>Limitations in infrastructure</li> <li>Firm monitoring</li> <li>Tone at the top</li> </ul>	<ul style="list-style-type: none"> <li>Awareness, technical knowledge &amp; learning</li> <li>Enhanced monitoring</li> <li>System enhancements</li> <li>Accountability framework</li> </ul>
<b>Deloitte internal inspection of systems of quality control</b>	<ul style="list-style-type: none"> <li>Enhancements required to monitoring of workload and assignment of partners and engagement teams</li> <li>Enhancements required to strengthen engagement quality control review</li> <li>Inappropriate timeliness of individual engagement file archiving</li> </ul>	<ul style="list-style-type: none"> <li>Workload, staffing and deployment</li> <li>Project management</li> <li>Practitioner mindset</li> <li>Foundation skills</li> <li>Limitations in infrastructure</li> <li>Firm monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Awareness, technical knowledge &amp; learning</li> <li>Enhanced monitoring</li> <li>System enhancements</li> <li>Accountability framework</li> </ul>
<b>Deloitte – Conflicts inspection</b>	None	None	None
<b>Deloitte – Ethics inspection</b>	None	None	None
<b>Deloitte – Independence inspection</b>	<ul style="list-style-type: none"> <li>Enhancements required to engagement acceptance process to facilitate the completion of all our various risk and independence procedures before engagements commenced or engagement letters were signed</li> <li>Enhancements to monitoring of third party independence confirmations</li> <li>Enhancements to monitor mandatory e-learning courses</li> <li>Enhancements required to monitoring of early retirement partners (for SEC independence purposes)</li> <li>Insufficient monitoring of long association of key partners</li> <li>Enhancements to our restricted entities and Deloitte entity search and compliance system processes</li> </ul>	<ul style="list-style-type: none"> <li>Practitioner mindset</li> <li>Foundation skills</li> <li>Limitations in infrastructure</li> <li>Firm monitoring</li> <li>Tone at the top</li> </ul>	<ul style="list-style-type: none"> <li>Awareness, technical knowledge &amp; learning</li> <li>Enhanced monitoring</li> <li>System enhancements</li> </ul>

## External inspections

The objective of the IRBA firm inspection is to inspect the design and implementation of the firm's system of quality control in terms of the ISQC 1, and this includes selected individual assurance engagement files, at least once in a 3 year inspection cycle. IRBA performed an inspection under their seventh inspections cycle from 13th January 2020 to 5th March 2020.

In 2019, IRBA did not perform a firm inspection of our quality control processes, however as a result of the 12 engagement file inspections, they identified 2 deficiencies that required remedial action by the firm, namely EQCR and a change to our Global audit methodology to ensure that substantive procedures are designed for each material class of transaction, account balance and disclosure, irrespective of the assessed risk of material misstatement.

A summary of the 5 reportable deficiencies from the 2020 IRBA firm-wide inspection of our firm's system of quality control and summarised remedial actions are included below.

### Firm-level inspection deficiencies

#### (i) Human resources – non-assurance registered auditor signing audit reports

Deficiency - the audit firm does not have the appropriate controls in place to ensure that all registered auditors who perform and sign-off on assurance reports are eligible and are registered with the IRBA as 'assurance'.

##### Our response

The firm acknowledges that our firm process was not sufficiently effective to identify an error made by one of our partners in their individual annual return.

As part of our remedial action response, our Audit Quality & Risk Office – Compliance, has implemented a bi-annual monitoring control to review partners submission to IRBA and investigate and initiate any amendments, as required. Furthermore, we have enhanced our performance management processes with respect to compliance quality related matters. Full details of the root cause analysis and other remedial actions are included in our Deloitte Response Letter.

#### (ii) Independence considerations – client acceptance

Deficiency - based on the relevant tender document submitted by the firm, there is a significant breach of the IRBA Code of Professional Conduct regarding client acceptance and independence. The firm and engagement partner accepted the external audit engagement, however, the assessment performed did not demonstrate the appropriate threat identification and action (safeguards) put in place by the engagement team regarding the firm's relationship as the previous internal auditors in the preceding year.

##### Our response

The firm acknowledges that our assessment performed was not sufficient to demonstrate the appropriate threat identification, evaluation and action (safeguards) implemented by the engagement team and the firm regarding the firm's previous relationship with the audit client. We also accept that this reportable deficiency will be further investigated by the IRBA investigation committee, and we will respond accordingly.

### Engagement performance – engagement file archiving, engagement quality control review, quality control system

#### (iii) Engagement file archiving

Deficiency - the firm's controls have not operated effectively to ensure that the engagement teams complete the final assembly of all engagement files on a timely basis as required by the firm's policies and ISQC1.

##### Our response

The firm acknowledges that our system of quality control related to archiving has historically been a detective control to identify non-compliance through monitoring and reporting rather than a preventative control to prevent non-compliance and has been too reliant on manual intervention from the engagement team. As IRBA had noted, prior to the IRBA firm-wide inspection, the firm had conducted an exercise to investigate un-archived audit files, which were subsequently archived.

As part of our remedial action response, we have enhanced our engagement management system to support the engagement team in achieving the assembly of the file in a timely manner. Further remedial actions include early warning communications, a shared service centre to support engagement file assembly and automated archive. Furthermore, archiving compliance outcomes are included in our accountability framework which forms part of the assessment of an individual partner's quality history rating. Full details of the root cause analysis and other remedial actions are included in our Deloitte Response Letter.

#### (iv) Engagement quality control review (EQCR)

Deficiency - the EQC reviewers did not identify some of the reportable deficiencies identified by the IRBA inspectors on six (40%) of the engagement files that were inspected. The areas in relation to the reportable deficiencies were included in the scope of the EQC reviewer.

##### Our response

The firm acknowledges that our system of quality control required intensified efforts in responding to EQCR, with stronger focus on the role, oversight and support from our Audit Quality & Risk Office. EQCR was also identified as a focus area in our 2019 internal inspection practice review results and identified in the 2019 IRBA

engagement inspection, where on seven (58%) of the engagement files inspected, reportable deficiencies were identified which were included in the scope of the EQCR.

As part of our remedial action response, we have implemented a Portfolio Governance Board over our South Africa listed, bank and insurance clients to govern the EQCR assignment; we designed and embedded an EQCR support centre of excellence with centralised capabilities that comprise a pool of focused specialists to accommodate for the time, experience and effort necessary to maximise the impact of EQCR on the quality of the audit; we executed a portfolio reboot program with specific focus on partner and EQCR workload, timing of workload, capacity and capability; and enhanced our EQCR learning and support materials. Full details of the root cause analysis and other remedial actions are included in our Deloitte Response Letter.

#### (v) Quality control system

Deficiency - reportable deficiencies were raised on nine (9) of the fifteen (15) engagement files inspected and the deficiencies were discussed with the responsible partners and the leadership of the firm. The above deficiencies cast doubt on the effectiveness of the firm's quality control practices and the ability of the firm's leadership to obtain reasonable assurance that professional standards are complied with and all audits performed are at a consistent high level of quality.

#### Our response

The firm is continually and relentlessly raising the standards of quality to serve the public interest and deliver confidence around the questions that matter most to all our stakeholders. We continue to invest in audit quality at the governance, leadership and engagement performance levels. Furthermore, our recently implemented accountability framework assesses every reportable finding from each engagement file review to establish accountability, which forms part of the assessment of an individual partner's and EQCR's quality history rating, which allows us to design and implement appropriate remediation plans at an engagement, individual and firm level.

As part of our remedial action response, we have changed our quality structures, including the appointment of a Quality & Risk Leader to drive single accountability for quality; we have segmented our business to recognise the nuances of a public versus private audit business; we have implemented a Portfolio Governance Board over our South Africa listed, bank and insurance clients; we have established a dedicated monitoring and evaluation capability which enables us to provide internal assurance to audit leadership that audits consistently performed at a high level of quality; we have recently implemented our accountability framework and realigned our performance management solutions; implemented a project

management centre of excellence and continue to deploy enabling tools, guidance and learning to support our practitioners in the field. Full details of the root cause analysis and other remedial actions are included in our Deloitte Response Letter.

The above reportable deficiencies have been included in our **Africa Audit Quality Plan**. The audit quality plan includes the key actions that the firm is taking to address specific areas of audit quality that have been identified as requiring improvement and appropriate to enhance audit quality. The audit quality plan is designed and intended to facilitate our key priorities related to audit quality and is a living document that is regularly evaluated and updated. Our audit quality plan is shared with Deloitte Global on a quarterly basis.

#### Deloitte Internal System of Quality Control Inspection

Our 2019 system of quality control review was a risk based approach. We performed a risk assessment over 55 audit quality processes, which yield the following classification:

Quality process risk rating	Number of processes
Significant risk processes	25
Moderate risk processes	20
Low risk processes	10

The significant risk processes are ordinarily tested annually, with the moderate and low risk processes on a rotational basis. Our DTTL Systems of Quality Control (SOQC) team performed the testing on 8 significant risk processes and the remainder was tested by our Audit Quality office. The outcome of our testing measures our processes on 4 categories, either as "requires significant improvement", "needs improvement", "acceptable with opportunities for enhancement" or "acceptable".

A process that requires significant improvement includes where the policies and procedures supporting the process are missing significant elements or are not well designed or there are numerous and/or significant instances where implementation of the policies or performance of procedures has not occurred, or has shown to be ineffective in practice. These processes would require immediate action.

The results of our 2019 system of quality control monitoring identified that 6% (2018: 8%) of our quality processes required significant improvement.



### Key observations from our systems of quality review

The quality control processes identified for significant improvement included the following areas, which were incorporated in the changes to our business model and audit quality investments as noted in the introduction session of this report:

- Monitoring of workload and assignment of partners and engagement teams;
- Engagement quality control review; and
- Retention of engagement documentation (archiving).

### DTTL Conflicts Practice Review

During 2019, DTTL performed a conflicts practice review to assess appropriate design, implementation and effective operation of our system of quality control. It was concluded that our conflicts policies and procedures supporting our independence processes are designed and implemented effectively. There was no evidence that the process is ineffective and not applied consistently, rather there was evidence of strong management oversight of the ethics processes working in practice. Opportunities for enhancement were identified for further consideration.

### DTTL Ethics Practice Review

During 2019, DTTL performed an ethics practice review to assess appropriate design, implementation and effective operation of our system of quality control. No areas were identified for improvement. It was concluded that our ethics policies and procedures supporting our ethics processes are designed and implemented effectively. There was no evidence that the process is ineffective and not applied consistently, rather there was evidence of strong management oversight of the ethics processes working in practice.

We received an 'A' rating from Deloitte Global Ethics for our Ethics and Integrity implementation.

### DTTL Independence Practice Review

During 2019, DTTL performed an independence practice review to assess appropriate design, implementation and effective operation of our system of quality control. The policies and procedures supporting the process are generally sufficiently designed. While policy implementation and procedural operating effectiveness has generally been observed at a member firm level, there is evidence that the process is not applied consistently or that our monitoring processes are not sufficiently developed to be able to consistently identify gaps and respond to timeously.

### Key observations from the independence systems of quality review

The independence quality control processes identified for "needs improvement" included the following areas:

- Independence resources workload;
- Enhancements to our engagement acceptance process to facilitate the completion of all our various risk and independence procedures before engagements commenced or engagement letters were signed;
- Third party independence confirmation monitoring processes;
- Enhancements to monitor mandatory e-learning courses;
- Monitoring of early retiring partners, for the purposes of SEC independence purposes;
- Monitoring of long association of key partners; and
- Enhancements to our restricted entities and Deloitte entity search and compliance system processes.

Remedial actions have been implemented to respond to these quality control processes.

### Individual external audit engagement file reviews

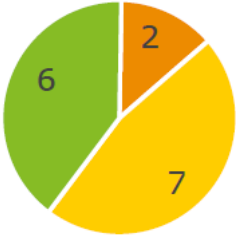

The objective of IRBA's individual assurance engagement file inspections is to monitor the firm and its engagement partners' compliance with applicable standards, codes of conduct and legislation in performing assurance work of a consistent, sustainable high quality.

These reviews are performed annually, using a risk based approach, with a focus on engagements and audit areas where deficiencies are likely and areas that if not appropriately responded to by the auditor, create a risk of an inappropriate auditor's report being issued.







15 (2019: 12) individual audit engagement files with year ends between 31 December 2018 and 30 September 2019 were inspected by IRBA. 9 (2018: 9) individual audit engagement files received 1 or more reportable deficiencies, which have been responded to separately by each engagement partner, setting out the root cause analysis and the individual partner's commitment to remediation of the deficiencies noted.

A summary of the individual audit engagement inspection results are included below.







## Individual engagement file inspection results

<p>2020</p>  <p>2019</p> 	<p><b>No further action required</b></p> <p><b>Some improvement required</b></p> <p><b>Significant improvement required</b></p> <p><b>Referral for investigation</b></p>	<p>No reportable deficiencies</p> <p>Engagement partners who have an engagement classification of “Some improvement required” or “Significant improvement required” are required to analyse the reportable deficiencies and submit to the IRBA, a root cause analysis and a remediation plan within 30 calendar days from the date of the Inspections Committee result letter, with a written undertaking that all deficiencies that were reported to them will be addressed. The IRBA reviews the root cause analysis and remediation plans and engages with the auditors, where deemed necessary</p> <p>Engagement partners referred for investigation following unsatisfactory inspection based on fundamental or ongoing non-compliance with the applicable standards, code or legislation, or the issuing of an inappropriate audit opinion or incorrect report</p>
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## Overall observations – all 15 individual audit engagements files inspected (2019: 12)

Audit Quality Indicator	2020	2019	Observation
Individual engagements with “no reportable findings”	 <p>40%</p>	 <p>25%</p>	Directional improvement. Africa Audit Quality Plan and investments in audit quality continue to relentlessly focus on quality to achieve desired quality indicator target of 75%.
Individual engagements with “no reportable findings or some improvement required”	 <p>87%</p>	 <p>50%</p>	We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.
Individual engagements referred to investigation (with significant improvement required)	-	2	We have recently implemented an Accountability Framework to take decisive actions on negative quality. <b>The 2 partners are no longer with the firm.</b>
Average # of reportable deficiencies identified in the individual engagements	1.3	2.1	We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.
% of some improvement individual engagements with only one reportable finding	 <p>72%</p>	 <p>33%</p>	We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.

**Overall observations – the 8 listed entities individual audit engagement files inspected (2019: 7)**

Audit Quality Indicator	2020	2019	Observation
Individual engagements with “no reportable findings”	 38%	 29%	Directional improvement. Africa Audit Quality Plan and investments in audit quality continue to relentlessly focus on quality to achieve desired quality indicator target of 75%.
Individual engagements with “no reportable findings or some improvement required”	 88%	 72%	We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.
Individual engagements referred to investigation (with significant improvement required)	-	1	We have recently implemented an Accountability Framework to recognize and reward positive quality contribution and take decisive actions on negative quality. <b>The 1 partner is no longer with the firm.</b>
Average # of reportable deficiencies identified in the individual engagements	2.1	1.3	Increase attributable to one individual engagement with 6 reportable deficiencies. Specific remediation plan being implemented, including consequences based on Accountability Framework.
% of some improvement individual engagements with one reportable finding	 60%	 33%	We have continued to respond and intensify our efforts on audit quality to the increased regulatory expectations to protect public interest and our brand.

**Key reportable deficiency themes**

Further to the firm-level inspection deficiencies noted in the system of quality control section above, during the individual engagement file inspections, the IRBA identified two firm level key deficiency themes:

Theme 1: significant lack of procedures/documentated audit evidence at engagement file level to support the audit opinion issued. Risk that audit teams may not perform sufficient audit procedures/work to be able to identify and address material misstatements in the financial statements, and as a result, there is an increased risk of inappropriate audit opinions being issued by the firm.

In order to remediate the theme we designed and embedded an EQCR and engagement support centre of excellence with centralised capabilities that comprise a pool of focused specialists to accommodate for the time, experience and effort necessary to maximise the impact of EQCR on the quality of the audit; we have recently implemented our accountability framework and realigned our performance management solutions to shift our quality culture; we deployed enabling tools, namely Guided Risk Assessments and Workflows to address the most common quality scenarios on audit engagements, and provided a standardised process on risk assessments

and audit procedure execution on account balances, financial statement cycles or a non-account processes; we issued communication, on the key themes and / or reportable findings based on the IRBA inspection; we deployed (and will continue to deploy) technical excellence learning specifically addressing guidance on accounting estimates, professional skepticism and audit documentation; and we continued our mandatory weekly audit webcasts, delivered by our IFRS and Audit Technical specialists, which includes focus of common themes from internal and external inspections, changes in professional standards, best practices and lessons learnt through our quality activities.

Theme 2: significant lack of financial statements reviews by the engagement teams resulting in a lack of appropriate disclosures in the financial statements as required by the relevant accounting framework. Risk that financial statements may not comply with the relevant accounting framework, and inappropriate audit opinions may be issued by the firm.

In order to remediate the theme we re-enforced our IFRS disclosure checklists as part of our financial statement reporting process, we deployed IFRS workshops on listed entities as a preventive control prior to commencement of our 2020 audits and we embedded the engagement support centre of excellence, as described above.

### Casual factor analysis

The causal factor analysis undertaken in respect of the 15 individual audit engagement files inspected identified the need to improve aspects of our audit work in the following areas:

- Enhanced project management skills, including protection of the last week of audit completion;
- Enhanced level of documented audit evidence to appropriately evaluate and document judgements to demonstrate professional scepticism and that sufficiency of audit evidence is clear, concise and complete;
- Enhance the sufficiency and appropriateness of the manager primary review and partner overriding review;
- Enhance robustness of the review of management's financial statement disclosures;
- Enhance the role, nature and extent of the firm's EQCR processes; and
- Enhance the firm's quality control processes to reduce level of findings identified.

The above casual factor analysis themes and related remedial actions have been included in our **Africa Audit Quality Plan**. PCAOB individual engagement file inspections

Following our PCAOB inspection in 2016, which subjected 3 files to review, two findings were raised on two files. We submitted a remediation plan which was accepted by the PCAOB. Our latest PCAOB inspection was performed in November 2019, where 3 files were subjected to inspection and specific areas of our systems of quality control for PCAOB audits. At date of this report, we had not received our PCAOB final report but have implemented root cause analysis and remedial actions on the preliminary reportable deficiencies.

### Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.

As part of our remedial action response, we have enhanced our system of quality control with respect to client acceptance, including our Africa client review board process; implemented an independent review of proposal documents; and enhanced independence awareness and learning. Furthermore, independence related matters are included in our accountability framework which forms part of the assessment of an individual partner's quality history rating.







Independence, ethics, and  
additional disclosures



# Independence and ethics

## **Deloitte South Africa Independence**

Deloitte South Africa has policies and procedures designed to address compliance with applicable professional standards that relate to independence.

These policies and procedures are based on the Deloitte Global Independence policy, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies.

Deloitte South Africa's leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte South Africa.

Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasizing each individual's responsibility to understand and meet the independence requirements. The Director of Independence is responsible for overseeing independence matters within the member firm, including the design, implementation, operation, monitoring and maintenance of the system of quality control related to independence.

The key elements of the system of quality control that Deloitte South Africa implemented in accordance with global independence policies are set out below.

## **Quality Controls & processes supporting Independence**

Deloitte invests in systems, quality controls and processes to safeguard the independence and objectivity of our firm, our professionals and our engagement teams, and to avoid conflicts of interest.

## **Independence declarations**

This process secures confirmation from partners, directors, professionals and support staff that they are aware of policies associated with audit-entities and are not engaged in any restricted business or financial relationships. Each new hire completes a declaration upon joining the firm. In addition, all Deloitte staff must confirm their independence annually.

## **Global independence monitoring system (GIMS)**

The GIMS records and monitors the personal financial interests of all partners, directors and client-facing professionals of manager grade and above, including those of their immediate family members (spouses or spousal equivalents, and dependants).

## **Business relationships monitoring system (BRMS)**

Certain business relationships may involve risks that could damage the firm's reputation and lead to conflicts of interest and/or potential impairment of auditor independence. These relationships require pre-approval through our BRMS. The system monitors the business relationships of the firm and our partners, directors and professionals. Before a client is approved, the system requests a conflict check, a risk assessment and partner engagement acceptance approval. This process is renewed on an annual basis,

## **Deloitte entity search and compliance (DESC) system**

The DESC system contains information related to all our audit clients and their affiliates. Any new request for services, at any of these entities, is submitted to a relevant lead partner, whose role is to ensure that the request complies with laws and regulations, and that it falls within the scope preapproved by the entity's audit committee. The information provided in the DESC system is continuously updated to help ensure its accuracy and completeness. The system also allows partners, directors and professionals to confirm the permissibility of a new personal financial interest, before the acquisition is made.

## **Engagement conflict checks**

The Deloitte conflict checking system considers the principal parties in a client engagement, the scope of work, the client engagement team and specific questions, which are driven by the proposed service offering. Each conflict check is undertaken to identify any potential conflicting relationships. Where conflicts arise, mitigating actions are mandated and teams may not commence engagement until the right actions are executed. Alternatively, the engagement may be rejected.

### Inspection and testing

Each year, a dedicated team performs an in-depth assessment. Their aim is to evaluate the permissibility of business and financial relationships of a sample of partners, directors and client-facing professionals of manager grade and above, including that of their immediate family members.

### Advisory Client Review Board

We carefully consider each service request received from our advisory clients and our ability to successfully deliver on it. Potentially high-risk or high-value engagements are evaluated by the advisory client review board for consideration and approval. The board comprises seasoned directors and associate directors with the necessary experience. If we believe we cannot meet our clients' expectations for quality and value, or if the engagement risk is too high, we will opt out. We would rather not propose any work that means delivering substandard services to the detriment of our clients and our reputation.

### Audit Client Review Board

The audit client review board (CRB) is mandated for client acceptance and continuation of all public interest entities (Listed entities, Banks, Insurers and other PIE where there are risk factors present). These consultations are completed on an annual basis.

The board consists of various panel members and may comprise of the Risk Intelligence Partner, Risk and Quality Leader, relevant members of the Audit Executive Committee and subject matter experts, depending on the risk profile of the client.

The purpose is to have an independent panel to assess the Know-Your-Client information submitted by the engagement team and challenge them on their respective risk assessment and risk responses, specifically with regards to professional service risk, client risks and reputational risk. After considering mitigating actions, the engagement may be accepted, accepted with specific conditions (that are then monitored) or rejected if the client doesn't meet the current risk profile of the firm.

Where further heightened risk is identified, a Global Audit Acceptance Consultation (GAAC) is mandatory. The global consultation process is mandated across all Deloitte member firms for audit engagement that represents certain risk profiles. The engagement acceptance/continuation decision is then further assessed by an independent panel in the UK and a conclusion reached as to whether the member firm can continue the relationship.

Both the CRB and GAAC selection criteria are assessed on a continuous basis to ensure that the criteria remains

relevant and topical when considering the risks in the audit industry.

### Portfolio risk reviews

An annual portfolio risk review identifies significant risk exposure within our client and engagement portfolio. Based on this, we design and implement safeguards to mitigate our exposure to risk.

Deloitte South Africa's audit client portfolio at the financial year end included 46 main board/equity listed companies, 4 debt listed companies and 21 other (interest rate, Exchange Traded Funds (ETFs) or secondary listings)

### Ethics

The expectation to act with integrity in accordance with high ethical standards is at the core of everything we do. To this end our Global Code of Business Conduct (Global Code) and our Africa Code of Professional Conduct outline the commitments we make and the standards we adhere to as Deloitte professionals. We take any breach of these commitments and standards seriously, and any breach may result in sanctions determined in accordance with the Deloitte Africa disciplinary framework.

We encourage our people to speak up where they observe questionable behaviour. During FY2020 we have received 146 reports via our independent reporting line, Speak Up. All reports are independently investigated and we aim to close out all investigations in a reasonable time. 52 of the reported cases were substantiated and action taken in these cases include a policy or process review, counselling or reprimand and/or financial sanction.

Our Ethics Officer facilitated 'Leading with Integrity' conversations with all partners and directors, and all other Deloitte professionals completed the Speak up for Values learning.

The annual ethics survey confirmed that 98% of respondents believe that Deloitte is an ethical workplace. The survey identified potential blind spots, which enables the Ethics Officer to address these through targeted interventions. The Ethics Officer shares the survey results with all Deloitte professionals, and presents it to the Executive and the Board.

A number of new policies have been implemented in the past year, including the Gifts and Entertainment policy, the Consensual Personal Relationships policy, and the Anti-harassment and Anti-discrimination policy. Our Anti-corruption policy was updated and confirms our zero-tolerance stance on bribery and corruption in compliance with local and global anti-corruption laws and regulations.

### **Long association requirements of audit partners and professionals**

Long association requirements of audit partners and other professionals are currently tracked via the portfolio allocation processes.

We established a Portfolio Governance Board, convened to debate and decide on the partner, engagement quality control reviewer and team allocation to our listed client portfolio, considering industry experience and capabilities, quality history, workload and business chemistry.

Long association requirements of audit partners are a key consideration when allocating a partner to a client. We have further invested in a portfolio management system which is currently in development. Going forward the rotation requirements will be built into the portfolio management system and provide a real time control to pro-actively alert the business to upcoming rotation requirements.

### **Information security**

Ensuring information security and privacy Deloitte works in an industry where maintaining client and public trust is vital. Our ability to safeguard confidential information directly affects markets, clients, our people and our brand. In addition, the global organisations we serve are increasingly subject to confidentiality, privacy, cyber-security, and industry laws that affect how they use and protect information. We are committed to enhancing our information security, privacy and confidentiality strategies.

#### **Privacy**

We align our privacy programmes with leading accountability practices, for data-protection compliance. We work closely with the Deloitte Global Privacy and the Deloitte Global Public Policy and Regulatory teams to monitor new privacy developments affecting our clients and our firm. We also continually review available mechanisms to better facilitate and safeguard data transfers.

#### **Confidentiality**

We are dedicated to continually improving how we safeguard client confidential information and internal information about our people and operations. We work with the Deloitte Global Confidentiality team to shape a globally consistent approach. Our confidentiality leaders use a variety of strategies – for example, maturity assessments, cutting-edge technology, communication and training – to consciously shape a culture in which every Deloitte professional feels a sense of ownership in their role of protecting confidential information.



### **Cyber-security**

The risk of a malicious cyber-attack or breach of security is an area of considerable focus. Such an event could result in Deloitte's data, or that of our clients, being lost, corrupted or disclosed to unauthorised parties, or it could prevent the firm from doing business as normal. The firm has implemented a process of monitoring, review and continuous improvement in response to this growing risk. Deloitte operates multiple levels of cyber-defence, with permanent security operations staff covering IT, information, physical and personnel security, as well as business continuity and resilience, all helping to manage cyber-risk. The firm operates a programme of continual vulnerability testing and annual cyber-crisis management exercises to ensure readiness for a cyber-attack. We perform additional focused testing during the year, and ongoing review of incident and crisis management effectiveness. Deloitte also regularly monitors for any insider threat. The firm's privileged access-management system reduces the risk of highly privileged accounts being accessed inappropriately or abused. In addition, our dedicated insider threat and investigations function includes an end-to-end leaver-monitoring process, which monitors data usage of individuals exiting the firm. Finally, all partners, directors and staff receive annual security awareness training, supported by ongoing communications

### Legal matters

The past two years have seen Deloitte embark on a journey of self-reflection as a firm. Our vision to be the Standard of Excellence and the first choice of the most sought-after clients and talent has been impacted by events that have challenged us and made us reflect deeply.

We do acknowledge that these events have put the spotlight on our audit quality and have led to concerns in relation to the audits of African Bank, Steinhoff and Tongaat Hulett. In addition, concerns have been raised around advisory services rendered to Eskom in 2016. It is important to note that, to date, none of our internal investigations have found evidence of any unethical behaviour, corruption or state capture on the part of the firm or the partners leading the above-mentioned client engagements.

#### Update on events African Bank

The IRBA disciplinary hearing against the two audit partners concluded on 6 December 2019. Closing arguments were led during the week of 8 June 2020, and the final judgement of the Disciplinary Committee is expected in the coming months. We remain confident that the audit conducted in 2013 and previous years was carried out with due professionalism and have no reason to believe that the two Deloitte partners charged may have acted outside of the required ethical standards of the profession or the firm. It is for this reason that we defended the IRBA disciplinary process. Effective 31 July 2020, one of these partners withdrew from the firm as a result of early retirement.

On the status of litigation, in 2019, the High Court upheld the exception of African Bank directors and Deloitte against a claim by shareholders of African Bank for a loss of shareholder value. Leave to appeal was granted to the shareholders of African Bank to appeal against the decision to uphold the exception. This matter has been heard in the Supreme Court of Appeal in March of 2020. On the 3rd July 2020, we received unanimous judgment that the Supreme Court of Appeal (SCA) found in our favour in relation to the African Bank BEE shareholder claim against us. The SCA therefore dismissed the appeal with the costs.

#### Steinhoff

The IRBA is investigating the Steinhoff audits conducted in 2014 to 2016. They have requested our audit files and we continue to cooperate with them, as well as other regulatory bodies (the Hawks and the Financial Sector Conduct Authority) that are investigating wrongdoing at Steinhoff. As part of our internal review processes, we found no evidence to suggest that the lead partner or any staff member acted unethically. Effective 30 September 2020, the lead partner withdraws from the firm following the partner's retirement. The class action certification

application brought against approximately 40 respondents (including Deloitte) in the South Gauteng High Court was dismissed with costs on 26 June 2020. Deloitte have ceased to be the auditors of Steinhoff at holding company level. Deloitte South Africa has been joined as a defendant in litigation brought in the Netherlands by a group of shareholder claimants against Steinhoff, which claim we will be defending.

#### Tongaat Hulett

The IRBA has asked for access to our files which have been provided. As part of our internal review processes, we found no evidence to suggest that the lead Deloitte partner or any staff member acted unethically. However, for the 2019 audit, we changed the Tongaat audit leadership team to ensure objectivity and independence. Deloitte also supplemented the core team with additional senior audit, forensic and corporate finance experts. The Tongaat lead partner has withdrawn from the firm at the end of February 2020. Deloitte was re-appointed as the auditors to Tongaat for the 31 March 2020 and 31 March 2021 year end.

#### Eskom

The Eskom litigation has recently been concluded following a settlement jointly announced by the two parties on 20 March 2020. Leading to the announcement, investigations by both parties found no evidence of state capture or corruption as initially alleged by Eskom. Eskom acknowledged that there had been technical irregularities within its own procurement process. Deloitte Consulting accepted that it had participated in this irregular procurement process, but had not breached any laws. Eskom also acknowledged that, Deloitte Consulting was entitled to compensation for the value it delivered to Eskom, and that it had benefitted and continues to benefit from the services rendered by Deloitte Consulting. As part of the settlement, Deloitte Consulting undertook to repay a negotiated settlement of R150 million to Eskom, representing a portion of the original fees invoiced, in full and final settlement of the matter. Two Deloitte Consulting directors withdrew from the firm on acknowledgement that, whilst there was no evidence of unethical behaviour on their part, they were accountable since the events occurred on their watch. They withdrew from the firm effective 31 March 2020.



### **Future outlook**

These incidents have provided us with an opportunity for reflection and remediation where necessary and we believe we are a stronger firm as a result. We have committed the firm to self-correct and consistently deliver products and services in line with our stated intent.

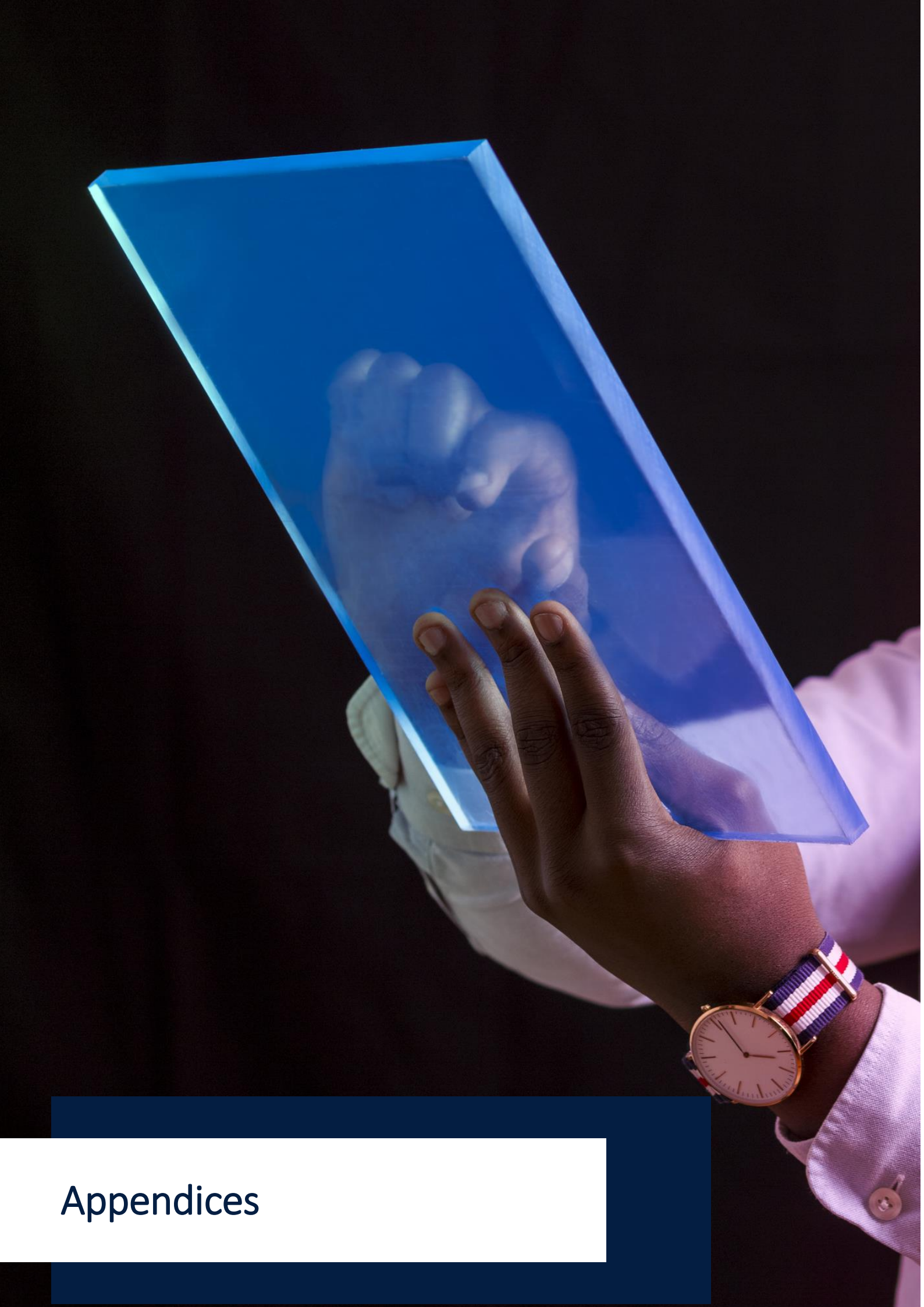
We have undertaken thorough investigations into the matters that brought our standards into question. Where gaps have been identified, we have taken firm steps to address these. These include, among many others, the implementation of risk, ethics, compliance and anti-corruption programmes across the firm, a significant increase in the Risk, Independence & Legal (RIL) resources and budget, as well as overall improvements to our operating model – focusing on risk structures.

Specifically, we have embarked on a deep and wide review of our audit business. Known as the Future-Fit project, it is designed to improve governance, oversight, efficiencies and improve audit quality (with immediate effect). Also, to further empower our leadership and employees, we are hosting ongoing risk awareness and education sessions.

Additionally, in the last two years Deloitte has made a substantial investment in its client and engagement onboarding processes – especially in relation to work in the public sector. This has resulted in reduced risk and greater compliance with applicable procurement rules.

We have zero tolerance for behaviour that falls short of our standards of excellence. Upholding the trust of clients, the regulator and the public is our foremost priority.





# Appendices

# Appendix A | EU EEA audit firms

## Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation

**EU/EEA Member State** (Article 13.2 (b)(iii) EU Audit Regulation: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business.)

**Name of audit firms carrying out statutory audits in each Member State** (Article 13.2 (b)(ii) EU Audit Regulation: the name of each audit firm that is a member of the network)

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	AS Deloitte Audit Eesti
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	D.B. Consultant
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit et Conseil
	Pierre-Henri Scacchi et Associés
	Revi Conseil

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants S.A.
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit SRL
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Limited
	Deloitte N.I. Limited

### Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation<sup>3</sup>

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: € 2.1 billion<sup>4</sup>

<sup>4</sup> Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member states provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavoured to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2020, except for a limited number of instances where a Deloitte audit firm has different financial year-end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member state, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2019 to 31 May 2020.

# Appendix B | Financial information

Disclosure in accordance with Article 13.2 (k)(i)-(iv) of the EU Audit Regulation

The breakdown of the Deloitte South Africa's 2020 turnover for audit fees and non-audit service fees for audit clients:

Turnover	Rand
Statutory audit (PIEs or PIE subsidiaries)	916 632 556.63
Statutory audit (non-PIEs or non-PIE subsidiaries)	431 096 087.47
Non-audit services (audited PIEs or PIE subsidiaries)	241 764 870.72
Non-audit services (audited non-PIEs or non-PIE subsidiaries)	131 248 783.18
Non-audit services (other entities)	43 682 079.90
Total	1 764 424 377.90



# Appendix C | Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes by Deloitte South Africa:

Name	FYE
Abbott Labs Pension Fund	Feb
Acsion Limited	Dec
Adapt IT Holdings Limited	June
Adcorp Holdings Limited	Feb
ADT Kusela Proprietary Limited	Dec
ADvTECH Limited	Dec
AECI Limited	Dec
African Energy Partners Limited	June
Allan Gray Pension Preservation Fund	Dec
Allan Gray Provident Preservation Fund	Dec
Allan Gray Retirement Annuity Fund	Dec
Amber House Fund 2 (RF) Limited	Dec
Amber House Fund 3 (RF) Limited	Dec
American Swiss Jewellers (Pty) Ltd	Mar
American Swiss Watch Company (Pty) Ltd	Mar
Anglo American Platinum limited	Dec
ArcelorMittal South Africa	Dec
Attacq Limited	June
Auto Workers Provident Fund	Mar
Balwin Properties Limited	Feb

Bank of India	Dec
Barloworld Medical Scheme	Sept
Bayport Financial Services (Pty) Ltd	Dec
Bell Equipment Limited	Dec
Blue Diamond Investments No.1 (RF) Limited	June
Blue Diamond Investments No.2 (RF) Limited	June
Blue Diamond Investments No.3 (RF) Limited	June
Blue Shield Investments 01 (RF) Ltd	Dec
BNP Paribas Personal Finance	Dec
BNP Paribas Personal Finance South Africa Ltd	Dec
Bonita Medical Fund	Dec
BrightRock Life Ltd	Dec
Brimstone Investment Corporation Limited	Dec
Cartrack Holdings Limited	Feb
Chemical Initiatives - a division of AECI Limited	Dec
Citadel Holdings (Pty) Ltd	Mar
Clindeb Investments Limited	Sept
Coface South Africa Insurance Company Limited	Dec
Coface South Africa Insurance Company Ltd	Dec
Coreshares	Dec
Crookes Brothers Ltd	Mar
Customer Arrear Solution (Pty) Ltd	Mar
Deli Spices Proprietary Limited	Feb
Delta EMD Limited	Dec
Dipula Income Fund Limited	Sept
DMC Acquired Debts 4 (Pty) Ltd	Mar
Edcon Acquisition Proprietary Limited	June

Edcon Limited	June
enX Group - New Way Power Pty Ltd	Aug
enX Group Limited	Aug
EPE Capital Partners Ltd	June
Evolution Future Flow Securities 2 (RF) Limited	Mar
Evolution Future Flow Securities Ltd	Mar
Exact (Pty) Ltd	Mar
Famous Brands Limited	Feb
Fidelity ADT Monitoring Proprietary Limited	Dec
Fidelity ADT Proprietary Limited	Dec
FirstRand Emerging Markets Limited	June
FirstRand Investment Holdings Limited	June
FirstRand Limited	June
Firststrand Retirement Fund (name changed to Firstrand Retirement Fund)	June
Fortress REIT Limited	June
Foschi Stores (Pty) Ltd	Mar
Foschini At Home (Pty) Ltd	Mar
Foschini Finance (Pty) Ltd	Mar
Foschini Property Durban Share Block (Pty) Ltd	Mar
Foschini Property Holdings (Pty) Ltd	Mar
Foschini Retail Group (Pty) Ltd	Mar
Foschini Services (Pty) Ltd	Mar
Foschini Share Incentive Trust	Mar
Foschinidata (Pty) Ltd	Mar
Futuregrowth Asset Management (Pty) LTd	Dec
GAIA Infrastructure Capital Limited	Feb
General Reinsurance Africa Pty Ltd	Dec

Goeiehoop Farming (Pty) Ltd	June
Government Employees Medical Scheme	Mar
Government Employees Pension Fund	Mar
Greenhouse Funding III (RF) Limited	Dec
Grindrod Limited	Dec
Grindrod Shipping	Dec
H and M Hennes and Mauritz Pty Ltd	Jan
Hollard Holdings (Pty) Ltd	June
Hollard Life Assurance Company Ltd	June
Hosmed	Dec
Imonti Future Flow (Pty) Ltd	Mar
Imperial Capital Limited	June
Imperial Logistics Limited	June
Improchem Pty Ltd	Dec
Invicta Funding Ltd	Mar
Invicta Holdings Limited	Mar
K2016470219 (South Africa) Limited	Mar
K2016470260 (South Africa) Limited ["New Holdco 1"]	June
K2016470295 Limited	June
KAP Diversified Industrial (Pty) Ltd	June
Katanga Mining Limited	Jan
Keyhealth Medical Scheme	Dec
Kumba Iron Ore Limited	Dec
Legal Expenses Insurance Southern Africa Ltd	June
Lion of Africa Insurance Company Ltd	Dec
Lion of Africa Life Assurance Company Limited	Dec
Long4Life Limited	Feb

Markhams (Pty) Ltd	Mar
Merafe Resource Ltd	Jan
Mercantile Bank Limited	Dec
Mercantile Holdings limited	Dec
Metrofile Holdings Limited	Dec
Mix Telematics	Mar
MKA Debt Solutions	Mar
MOMENTUM LIFE ASSURERS	Dec
Motor Industry Pension Fund	Mar
Motor Industry Provident Fund	Mar
Motus Group Limited	June
Motus Holdings Limited	June
Motus Holdings Limited - VRR Division	June
Mpact Limited	Dec
Municipal Gratuity Fund	June
Murray & Roberts Holdings Limited	June
Murray & Roberts Limited	June
Nampak Limited	Sept
Nedbank Group Limited	Dec
Netcare Limited	Sept
Newshelf 1063 (RF) (Pty) Ltd	Dec
Newshelf 1064 (RF) (Pty) Ltd	Dec
Newshelf 1279 (RF) (Pty) Ltd	Dec
NTT Motor Investments (Pty) Limited	Feb
NTT Motors East London (Pty) Ltd	Feb
Nyathi Securitisation 1 Ltd (RF)	Mar
Oakhurst Insurance Company Limited	Dec



Oakhurst Life Limited	Dec
Oceana Group Limited	Sept
Octodec Investments Ltd - Group Audit	Aug
Old Mutual Customised Solutions (pty) Limited	Dec
Old Mutual Investment Group (pty) Limited	Dec
Old Mutual Life Assurance Company (South Africa Limited)	Dec
Old Mutual Limited	Dec
Page Stores (Pty) Ltd	Mar
Peregrine Holdings Limited	Mar
Peregrine Life Limited	Mar
PetroSA SOC	Mar
PowerO2	Aug
Precinct Funding 2 (RF) Ltd	Dec
Precinct Funding 2 Security SPV (RF) Pty Ltd	Dec
Premium Propoerties Limited	Aug
Prestige Clothing (Pty) Ltd	Mar
Rand Merchant Bank	June
Rand Mutual Admin Services Proprietary Limited	Dec
Rand Mutual Assurance Company Limited	Dec
Real People Assurance Company Limited	Mar
Real People Home Finance (Pty) Ltd	Mar
Real People Investment Holdings Ltd	Mar
Regent Life Assurance Company Limited	June
Relay Jeans (Pty) Ltd	Mar
Relyant Life Assurance Company (Pty) Ltd	June
Renasa Insurance Company Limited	June
Reunert Limited	Sept

RGA Holdings SA (Pty) Ltd	Dec
RGA Reinsurance Company of South Africa Limited	Dec
RGA Venture (Pty) Ltd	Dec
RH Bophelo Limited	Feb
Rhodes Food Group Holdings Limited	Sept
RMA Life Assurance Company Limited	Dec
RMB Morgan Stanley (Pty) Ltd	June
RMB Securities (Pty) Ltd	June
Rohlig-Grindrod	Dec
Rohlig-Grindrod Pharma	Dec
S A Corporate Real Estate Limited	Dec
Sea Harvest Group Ltd	Dec
Sentinel Retirement Fund	Jan
Simply Finance (Pty) Ltd	Mar
Sishen Iron Ore Company (Pty) Limited	Dec
South Africa Bankers Services Company (Proprietary) Limited	June
South African Broadcasting Corporation	Mar
Sport Scene (Pty) Ltd	Mar
Steinhoff Investments Holdings Limited	Sept
Steinhoff Timber Industries	June
Stenprop Limited	Mar
Sterns Jewellers (Pty) Ltd	Mar
Surrino (Pty) Ltd	June
TFG Apparel Supply Company (Pty) Ltd	Mar
The Amber House Fund 5 (RF) Limited	Dec
The Foschini Group Limited	Mar
The Independent Institute	Dec

The SA SME Fund Limited	Jan
The Smartlife Insurance Company Limited	June
The South African National Blood Services	Mar
The Thekwini Fund 12 (RF) Limited	Dec
The Thekwini Fund 13 (RF) Limited	Dec
The Thekwini Fund 14 (RF) Limited	Dec
The Thekwini Fund 15 (RF) Limited	Dec
The Thekwini Fund 9 (RF) Limited	Dec
The Thekwini Warehouse Conduit (RF) Limited	Dec
Tongaat Hulett Development	Mar
Tongaat Hulett Limited	Mar
Tongaat Hulett Sugar South Africa	Mar
Topmed Medical Scheme	Dec
Torre Industries Limited	June
Totalsports (Pty) Ltd	Mar
Tourvest Financial Services (Pty) Ltd	June
Tourvest Group Pty Ltd	June
Tourvest Holdings	June
Toyota Financial Services (SA) Ltd	Mar
Transaction Capital Risk Services (Pty) Ltd	Sept
Transnet Retirement Fund	Jan
Transnet Second Defined Benefit Fund	Jan
Trojan Enterprise (Pty) Ltd	Mar
Umdlalo Fashion (Pty) Ltd	Mar
Umuzi Finance Ltd (RF)	Mar
Uniprint	June
What U Want to Wear (Pty) Ltd	Mar

Wilderness Safaris (Pty) Ltd	Feb
Woodstuff Properties	June
Zeta Resources Limited	June



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