



Annual Report  
**2020**

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**External Auditors:** Auditor-General South Africa

**Bankers:** Standard Bank of South Africa

**Board Secretary:** Ms Jill Levendal

# PART A

## PUBLIC ENTITY'S GENERAL INFORMATION



## List of Abbreviations

<b>ADP</b>	Audit Development Programme
<b>AFIAAR</b>	African Forum of Independent Accounting and Auditing Regulators
<b>AGSA</b>	Auditor-General South Africa
<b>APA</b>	Auditing Profession Act, 2005 (Act No.26 of 2005), as amended
<b>ARMCO</b>	Audit and Risk Management Committee
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CA (SA)</b>	Chartered Accountant (South Africa)
<b>CA Charter</b>	Chartered Accountancy Profession Charter
<b>CFAE</b>	Committee for Auditor Ethics
<b>CFAS</b>	Committee for Auditing Standards
<b>CPD</b>	Continuing Professional Development
<b>DAC</b>	Disciplinary Advisory Committee
<b>DISCOM</b>	Disciplinary Committee
<b>EDCOM</b>	Education and Transformation Committee
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>ICT</b>	Information and Communication Technology

<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>INSCOM</b>	Inspections Committee
<b>INVESCO</b>	Investigating Committee
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>PFMA</b>	Public Finance Management Act, Act No. 1 of 1999, as amended
<b>PIE</b>	Public Interest Entity
<b>RA</b>	Registered Auditor
<b>RCA</b>	Registered Candidate Auditor
<b>RI</b>	Reportable Irregularity
<b>RIRSC</b>	Regulated Industries and Reports Standing Committee
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SMME</b>	Small, Medium and Micro-Enterprises

# Highlights of the Year

## Audit Quality

- **Audit Quality Indicators:** The launch of the Feedback Report on Audit Quality Indicators (AQIs) provided an overview of the set of measures that audit firms reported on to the regulator.
- **Inspections:** Our 2019 Public Inspections Report covered the first year of the Seventh Inspections Cycle and also introduced numerous enhancements to our inspections process. The report, though, showed a continued decline in positive inspection outcomes compared to previous years.
- **Mandatory Audit Firm Rotation:** With three years before its implementation date, a quarter of the companies listed on the Johannesburg Stock Exchange (JSE) main board had already voluntarily rotated auditors. The early adoption of this rule by companies indicates that audit committees are paying greater attention to the independence of their auditors.
- **Collaboration with the Public Sector – Guide for Registered Auditors: Auditing in the Public Sector (Revised August 2019):** This guide was issued for joint publication with the Auditor-General of South Africa (AGSA). It will help improve the understanding and enhance the performance quality of public sector audits by registered auditors (RAs) in public practice who are contracted by the AGSA or appointed as auditors of public institutions, where the AGSA has opted not to perform the audit.

## Education and Transformation

- **Audit Development Programme:** Since its implementation in 2015, the programme has grown and had a total number of 443 registered candidate auditors (RCAs) as at year-end.
- **Proficiency Interviews:** The proficiency policy and process were amended to improve the assessment, before registration, of audit proficiency for candidates who want to practice again. This resulted in a higher number of proficiency interviews during this period.
- **Continuing Professional Development (CPD) Policy:** The new CPD Policy, which focuses on an output-based measurement, became effective on 1 January 2020. The new policy approach requires RAs to apply the CPD Framework and complete mandatory CPD activities.

## Governance

- **Clean Audit Report:** This year marked a decade-long achievement of clean audit reports, making the IRBA one of the few entities to have established such a track record.
- **Auditing Profession Act Amendments:** The Auditing Profession Amendment Bill was introduced in the National Assembly and is in the process of being legislated.

## Response to COVID-19

- A number of technical guidance documents and communiques were issued in relation to COVID-19. These can be found on our dedicated COVID-19 resource page on the Independent Regulatory Board for Auditors' (IRBA) website.
- In addition, we established a multi-disciplinary task force with representatives from various regulators and stakeholders to address the impact of the pandemic on the industry.
- A final report on the activities and achievements of the task force was issued and is available on the IRBA website.

# Significant Features Summary

The graphs below reflect the significant performance numbers over a four-year period.

Part A:  
General Information

Part B:  
Performance Against  
Measurable Objectives

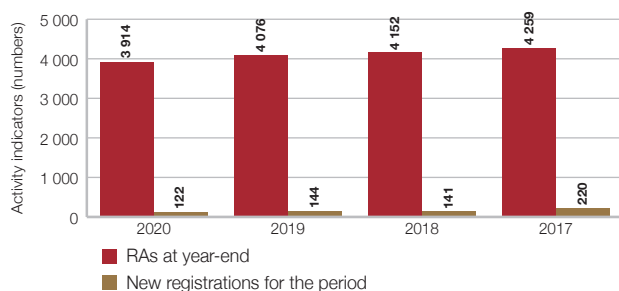
Part C:  
Governance

Part D:  
Human Resources Management

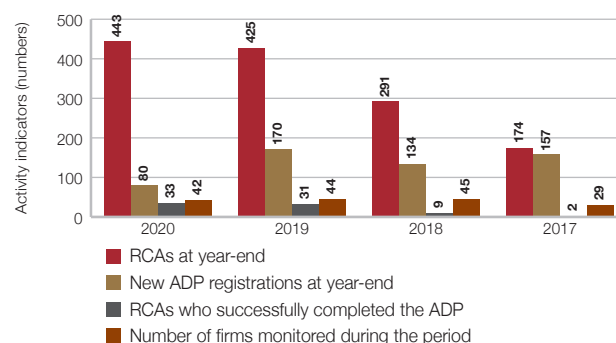
Part E:  
Feedback from Statutory  
Committees

Part F:  
Financial Information

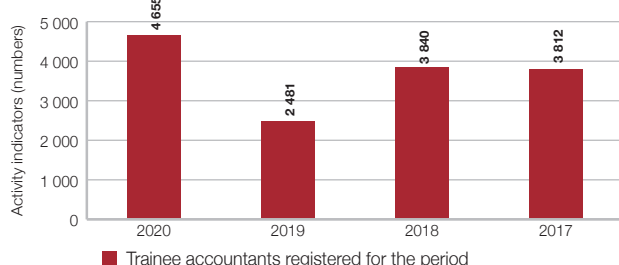
## Registered Auditors



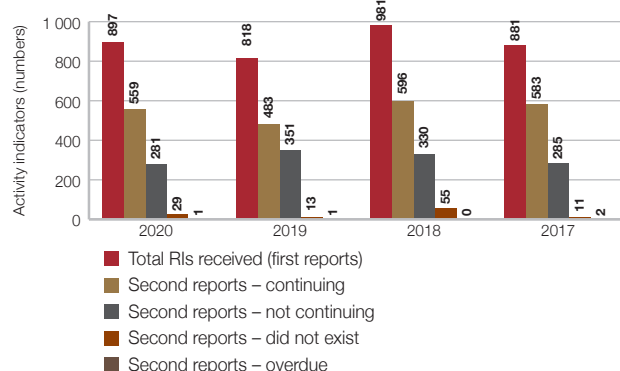
## Audit Development Programme (ADP)



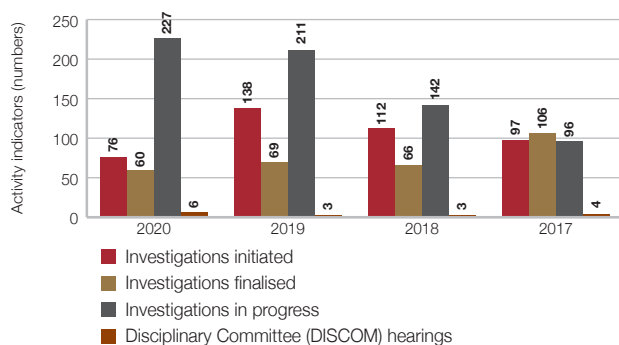
## Training Contracts



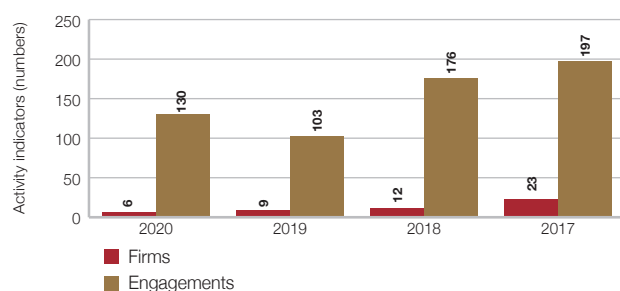
## Reportable Irregularities (RIs)



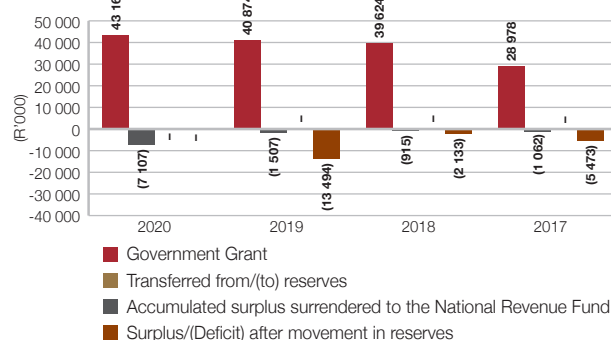
## Disciplinary Matters



## Inspections Performed



## Financial Indicators



## Message from the Minister of Finance

**Tito Mboweni**



In my February 2020 budget speech I spoke about the aloe ferox, a plant that survives and thrives when times are tough. It wins even when it seems the odds are against it. In his State of the Nation address, the President also reminded us that as a country, our capacity to win is not diminished. The people of South Africa are like the aloe ferox – our strength and resilience as a nation propel us to survive even under the toughest circumstances.

Our country finds itself in the middle of an unprecedented reality that has been brought on by the COVID-19 pandemic. We have had to quickly adapt to a new way of life, following the nation-wide lockdown to flatten the curve and ensure that we stay safe. The impact of this pandemic is being felt through trying to balance lives with livelihoods, dealing with the burden on the health system and the struggling economy. Government initiated policies that sought to ease the impact of COVID-19 on businesses and households.

Over the past few years, the auditing profession has faced a pandemic of its own with a number of business failures and accounting irregularities involving audit firms and errant auditors. Subsequently, I have called for the review of the auditing profession, a strengthening of the regulatory oversight of the IRBA and the establishment of an independent panel of experts to review practices in the auditing profession.

Despite the challenges faced by the profession, I would like to commend the IRBA and the profession as a whole for the progress they are making in turning the tide and focusing on restoring confidence in this once highly respected profession.

While many challenges still exist, we are hopeful that the collective efforts will bear fruit.

We are encouraged by the many companies that have adopted the Mandatory Audit Firm Rotation (MAFR) rule before the implementation date of 2023, as evidenced by the rotations undertaken by companies on the JSE's main board. Furthermore, it is reassuring to note that the rotations are benefitting some of the medium-sized audit firms. This is indicative of transformation in the profession, in relation to strengthening capacity, and is an imperative in restoring public trust.

The regulator, together with National Treasury, made good progress over the period under review with the Auditing Profession Act (APA) Amendments that are aimed at strengthening the IRBA's mandate. I am also confident that the IRBA's initiatives to restore confidence will bring about the much-needed change to the status of the auditing profession in the country.

I wish to congratulate the IRBA, other regulators and the profession on swiftly coming together to provide a coordinated response to the pandemic through the formation of the COVID-19 Task Force for Financial Regulation, Accounting, Auditing and Reporting. The task force created a multi-disciplinary platform to deliberate on appropriate guidance and measures to assist the profession during this difficult time. It has been effective in not only identifying the challenges faced by all the role-players, but also in tabling and debating solutions, guidance and appropriate measures through robust and transparent discussions.

In this past year, the IRBA was able to successfully achieve the majority of its performance objectives, despite its constrained resources. I want to take this opportunity to thank the outgoing Board members and the CEO on their roles in leading the IRBA over the past years. For the new Board and the incoming CEO, the repercussions of the business and audit failures over these past few years will present major challenges. The immediate priority will be to ensure that the IRBA is strengthened in its oversight responsibilities and is responding to the expectations of the public with regard to the role of auditors.

A new era beckons for our country. Restoring confidence in the auditing profession will take great courage and commitment from all stakeholders.

**TT Mboweni**

*Minister of Finance*

## Foreword by the Chairman

Abel Dlamini



I am pleased to present the IRBA's 14th Annual Report and our last report as an Accounting Authority.

As we prepare this report, the world is faced with a pandemic that has affected the way we live and do business. More so, this pandemic has left the economies of most countries struggling. The levels of unemployment are rising exponentially and there does not seem to be an end in sight for now. We are all forced to do things differently and to refocus our energies on rebuilding our economies and finding new ways of doing business.

While the auditing profession has been mired by scandals in the past couple of years, in the last year, we started to see some significant improvements in efforts to restore confidence in the profession. There were more dialogues and engagements among the various stakeholders. Though a number of firms appeared before the IRBA Board to account for their low-quality audits, there were noticeable efforts by other firms to improve audit quality, and we appreciate this as the IRBA.

This past year the Board continued to focus its efforts on restoring confidence and trust in the profession. We are pleased with the progress made in implementing the approved strategy, and the IRBA will continue with this work until our profession returns to the high esteem it once held in the global rankings.

The number of investigations continues to rise, with more high-profile cases that involve accounting irregularities being added to our investigations list. The management team has prioritised these high-profile cases, despite the lack of resources.

The Auditing Profession Amendment Bill was introduced in Parliament early in the year, following the delays experienced previously. The proposed amendments aim to strengthen the IRBA's investigating and disciplinary processes to provide for the power to enter and search premises; subpoena persons with information required for an investigation or disciplinary process; and provide for higher sanctions. I would like to reiterate that the search and seizure powers will only be used as a last resort when the IRBA does not get cooperation from the individual or firm involved in the investigation.

One of our last tasks as the Board was to appoint a new CEO for the IRBA. The outgoing CEO, Mr Bernard Agulhas, led the IRBA in a diligent manner over the past 11 years, and we would like to thank him wholeheartedly for his leadership. During his tenure, the IRBA had significant achievements both locally and globally. These include being a founding member of both the International Forum of Independent Audit Regulators (IFIAR) and the African Forum for Independent Audit and Accounting Regulators (AFIAAR); maintaining the IRBA's number one ranking in the World Economic Forum (WEF) Global Competitiveness Report for auditing and reporting standards for a number of years; championing the Audit Development Programme (ADP), which has now been adopted by Namibia and Zimbabwe; driving the implementation of the MAFR rule; introducing the Auditing Profession Act amendments and maintaining clean audit reports for the IRBA during his tenure. The profession is grateful to him for his leadership and we wish him well for the future.

We wish to welcome the incoming CEO, Ms Jenitha John, and trust that she will have a fruitful term at the IRBA.

As the Board, we were committed to steering the IRBA in the right direction, as it was entrusted to us by the Minister of Finance, and to help restore trust and confidence in the profession.

I wish to thank my fellow Board members, Mr Agulhas, the directors and staff of the IRBA for their valuable contribution and support during the year.

As this was the final term of the current Board, I wish the incoming Board members all the best in their new roles.

Let us all continue to work towards restoring confidence and trust, and rebuilding an even better, globally respected auditing profession.

**A Dlamini**

*Chairman*

(Term ended 9 May 2020)

# Chief Executive Officer's Overview

**Bernard Peter Agulhas**



I am pleased to present the IRBA's 14th Annual Report, and my last one as the Chief Executive Officer.

In one of my IRBA News messages earlier in the year I alluded to the fact that there is no better antidote to the gloom of an economic crisis laid bare in the medium-term budget speech than the national rugby team carrying the nation's hopes to a thrilling Rugby World Cup victory. As with our rugby team's cyclical performance, the auditing profession has been going through a testing period over the past few years. Since 2017 the profession has been besieged by high-profile corporate collapses that have implicated auditors, in addition to state capture revelations that have the public questioning audit quality. The crisis continued through 2018 and 2019, resulting in further share price collapses and corruption/fraud allegations at companies such as Tongaat Hulett, EOH and Ayo Technology Solutions, among others.

While a business failure is not always an audit failure, the situation that many of these beleaguered companies find themselves in could just as easily be linked to a struggling economy; questionable actions by management in preparing the financial statements; weak corporate governance; audit committees and boards that lack independence; and/or a lack of diversity of skills and gender in governance structures. Despite all these other factors, the auditors have remained in the spotlight, as the public continued to question how audit can be relied upon to protect its investments.

As the regulator, and with the public interest at heart, we have a responsibility to address all these concerns. We have to do this while making efforts to improve audit quality, enhance standards in relation to areas of weakness and help the profession to respond with changes that will restore

confidence in the audit quality and opinions issued by auditors.

## Response to COVID-19

South Africa, like the rest of the world, has been gripped by a devastating pandemic that has changed the way we live and conduct business. It soon became clear how things would have to change when on 15 March 2020 the President of the Republic declared the COVID-19 outbreak a national pandemic and a few days later exercised the National Disaster Act to declare a countrywide lockdown. The outbreak presented an opportunity for everyone, including the auditing profession, to reflect on their respective public interest responsibility as well as demonstrate their independence and resilience to external factors. The IRBA urged auditors to continue to apply the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour through a number of communiques issued to the profession to guide its response to lockdown conditions.

The auditing and accounting profession formed a COVID-19 Task Force for Financial Regulation, Accounting, Auditing and Reporting to address the challenges of the impact of COVID-19 on the profession. The task force comprised representatives from the IRBA, the South African Institute of Chartered Accountants (SAICA), the JSE, the Prudential Authority, the Companies and Intellectual Property Commission (CIPC), audit and assurance leaders of the big five audit firms, the King Committee, the IFRS Foundation, the Institute of Directors SA, the Audit Committee Forum and the Chief Financial Officers' Forum. Its objectives were to:

- Identify areas requiring regulatory intervention;
- Provide guidance to preparers of financial statements on accounting matters;
- Provide guidance to auditors on auditing matters; and
- Provide guidance to those charged with governance (boards and audit committees).

Through the task force interventions, we were able to reach a number of milestones, including issuing guidance and securing extensions on reporting deadlines for auditors with the various regulators.

## Restoring Confidence in the Profession

Two years into our Restoring Confidence Strategy, I am pleased to report that the IRBA has implemented most of its projects and made significant progress in restoring confidence and trust in the auditing profession. Our engagements with Parliament have also continued, with the Auditing Profession Amendment Bill being introduced in the National Assembly earlier in the year.

The launch of the Feedback Report on AQIs provided feedback on measures that audit firms reported on to the

regulator, in addition to giving audit committees insights that are relevant to the appointment, performance, independence and reappointment of the auditor. The project to develop the measures included engagement with users of audit services and the audit firms. These measures cover the thematic areas of independence, audit tenure, internal firm quality review processes, workload of engagement partners and managers, span of control, technical resources and training. These criteria may all be linked to audit quality.

At least 25% of the JSE-listed entities have rotated their audit firms ahead of the 2023 Mandatory Audit Firm Rotation rule adoption deadline, since the regulation was promulgated in 2017. Of those, 47% purposely decided on an early adoption of the rule. The benefit for those companies that have already rotated is that they will not be affected by the effective date of 1 April 2023, since their audit firm's tenure will be far less than the maximum 10 years. As such, these entities will only be required to rotate again between 2027 and 2030. Given the steady uptake over the past three years, we can already foresee that from 2027 to 2030 these companies will again be able to rotate with minimal disruption to the audit profession, and without any hindrances to the companies.

The process of having the Auditing Profession Amendment Bill enacted is underway. The amendments aim to strengthen the IRBA's investigating and disciplinary processes; provide for the power to enter and search premises, and subpoena persons with information that is required for an investigation; and provide for stricter monetary sanctions in investigation and disciplinary outcomes.

The 2019 Public Inspections Report that was released at the beginning of 2020 detailed, among other themes, significant improvements observed at a few firms. At these firms, considerable investments were made into quality management, and these were underpinned by leadership's sound tone, time and hands-on approach to create and sustain a culture and an enabling environment that consistently produce sustainable high-quality assurance work.

### International Participation

The IRBA continues to participate and influence standards and regulation through its participation on various international auditing, ethics and education boards. The CEO serves as the chairman of the Audit and Finance Committee of the International Forum of Independent Audit Regulators (IFIAR), which is made up of members who include audit regulators from 55 countries. The Director Inspections serves on the IFIAR Inspections Working Group, while the Director Investigations serves on the IFIAR Enforcement Working Group.

The CEO continues to serve on the African Forum of Independent Auditing and Accounting Regulators (AFIAAR) as deputy chairman. At the next AFIAAR meeting, expected

to be hosted by the IRBA, Zimbabwe will officially hand over the chairmanship to South Africa.

The Director Standards continues to serve as a public member of the International Auditing and Assurance Standards Board (IAASB), with the Professional Manager Standards as his technical advisor. The Professional Manager Ethics continues to serve as the technical advisor to the chairman of the International Ethics Standards Board for Accountants (IESBA).

### Stakeholder Engagements

The role of stakeholder relations has become even more critical over the past couple of years and was intensified as a response to the challenges faced by the profession. The IRBA regards ongoing engagement with stakeholders as an integral part of its business and a crucial ingredient in building collaborative and constructive relationships. The IRBA continues to engage with all its stakeholders in line with the organisation's strategy to restore confidence and trust in the profession. Its role as the independent audit regulator and standard setter is central to the various stakeholders with which its respective functions deal. In response to the changing work environment and an increasing focus on business failures as a result of a recessionary economy, the IRBA has identified additional stakeholders in the financial reporting chain with whom it should build relationships to create more awareness of its role as an independent audit regulator and to fulfil its mandate to protect the financial interests of the public.

### Ten Years of Achievements at the IRBA

This year marked the end of my fourth term and 11 years as Chief Executive Officer. I would like to reflect on a number of achievements over the years as we enter into a new era and a strengthened focus on restoring confidence in the profession.

When I took office in December 2008, after acting as CEO for six months, the world was still in the throes of the 2008 financial crisis and the role of the auditors was being scrutinised from all angles. I can't help but reflect that it is similar to where we are now. It's almost as if we have come full circle. At that time, the IRBA had to play an important role in retaining confidence and influencing investment in our local markets. As an international player, and faced with similar or perhaps worse economic conditions brought about by the COVID-19 pandemic, South Africa has to attempt to revive an economy that is near collapse. As a regulator and a standard setter, the IRBA is part of the governance chain that is critical to this process of resilience which will help to restore confidence in financial markets through transparency and accountability.

Over the years, we were ranked number one for the strength of our auditing standards for seven years in a row by the World Economic Forum's Global Competitiveness Report.

## Chief Executive Officer's Overview *(continued)*

Consequently, the IRBA was duly recognised by the European Union as a regulator that is equivalent to the best in the world.

The IRBA, after being approached by the Department of Trade and Industry, began to regulate the Broad-Based Black Economic Empowerment (B-BBEE) verification industry, providing us with the opportunity to have a direct impact on government's transformation policies. We registered the first B-BBEE approved RA in 2013 and continued with this additional mandate for a number of years, until the new B-BBEE Commission was established.

In 2015 we launched the Audit Development Programme which is a period of specialisation undertaken by professional accountants who want to become RAs. This also led to the registration of the RA designation with the South African Qualifications Authority. For an update on the programme, refer to the report of the Education and Transformation Committee on page 42.

As part of its new strategy, the IRBA formulated four pillars to support its mandate as reflected in the Act. These four pillars are: Independence, Transformation, Leadership in Africa and Comprehensive Regulation.

**Independence:** The IRBA researched measures that could be introduced in South Africa to strengthen auditor independence. Some of the measures considered were Mandatory Audit Tendering; Mandatory Audit Firm Rotation; and Joint Audits. Following a rigorous consultation and a Parliamentary process, the Minister of Finance issued a rule on Mandatory Audit Firm Rotation as the most appropriate measure for South Africa and to strengthen auditor independence and ensure high audit quality.

**Transformation:** As a signatory to the Chartered Accountancy Profession Charter (CA Charter), the IRBA continues to drive transformation through its own initiatives led by the Education and Transformation Department. Over the years, it has also partnered with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) and the African Women Chartered Accountants (AWCA) on some of their projects.

**Leadership in Africa:** Through our engagements with our counterparts on the continent, we are a founding member of the AFIAAR and currently serve as the Deputy Chairman. The membership allows us to share information and create learning opportunities through shadowing programmes for our partners in neighbouring countries.

**Comprehensive Regulation:** Following an intense research process, we have submitted a proposal to the Minister of Finance for a comprehensive regulation model for the whole financial value chain, including those charged with governance. We believe this is necessary for the strengthening of our financial reporting system and to hold all role-players accountable.

## Human Resources, Financial Matters and Performance Information

Matters that relate to human resources are set out in the section on Human Resources Management, and financial matters are covered in the Report of the Accounting Authority and the Annual Financial Statements. The performance of the IRBA against its predetermined objectives is included under Part B of this annual report.

## Appreciation

More work continues to take place at the IRBA and a lot more has been achieved over the years. I am grateful for the support and commitment of our management team and staff in ensuring that we continue to protect and serve the interests of the public.

I thank the Board, the statutory committees as well as our stakeholders for the support and commitment on which we inevitably rely to drive the IRBA's strategy towards achieving our goals.



**Bernard Peter Agulhas**

*Chief Executive Officer*

(Term ended 30 June 2020)

# Statement of Responsibility and Confirmation of Accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2020.



**Bernard Peter Agulhas**

*Chief Executive Officer*

30 June 2020



**Abel Dlamini**

*Chairman of the Board*

30 June 2020

# Strategic Overview

## The IRBA Strategic Focus

To protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession, as well as that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

## The IRBA Vision

To remain an internationally recognised regulator of the auditing profession and evolve to be the regulator of other assurance and related services relevant to the South African environment.

## The IRBA Mission

To endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers, in accordance with internationally recognised standards and processes.

## The IRBA Objectives

To create the framework and principles to contribute to the protection of the financial interests of the public, which relies on the services of registered auditors; and to support registered auditors who carry out their duties competently, fearlessly and in good faith.

Furthermore, we strive to create an enabling environment that allows audit firms to grow and contribute to the protection of the public's financial interests.

## The IRBA Goal

To help create an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets and promotes sound financial practices.

This is done through:

- Developing and maintaining auditing and ethics standards that are internationally comparable.
- Providing an appropriate framework for the education and training of properly qualified auditors and their ongoing competence.
- The registration of auditors who meet the registration requirements.
- Monitoring compliance with reportable irregularities.

- Monitoring registered auditors' compliance with professional standards and applicable legislation.
- Investigating and taking appropriate action against registered auditors in respect of improper conduct.
- Developing and maintaining stakeholder relationships to enhance performance, accountability and public confidence.
- Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economic, efficient and effective manner, in accordance with the relevant regulatory frameworks.

## Regulatory Philosophy

Our regulation is focused on the protection of the public's financial interests, while we recognise our role in creating an enabling environment in which auditors can deliver high-quality audits.

## Value Proposition

We create continuing value through our role as an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thereby contributing to the protection of the public's financial interests.

## The IRBA Values

As the overall custodian of the auditing profession in South Africa, we acknowledge the importance of the mandate assigned to the IRBA by Parliament, and all our registrants and staff ascribe to the following core values:

### *Independence, Integrity and Objectivity*

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

### *Commitment*

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

## Transparency and Accountability

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

## Legislative Mandate

The IRBA was established in terms of Section 3 of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (APA). The objects, as set out in Section 2 of the Act, are as follows:

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

## Organisational Structure

The organisation operates through an Executive and has a staff complement of 79 employees. The Executive reports to the Board, which is appointed by the Minister of Finance.

### Members of the Board (Term ended 9 May 2020)



**Abel Dlamini**  
CA (SA)  
*Chairman*



**Martie Janse van Rensburg**  
CA (SA)  
*Deputy Chairman  
DAC Chairman*



**Iqbal Motala**  
B Proc  
*Chairman OPSCOM*



**Zuziwe Ntsalaze**  
CA (SA)  
*Chairman ARMCO*



**Madoda Petros**  
CA (SA)  
*Member of OPSCOM*



**Nkabaneng Mashile**  
CA (SA)  
*Member of ARMCO*

## Executive



**Bernard Agulhas**  
CA (SA)  
*Chief Executive Officer*  
(Term ended 30 June 2020)



**Imran Vanker**  
CA (SA), RA  
*Director: Standards*



**Jillian Bailey**  
CA (SA), RA  
*Director: Investigations*



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



**Nitasha Naicker**  
CA (SA)  
*Director: Operations*



**Rebecca Motsepe**  
Master of Laws  
*Director: Legal*



**Nadine Kater**  
B Com, MBA  
*Director: Education and  
Transformation*

*The immediate priority will be to ensure that the IRBA is strengthened in its oversight responsibilities and is responding to the expectations of the public with regard to the role of auditors.*

*Tito Mboweni, Minister of Finance*

# PART B

## PERFORMANCE AGAINST MEASURABLE OBJECTIVES



# Performance Against Measurable Objectives

for the year ended 31 March 2020

## Strategic Focus Areas

Our Executive identified the focus areas detailed in the next few pages as critical to the business. The identification of these areas was based on a strategic analysis, a review of the past year's performance and the reviewed strategic intent.

The following assumptions inform the Strategic Focus Areas:

1

The strategic objectives exclude the impact that any other legislation may have on the IRBA.

2

Targets for the IRBA are prepared and measured differently from an entity that produces tangible outputs. Therefore, measurable outputs are based on qualitative, and not only quantitative, factors.

3

Targets are not necessarily increased annually, and those that are indicated reflect the IRBA's optimum performance.

4

The Strategic Focus Areas for Programme 1 cover the five strategic functions/departments, and all the support functions are measured by obtaining a clean audit report that covers finance, compliance and performance objectives.

5

The targets for Strategic Focus Areas 1, 3 and 4 are also influenced by a variety of external factors, such as emerging risks and responses to the protection of the public. Therefore, although the targets appear static, they consist of different projects, inspections and/or investigations that are subject to external influences that are beyond the IRBA's control.

# Performance Against Measurable Objectives *(continued)*

for the year ended 31 March 2020

## Strategic Focus Area 1: Auditing and Ethics Standards

STRATEGIC OBJECTIVE	To develop and maintain auditing and ethics standards which are internationally comparable				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Standards and Guidance issued.	Issued auditing pronouncements, auditor reports and comment letters.	High-quality audits.	Target dates met for issuing audit pronouncements, audit reports and comment letters.	85% of target dates met	<b>Target:</b> 16 <b>Actual:</b> 16 <b>Achieved:</b> 100%
To adopt and/or develop and issue additional guidance on ethical issues, based on the IRBA Code.	Issued additional guidance on ethical issues, comment letters and Code amendments.	To provide auditors with a Code that is consistent with International Codes and one that enables the IRBA to take disciplinary action, where necessary.	Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments.	85% of target dates met	<b>Target:</b> 6 <b>Actual:</b> 6 <b>Achieved:</b> 100%

## Strategic Focus Area 2: Education and Transformation

STRATEGIC OBJECTIVE	To provide an appropriate framework for the education and training of properly qualified auditors and to establish processes so that only competent candidates enter the audit profession				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
To monitor the environment in which the Audit Development Programme is offered.	Monitoring reports.	To ensure that the environment is conducive to the development of audit competence.	The number of monitoring visits completed.	40 visits	<b>Target:</b> 40 <b>Actual:</b> 42 <b>Achieved:</b> Yes <b>Explanation for the deviation:</b> Due to an increase in capacity, more monitoring visits could be done.

To provide an appropriate framework for the education and training of properly qualified auditors and to establish processes so that only competent candidates enter the audit profession					
STRATEGIC OBJECTIVE				Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Measurable Objective	Output	Outcomes	Measurable Indicator		
To monitor the programmes and institutional requirements of accredited professional bodies.	Monitoring reports.	To ensure compliance with the Accreditation Model.	The number of final monitoring reports to be submitted to the accredited professional body within 10 working days after the Education and Transformation Committee's (EDCOM) third quarterly meeting.	1 report	<b>Target:</b> 1 set of final monitoring reports to be submitted 10 working days after EDCOM's third quarterly meeting.  <b>Actual:</b> 1 set of final monitoring reports submitted six (6) working days after EDCOM's third quarterly meeting.  <b>Achieved:</b> Yes
To contribute to the transformation of the profession.	IRBA transformation initiatives.	Increased awareness of the RA profession among Black trainees.	The number of IRBA transformation initiatives held.	4	<b>Target:</b> 4  <b>Actual:</b> 20  <b>Achieved:</b> Yes  <b>Explanation for the deviation:</b> The overachievement is due to more effective co-ordination between monitoring visits and the transformation initiatives. This co-ordination presented additional opportunities for transformation initiatives.

# Performance Against Measurable Objectives *(continued)*

for the year ended 31 March 2020

## Strategic Focus Area 3: Inspections

STRATEGIC OBJECTIVE	To monitor registered auditors' compliance with professional standards				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Risk-based inspections performed.	Inspection reports.	Compliance of firms (including their individually registered auditors) with the auditing and ethics standards.	The number of planned inspections completed.	133 inspections	<b>Target:</b> 133 inspections <b>Actual:</b> 136 inspections <b>Achieved:</b> Yes <b>Explanation for the deviation:</b> Three additional inspections were performed during the year than initially planned.

## Strategic Focus Area 4: Investigations

STRATEGIC OBJECTIVE	To investigate and take appropriate action against registered auditors in respect of improper conduct				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Completed investigations.	Closed matters.	Public trust in the profession.	The number of investigations completed.	71 completed investigations [34 high-profile/public interest entity matters and 37 other matters]	<b>Target:</b> 71 <b>Actual:</b> 56 [23 high-profile/public interest entity matters and 33 other matters] <b>Achieved:</b> No <b>Explanation for the deviation:</b> Eighteen (18) matters planned had not yet been closed*; one (1) matter was withdrawn; and four (4) matters not planned were closed. <i>*Most of these have already been tabled at the Investigating Committee (INVERSCO).</i>

## Strategic Focus Area 5: Operational Effectiveness

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Reports from internal and external audits.	Systems, policies and processes that ensure compliance, accountability and sound management of the revenue, expenditure, assets and liabilities.	Financial sustainability to deliver on the mandate.	A clean audit report regarding financials, compliance and performance information.	Clean audit report	<b>Target:</b> Clean audit report <b>Actual:</b> Clean audit report <b>Achieved:</b> Yes, clean audit report
Promote transformation through targeted procurement policies.	Implementation of the Preferential Procurement Policy Framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of small, medium and micro enterprises (SMME) payments effected within 30 days.	95%	<b>Target:</b> 95% <b>Actual:</b> 95.13% <b>Achieved:</b> Yes <b>Explanation for the deviation:</b> Improved internal efficiencies for the collection of outstanding invoices resulted in improved payment turnaround times.
Promote transformation through targeted procurement policies.	Implementation of the Preferential Procurement Policy Framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of contracts awarded to SMMEs and small businesses.	12%	<b>Target:</b> 12% <b>Actual:</b> 18% <b>Achieved:</b> Yes <b>Explanation for the deviation:</b> Supply Chain Management implemented additional internal efficiencies to source goods and services from SMME service providers.

Part A:  
General Information

Part B:  
Performance Against Measurable Objectives

Part C:  
Governance

Part D:  
Human Resources Management

Part E:  
Feedback from Statutory Committees

Part F:  
Financial Information

## Performance Against Measurable Objectives *(continued)*

for the year ended 31 March 2020

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2019/2020	Status for the 12 months ended 31 March 2020
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation of management control achieved according to the relevant B-BBEE codes.	Achievement of the management control score calculated according to the B-BBEE scorecard. The maximum score attainable is 20.	16	<b>Target:</b> 16 <b>Actual:</b> 15.96 <b>Achieved:</b> No <b>Explanation for the deviation:</b> Even though all those appointed during the period were employment equity candidates, the target was not achieved.
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation of staff achieved according to the approved Employment Equity Plan.	Achievement of the employment equity target according to the approved Employment Equity Plan.	70% Black 29% White 1% Other	<b>Target:</b> 70% Black 29% White 1% Other <b>Actual:</b> 70% Black 29% White 1% Other <b>Achieved:</b> Yes Yes Yes

The Auditor-General's report on page 61 indicates the performed procedures to determine whether the reported performance information was presented properly and performance was consistent with the approved performance planning documents.

In addition, the Auditor-General performed further procedures to determine whether the indicators and related targets were measurable and relevant; and also assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The Auditor-General's conclusion, due to a scope reduction, indicated that the procedures did not identify any material findings on the usefulness and reliability of the reported performance information for the following strategic focus area:

- Strategic Focus Area 2: Education and Transformation.

## Situational Analysis

### Service delivery environment

The IRBA, during the period 2016-2020, adopted a Four Pillar Strategy in addition to its primary mandate to contribute to and support national priorities. The focus areas of this strategy were:

- To be a comprehensive regulator of the accounting and auditing professions;
- To strengthen the independence of the IRBA from the auditing profession, as well as the independence of auditors from their clients;
- To strengthen governance and reporting practices on the continent; and
- To influence transformation in the auditing profession.

### Organisational environment

The changed public sentiment towards auditors, auditing and the broader accounting profession, due to a number of high-profile scandals, investigations and disciplinary hearings, has impacted the manner in which the IRBA delivers on its mandate. As such, improving audit quality is a critical success factor in rebuilding confidence, and the IRBA is committed to engaging with the profession, locally and internationally, to identify and rectify issues of poor audit quality.

### Key policy developments and legislative changes

Recently, it became evident that the public expected more from the IRBA than what the APA prescribes or allows, specifically considering the recent audit and accounting failures. Revisiting the limit to monetary sanctions and the speed at which auditors are brought to account were key

among these expectations. The Act amendment process was subsequently fast-tracked, with the amendments submitted to National Treasury in December 2017. These include several changes that will address not only the low level of fines, but also the removal of restrictions to obtain critical information for investigations and a further strengthening of the IRBA's independence.

The amendments apply mostly to the investigation and disciplinary processes. They will provide the IRBA with subpoena powers in the investigation process; simplify the disciplinary hearing process; and provide the Minister of Finance with the power to determine maximum fines, which are currently limited by the audit legislation to a maximum of R200 000 per offence.

The ability to subpoena will ensure that the IRBA has immediate access to all the evidence and audit files it requires to complete an investigation more speedily, even where information is being withheld. This will shorten the duration of investigations, which have previously been delayed by non-cooperation from audit firms.

The disciplinary process will also be simplified, without infringing on the rights of any of the parties. This will be done by removing many of the burdensome legal practices that result in disciplinary matters being heard in a manner similar to that of a high court, making them unnecessarily lengthy and costly.

In dealing with constraints, the amendments propose removing limits to the size of DISCOM, allowing the IRBA to appoint as many members as it determines. That will then allow the IRBA to call on additional resources when there is a substantial increase in the number of matters to be heard. Currently, the limited number of committee members, at times further limited by the exclusion of those who may have a conflict of interest and the availability of members, has a negative impact on the speed at which matters can be heard.

Given the IRBA's focus on public protection, and the fact that some of the investigations and matters referred to it are issues that do not relate to audits, an amendment to allow the IRBA to refer non-audit matters to another relevant body will ensure that it can focus on audit matters. This will improve the utilisation of limited resources for audit matters. The proposed relevant body is currently accredited by the IRBA, meaning that the IRBA will still have oversight over the manner in which investigation processes are run.

The amendments to the APA are likely to have a major impact on the way in which auditors approach their work, quality and ethics. Therefore, we expect a positive impact on their behaviour through an increased focus on audit quality and ethics.


# Performance Against Measurable Objectives *(continued)*

for the year ended 31 March 2020

## Strategic Outcome-Oriented Goals

Accomplishments in terms of the Four Pillar Strategy were as set out in the table below.

National Development Plan 2030	Strategic Focus Area	Outcomes	Accomplishments
Strengthen accountability, improve coordination and prosecute corruption	To be a comprehensive regulator of the accounting and auditing professions.	Oversight over the full system of financial reporting and not only over auditors, so that all role-players can be held accountable.	Research into comprehensive regulation is complete and a final proposal has been adopted by the Board and presented to National Treasury.
Strengthen accountability	To strengthen the independence of the IRBA from the auditing profession, as well as the independence of auditors from their clients.	Independent regulation that is free of influence from those regulated; and to restore public trust in audit opinions.	<p>The IRBA has constituted the Board and its sub-committees with relevant experienced individuals who are independent of the profession.</p> <p>The Mandatory Audit Firm Rotation rule was gazetted and is effective in April 2023. Currently, voluntary rotation is taking place, with some significantly large multinational audited entities having rotated their audit firms.</p> <p>The number of voluntary early rotations led by audited JSE-listed entities has been encouraging. Having successfully drawn attention to concerns over the independence of audit committees, directors and board members as well, the IRBA is encouraged that greater dialogue is occurring around the importance of corporate governance and independence in the financial reporting chain. Subsequently, the South African Reserve Bank issued a directive in 2019 limiting the tenure of non-executive directors on the board of financial institutions to a maximum of nine years. The Public Investment Corporation had for some time been voting against the appointment of independent directors whose tenure on boards had exceeded nine years.</p> <p>The IRBA focuses more on the independence of auditors during its inspections.</p>
Play a leading role in continental development and economic integration	To strengthen governance and reporting practices on the continent.	Independent audit regulation on the continent, sharing best practice and achieving consistency in regulation and audit oversight.	<p>The African Forum of Independent Accounting and Audit Regulators was formed on 2 March 2018 by 11 countries, including South Africa, with the IRBA CEO elected as its deputy chairman.</p> <p>It will assist regulators in Africa to align their independence and regulation with the requirements of the IFIAR and, through collaboration, will improve financial reporting, governance and independent oversight on the continent.</p>
	To influence transformation in the auditing profession.	Correct the imbalances and inequities of the past.	The IRBA is a signatory to the CA Charter and continues to engage with stakeholder associations representing Black women accountants and auditors.



*The number of investigations continues to rise, with more high-profile cases that involve accounting irregularities being added to our investigations list.*

*Abel Dlamini, Chairman*

# PART C

## GOVERNANCE



# Governance

## The Board

The Board is the designated accounting authority that governs the IRBA in accordance with the provisions of the Auditing Profession Act, the Public Finance Management Act, 1999 (PFMA) and good corporate governance principles.

In line with our policy to adhere to best practice, we consider and monitor relevant codes on governance and any further available guidance that will enhance current practices. Consequently, no material issues were identified to suggest shortcomings in governance.

## Composition of the Board

Board members are all non-executive members appointed by the Minister of Finance. In terms of the APA, the Minister must appoint not less than six, but not more than 10, persons as members of the Board. The Board had six members for the period under review.

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

## Board Meetings

The Board met four times during the year under review. Attendance at the Board (inclusive of special Board meetings) and subcommittee meetings for 2019/2020 is set out below.

Board Member	Board	Operations Committee (OPSCOM)	Audit and Risk Management Committee (ARMCO)	Disciplinary Advisory Committee (DAC)
<b>Total No. of Meetings</b>	4	5	5	4
A Dlamini (Chairman)	4	n/a	n/a	n/a
M Janse van Rensburg (Deputy Chairman)	4	n/a	5	4
N Mashile	1	n/a	1	n/a
M Motala	4	5	n/a	4
Z Ntsalaze	4	n/a	5	n/a
M Petros	4	5	n/a	n/a

During the year under review the Board members were as follows:

BOARD MEMBERS DURING THE YEAR				
Name	Qualifications	Designation	Date appointed	Position/Directorships
Mr Zolile Abel Dlamini (Chairman)	B Com (Acc) B Compt (Hons)	CA (SA)	15 April 2015	Executive Chairman at SekelaXabiso; SekelaXabiso CA Incorporated; SekelaXabiso Financial Services; Cross Border Life Cover; Alpha Conference Centre; SKX Foundation; Pazocap; Julosol; Sportsfam International
Ms Martie Jacoba Janse Van Rensburg (Deputy Chairman and Chairman of DAC)	B Com B Compt Hons	CA (SA)	10 May 2017	Development Bank of Southern Africa; Etion Ltd; Sephaku Holdings Ltd; SaveTNet Cyber Security NPC

BOARD MEMBERS DURING THE YEAR				
Name	Qualifications	Designation	Date appointed	Position/Directorships
Ms Nkabaneng Tebogo Mashile	B Acc. Science M Com	CA (SA)	10 May 2017	Senior Lecturer at Wits University; Phenyo Entertainment Unlimited (Pty) Ltd; Phepo Holdings (Pty) Ltd; Potego Properties (Pty) Ltd
Mr Mohamad Iqbal Motala (Chairman of OPSCOM)	B Proc	Attorney	10 May 2017	Consultant for various law firms
Ms Zuziwe Ntsalaze (Chairman of ARMCO)	B Com Accounting Honours  MBA (cum laude)	CA (SA)	10 May 2017	Operational Risk Manager at Investec; Drivers Licence Card Authority
Mr Madoda Alfred Petros	B Com Advanced Tax Certificate	CA (SA)	10 May 2017	Chief Risk Officer at Ubank (retired end-February)

*Note: On the Board, the Minister is represented by the Accountant-General.*

## Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. It is also ultimately responsible for ensuring that adequate accounting records and effective systems of internal control are maintained. To enable it to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control, in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the APA. In the execution of its duties, the Board is assisted by three committees.

## Audit and Risk Management Committee

The objective of the committee is to assist the Board with the responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information, overseeing the preparation of the annual financial statements and Information and Communication Technology (ICT) governance.

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

The committee met four times during the period to review matters arising from internal risk analysis; the external audit plan and the budget; matters arising from the completed internal and external audits; and for the fair presentation of the financial statements to the Board.

## Disciplinary Advisory Committee

In terms of the Auditing Profession Act, INVESCO investigates all complaints and then recommends to the Board whether to charge a registered auditor with improper conduct.

The Board has delegated to the DAC the function of determining the final outcome on the matters on which INVESCO has made a recommendation.

The DAC consists exclusively of Board members. It functions independently from INVESCO and DISCOM and reports to the Board.

At the Board's request, the public interest entity/high profile matters are being prioritised for investigation. These matters are complex and require significant resource capacity.

## Governance *(continued)*

### **Matters finalised**

During the 12 months under review, the DAC met four times and finalised 60 matters.

### **Decisions not to charge**

- Four matters in terms of Disciplinary Rule 3.5.1.1 – the respondents were not guilty of improper conduct.
- Five matters in terms of Disciplinary Rule 3.5.1.2 – there were reasonable explanations for the respondent's conduct.
- Five matters in terms of Disciplinary Rule 3.5.1.4 – there were no reasonable prospects of succeeding with charges of improper conduct against the respondents.

### **Decisions to charge and matters finalised by consent order**

Thirty (30) matters were finalised by consent orders, and the respondents were fined.

### **Decisions to charge and matters referred for a disciplinary hearing**

Sixteen (16) matters were referred to DISCOM for a full hearing.

### **Operations Committee**

This committee's objective is to assist the Board with human resources, including the annual review of the performance and remuneration of the CEO; regularly assess staff benefits and trends; and review changes to the personnel policies of the Board. The committee also assists with nominations for all appointments to the IRBA statutory committees by making recommendations to the Board. It is further tasked to consider reports from the directors on operational and functional matters.

It operates in accordance with terms of reference that are authorised by the Board and reviewed annually.

The committee met four times during the financial year to consider and recommend to the Board matters arising from human resources, nominations of members to other IRBA statutory committees and operational issues.

### **Internal Auditors**

We appointed National Treasury's Internal Audit Shared Services with effect from 1 November 2018 for this function. ARMCO approved an internal audit plan for the financial year. Internal audit performed its activities as per the plan and tabled progress reports at ARMCO meetings.

### **External Auditors**

The AGSA, our external auditors, provide an independent assessment of our systems of internal financial control and express an independent opinion on our financial statements. The external auditors' plan is reviewed by ARMCO to ensure that significant areas of concern are covered; and this is done without infringing on the external auditors' independence and right to audit.

### **Strategic Plan and Budget**

Our management prepares the business plan, strategic plan and budget for Board consideration and approval. Thereafter, the strategic plan and budget are duly submitted to National Treasury for its consideration and approval. Quarterly reports, including the management accounts, performance information and the PFMA compliance checklist, are also submitted to National Treasury, as per the requirements of the PFMA and Treasury Regulations.

### **Social Responsibility**

The Corporate Social Responsibility Committee leads the IRBA's involvement with community projects. The formal events and projects of this committee are managed mostly through donations from staff members which are matched by the IRBA. Staff serve on the committee as volunteers, in addition to their regular jobs.

During the 2019/2020 financial year, the IRBA adopted feeding scheme learners from Nobel Primary School and provided them with non-perishable items and care packs.

Nobel Primary School is in our neighbouring community in Modderfontein and has a learner population of over 1 200 learners.

Little Eden Home caters for people with profound intellectual disabilities – those who are classified as uneducable. Priority is given to those who have been abandoned or abused, or who come from severely disadvantaged backgrounds, and the home focuses on lifelong residential care. Little Eden is situated in the neighbouring suburb of Edenvale.

Below is the list of projects that were undertaken by the committee during the year under review.

### Toiletry Drive



- Items received were donated to the Nobel Primary School and Little Eden Home.

### Nobel Primary School Winter Drive



- Winter school uniforms were donated to 27 learners.

### IRBA and Nobel Primary School Mandela Day Netball Game



- The IRBA staff spent the morning playing netball against various teams of learners and donated stationery items, non-perishable items for the feeding scheme and sanitary pads.

### IRBA Food Drive



- Donations of non-perishable items received from the IRBA staff towards the International Day for the Eradication of Poverty event were donated to the Nobel Primary School and Little Eden Home.

### IRBA Pantry



- We believe that supporting our own staff is as important as being involved with the community. To that end, we have established an IRBA pantry for staff members to assist them with breakfast and lunch, when there is an urgent need, and with small household grocery items.

### Corporate Governance in Relation to the King IV Report on Corporate Governance

The considerations and applications of the recommended practices are proportionally in line with our size and resources, as well as the extent and complexity of our activities.

#### **PRINCIPLE 1: LEADERSHIP – The Board should set the tone and lead ethically and effectively.**

Board members hold each other accountable for decision-making and act in a way that displays the ethical characteristics stated in King IV. The Board Chairman has been tasked with monitoring this as part of his duties. Also, performance assessments of individual Board members are conducted (externally and internally).

#### **PRINCIPLE 2: ORGANISATIONAL ETHICS – The Board should ensure that the organisation's ethics are managed effectively.**

Our guiding values are independence, integrity, objectivity, commitment, transparency and accountability. Our Code of Conduct is applicable to employees and is also part of contractual arrangements with parties in the supply chain. Behavioural competency evaluations of employees also include an assessment of ethical conduct, and a consequence management system is in place to address breaches.

#### **PRINCIPLE 3: RESPONSIBLE CORPORATE CITIZENSHIP – The Board should ensure that the organisation is a responsible corporate citizen.**

We strive to integrate responsible corporate citizenship as part of the way we do things, and performance measures in respect thereof are shared across functions and departments. The Board oversees and monitors (using agreed-upon performance indicators and targets) our status as a good corporate citizen in areas such as compliance, stakeholder perceptions and employment equity, in line with our Strategic Plan. Compliance is monitored by the compliance officer. Quarterly reports are submitted to the Management Committee (MANCO), ARMCO and the Board.

#### **PRINCIPLE 4: STRATEGY AND PERFORMANCE – The Board should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements.**

The Board steers and sets our direction, purpose and strategy. MANCO has been delegated with the formulation of the strategic plan. During the process, risks, opportunities, resources and relationships, among others, are considered. Through the Board and the relevant committees, there are ongoing assessments and responses to any negative consequences for the economy and public interest in general.

#### **PRINCIPLE 5: REPORTING – The Board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.**

This report and the Integrated Report provide users with a holistic, clear, concise and understandable presentation of our performance in terms of sustainable value creation in the economic, social and environmental context within which we operate. To further refine our performance regarding this principle, we actively solicit input from key users of our reports to enhance our reporting.

#### **PRINCIPLE 6: PRIMARY ROLES AND RESPONSIBILITIES OF THE BOARD – The Board should serve as the focal point and custodian of corporate governance in the organisation.**

These roles and responsibilities are documented in the Board Charter, reflected in the work plan and executed through the duties and decision-making with which Board members are tasked.

**PRINCIPLE 7: COMPOSITION OF THE BOARD – The Board should ensure that in its composition it comprises a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.**

In January 2018, the Board approved a skills matrix for itself and statutory committees. During the period under review, the Board, with OPSCOM, considered its composition in terms of balance of power, skills, experience, diversity, independence and knowledge, including whether all this enables it to effectively discharge its role and responsibilities. As a result of this consideration, it identified that there was a need for more diversity to add depth to discussions. A Request for Nominations was published in the Government Gazette to ensure a variety of applications for the new Board.

**PRINCIPLE 8: COMMITTEES OF THE BOARD – The Board should consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating accountability.**

The IRBA committees are established in terms of the Auditing Profession Act.

**PRINCIPLE 9: EVALUATION OF THE PERFORMANCE OF THE BOARD – The Board should ensure that the appointment of, and delegation to, competent executive management contributes to an effective arrangement by which authority and responsibilities are exercised.**

This appraisal is conducted once during the two-year term of the Board. An external Board evaluation was conducted. A detailed delegation of authority is in place. An assessment of the performance of the Board Secretary is conducted annually by the CEO.

**PRINCIPLE 10: APPOINTMENT AND DELEGATION TO MANAGEMENT – The Board should ensure that the performance evaluations of the Board, its structures, its chair and members, the CEO and the company secretary or corporate governance professional result in continued improved performance and effectiveness.**

Assessments of the performance of the CEO and management are conducted annually. It is the opinion of the Board that it, and its structures, should function in an integrated manner. The Board, with the assistance of the Board Secretary, continues to take a holistic view of its charter.

**PRINCIPLE 11: RISK GOVERNANCE – The Board should govern risk and opportunity in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.**

The Board sets the approach for risk governance within the IRBA. ARMCO has been tasked to assist the Board with the governance of risk and has approved a risk management policy. As risk management permeates all aspects of the operations of the organisation, risk is overseen at executive level and continuously assessed by the accounting authority.

**PRINCIPLE 12: TECHNOLOGY AND INFORMATION GOVERNANCE – The Board should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.**

The Board assumes responsibility for the governance of technology and information by setting the direction for how technology and information should be approached and addressed to achieve strategic objectives. Information governance documents and policies for technology and information are in place and have been approved by ARMCO, which has been delegated with the responsibility over information technology governance. The IRBA's response to the Fourth Industrial Revolution and disruptive technologies has been considered in our next Five-Year Strategy.

**PRINCIPLE 13: COMPLIANCE GOVERNANCE – The Board should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards.**

Compliance with all applicable laws is governed by the Board in a way that allows us to achieve our strategic objectives and be an ethical and good corporate citizen. There were no regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations. Compliance is reported on at ARMCO and Board meetings.

**PRINCIPLE 14: REMUNERATION GOVERNANCE – The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.**

The Board ensures that we remunerate fairly, responsibly and transparently so as to promote the achievement of our strategic objectives and positive outcomes in the short, medium and long terms. A remuneration policy is in place and an annual benchmarking of the CEO's and staff salaries is performed.

**PRINCIPLE 15: ASSURANCE – The Board should ensure that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.**

This report gives information on assurance provided. The disclosure by ARMCO on internal financial and reporting controls is also included. A Combined Assurance Plan was approved by the Board in May 2018.

**PRINCIPLE 16: STAKEHOLDERS – As part of its decision-making in the best interests of the organisation, the Board should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations.**

We have identified key stakeholder groupings as well as their legitimate and reasonable needs, interests and expectations. Stakeholder relationship programmes have been developed to ensure continual engagement. Key stakeholder engagements are reported to the Board at each Board meeting, and a detailed report on stakeholder meetings is presented. Also, strict requirements and processes have been developed for the dissemination of content to our stakeholders.

### B-BBEE Compliance Performance Information

**This table is in compliance to the Broad-Based Black Economic Empowerment Act requirements, as set by the Department of Trade and Industry. Where there has been no or partial compliance with the criteria, the entity has to provide an explanation (discussion) and also indicate the measures taken to comply.**

**Has the IRBA applied any relevant Codes of Good Practice (B-BBEE Certificate Levels 1-8) with regard to the following?**

Criteria	Response Yes/No	Discussion
Determining the qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	We register individuals and firms in terms of the APA and determine the registration criteria. The requirements are contained within the transformation interventions we carry out.
Developing and implementing a preferential procurement policy?	Yes	The Preferential Procurement Strategy has been incorporated into the B-BBEE strategy and policy.
Determining the qualification criteria for the sale of state-owned enterprises?	No	Our mandate does not include this activity.
Developing criteria for entering into partnerships with the private sector?	No	We have not entered into, nor do we envisage any, private sector partnerships, due to our independence.
Determining the criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	Our mandate does not include these activities.

*As a regulator and a standard setter, the IRBA is part of the governance chain that is critical to this process of resilience which will help to restore confidence in financial markets through transparency and accountability.*

*Bernard Agulhas, CEO*

# PART D

## HUMAN RESOURCE MANAGEMENT

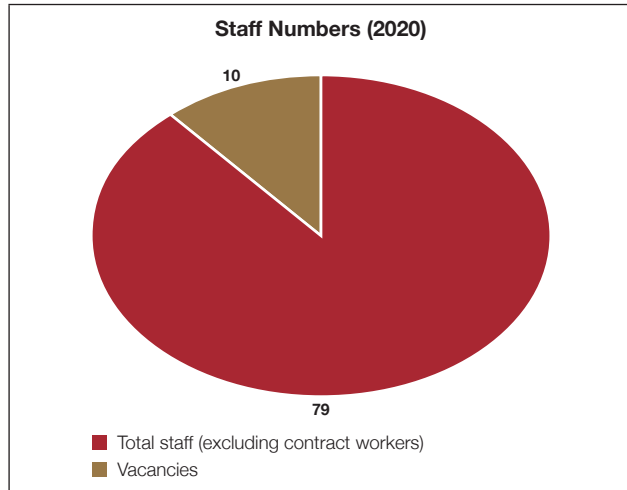


# Human Resources

## An Overview

### The Value of Human Capital

As a service entity, IRBA staff members are our most valuable assets. The total staff expenditure for the period was R90 million (2019: R83 million), representing 59% (2019: 63%) of the IRBA's total expenses.



### Overview of Human Resources (HR) Practices

We ensure that we comply with employment legislation, i.e. the Labour Relations Act (Act 66 of 1995); the Basic Conditions of Employment Act (Act 75 of 1997); the Employment Equity Act (Act 55 of 1998); the Skills Development Act (Act 97 of 1998); the Occupational Health and Safety Act (Act 181 of 1993); and the various HR codes of best practice.

For ongoing communication with staff members, the CEO and senior management hold monthly staff meetings to provide feedback on relevant matters. In addition, our intranet is used as a communication tool to drive employee engagement. Our policies and procedures also reflect our commitment to being regarded as an employer of choice.

During the year, the following HR policies were either drafted or updated and then approved by the Board:

- Code of Conduct Policy;
- Engaging in Private Work Policy;
- Training Policy;
- Long Service Award Policy;
- Resignations Policy;
- Retirement Policy;
- Staff Referral Policy (new);
- Overtime Policy;
- Financial Assistance to Employees Policy;
- Recruitment & Selection Policy;
- Sexual Harassment Policy;
- Medical Aid Policy; and
- Children at Work Policy.

## Employee Reward and Performance Management Framework

We recognise that reward is intrinsically linked to individual and organisational performance. As such, our approach to reward is consistent with our objectives and strategic value drivers. As a result, the objectives of the IRBA's reward programme are to assist us to:

- Compete for talent in an increasingly competitive labour market.
- Ensure a transformed workforce.
- Retain talented employees who enhance business performance.
- Motivate individual and team performance, which drives stakeholder value for the IRBA.

All components of the reward strategy – including the fixed pay portion, variable pay, performance management, learning and personal growth, and the work environment – are aligned to the IRBA's strategic direction and specific value drivers. The performance measurement of staff is extended to include our staff's behavioural competencies by including a 360-degree evaluation of behaviours.

## Human Resources Oversight Statistics

### Staff Complement

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

STAFF COMPLEMENT (Excl. contract workers)										
	2020	%	2019	%	2018	%	2017	%	2016	%
Black Female	35	44	32	40	33	40	33	41	24	33
White Female	14	18	15	19	16	19	16	20	20	27
Black Male	22	28	24	30	26	29	23	27	18	24
White Male	8	10	9	11	10	12	10	12	12	16
<b>Total Staff</b>	<b>79</b>	<b>100</b>	<b>80</b>	<b>100</b>	<b>85</b>	<b>100</b>	<b>82</b>	<b>100</b>	<b>74</b>	<b>100</b>

PERSONNEL COST OF PERMANENT STAFF BY SALARY BAND				
Level	Personnel Expenditure R	% of Personnel Expenditure to Total Expenditure	Number of Employees	Average Personnel Cost per Employee R
Top management	3 740 420	5%	1	3 740 420
Senior management	12 762 320	15%	6	2 127 053
Professionally qualified	51 431 031	64%	39	1 318 744
Skilled	6 044 579	8%	11	549 507
Semi-skilled	5 678 481	7%	18	315 471
Unskilled	699 004	1%	4	174 751
<b>Total</b>	<b>80 355 835</b>	<b>100%</b>	<b>79</b>	<b>1 017 162</b>

TRAINING COSTS					
Level	Personnel Expenditure R	Training Expenditure R	Training Costs as % of Personnel Costs	Number of Employees Trained	Average Training Cost per Employee R
Top management	3 740 420	1 260	0.0%	1	1 260
Senior management	12 762 320	22 306	0.2%	6	3 718
Professionally qualified	51 431 031	385 981	0.8%	39	9 897
Skilled	6 044 579	39 130	0.6%	11	3 557
Semi-skilled	5 678 481	32 262	0.6%	18	1 792
Unskilled	699 004	1 095	0.2%	4	274
<b>Total</b>	<b>80 355 835</b>	<b>482 034</b>	<b>2.3%</b>	<b>79</b>	<b>20 498</b>

## Human Resources *(continued)*

PERFORMANCE REWARDS			
Level	Bonus R	CTE R	% of CTE
Top management	508 406	3 740 420	11.97%
Senior management	668 880	12 762 320	4.98%
Professionally qualified	3 811 650	51 431 031	6.90%
Skilled	287 170	6 044 579	4.54%
Semi-skilled	271 070	5 678 481	4.56%
Unskilled	31 880	699 004	4.36%
<b>Total</b>	<b>5 579 056</b>	<b>80 355 835</b>	<b>6.49%</b>

LONG-SERVICE AWARDS			
Level	Rewards R	Personnel Expenditure R	% of Rewards to Personnel Expenditure
Top management	0	3 740 420	0.0%
Senior management	0	12 762 320	0.0%
Professionally qualified	60 293	51 431 031	0.1%
Skilled	0	6 044 579	0.0%
Semi-skilled	80 406	5 678 481	1.4%
Unskilled	0	699 004	0.0%
<b>Total</b>	<b>140 699</b>	<b>80 355 835</b>	<b>0.175%</b>

EMPLOYMENT AND VACANCIES				
	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies
Top management	1	1	1	0
Senior management	4	6	6	0
Professionally qualified	42	47	39	8
Skilled	11	11	11	0
Semi-skilled	18	21	18	3
Unskilled	4	3	4	-1
<b>Total</b>	<b>80</b>	<b>89</b>	<b>79</b>	<b>10</b>

EMPLOYMENT CHANGES (Over the financial year)				
Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top management	1	0	0	1
Senior management	4	2	0	6
Professionally qualified	42	4	7	39
Skilled	11	0	0	11
Semi-skilled	18	2	2	18
Unskilled	4	0	0	4
<b>Total</b>	<b>80</b>	<b>8</b>	<b>9</b>	<b>79</b>

We experienced a relatively low staff turnover rate during the year. Partly, this could be due to our focus on staff retention, as part of our HR objectives.

REASONS FOR STAFF LEAVING	
Reason	Number
Resignation – career advancement	9
<b>Total</b>	<b>9</b>

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION	
Nature of Disciplinary Action	Number
Written warning	-
Final written warning	1
Dismissal	-
Referral to the Commission for Conciliation, Mediation and Arbitration (CCMA)	1

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS (Target 2020)								
Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
100	44	56	59	9	10	21	1	2
<b>100%</b>	<b>44%</b>	<b>56%</b>	<b>59%</b>	<b>9%</b>	<b>10%</b>	<b>21%</b>	<b>1%</b>	<b>2%</b>

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS (Actual 2020)								
Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
79	30	49	30	9	17	22	1	2
100%	38%	62%	38%	11%	21%	29%	1%	3%

The total target for Black employees is 78%, against the actual achievement of 70%. We have made every effort to achieve this target for the period and will focus on improving representation through new recruitments in the next financial year.

We have an Employment Equity Forum (EEF) that consists of eight staff members, who represent all employment equity categories and assist management to ensure compliance with the Recruitment Policy as well as fairness and transparency throughout all recruitment drives.

The EE Plan was revised, updated and approved by the Board in December 2015 for the five years from 2016 to 2020. A revised plan is in the process of being drafted for the next five-year period. It will be drafted by the EEF in consultation with all IRBA staff.

EMPLOYMENT EQUITY STATUS PER LEVEL						
	2019/2020 No. of Employees	African	Indian	Coloured	White	Foreign
Top management	1	-	-	1	-	-
Senior management	6	1	2	1	2	-
Professionally qualified	39	10	13	2	13	1
Skilled	11	4	1	2	4	-
Semi-skilled	18	12		3	3	-
Unskilled	4	4	-	-	-	-
<b>Total</b>	<b>79</b>	<b>31</b>	<b>16</b>	<b>9</b>	<b>22</b>	<b>1</b>

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

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top management	1	-	-	1
Senior management	6	1	3	4
Professionally qualified	42	4	4	42
Skilled	13	-	2	11
Semi-Skilled	19	3	4	18
Unskilled	4	-	-	4
<b>Total</b>	<b>85</b>	<b>8</b>	<b>13</b>	<b>80</b>

The IRBA experienced a low staff turnover rate during the year, a sign of tough economic conditions in the country. Staff retention is high and this is due to the IRBA being seen as an employer of choice.

### *Reasons for Staff Leaving*

Reason	Number
Resignation	10
End of contract	3
<b>Total</b>	<b>13</b>

### *Labour Relations: Misconduct and Disciplinary Action*

Nature of Disciplinary Action	Number
Written warning	-
Final written warning	1
Dismissal	-
Referral to the CCMA	1

## Human Resources *(continued)*

### Equity Target and Employment Equity Status

#### Target 2019

Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
102	44	56	56	8	10	25	1	2
100%	44%	56%	55%	8%	10%	24%	1%	2%

#### Actual 2019

Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
80	33	47	35	6	14	24	1	2
100%	41%	59%	44%	7.5%	17.5%	30%	1%	2%

The total target for Black employees is 73% against the actual of 69%. The IRBA made every effort to achieve its employment equity targets for the period. This is addressed by incorporating the premium approach into the Recruitment and Selection Policy. This method is being used in pursuance of establishing an equitable staff composition for the IRBA.

Employment Equity status per level is as follows:

	2018/2019 No. of Employees	African	Indian	Coloured	White	Foreign
Top management	1	-	-	1	-	-
Senior management	4		2		2	-
Professionally qualified	42	13	11	2	15	1
Skilled	11	4	1	2	4	-
Semi-skilled	18	14	-	1	3	-
Unskilled	4	4	-	-	-	-
<b>Total</b>	<b>80</b>	<b>35</b>	<b>14</b>	<b>6</b>	<b>24</b>	<b>1</b>

*South Africa, like the rest of the world, has been gripped by a devastating pandemic ... The outbreak presented an opportunity for everyone, including the auditing profession, to reflect on their respective public interest responsibility.*

*Bernard Peter Agulhas, CEO*

# PART E

## FEEDBACK FROM STATUTORY COMMITTEES



## Education and Transformation Committee

T Naidoo



This committee was established to assist the Board in the performance of some of its functions, with regard to education, training and the professional development of RAs; the accreditation of professional bodies and the subsequent monitoring thereof; and the prescription of competency requirements for the registration of auditors. It is also responsible for assisting the Board in its institutional responsibility to facilitate transformation in the profession.

It is with great pleasure that I present a summary of the work of the committee and the Education and Transformation Department (Secretariat) for the 2019/2020 financial year.

During the period, the Secretariat welcomed Nadine Kater as Director Education and Transformation.

### Accreditation and Monitoring of Professional Bodies

The IRBA accredits professional bodies that apply for accreditation and demonstrate compliance with the institutional and programme requirements contained in the Accreditation Model. Currently, SAICA is the only accredited professional body. Towards the end of the period under review, a process commenced to review a new accreditation application.

The figure below presents an overview of the monitoring process followed, which EDCOM initiated to perform an annual risk assessment of SAICA against each of the accreditation requirements.

Members	Number of Meetings Attended	Membership Status
Ms T Naidoo	4 of 4	Chairman
Mr U Mkiva	4 of 4	Member
Ms S Mokoena	4 of 4	Member
Mr V Pangwa	2 of 4	Member
Ms C Le Grange	2 of 4	Member
Mr F Kwahene	3 of 4	Member
Ass. Prof. G Modack (SAICA representative)	2 of 4	Member
Prof. K Barac (SAICA representative)	1 of 4	Term ended
Ms R Malahleha	-	Resigned

*The IRBA accredits professional bodies that demonstrate compliance with the requirements in the Accreditation Model*



Figure 1: An overview of the monitoring process.

It is important to highlight that the professional body's commitment to transformation has a direct impact on many aspects of transformation in the profession, including the pipeline of potential RAs. The IRBA, therefore, shared its grave concern about the decline in the pass rates of Black candidates for SAICA's Assessment of Professional Competence examination. Overall, it was concluded that SAICA and its programmes were of an appropriate standard to retain accreditation.

As part of the Accreditation Model, trainees who select the audit and assurance elective are required to register their training contracts with the IRBA.

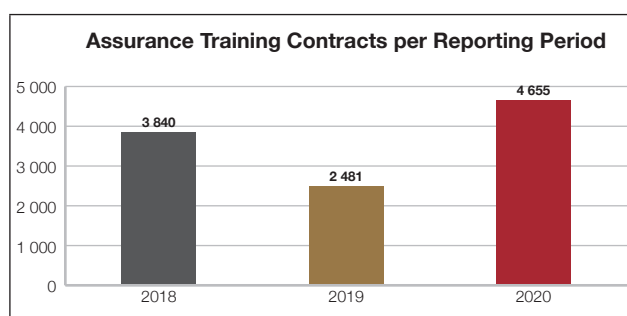


Figure 2: Assurance training contracts.

The annual fluctuation seen in Figure 2 is due to the fact that the months with the highest number of training contracts processed are usually February to April, and they span across two reporting periods. When analysed by calendar year, the assurance training contracts processed have been increasing year-on-year.

### Audit Development Programme

A total of 80 RCAs (2019: 170) registered on the programme during the period under review. Since its inception, a total of 75 RCAs have successfully completed the programme, with 33 completing it during the period under review.

As noted in the last report, the Secretariat performed an assessment on how the programme has been progressing over the years. The objective of the research was to explore ways to improve the ADP to ensure that it is efficient and effective, and that it produces suitably qualified and competent RAs.

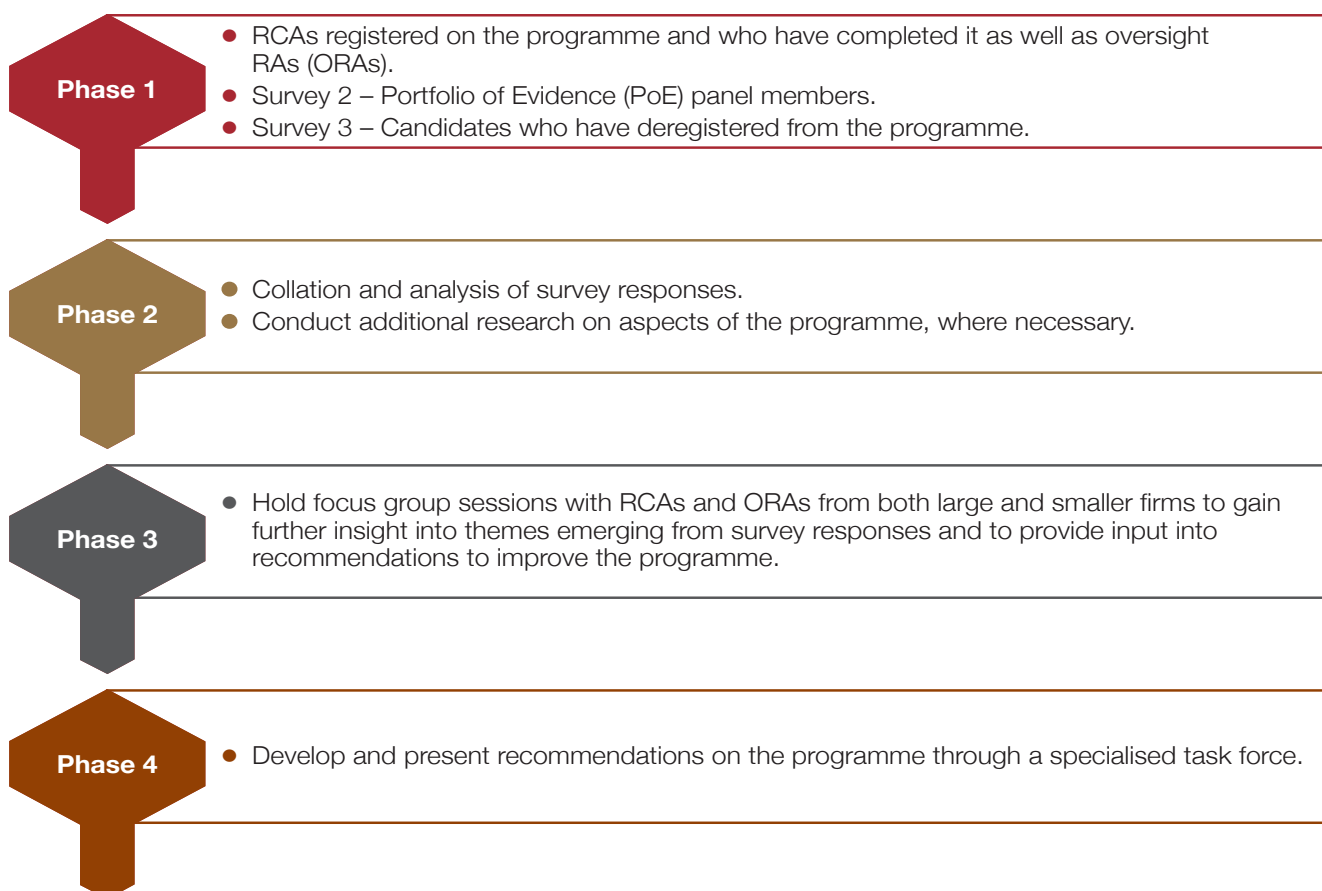


Figure 3: An overview of the ADP research project.

All the phases have been completed, and a specialised task force has been formed to take the work further.

### ADP Monitoring

The ADP Monitoring process ensures that the environments in which the RCAs work are conducive to the development of audit competence, while it also independently validates the work they perform. The monitoring activities are developmental in nature, with robust recommendations provided where improvement areas have been identified.

During the period under review, the Secretariat completed 42 (2019: 44) ADP monitoring visits at different audit firms across the country. Key findings were:

- Firms do not have specific HR policies and procedures.
- The firms' quality control systems (quality control manuals), which ensure that firms comply with professional standards and applicable legal requirements, are not being regularly updated and revised.
- There is an inability to comply with the file and document retention requirements of the quality control standard.

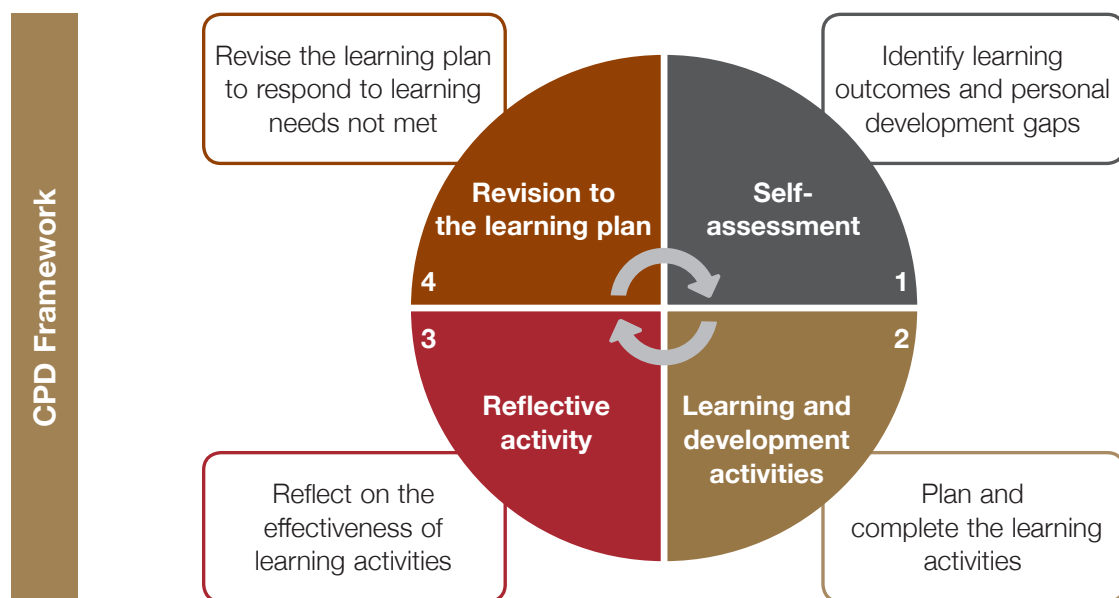
### Continuing Professional Development Policy

During the period under review, the committee (with the support of a task force) completed its work on a new CPD Policy and related guidance applicable to all RAs. The Board-approved policy is effective as of 1 January 2020.



**The new policy requires that RAs be more intentional in their approach to maintaining their professional competence.**

**This is achieved through the prescription of a CPD Framework that shall be followed in applying the CPD Policy.**



**The CPD Policy also requires that RAs plan for, complete and record learning and development activities on ethics annually. During a reporting period an RA shall complete a minimum of three hours of relevant learning and development activities on ethics.**

**RAs shall also perform self-assessment activities on audit and assurance topics annually, to identify relevant learning outcomes and personal development gaps. RAs shall then plan for, complete and record relevant learning and development activities to address those learning and development gaps identified.**



Figure 4: A snapshot of the new CPD Policy.

## CPD Monitoring

The IRBA monitors a sample of RAs for CPD compliance annually. During the period under review, monitoring was performed in relation to the 2018 calendar year. Further action is being taken to address identified issues.

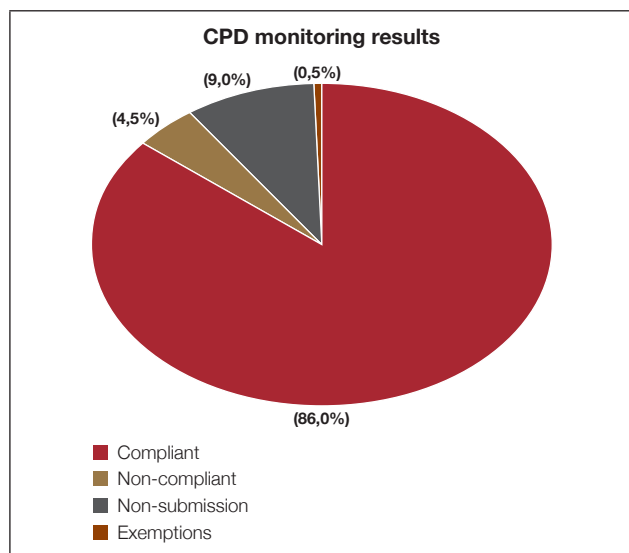


Figure 5: A summary of the 2018 CPD monitoring results.

## Proficiency

Proficiency interviews are conducted as part of the RA registration process to determine assurance competency. During the period, the proficiency policy and process were amended to include a requirement that all applicants who completed either the Public Practice Examination or the ADP more than three years ago would have to attend a proficiency interview.

	Register as an RA	Additional CPD required	Additional CPD and audit experience required	Total
Number of applicants	53	27	17	97
% Total	55%	28%	18%	100%

Figure 6: A summary of the outcome of the proficiency interviews.

## Transformation Initiatives

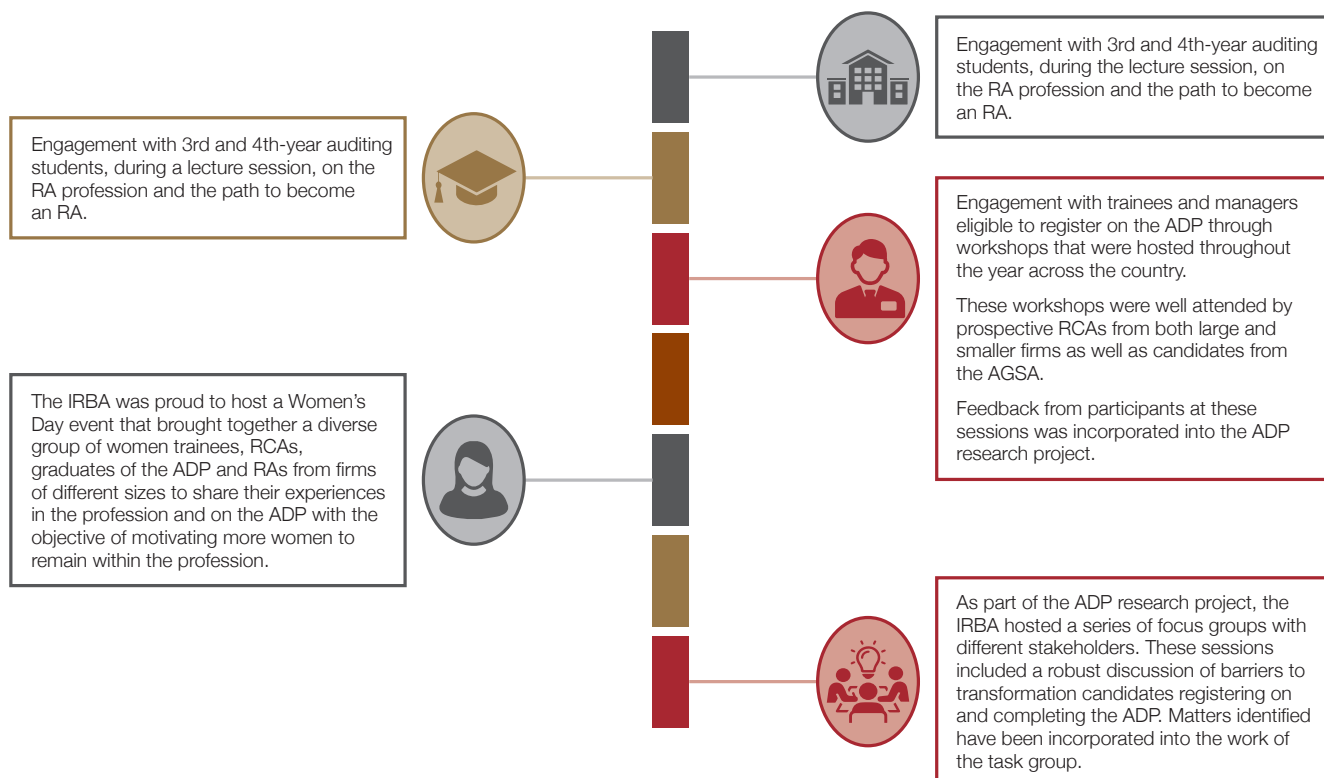


Figure 7: Transformation initiatives.

## Education and Transformation Committee *(continued)*

### Competency Framework

The IRBA commissioned a study into the future competency needs of RAs, as that will influence the competency framework for the RA qualification. The data and results of the 2017/2018 research are being analysed to develop a revised RA competency framework.

### Appreciation

My sincere gratitude to the committee members for bringing their expertise and experience to the table; and for engaging in constructive, challenging and open dialogue. Their valuable contributions and support were essential in successfully delivering on EDCOM's mandate and steering the work of the Secretariat. Without their commitment, our achievements would not have been possible.

EDCOM is supported by the ADP Committee, the Monitoring Committee and the task forces set up to assist on specific projects. I would like to extend EDCOM's gratitude to both subcommittees and the task forces for their hard work and commitment.

Finally, I wish to thank the staff of the Education and Transformation Department for their diligent efforts and passion for education and transformation that have resulted in these achievements.

**Taruna Naidoo**

*Chairman*

# Committee for Auditor Ethics

V Naicker



Members	Number of Meetings Attended	Membership Status
Mr V Naicker	4 of 4	Chairman
Mr S Davies	4 of 4	Deputy Chairman
Ms M Bezuidenhout	3 of 4	Member
Mr A Bulbulia*	3 of 4	Member
Ms F Jeeva	3 of 4	Member
Mr R Mahabeer	4 of 4	Member
Mr F Mitchell*	3 of 4	Member
Ms L Ratsoma**	3 of 3	Member
Ms D Coopasamy***	1 of 1	Member
Mr H Snoyman***	1 of 1	Member
Prof J Winfield***	1 of 1	Member

\*Mr A Bulbulia and Mr F Mitchell were re-appointed for a second term effective 1 April 2020.

\*\*Ms L Ratsoma's second and final term ended on 31 March 2019. She served until her replacement was appointed.

\*\*\*Ms D Coopasamy, Mr H Snoyman and Prof J Winfield were appointed to the committee under the category of "Users of Audits", with effect from 1 January 2020.

It gives me pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2019/2020 financial year. The auditing profession continues to be faced with a lot of scrutiny, specifically relating to ethical behaviour. During the 2018/2019 financial year, the committee worked on major revisions and the restructuring of the IRBA Code of Professional Conduct, which resulted in the release of the IRBA Code of Professional Conduct (Revised November 2018) (IRBA Code). It continues to update and advocate the use of the IRBA Code.

## Revisions to Part 4B of the IESBA Code

The committee considered and recommended revisions to the IESBA revisions to Part 4B, Independence for Assurance Engagements Other than Audit and Review Engagements, of the revised and restructured International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). The revisions were to ensure that the code reflects terms and concepts used in International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. This included a public consultation process by the IRBA.

## Second Opinions

The Second Opinions Task Group considered amendments to Section 321 of the IRBA Code. This project involved the withdrawal of Circular 01/2006, Giving Second Opinions, issued in November 2006 by the Committee for Auditing Standards (CFAS). It further incorporated key concepts from the Circular and other enhancements into the IRBA Code. Then, the IRBA published the Final Amendments to the IRBA Code (Revised November 2018) in respect of Section 321: Second Opinions. The changes are effective for engagements commencing on or after 15 January 2020.

## Rules Regarding Improper Conduct

The Rules Regarding Improper Conduct Task Group considered and finalised amendments to the IRBA Rules Regarding Improper Conduct (IRBA Rules). The need for revisions to the Rules was due to the following:

- Recent IRBA disciplinary hearings had brought to light the need for potential improvements in the wording of certain rules.
- Some of the Rules were outdated or no longer required. For example, references to training contracts were removed as these are now dealt with by SAICA, and not the IRBA.
- The Rules required some amendments in light of the issuing of the revised IRBA Code.
- The APA amendments in 2015 included the regulation of RCAs. Consequently, an update to the Rules was required to consider potential investigations of these individuals.

## Amendments relating to Registered Candidate Auditors

The Registered Candidate Auditors Task Group proposed and recommended amendments to the IRBA Code to clarify the application of the IRBA Code to RCAs. At the commencement of the ADP, RCAs acknowledge their obligation to comply with the IRBA Code. While the IRBA Code addresses the definition and role of an RA, including both the individual and the firm, it previously did not specifically address the role and definition of an RCA.

## Committee for Auditor Ethics *(continued)*

### IESBA and National Standard-Setters' Meeting

The IRBA maintains contact with the IESBA by attending its meetings, providing written comments on its projects and meeting annually with other national standard setters under the IESBA's auspices.

### Comment Letters Provided on International Pronouncements

Comment letters were submitted to the IESBA and the IAASB during the year on the following:

- The IESBA's Exposure Draft: Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised).
- The IESBA's Exposure Draft: Role and Mindset of the Professional Accountant.
- The IAASB's Exposure Draft, Conforming Amendments to the IAASB's International Standards as a Result of the Revised IESBA Code.

### Appreciation

I wish to express my appreciation to the members of the CFAE and its task groups for their professional contributions, commitment and support; and also to the staff of the IRBA Standards Department for their contributions in delivering on the mandate of the CFAE.

### V Naicker

*Chairman*

*Vishnu Naicker's term came to an end on 31 March 2020, and we bid him farewell. For the past six years, he provided strategic leadership as Chairman of the CFAE. We thank him for his sound leadership and clear guidance that led to multiple and significant revisions to the IRBA Code of Professional Conduct for Registered Auditors and Rules Regarding Improper Conduct.*

*While the IRBA Code addresses the role of an RA, it previously did not address that of an RCA*

# Committee for Auditing Standards

R Fourie



Members	Number of Meetings Attended	Membership Status
Ms R Fourie	4 of 4	Chairman – Registered Auditor
Mr M du Toit	3 of 4	Deputy Chairman – Financial Sector Conduct Authority Representative
Ms J Christian	3 of 4	Member – Academic
Ms A Maré*	2 of 3	Member – Registered Auditor
Mr W Kinnear	4 of 4	Member – Registered Auditor
Ms N Terblanche**	3 of 4	Member – Registered Auditor
Ms N Mogapi**	4 of 4	Member – Registered Auditor
Mr P Hoogwerf**	4 of 4	Member – Registered Auditor
Ms S Ronander**	4 of 4	Member – Registered Auditor
Ms D Lawrence	3 of 4	Member – South African Revenue Service Representative
Ms Z Mshengu	3 of 4	Member – South African Reserve Bank Representative

Members	Number of Meetings Attended	Membership Status
Mr Z Rashid	4 of 4	Member – JSE Regulator Representative
Ms L Le Roux	1 of 1	Member – AGSA Representative
Mr N Ngaka***	3 of 3	Member – AGSA Representative
Ms B Tlhakung	4 of 4	Member – Attorney

\*Appointed to the committee as an RA effective 1 April 2019, and resigned in November 2019.

\*\*Appointed to the committee as an RA effective 1 April 2019.

\*\*\*Interim AGSA member.

It gives me pleasure to present this report on the strategic and standard-setting activities of the CFAS for the 2019/2020 financial year.

## CFAS Standing Committees

To address demands for auditing pronouncements, the CFAS maintains the following standing committees: CFAS Steering Committee; Regulated Industries and Reports Standing Committee (RIRSC); Public Sector Standing Committee; and Sustainability Standing Committee.

## International and Regional Liaison

The Secretariat liaises with relevant African and international bodies; while the Director Standards, Mr Imran Vanker, still serves as an IAASB board member. The IRBA continues to provide ad-hoc assistance to the Pan-African Federation of Accountants' Technical and Standard Setters Forum's Secretariat, and also participates in the work of the Standards Coordination Working Group of the IFIAR.

**An updated alignment of the South African auditing pronouncements with the IRBA Code of Professional Conduct for Registered Auditors was issued in November 2019**

## Committee for Auditing Standards *(continued)*

CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY	
Project Outputs	
<i>Local Auditing and Assurance Pronouncements and Guidance</i>	
South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), Illustrative Reports.	SAAPS 3 (Revised May 2019) is effective for auditor's or independent reviewer's reports issued on or after 15 June 2019. It deals with the revised IRBA Code and transition implementation.
International Standards	
<i>Comment on International Consultation Papers and Exposure Drafts and Engagement with International Stakeholders</i>	
IAASB's Explanatory Memorandum: The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews.	Comment letter submitted to the IAASB on 1 July 2019.
IAASB's Exposure Draft: Proposed International Standard Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.	Comment letter submitted to the IAASB on 1 July 2019.
IAASB's Exposure Draft: Proposed International Standard on Quality Management 2, Engagement Quality Reviews.	Comment letter submitted to the IAASB on 1 July 2019.
IAASB's Exposure Draft: Proposed International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements.	Comment letter submitted to the IAASB on 1 July 2019.
Jurisdictional, Legislative and Regulatory Requirements	
Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act.	Revised Guide issued in June 2019, effective for engagements commencing on or after 1 July 2019.
Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts.	Final Guide issued in June 2019, effective for assurance engagements on trust accounts of financial year-ends ending on or after 31 December 2020.
Illustrative Banks Act Regulatory Auditor's Reports.	Issued in June 2019, effective for banks and affected entities with year-ends on or after 28 February 2019.
Guide for Registered Auditors: Auditing in the Public Sector (Revised August 2019).	Issued in August 2019, the Guide is effective from 2 September 2019.
SAAPS 4, Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity.	SAAPS 4 (Revised 2019) issued in August 2019 is effective for letters of specific inquiry requested on or after 1 September 2019.

## CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY

### Jurisdictional, Legislative and Regulatory Requirements (*continued*)

IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers.	IRBA Staff Audit Practice Alert issued in November 2019.
Revised Illustrative Banks Act Regulatory Auditor's Reports.	Issued in November 2019 and effective for banks with year-ends on or after 31 December 2019.
Alignment of the South African auditing pronouncements with the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).	Updated IRBA auditing pronouncements issued in November 2019.
Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised March 2020).	The Guide (Revised March 2020) approved for issue in March 2020 is effective for financial periods commencing on or after 1 March 2019.
Proposed Guide for Registered Auditors: Joint Audit Engagements.	Exposure Draft issued in December 2019. The comment period closed on 6 March 2020.

### Appreciation

After another stellar year of delivery on the CFAS mandate, I wish to express my appreciation to the members of the CFAS, its standing committees, the various task groups, SAICA, the AGSA, the Financial Sector Conduct Authority, the JSE, the South African Reserve Bank, the Prudential Authority, the South African Revenue Service, the auditing firms that support the CFAS with resources and the staff of the Standards Department for their commitment and support.

### R Fourie

*Chairman*

*Riana Fourie's second term on the CFAS came to an end on 31 March 2020. For her excellent leadership and dedication to standard setting, the CFAS and the Secretariat thank her. She served as CFAS Chairman for the past three years, and for another three as a member. Prior to that, she served as Chairman of the RIRSC.*

# Inspections Committee

**E Nyandoro**



Members	Number of Meetings Attended	Membership Status
Ms E Nyandoro	4 of 4	Chairman
Mr Z Rashid	4 of 4	Member
Mr N Ngaka	2 of 4	Member
Mr G Mnguni	3 of 4	Member
Ms E Goodchild	4 of 4	Member
Ms P van der Wouw	4 of 4	Member
Mr L Coopasamy	4 of 4	Member
Mr R Sithubi	1 of 1	Member – Appointed November 2019

It gives me great pleasure to report on the current and strategic activities of INSCOM for the 2019/2020 financial year.

## Inspections for 2019/2020

The IRBA issued inspection reports on a total of 157 (2019: 116) inspections performed at 27 (2019: 44) firms during the year. These reports included both firm-wide and individual engagement inspections.

## Inspections Process

The inspection of RAs in South Africa is performed in terms of Section 47 of the APA. Two types of regulatory inspections are performed: inspections of firm-wide systems of quality control and inspections of selected individual audit engagement files.

The Inspections Department follows a risk-based approach when selecting firms and audit files for inspection, in line with international best practice. The risk-based approach is also applied to determine the scope of the inspection and the

sections to be inspected within an audit file. The selection of firms and audits is biased towards higher risk audit areas and specific systemic risk indicators, where any deficiencies could potentially create risks to the public, if not identified or appropriately responded to by the auditor. This risk-based approach is supplemented by random engagement file selections.

Formal inspections reports are tabled quarterly, on an anonymous basis, before INSCOM. The committee determines the outcome of the inspections and, in particular, whether any of the following is required: no further action; some improvement required; significant improvement required; or an investigation referral. INSCOM members are competent and independent of the audit firms.

## Seventh Inspections Cycle

Inspections are performed in three-year inspection cycles and the year under review represents the second year of the Seventh Inspections Cycle. In response to the current environment, the IRBA performed firm-wide and individual assurance engagement file inspections at various firms to give effect to its mandate and strategy to promote audit quality and help restore confidence in the auditing profession.

The IRBA continued to focus on audits with a higher (systemic) public interest exposure, including audits of listed entities, other public interest entities (PIE) and state-owned companies. Most of the engagement file inspections were performed at JSE-accredited firms. This resulted in fewer inspections that took longer to complete due to their broader scope to address potential systemic risks.

Despite our focus on firms and audits with greater public interest exposure, our current mandate goes beyond listed entities and PIEs. Therefore, small to medium-sized practices and firms that audit non-PIEs cannot be overlooked.

As part of the actions to address the trend of reportable deficiencies and inspection results, the Inspections Department continued to focus on firm leadership. It is important for firm leadership to set the appropriate tone at the top, and promote an internal culture of high audit quality that is supported by prompt and effective remediation of identified root causes and deficiencies.

To drive a firm-wide proactive response, inspection reports are being addressed to the firm leadership and the individual auditors responsible for an audit. For each inspection

***It is important for firm leadership to promote a culture of high audit quality that is supported by effective remediation of identified root causes and deficiencies***

performed at a firm, an executive summary report, which is an easy-to-read view of the themes identified at the firm, is compiled and issued to firm leadership. This also provides audit committees with a high-level overview of the deficiencies, trends and themes reported to firms, enhancing robust dialogue on specific themes affecting a firm's audit quality.

The IRBA continued with its Remedial Action Process with the firms and partners to promote prompt and effective improvement in audit quality across all audits of a firm where significant deficiencies were reported. A failure to remediate findings throughout the firm may indicate that the firm's system of quality improvement is ineffective.

### Firm-wide Inspections

The objective of a firm-wide inspection is to inspect the design and implementation of a firm's quality control system in accordance with International Standard on Quality Control (ISQC) 1, and to prompt remedial action on identified deficiencies. Depending on the size of the firm, various elements of ISQC 1 are monitored during a firm inspection. A full scope inspection is performed for larger network firms, where all the elements of ISQC 1 are inspected. For small and medium-sized firms, the scope of the inspection is confined to selected elements of ISQC 1. The classification of the firm is done based on its size as well as the level and extent of public interest in its assurance portfolio.

In the current year, eight (2019: 14) firm-wide inspections were reported to INSCOM. Of these, seven (88%) required significant improvement; and one (12%) was referred to the IRBA's Investigations Department for an investigation.

The committee's cause for concern remains high, and the current year's results continue to be indicative of systemic quality control deficiencies within some firms. More details about firm-wide deficiency themes are reported in the IRBA's annual Public Inspections Reports.

There has, however, been significant improvement observed at a few firms, where considerable investments were made in quality management, underpinned by leadership's sound tone, time and hands-on approach to create and sustain a culture and an enabling environment that consistently produce sustainable high-quality assurance work.

### Engagement Inspections

The objective of an audit file inspection is to inspect the individual auditor's compliance with relevant standards, the Ethics Code and legislation in performing audit work. These inspections form part of the firm-wide inspections and are used as an indicator of the effectiveness of the firm's quality control system across all audits. Where there is a negative pattern or trend observed, these issues are reported to the firm leadership for prompt remedying as part of the firm's system of quality control and continuous improvement.

In the current year, 149 (2019: 102) individual audit inspections were reported to INSCOM. Of these, 26 (17%) (2019: 17%)

required no further action; 29 (19%) (2019: 20%) required some improvement; 58 (39%) (2019: 41%) required significant improvement; and 36 (24%) (2019: 22%) were referred for investigation. The continued frequency of findings remains a high concern.

### Communication

The IRBA's latest Public Inspections Report highlights common firm and engagement file deficiency themes reported to INSCOM during the 2018/2019 financial year. The objective of the report is to promote audit quality at a broader level by highlighting these significant themes.

The frequency of findings continues to remain significantly higher compared to that of the latest global inspections survey results released by the IFIAR. The committee continues to be concerned, especially in light of ongoing negative audit revelations.

### Proactive Approach

The IRBA introduced several enhancements in the Seventh Inspections Cycle to increase the robustness of its inspections. As already mentioned, to address the trend of undesirable results, it has continued to focus on firm leadership.

More details about other proactive measures we have taken to address the negative inspection outcomes are reported in the Public Inspections Report. The committee is pleased by the continued proactive action taken by the IRBA Board where there are systemic deficiencies reported at firms; its commitment to increasing the capacity of the Inspections Department; and the strategic focus on the effective use of technology and data analytics to enable a more proactive approach.

The committee also welcomes the introduction of mandatory Audit Quality Indicators and the move to encourage firm transparency reporting.

### Appreciation

I wish to extend my sincere appreciation to the Inspections Department for its continued commitment to the monitoring of auditors, thereby serving the public interest. I am grateful to the committee members for their continued time and dedication to the inspections process and ensuring that inspection results are fair and consistent. I extend my appreciation to audit firms and engagement partners for their co-operation during the inspections process and their commitment to remedy reported deficiencies and restore confidence in the profession.

**E Nyandoro**  
Chairman

## Investigating Committee

**S Masuku**



Members	Number of Meetings Attended	Membership Status
Mr S Masuku	4 of 4	Chairman
Mr M Gani	4 of 4	Member
Prof B Stobie	4 of 4	Member
Mr A Ndurunduru	4 of 4	Member
Mr B Maasdorp	4 of 4	Member
Ms C Schoeman	2 of 4	Member
Ms L Tromp	4 of 4	Member
Mr D Mahony	3 of 4	Member

It gives me great pleasure to report on INVESCO's activities for the 2019/2020 financial year. The committee comprises chartered accountants, attorneys and members with business qualifications.

An investigation is initiated either once a complaint is received from an external party or has been initiated from within the IRBA. Externally originated complaints are lodged by members of the public or are matters referred by courts or other regulators. Internally originated complaints are raised by the IRBA itself, and examples are those arising out of the inspections process, or matters where investigations are initiated by the IRBA as a result of information that comes to its attention, mostly through the media.

Complaints lodged with the IRBA are required by the Disciplinary Rules to be on an affidavit. This requirement is an

indication of the seriousness of lodging a complaint. Furthermore, this is essential when the information is solely within the knowledge of the complainant. The Disciplinary Rules also stipulate that the affidavit should set out clearly what is being complained of.

Once a complaint is received and it is verified that the respondent, at the date of the alleged transgression, was an RA with the IRBA, the complaint is then perused by the Investigations Department's investigators to ascertain whether further information is needed from the complainant, or specific information is needed from the respondent.

After a preliminary investigation, the Director Investigations must decide, in terms of Section 48(1) of the APA, whether to refer the matter to INVESCO; and most matters will be referred. INVESCO must then investigate in terms of Section 48(3) of the Act. It then deliberates on the matters and recommends to the DAC whether to: dismiss the matter; impose a monetary and/or non-monetary sanction; or refer it for a disciplinary hearing.

### Year under Review

During the year under review, 76 new investigations were initiated. This figure represents only matters where case files were opened, and excludes matters resolved on an informal basis or at an early stage without having to open a case file. These investigations concerned RAs from audit firms across the spectrum and covered various conduct issues.

### Investigations Concluded

The committee met four times during the year under review and 58 matters were referred to the DAC with recommendations.

### Appreciation

I commend my fellow committee members for their dedication and professional input, and thank them for their support over the past year.

INVESCO has seen a marked increase in the number of referred matters. These include a number of high-profile and complex matters that have resulted in a strain on the Investigations Department's capacity. The committee sincerely appreciates the level of commitment and dedication of the Director Investigations and her staff, despite the increase in their workload. They have done and continue to do a tremendous amount of work in compiling the matters for the committee's consideration; and we would not be able to operate without their well-documented support.

**S Masuku**

Chairman

*This year 76 new investigations were initiated, excluding matters that were resolved on an informal basis*

# Disciplinary Committee

AC Dodson



Members	Number of Meetings Attended	Membership Status
AC Dodson SC	41	Chairman
IV Maleka SC	1 (as Chairman)	Deputy Chairman
JMA Cane SC	0	Deputy Chairman
A Platt SC	2 (as Chairman)	Deputy Chairman
I Akoodie	0	Member
M J Fouche	2	Member
H Griffiths	44	Member
LX Pierce	42	Member
E Volker	2	Member
E Raubenheimer	2	Member
S Sooklal	44	Member
S Vanker	2	Member
A Moosa	42	Member
R van Wyk	42	Member
CR Qually	1	Member

During the period under review, the committee was fully constituted and chaired by Adv. AC Dodson SC, who was assisted by two vice-chairmen, Adv. IV Maleka SC and JMA Cane SC. Adv. Cane resigned in September 2019 and was replaced by Adv. Platt SC. The RAs who served on the committee were Ms Fouche as well as Messrs S Sooklal, E Volker and I Akoodie. The non-auditor members were two lawyers, Adv. E Raubenheimer and Mr LX Pierce; and two chartered accountants, Ms Vanker and Mr. H Griffiths.

It is important to note that Ms R van Wyk, Ms C Qually and Mr A Moosa's terms of office lapsed prior to the commencement of the current reporting period. However, these members continued to sit, as reflected in the table, on part-heard matters that were initiated during their membership.

## Disciplinary Hearings

During the period under review, the committee heard three matters and finalised one matter, while the other two remained part-heard. Below is a synopsis of matters heard by the committee.

### R Kruger

This matter related to the conduct Ms René Kruger (the practitioner) of the erstwhile audit firm René Kruger Ouditeure. The practitioner was at all relevant times an RA with the IRBA.

During 2003 and 2011, the practitioner was the appointed auditor of Bonamanzi Vakansieoord (Pty) Ltd (Bonamanzi) and its related companies. In 2010 and 2011, the practitioner audited the financial statements of Bonamanzi and issued unqualified audit opinions. The 2010 financial statements revealed a significant increase in the salary of the managing director; a vehicle lease for the benefit of the managing director; and various lease rentals paid to related companies. No appropriate audit evidence was available to support these transactions.

Moreover, the final audited financial statements were only signed by one director, in contravention of Section 218 of the Companies Act, which requires two directors to sign. Notwithstanding this, the non-compliance was not reported to the IRBA, as per Section 45 of the APA. In respect of the 2011 financial statements, these included an 85% increase in the salary of the managing director, the approval of which was not supported by appropriate audit evidence.

In 2012, the practitioner provided professional services to Zachen Publishers (Pty) Ltd and issued an independent audit report. The financial statements that were accompanied by the independent audit report contained material deficiencies.

During 2009, 2010 and 2011, the IRBA conducted an inspection on the respondent's practice. As part of the inspection, the practitioner was required to disclose her audit clients and income earned therefrom, which disclosure is

**By the end of this financial year there were 16 other matters that had been referred for disciplinary hearings**

## Disciplinary Committee *(continued)*

used by the IRBA as a risk assessment tool to perform its regulatory functions. Notwithstanding the auditing services provided to and fees earned from Bonamanzi during the said period, the practitioner failed to make appropriate disclosures.

Following an investigation conducted in terms of Section 48 of the APA, the practitioner was charged with seven charges of improper conduct. The first three charges related to failure to fully disclose audit clients during the 2009, 2010 and 2011 inspections. The fourth charge related to failure to report an irregularity pertaining to Bonamanzi failing to ensure that the 2010 financial statements were signed in accordance with the provisions of the Companies Act. The fifth charge concerned the failure to comply with the International Standards on Auditing (ISAs) in the audit of Bonamanzi's 2010 financial statements. Specifically, this was about the failure to obtain and maintain appropriate audit evidence in respect of the approval of the director's salary increase, vehicle lease and rentals paid to related companies, as disclosed in the financial statements. The sixth charge also related to failure to obtain and review appropriate audit evidence to support conclusions made in respect of Bonamanzi's 2011 financial statements, especially those relating to the approval of the director's salary. The last charge concerned non-compliance with the ISAs in the provision of audit services to Zachen.

In view of the seven charges, the IRBA contended that the practitioner had breached Rules 2.1.1, 2.1.15, 2.1.20 and 2.20.21 of the Old Disciplinary Rules, as well as Rules 2.5, 2.6, 2.7 and 2.17 of the Rules Regarding Improper Conduct. It was consequently argued that the practitioner was guilty of non-compliance with the provisions of the APA, the IRBA Code of Conduct and audit pronouncements. Also, the practitioner's conduct fell short of the required professional competency and thus constituted conduct that is improper, discreditable, unprofessional, dishonourable and unworthy on the part of a practitioner or tended to bring the profession into disrepute.

The practitioner pleaded guilty to the first and second charges, submitting that the failure to disclose Bonamanzi as an audit client was due to the fact that her internal database was not updated; thus, the omission was due to human error. She specifically denied that such failure was without reasonable cause and that it brought the profession into disrepute.

The practitioner denied the fifth and seventh charges. In respect of the third and fifth charges, she submitted that in 2011 she had ceased to be the auditor of Bonamanzi and its related entities and had only performed accounting services for these entities. She alleged that the signatures on the auditor's reports accompanying the 2011 audited financial statements for the aforementioned entities were not hers but a forgery. In respect of the seventh charge, she submitted that in 2012 she was not an auditor of Zachen and was only contracted to provide accounting services, which she did when she issued the financial statements.

The fourth and fifth charges were admitted by the practitioner, who again cited human error for the non-compliance, as opposed to wilful default.

The committee heard evidence from both parties, including expert evidence; and following the analysis thereof, it found the practitioner guilty of six of the seven charges preferred against her.

In respect of the first and second charges, the committee found that the practitioner's failure to make full disclosures to the IRBA detracted from the purpose of such disclosure. It also affected the IRBA's ability to assess risks associated with the practitioner's provision of auditing services, thus depriving the IRBA of the ability to protect the public. Further, such conduct was unworthy, dishonourable and brought the profession into disrepute; and the failure to update the database did not constitute a reasonable explanation, as contemplated in the Code.

The committee accepted the practitioner's guilty plea on the fourth and sixth charges. On the third and fifth charges, the committee rejected the practitioner's version and found that it was clear from the evidence submitted that the practitioner was, during 2011, the auditor of Bonamanzi and its related parties; and that the 2011 auditor's report on the audited financial statements did not contain a forged signature, but rather bore the practitioner's signature.

On the seventh charge, the committee found that there was no sufficient evidence before it to prove that the practitioner had audited the 2012 financial statements for Zachen. Also, it found that it was clear from the content of the independent auditor's report included in Zachen's 2012 financial statements that no audit was performed on the financial statements. In the absence of any competing audit report, the committee accepted the practitioner's version in this regard. This charge was thus dismissed.

In sanctioning the practitioner, the committee considered that the six charges in respect of which the practitioner was found guilty were serious in nature and involved conduct that misled not only the IRBA but also other minority shareholders in Bonamanzi. It held that the interests of the auditing profession and those of the minority shareholders were adversely prejudiced by the practitioner's conduct. It then took the view that, given the nature of the findings against the practitioner, cancellation of the practitioner's registration with the IRBA would be a befitting sanction. However, as the practitioner was no longer registered with the IRBA, having voluntarily resigned in 2014, that sanction was no longer available. As a result, the committee concluded that the imposition of the maximum fines in respect of most of the charges was both appropriate and justifiable. Accordingly, the practitioner was fined R100,000 for each of the first, second, third, fifth and sixth charges; and R50,000 in respect of the fourth charge. The practitioner was also ordered to pay a contribution of R502,602.50 towards the IRBA's costs. The committee ordered publication of the summary of the charges, the findings and sanctions, including the practitioner's name and that of her firm.

## African Bank

The committee reconvened for 41 days during the reporting period to continue with a part-heard matter relating to the audit of African Bank, which was placed under curatorship in 2014. While both parties concluded the presentation of their respective evidence, the matter remains part-heard and is scheduled for a continuation on 8-9 June 2020, when the committee will hear oral arguments.

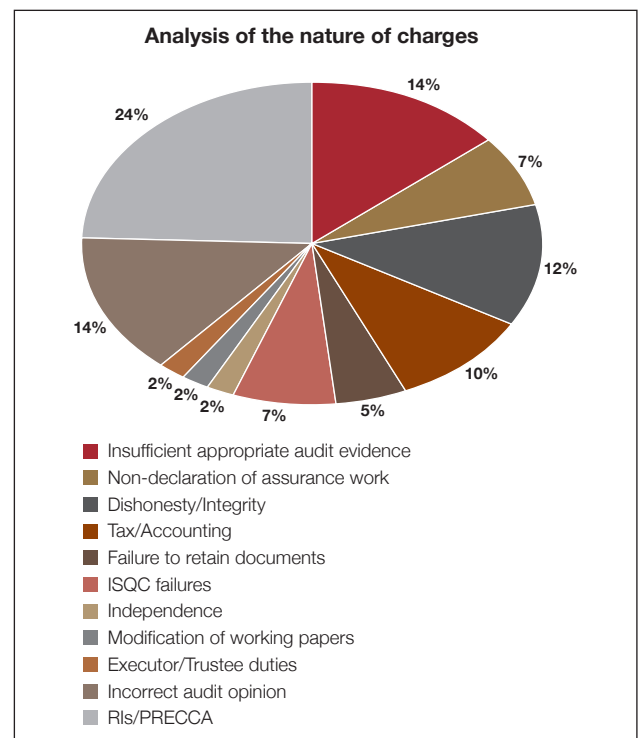
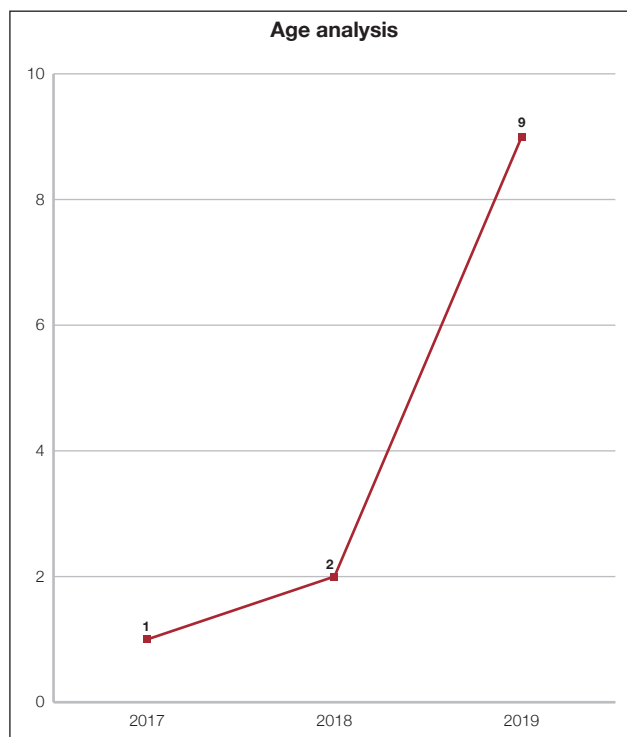
## Sharemax

On 16 March 2020 the committee convened to consider charges of improper conduct brought against the then partners of ACT Audit Solutions in relation to professional services rendered to Sharemax. Following opening statements, the hearing was postponed due to the state of national disaster declared by the President of the Republic, pursuant to the COVID-19 pandemic and the need to comply with the government directive relating to social distancing.

The hearing is tentatively scheduled to continue on 5 October 2020.

## Pending Matters

As at the end of the financial year, there were 16 other matters referred for disciplinary hearings and awaiting date allocations. The graphs provide an overview of the nature of the charges involved, as well as their age analysis.



For the new financial year, the Legal Department will adopt an annual plan aimed at bringing aging matters to finality. This will not only contribute to the protection of the public and the restoration of public confidence in the IRBA, but will also provide closure for affected RAs.

## Farewell

At the end of this reporting period we bid farewell to two committee members, Adv. Vincent Maleka SC and Horton Griffiths, after they served for 10 years. I thank both members for their truly outstanding and invaluable service to the auditing profession and DISCOM, and wish them well. Their presence on the committee will be greatly missed.

## Appreciation

On behalf of the committee, I express my sincere gratitude to committee members and the staff in the Legal Department for the exceptionally efficient and effective manner in which they convene, administer and support the proceedings of this committee.

## AC Dodson SC

Chairman

*I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents.*

*Auditor-General*

# PART F

## FINANCIAL INFORMATION



# Report of the Audit and Risk Management Committee

## Statement of Responsibility

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

## Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2020. ARMCO, a Board subcommittee, consists of independent, non-executive Board members. Its overall objectives are to assist the Board with ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded; assessing the going concern status; reviewing the financial information; and overseeing the preparation of the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies and addresses significant risks affecting its strategic objectives, and those associated with the environment within which the IRBA operates.

The committee meets at least three times a year, as per its approved terms of reference. Management, internal auditors and external auditors attend these meetings by invitation. Since this is an oversight committee, it does not perform any management functions, nor does it assume any management responsibilities. Its role is that of an independent and objective adviser, and it operates as an overseer, making recommendations to the Board for final approval.

Five meetings were held during the year. Meeting attendance appears on page 26.

## Committee Responsibility

The committee has complied with its responsibilities, as set out in Section 38(1)(a) of the PFMA and Treasury Regulation 3.1. It has also operated within its terms of reference, regulated its affairs in compliance with the terms and discharged all its responsibilities as contained therein.

## Effectiveness of Internal Control

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

In line with the PFMA and the King IV Report on Corporate Governance requirements, internal audit provides the committee and management with assurance that internal

controls are adequately designed and operating effectively. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the external auditors' independent audit report on the annual financial statements and the management report of the AGSA, it was noted that no significant or material non-compliance with prescribed policies and procedures had been reported. Accordingly, we can report that the system of internal control for the period under review was adequate and effective.

The committee is satisfied with the expertise and adequacy of resources within the Operations Department, which is responsible for the IRBA's finance function.

The committee relies on feedback obtained from both external and internal audits to make these assessments.

## Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance. It has delegated certain aspects of its authority that pertain to risk management to ARMCO.

The risk management policy ensures that the IRBA identifies and manages strategic, operational and, where relevant, project risks. In terms of the risk management policy, a risk plan must be prepared and linked to the risk register as well as back to the objectives of the IRBA. The Risk Governance Framework is based on the IRBA's maturity profile in terms of risk. The policy has been prepared in terms of the principles prescribed by the King IV Report on Corporate Governance, the PFMA and National Treasury Regulations.

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

The committee is satisfied with the effectiveness of the risk management process. Also, the committee is satisfied with the content and quality of quarterly reports prepared by management and issued by the Chief Executive Officer during the year under review.

## Information and Communication Technology (ICT)

The committee is responsible for the governance of ICT. Its mandate is to ensure proper and appropriate governance of ICT within the IRBA through the creation and implementation of a suitable governance framework, in line with the principles and practices of corporate governance put forward in the ICT Policy. The ICT governance framework primarily addresses the following:

# Report of the Audit and Risk Management Committee *(continued)*

- Business Value: Ensuring that ICT assists and enables the achievement of business objectives, and meets the business needs of the IRBA.
- Resource Optimisation: Providing relevant ICT resources (people, processes and technology), organisational structure, capacity and capability to enable ICT service delivery.
- Risk Management: Ensuring that ICT risk is managed and ICT service delivery, performance and conformance to relevant internal and external policies are monitored.
- Transparency to Stakeholders: Ensuring that there is transparency to relevant stakeholders regarding ICT performance and plans.

The committee ensures that its procedures and processes are compliant with the recommendations in the King IV Report on Corporate Governance.

## Quarterly Reports

Management has submitted monthly reports to MANCO and quarterly reports to the Board and Executive Authority.

## Evaluation of Financial Statements

The committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report.
- Reviewed the Auditor-General's management report and management's response thereto.
- Reviewed changes in accounting policies and practices, where applicable.
- Reviewed possible significant adjustments resulting from the audit, of which there were none.
- Reviewed the information on predetermined objectives, as reported in the annual report.

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

## Internal Audit

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

The following internal audit work was completed during the year under review:

- Review of Supply Chain Management processes within the IRBA;
- Review of IT General Controls;
- Review of the Governance Process;
- Review of Risk Management, the Fraud Prevention Strategy and Ethics Management;

- Review of the IT Network Infrastructure;
- Review of the Inspections Process; and
- Performance Information Audit.

## External Audit

The committee met with the Auditor-General to ensure that there were no unresolved issues.

## Going Concern

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

## Appreciation

I wish to express my appreciation to the members of the committee, the Director Operations and the Operations Department staff for their commitment and support in this financial year.

**Z Ntsalaze**

*Chairman*

# Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors

## Report on the Audit of the Financial Statements

### Opinion

1. I have audited the financial statements of the Independent Regulatory Board for Auditors (IRBA) set out on pages 64 to 89, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the IRBA as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the IRBA in accordance with Sections 290 and 291 of the Code of Ethics for Professional Accountants and Parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited supplementary information

7. The supplementary information set out on page 90 does not form part of the financial statements and is presented as additional information. I have not audited this information and, accordingly, I do not express an opinion on it.

## Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the IRBA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the appropriate governance structure either intends to liquidate the IRBA or to cease operations, or has no realistic alternative but to do so.

## Auditor-General's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the Audit of the Annual Performance Report

### Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for strategic focus areas presented in the annual performance report. I performed procedures to identify material findings, but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the IRBA. I have not evaluated the completeness and appropriateness of the performance indicators included

# Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors *(continued)*

in the planning documents. My procedures do not examine whether the actions taken by the IRBA enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic focus area presented in the annual performance report of the IRBA for the year ended 31 March 2020:

Objective	Pages in the annual performance report
Strategic Focus Area 2: Education and Transformation	18 – 19

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic focus area:
- Strategic Focus Area 2: Education and Transformation.

## Other matter

17. I draw attention to the matter below.

## Achievement of planned targets

18. Refer to the annual performance report on pages 17 to 24 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

## Report on the Audit of Compliance with Legislation

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the IRBA's compliance with specific matters in key legislation. I performed procedures to

identify findings, but not to gather evidence to express assurance.

20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other Information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Board Chairperson's foreword and the Chief Executive Officer's overview. The other information does not include the financial statements, the auditor's report and those strategic focus areas presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the strategic focus areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. I have nothing to report in this regard.

## Internal Control Deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria

30 September 2020



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic focus areas and on the IRBA's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements, as described in this auditor's report, I also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IRBA's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board, which constitutes the accounting authority.
  - Conclude on the appropriateness of the use of the going concern basis of accounting by the Board, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the IRBA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the IRBA to cease operating as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# Independent Regulatory Board for Auditors Annual Financial Statements

## Index

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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# Accounting Authority's Responsibilities and Approval

The PFMA requires the accounting authority to maintain adequate accounting records and be responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is also the accounting authority's responsibility to ensure that the annual financial statements fairly present the IRBA's state of affairs as at the end of the reporting period, as well as the results of its operations and cash flows for the year ended 31 March 2020. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

Also, the annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2021. It has also considered the impact of the COVID-19 pandemic on the organisation's revenue and operating expenses, and the associated effect on the cash flows. Additionally, it has noted the significant risks that could impact revenue collections. These include RAs experiencing financial hardships and being unable to pay the fees due to the IRBA. Management has also reviewed the budgeted expenses and implemented measures to defer projects and related expenses to later in the financial year or to the new financial year. These measures will assist in maintaining a positive cash flow. The accounting authority has also considered the cash funded reserves that are available to fund the operations. In light of this review and the current financial position, it is satisfied that at the time of signing this report the IRBA has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 61-63.

The annual financial statements set out on pages 66-90, and which have been prepared on the going concern basis, were approved by the accounting authority on 29 October 2020 and were signed on its behalf by:



**A Dlamini**  
Chairman

# Report of the Accounting Authority

The accounting authority submits its report for the year ended 31 March 2020.

## 1. Introduction

The accounting authority presents its report, which forms part of the IRBA's Annual Financial Statements for the year ended 31 March 2020, to the Minister of Finance, the Executive Authority, in terms of Section 55 (1)(d) of the PFMA as amended.

## 2. Principal Activities of the IRBA

The IRBA was established in terms of Section 3 of the APA, which had an effective date of 1 April 2006. The objectives of the Act, as set out in Section 2, are:

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

## 3. Analysis of the Financial Statements

### 3.1 High-level overview

In the last month of the financial year, our operations were affected by the COVID-19 national lockdown. This resulted in the IRBA's hearings being postponed and legal and committee expenses being deferred to the next financial year. The deferment of the expenses (R2.8 million) contributed to the surplus reflected for the past financial year.

The surplus was also due to higher interest income than budgeted, as a result of higher cash balances during the year. The IRBA will apply to National Treasury to retain the current year surplus to fund future operations.

Due to the operating restrictions placed on the auditing profession since 26 March 2020, we anticipate that this will have an adverse effect on the financial position of practises, specifically small and medium practitioners. In turn, this will have an impact on the IRBA's ability to collect the fees due from the profession. This assumption has been considered in the calculation of the provision for doubtful debts.

The past financial year has been characterised by a continuation of disciplinary hearings from previous years and new disciplinary actions instituted against RAs.

This has resulted in the IRBA incurring significant legal and associated committee costs during the financial year. In comparison to the prior financial year, legal costs increased by R8.8 million.

Management has responded by focusing on saving costs in other areas to fund the increased legal and related costs. A major contributor to the savings has been employment costs. This is due to the appointment of senior managers only in the second half of the financial year. Savings have also been achieved by using internal resources to carry out projects that would have required external experts.

Management has also changed its fee billing model to include low-risk assurance fees declared by RAs in its billing base. The assurance fees declared by RAs were also above the budget assumptions. This resulted in additional assurance fee revenue of R4.9 million.

Audit firms postponed the registration of trainee contracts to the financial year ended 30 March 2020. This is evidenced by the actual number of 4 655 training contracts registered against a budgeted number of 3 430. The additional income from levies was R3.2 million.

The additional revenue has been utilised to cover the legal and associated expenses.

The revenue generated and the operating expenses incurred resulted in a surplus before the investment income of R2.6 million (2019: R15.2 million) compared to a budgeted deficit of R14.0 million (2019: R31.8 million).

### 3.2 Revenue

The IRBA's operations are funded by revenue from exchange transactions and non-exchange transactions, including government grants.

#### Revenue from exchange transactions

Revenue from exchange transactions primarily comprises registration, license and training contract fees. Income from training contracts increased to R12.4 million from R7.3 million (2019), as 2 174 more training contracts were registered. This is due to audit firms registering their training contracts later than in previous years.

The annual license fees payable by RAs increased to R33.3 million from R23.3 million (2019). The fee increases are based mainly on the additional regulatory and oversight responsibilities due to the increased number of high-profile disciplinary matters as well as the increased number of reportable irregularities received.

#### Revenue from non-exchange transactions

During the year under review, the IRBA received government grants amounting to R43.2 million (2019: R40.9 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the APA.

Assurance fees increased to R59.1 million from R37.6 million (2019) primarily due to the increase in high-risk assurance work fees declared by audit firms, and including low-risk fees, as part of billings.

### 3.3 Expenses

Operating expenses increased to R152.4 million from R131.4 million (2019), representing an increase of 16%. This was mainly due to the increase in disciplinary and investigation expenses.

#### Increased expenditure

- Disciplinary and investigation expenses increased by R8.8 million due to an increase in high-profile cases.
- Committee expenses increased by R2.8 million due to more disciplinary hearing days being scheduled than budgeted.
- Total employment costs increased by 8.62% due to most vacant positions being filled. Salaries increased by an average of 6.93%, including a structural adjustment of 1.16% required to offer more market-related salaries to employees.
- Placement fees increased by R0.7 million due to more senior management vacancies being filled during the year.

#### Savings

Management has focused on managing costs during the financial year. Projects planned for completion, utilising external specialists, have been completed in-house.

The savings in employment costs resulted from vacant senior management positions that were filled in the latter part of the financial year. Any savings achieved have been used to fund the increased legal expenses.

Planned disciplinary hearings did not take place due to the COVID-19 lockdown. These hearings will be rescheduled in the next financial year.

Overseas travel decreased by R0.4 million due to the use of more economical flights and accommodation for international stakeholder meetings. Further savings were as a result of meetings being cancelled due to the COVID-19 pandemic.

### 3.4 Assets

The procurement of assets was limited to the replacement of computers, furniture and fittings.

A major portion of the current assets is comprised of trade receivables. The receivables from exchange transactions - trainee levies - increased by R1.1 million due to more contracts being registered close to year-end.

The cash balance increased to R27.7 million from R17.7 million. Restricted cash remained constant at R10 million.

# Report of the Accounting Authority *(continued)*

## 3.5 Liabilities

Trade and other payables consist of trade payables of R5.1 million (2019: R2.6 million), accruals of R3.6 million (2019: R2.0 million) and an accrual for leave pay of R1.8 million (2019: R1.7 million).

## 3.6 Surplus

In 2017, National Treasury reduced the budget allocation to the IRBA, in accordance with austerity measures across the public sector. The IRBA secured permission from National Treasury to utilise accumulated reserves to fund its budgeted annual deficits.

In the current year, the budgeted deficit was R11.5 million.

The IRBA at year-end reflected a surplus of R6.1 million (2019: Deficit R12.0 million).

The surplus is from higher than budgeted revenue and savings in expenditure. The savings in expenditure are a result of a timing differences due to the IRBA hearings being postponed because of the COVID-19 lockdown. The savings in employment costs resulted from vacant senior management positions that were filled in the latter part of the financial year.

## 3.7 Reserves

Reserves include three funds that were approved by National Treasury - a Trust Fund and two contingency funds for disciplinary cases and operational working capital requirements.

- The Trust Fund was established in 2010, as prescribed by the Minister of Finance, and has R10 million, representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets.
- The contingency fund for disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen and exceptional disciplinary costs.
- The contingency fund for operational working capital requirements was established to accumulate funds for the IRBA's short-term working capital requirements, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at approximately three months' operational expenditure.

## 3.8 Budget

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

"A public entity which must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained."

The final budget deficit of R11.5 million for 2019/2020 was approved by the Board and National Treasury in January 2019.

National Treasury approved that the IRBA can retain its accumulated surplus of R1.0 million as at 31 March 2019 for specific projects. These projects were included in the budget of the subsequent two years. The approved accumulated reserves retained were used to fund the operations, as disclosed in the Statement of Comparisons of Budget and Actual Amounts.

#### 4. Accounting Authority

		Term ended	Term extended
A Dlamini	(Chairman)	May 2017 – May 2019	*Up to 9 May 2020
M Janse van Rensburg	(Deputy Chairman)	May 2017 – May 2019	*Up to 9 May 2020
NT Mashile		May 2017 – May 2019	*Up to 9 May 2020
MI Motala		May 2017 – May 2019	*Up to 9 May 2020
MA Petros		May 2017 – May 2019	*Up to 9 May 2020
Z Ntsalaze		May 2017 – May 2019	*Up to 9 May 2020

*\*Term extended by no more than 12 months or until new a Board is appointed, whichever comes first.*

#### 5. Ministerial Representative

The person in the position of the Accountant-General represents the Minister on the Board.

#### 6. Business and Registered Address

Physical address	Postal address
Building 2	PO Box 8237
Greenstone Hill Office Park	Greenstone
Emerald Boulevard	1616
Modderfontein	
1609	

#### 7. Bank

Standard Bank of South Africa

#### 8. Auditors

Auditor-General South Africa

# Statement of Financial Position

as at 31 March 2020

Figures in Rand	Notes	2020	2019
<b>Assets</b>			
<b>Current Assets</b>			
Inventories		219 071	132 340
Loans receivable	5	381 205	275 660
Receivables from exchange transactions	8	2 656 188	2 327 906
Receivables from non-exchange transactions	9	2 550 841	2 504 859
Cash and cash equivalents	10	27 710 243	17 687 345
		<b>33 517 548</b>	<b>22 928 110</b>
<b>Non-Current Assets</b>			
Plant and equipment	3	3 785 893	4 567 616
Intangible assets	4	2 003 911	1 632 811
Restricted cash	7	10 000 000	10 000 000
		<b>15 789 804</b>	<b>16 200 427</b>
<b>Total Assets</b>		<b>49 307 352</b>	<b>39 128 537</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	250 000	250 000
Payables from exchange transactions	11	10 438 569	6 246 424
		<b>10 688 569</b>	<b>6 496 424</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	6	583 947	661 287
<b>Total Liabilities</b>		<b>11 272 516</b>	<b>7 157 711</b>
<b>Net Assets</b>		<b>38 034 836</b>	<b>31 970 826</b>
<b>Reserves</b>			
Trust Fund		10 000 000	10 000 000
Contingency Fund – Disciplinary Cases		20 469 065	14 499 554
Contingency Fund – Operational		7 565 771	6 427 949
Accumulated surplus		-	1 043 323
<b>Total Net Assets</b>		<b>38 034 836</b>	<b>31 970 826</b>

# Statement of Financial Performance

for the year ended 31 March 2020

Figures in Rand	Notes	2020	2019
Revenue	13	155 086 144	116 142 363
Operating expenses		(152 438 568)	(131 416 293)
<b>Operating surplus/(deficit)</b>	14	<b>2 647 576</b>	<b>(15 273 930)</b>
Investment revenue		3 416 434	3 287 321
<b>Surplus/(deficit) for the year</b>		<b>6 064 010</b>	<b>(11 986 609)</b>

Part A:  
General Information

Part B:  
Performance Against  
Measurable Objectives

Part C:  
Governance

Part D:  
Human Resources Management

Part E:  
Feedback from Statutory  
Committees

Part F:  
Financial Information

# Statement of Changes in Net Assets

for the year ended 31 March 2020

Figures in Rand	Trust Fund	Contingency Fund – Disciplinary Cases	Contingency Fund – Operations	Total Reserves	Accumulated Surplus	Total Net Assets
<b>Balance at 01 April 2018</b>	<b>10 000 000</b>	<b>13 415 751</b>	<b>6 004 598</b>	<b>29 420 349</b>	<b>14 537 086</b>	<b>43 957 435</b>
Changes in net assets						
Deficit for the year	-	-	-	-	(11 986 609)	(11 986 609)
Transfer to contingency fund: Disciplinary cases	-	1 083 803	-	1 083 803	(1 083 803)	-
Transfer to contingency fund: Operational	-	-	423 351	423 351	(423 351)	-
<b>Total changes</b>	<b>-</b>	<b>1 083 803</b>	<b>423 351</b>	<b>1 507 154</b>	<b>(13 493 763)</b>	<b>(11 986 609)</b>
<b>Balance at 01 April 2019</b>	<b>10 000 000</b>	<b>14 499 554</b>	<b>6 427 949</b>	<b>30 927 503</b>	<b>1 043 323</b>	<b>31 970 826</b>
Changes in net assets						
Surplus for the year	-	-	-	-	6 064 010	6 064 010
Transfer to contingency fund: Disciplinary cases	-	5 969 511	-	5 969 511	(5 969 511)	-
Transfer to contingency fund: Operational	-	-	1 137 822	1 137 822	(1 137 822)	-
<b>Total changes</b>	<b>-</b>	<b>5 969 511</b>	<b>1 137 822</b>	<b>7 107 333</b>	<b>(1 043 323)</b>	<b>6 064 010</b>
<b>Balance at 31 March 2020</b>	<b>10 000 000</b>	<b>20 469 065</b>	<b>7 565 771</b>	<b>38 034 836</b>	<b>-</b>	<b>38 034 836</b>

# Cash Flow Statement

for the year ended 31 March 2020

Figures in Rand	Notes	2020	2019
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from registered auditors and other sources		154 983 717	116 368 865
Interest income		3 416 434	3 287 321
		<b>158 400 151</b>	<b>119 656 186</b>
<b>Payments</b>			
Cash paid to suppliers and employees		(146 800 181)	(132 079 128)
<b>Net cash flows generated/(utilised by) from operating activities</b>	17	<b>11 599 970</b>	<b>(12 422 942)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	3	(778 196)	(2 496 985)
Proceeds from sale of plant and equipment		24 552	1 899
Purchase of other intangible assets	4	(717 883)	(79 872)
Movement in loans receivable		(105 545)	81 531
<b>Net cash flows utilised by investing activities</b>		<b>(1 577 072)</b>	<b>(2 493 427)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10 022 898</b>	<b>(14 916 369)</b>
Cash and cash equivalents at the beginning of the year		17 687 345	32 603 714
<b>Cash and cash equivalents at the end of the year</b>	10	<b>27 710 243</b>	<b>17 687 345</b>

Part A:  
General Information

Part B:  
Performance Against  
Measurable Objectives

Part C:  
Governance

Part D:  
Human Resources Management

Part E:  
Feedback from Statutory  
Committees

Part F:  
Financial Information

# Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2020

Figures in Rand	Final Approved Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual
<b>Statement of Financial Performance</b>			
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Revenue from regulatory functions	46 908 080	48 466 912	1 558 832
Other income	97 442	217 689	120 247
Interest received	2 569 891	3 416 434	846 543
<b>Total revenue from exchange transactions</b>	<b>49 575 413</b>	<b>52 101 035</b>	<b>2 525 622</b>
<b>Revenue from non-exchange transactions</b>			
Government grant	43 163 000	43 163 000	-
Revenue from regulatory functions	57 625 728	63 238 543	5 612 815
<b>Total revenue from non-exchange transactions</b>	<b>100 788 728</b>	<b>106 401 543</b>	<b>5 612 815</b>
<b>Total revenue</b>	<b>150 364 141</b>	<b>158 502 578</b>	<b>8 138 437</b>
<b>Expenditure</b>			
Personnel	(93 468 437)	(90 445 091)	3 023 346
Depreciation and amortisation	(1 959 679)	(1 834 982)	124 697
Lease of building	(6 232 884)	(6 232 887)	(3)
Debt impairment	-	46 795	46 795
Committee expenses	(7 424 430)	(6 340 324)	1 084 106
General expenses	(9 873 272)	(8 506 981)	1 366 291
Direct expenses	(34 065 276)	(31 097 686)	2 967 590
Departmental expenses	(8 807 433)	(8 027 412)	780 021
<b>Total expenditure</b>	<b>(161 831 411)</b>	<b>(152 438 568)</b>	<b>9 392 843</b>
<b>Actual Surplus on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(11 467 270)</b>	<b>6 064 010</b>	<b>17 531 280</b>

# Accounting Policies

for the year ended 31 March 2020

## 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the GRAP issued by the Accounting Standards Board, in accordance with Section 91(1) of the PFMA.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Going concern assumption

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

#### Forecasts and budgets

As part of the budgeting process, the IRBA has prepared a budget that coincides with the MTEF, as set by National Treasury for the next three years. Based on the current budget assumptions, the IRBA will have a positive cash flow balance as at 31 March 2021.

The IRBA has considered the impact of the COVID-19 lockdown on its income and expenses for the year ended 31 March 2021. Revisions have been made to revenue to indicate the significant uncertainty presented by the economic context on RAs and their ability to operate. This, in turn, affects the ability of the RAs to pay fees due to the IRBA. So, management has implemented the deferral of projects and related expenses to later in the year or the next financial year. This will assist with maintaining positive cash flow balances.

#### Post balance sheet event

The IRBA has also considered the impact of the COVID-19 lockdown on its ability to collect fees from RAs. It anticipates that this will affect its cash flow in the first two quarters of 2020/2021 and has requested COVID-19 funding from National Treasury.

#### Environment impact

The President of the Republic announced a lockdown from 26 March 2020. In addition, South Africa has been downgraded from an investment perspective. This will have a serious economic impact on the IRBA and the RAs that it regulates.

It is anticipated that there will be a number of RAs who will face financial hardship due to their clients either closing down their businesses or being in adverse financial positions.

This may have an impact on the IRBA's ability to collect fee income from these RAs. However, the IRBA has reserves that can assist in minimising the impact.

The IRBA management is committed to keeping spending within the approved budget, and has mechanisms in place to guard against overspending.

#### Contingency funds

The IRBA maintains two contingency funds (Disciplinary Cases and Operational) to ensure that it can deliver on its mandate. These funds are also aimed at helping to protect the IRBA from unforeseen or exceptional costs.

# Accounting Policies *(continued)*

for the year ended 31 March 2020

## 1.2 Significant judgements and sources of estimation uncertainty

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

### Loans and receivables

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

The impairment for loans and receivables is calculated on an individual item basis, based on historical loss ratios.

### Impairment testing

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

### Determination of useful lives for plant and equipment

The nature of the IRBA's operations results in difficulties in determining the useful lives of plant and equipment items. The assets' lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the income statement is adjusted.

### Effective interest rate

The IRBA uses an appropriate interest rate by considering account guidance provided in the accounting standards and applying professional judgement to the specific circumstances to discount future cash flows.

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

### Adequacy of the leave pay provision

The leave pay provision is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year. The provision is only required when staff resign, as unused leave is forfeited six months after the year in which it accrued.

## 1.3 Plant and equipment

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

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

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

Plant and equipment are initially measured at cost.

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

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

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

### 1.3 Plant and equipment (continued)

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

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

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

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

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

### 1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

Intangible assets are carried at cost, less any accumulated amortisation and any impairment losses.

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

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

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

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

### 1.5 Financial instruments

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from a Statement of Financial Position.

# Accounting Policies *(continued)*

for the year ended 31 March 2020

## 1.5 Financial instruments *(continued)*

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

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - Receive cash or another financial asset from another entity; or
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the IRBA.

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

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are, potentially, unfavourable to the IRBA.

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

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

### Classification

The IRBA has the following types of financial assets (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Loans and receivables	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.
Receivables from exchange/non-exchange transactions	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.
Cash and cash equivalents	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.

The IRBA has the following types of financial liabilities (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Payables from exchange/non-exchange transactions	Financial liability measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.

### Initial recognition

The IRBA recognises a financial asset or a financial liability in its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The IRBA recognises financial assets using trade date accounting.

## 1.5 Financial instruments (continued)

### Derecognition

#### Financial assets

The IRBA derecognises financial assets using trade date accounting. The IRBA derecognises a financial asset only when:

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

#### Financial liabilities

The IRBA removes a financial liability (or part of a financial liability) from its Statement of Financial Position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

### Presentation

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

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

## 1.6 Leases

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

### Operating leases – lessee

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

## 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

When inventories are distributed, the carrying amounts of those inventories are recognised as an expense. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Accounting Policies *(continued)*

for the year ended 31 March 2020

## 1.8 Employee benefits

Employee benefits are all forms of consideration given by the IRBA in exchange for services rendered by employees. Termination benefits are employee benefits payable as a result of either:

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

Provision for employee entitlement to annual leave represents the present obligation that the IRBA has to pay as a result of employees' services provided up to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

## 1.9 Revenue from exchange transactions

An exchange transaction is one in which the IRBA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

### Revenue from regulatory functions

Revenue from regulatory functions is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is determined by regulatory functions performed to date as a percentage of total regulatory functions to be performed.

## 1.10 Revenue from non-exchange transactions

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

### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

### Government grants

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the IRBA; and
- The amount of the revenue can be measured reliably.

## 1.11 Investment income

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

## 1.12 Irregular expenditure

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

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

National Treasury Practice Note No. 4 of 2008/2009, issued in terms of Section 76(1) to 76(4) of the PFMA, requires the following:

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

### 1.12 Irregular expenditure *(continued)*

"Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register."

### 1.13 Budget information

The Statement of Comparison of Budget and Actual Information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.14 Related parties

The IRBA is exempt from disclosure requirements in relation to related party transactions, if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the IRBA to have adopted, if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the IRBA is exempt from the disclosures in accordance with the above, the IRBA discloses narrative information about the nature of the transactions and the related outstanding balances to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.15 Reserves

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

#### Contingency Fund – Disciplinary Cases

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

#### Contingency Fund – Operational

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

#### Trust Fund

This fund was established to ring-fence the capital proceeds of the 2010 sale of a building previously owned by the IRBA, as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantaged students who aspire to become registered auditors, and to raise awareness of the auditing profession at various levels. The capital may be used for high-profile disciplinary cases.

# Notes to the Annual Financial Statements

for the year ended 31 March 2020

## Figures in Rand

## 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
● Improvements to Standards of GRAP (2020)	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted, as it has been used to inform current disclosures.
● GRAP 104 (amended): Financial Instruments	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Improvements are adopted, as they have been used to inform current disclosures.

## 3. Plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	3 036 793	(2 499 509)	537 284	3 110 543	(2 518 617)	591 926
Motor vehicles	315 783	(164 207)	151 576	315 783	(126 313)	189 470
Computer equipment	6 347 442	(4 147 530)	2 199 912	7 177 581	(4 691 403)	2 486 178
Leasehold improvements	6 596 492	(5 699 371)	897 121	6 374 094	(5 074 052)	1 300 042
<b>Total</b>	<b>16 296 510</b>	<b>(12 510 617)</b>	<b>3 785 893</b>	<b>16 978 001</b>	<b>(12 410 385)</b>	<b>4 567 616</b>

### Reconciliation of plant and equipment – 2020

	Opening balance	Additions	Disposals	Transfers out	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	591 926	78 242	(7 998)	-	(124 886)	537 284
Motor vehicles	189 470	-	-	-	(37 894)	151 576
Computer equipment	2 486 178	477 556	(60 296)	(18 364)	(685 162)	2 199 912
Leasehold improvements	1 300 042	222 398	-	-	(625 319)	897 121
	<b>4 567 616</b>	<b>778 196</b>	<b>(68 294)</b>	<b>(18 364)</b>	<b>(1 473 261)</b>	<b>3 785 893</b>

### Reconciliation of plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	621 524	108 819	(1 853)	(136 564)	591 926
Motor vehicles	252 627	-	-	(63 157)	189 470
Computer equipment	1 693 455	1 444 480	-	(651 757)	2 486 178
Leasehold improvements	565 495	943 686	-	(209 139)	1 300 042
	<b>3 133 101</b>	<b>2 496 985</b>	<b>(1 853)</b>	<b>(1 060 617)</b>	<b>4 567 616</b>

## Figures in Rand

### 4. Intangible assets

Figures in Rand	Cost	2020 Accumulated amortisation	Carrying value	Cost	2019 Accumulated amortisation	Carrying value
Computer software and development cost	6 738 515	(4 734 604)	2 003 911	6 043 431	(4 410 620)	1 632 811

#### Reconciliation of intangible assets – 2020

	Opening balance	Additions	Disposals	Transfers received	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	1 632 811	717 883	(3 426)	18 364	(361 721)	2 003 911

#### Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	1 941 174	79 872	(388 235)	1 632 811

### 5. Loans receivable

Study loans and travel advances	381 205	275 660
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Loans receivable consist of study loans and travel advances made to staff members. The loans are interest free and the effect of discounting is not material.

### 6. Operating leases

	2020	2019
Non-current liabilities	(583 947)	(661 287)
Current liabilities	(250 000)	(250 000)
	<b>(833 947)</b>	<b>(911 287)</b>
Total lessor incentive	(333 333)	(583 333)
Less: Current liabilities	250 000	250 000
Lessor incentive	(83 333)	(333 333)
Operating lease accrual	(500 614)	(327 954)
	<b>(583 947)</b>	<b>(661 287)</b>

The lessor gave an incentive on the extension of the lease. The incentive is set off against the rent payable over the term of the lease. The lease payment has an annual escalation of 8%.

### 7. Restricted cash

An amount of R10 million was received from the sale of an IRBA-owned building. The Minister of Finance restricted the use of the capital amount.

# Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2020

Figures in Rand	2020	2019
<b>8. Receivables from exchange transactions</b>		
Trade debtors	2 300 890	1 233 940
Prepaid expenses	434 327	1 096 577
Less: Impairment provision	(79 029)	(2 611)
	<b>2 656 188</b>	<b>2 327 906</b>

## Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

## Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due

1 814 090	909 240
(2 611)	(2 739)
(76 418)	128
<b>(79 029)</b>	<b>(2 611)</b>

## Reconciliation of provision for impairment of trade and other receivables

Opening balance

Provision for impairment

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance.

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

## 9. Receivables from non-exchange transactions

Fines, penalties and legal cost recoveries outstanding

Assurance fees debtors

Less: Impairment provision

2 527 616	2 457 853
1 453 259	1 600 154
(1 430 034)	(1 553 148)
<b>2 550 841</b>	<b>2 504 859</b>

## Receivables from non-exchange transactions pledged as security

Trade and other receivables are not pledged as security.

## Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due

47 030	963 173
(1 553 148)	(1 702 539)
123 114	149 391
<b>(1 430 034)</b>	<b>(1 553 148)</b>

## Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance

Provision for impairment

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance.

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

Figures in Rand	2020	2019
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## 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 139	6 288
Bank balances	26 820 328	16 796 281
12-Month Term Deposit	884 776	884 776
	<b>27 710 243</b>	<b>17 687 345</b>

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

### Cash funded reserves

To provide for sufficient cash resources for future expenditure, the following reserves have been established: Contingency Fund – Disciplinary Cases, R20 469 065 (2019: R14 499 554); and Contingency Fund – Operational, R7 565 771 (2019: R6 427 949). The shortage in cash resources to fund these reserves will be funded from working capital.

The IRBA maintains an operating cash float of up to R10.3 million in its current account and call deposit account. The rest is invested in a Reserve Bank CPD account, as instructed by National Treasury.

### 12-month term deposit

An amount of R884 776 (2018: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

## 11. Payables from exchange transactions

Trade payables	5 066 570	2 559 159
Accrued leave pay	1 770 200	1 681 707
Other accruals	3 017 294	1 528 993
Registration application fees	584 505	476 565
	<b>10 438 569</b>	<b>6 246 424</b>

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

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

## 12. Financial instruments

### Financial assets at amortised cost

Trade and other receivables from exchange transactions	2 221 861	1 231 329
Trade and other receivables from non-exchange transactions	2 550 842	2 504 859
Cash and cash equivalents	27 710 243	17 687 345
	<b>32 482 946</b>	<b>21 423 533</b>

### Financial liabilities at amortised cost

Trade and other payables from exchange transactions	<b>10 438 569</b>	<b>6 246 431</b>
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# Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2020

Figures in Rand	2020	2019
<b>13. Revenue</b>		
Government grants	43 163 000	40 874 000
Revenue from regulatory functions – exchange	48 466 912	33 660 081
Revenue from regulatory functions – non-exchange	63 238 543	41 347 687
Other income	217 689	260 595
	<b>155 086 144</b>	<b>116 142 363</b>
<b>The amounts included in revenue from regulatory functions (exchange transactions) are as follows:</b>		
License fees	33 335 451	23 310 926
Monitoring fees	707 510	603 260
Proficiency test fees	174 600	7 880
Registration fees	1 832 511	2 476 214
Training contracts and levies	12 416 840	7 261 801
	<b>48 466 912</b>	<b>33 660 081</b>
<b>The amounts included in revenue arising from regulatory functions (non-exchange transactions) are as follows:</b>		
Contributions to disciplinary and investigation expenses	512 603	1 154 815
Sanctions for improper conduct	3 615 000	2 510 000
Firm fees	59 110 940	37 682 872
	<b>63 238 543</b>	<b>41 347 687</b>
<b>14. Operating surplus/(deficit)</b>		
Operating surplus/(deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Building		
• Lease rentals on operating lease	6 232 887	5 954 025
Net (loss)/gain on sale of plant and equipment	(47 170)	46
Amortisation of intangible assets	361 721	388 235
Depreciation on plant and equipment	1 473 261	1 060 617
Employee costs	90 445 091	83 263 089
<b>15. Bad debts</b>		
Reduction to debt impairment provision	(46 795)	(149 518)
<b>16. Auditors' remuneration</b>		
Auditors' remuneration – external	780 400	952 728

Figures in Rand	2020	2019
<b>17. Cash generated from/(used in) operations</b>		
Surplus/(deficit)	6 064 010	(11 986 609)
<b>Adjustments for:</b>		
Depreciation and amortisation	1 834 982	1 448 852
Net loss/(profit) on sale of assets	47 170	(46)
Debt impairment	(46 795)	(149 518)
Movements in operating lease	(77 340)	656 670
<b>Changes in working capital:</b>		
Inventories	(86 731)	29 694
Receivables from exchange transactions	(328 282)	(397 611)
Impairment provision	46 795	149 518
Other receivables from non-exchange transactions	(45 982)	314 764
Payables from exchange transactions	4 192 143	(2 488 656)
	<b>11 599 970</b>	<b>(12 422 942)</b>

## 18. Commitments

### Operating leases – as lessee (expense)

#### Minimum lease payments due

– within one year	7 051 197	6 546 240
– in second to fifth year inclusive	2 997 989	10 049 185
	<b>10 049 186</b>	<b>16 595 425</b>

Operating lease payments represent rentals payable by the IRBA for its office properties and multi-functional printers. Leases are negotiated for an average term of three years and office property rentals escalate by 8% per annum. The current property lease term ends on 31 July 2021.

## 19. Contingencies

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The surplus at year-end has been allocated to maintain the National Treasury approved reserves. Subsequent to the year-end, an application has been lodged with National Treasury to reflect the balances in the reserves.

The IRBA is involved in a litigation challenging its authoritative mandate to prescribe fees as well as the rationalisation of the amendments and/or other related decisions, in terms of the Auditing Professions Act No. 26, 2005.

The IRBA's lawyers and management are of the view that the matter has not reached a stage where there is certainty on the outcome. Also, the IRBA is of the view that no material loss will arise in respect of the legal claim at the date of these financial statements.

## 20. Related parties

### Relationships

Members of key management	Refer to note 21 for the disclosure of key management and Board members' remuneration.
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# Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2020

## Figures in Rand

### 21. Key management and Board members' remuneration

#### Key management 2020

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	3 422 484	508 406	317 936	18 060	4 266 886
I Nagy, Director: Inspections	2 523 212	222 960	175 199	13 680	2 935 051
I Vanker, Director: Standards	2 520 171	222 960	175 199	13 680	2 932 010
J Bailey, Director: Investigations	2 231 658	222 960	207 313	13 680	2 675 611
N Naicker, Director: Operations	2 117 676	-	196 724	13 680	2 328 080
RN Motsepe, Director: Legal (Appointed September 2019)	1 360 596	-	94 586	7 980	1 463 162
NA Kater, Director: Education and Transformation (Appointed September 2019)	1 040 641	-	75 597	7 629	1 123 867
	<b>15 216 438</b>	<b>1 177 286</b>	<b>1 242 554</b>	<b>88 389</b>	<b>17 724 667</b>

#### 2019

	Annual remuneration	Long Service Award	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	3 267 554	272 361	284 289	17 040	3 841 244
PJ O'Connor, Director: Legal (Resigned July 2018)	2 757 457	-	79 472	4 300	2 841 229
I Vanker, Director: Standards	2 324 878	-	148 855	12 900	2 486 633
WH de Jager, Director: Operations (Resigned July 2018)	664 378	-	56 843	4 300	725 521
I Nagy, Director: Inspections	2 327 878	-	148 855	12 900	2 489 633
J Bailey, Director: Investigations	1 969 687	-	168 521	12 900	2 151 108
RP Zwane, Director: Education and Transformation (Resigned September 2018)	894 272	-	71 619	6 450	972 341
Nitasha Naicker, Director: Operations (Appointed October 2018)	962 608	-	82 358	5 921	1 050 887
	<b>15 168 712</b>	<b>272 361</b>	<b>1 040 812</b>	<b>76 711</b>	<b>16 558 596</b>



# Detailed Income Statement

Figures in Rand	Notes	2020	2019
<b>Revenue</b>			
Government grants		43 163 000	40 874 000
Other income		217 689	260 595
Revenue from regulatory functions – exchange		48 466 912	33 660 081
Revenue from regulatory functions – non-exchange		63 238 543	41 347 687
		<b>155 086 144</b>	<b>116 142 363</b>
<b>Other income</b>			
Interest received		3 416 434	3 287 321
Gains on disposal of assets		-	46
		<b>3 416 434</b>	<b>3 287 367</b>
<b>Operating expenses</b>			
Audit Development Programme assessments		(177 189)	(124 240)
Auditors' remuneration	16	(780 400)	(952 728)
Bad debt	15	46 795	149 518
Building operating expenses		(2 322 228)	(2 207 492)
Committee expenses		(6 340 324)	(3 467 707)
Computer expenses		(2 938 686)	(3 148 719)
Consulting and professional fees		(919 277)	(361 048)
Depreciation, amortisation and impairments		(1 834 982)	(1 448 852)
Disciplinary and investigation expenses		(31 632 080)	(22 814 300)
Employee costs		(90 445 091)	(83 263 089)
Insurance		(231 170)	(188 610)
Lease of building		(6 232 887)	(5 954 025)
Loss on disposal of assets		(47 170)	-
Other expenses		(1 803 423)	(1 653 182)
Placement fees		(1 891 781)	(1 095 553)
Printing and stationery		(496 116)	(421 025)
Proficiency tests		(93 420)	(18 386)
Public relations		(213 381)	(283 382)
Publications		(256 878)	(121 746)
Raising awareness and branding		(402 392)	(533 731)
Staff welfare		(954 687)	(770 698)
Travel - local		(1 309 527)	(1 126 194)
Travel - overseas		(1 127 059)	(1 579 950)
Workman's compensation		(35 215)	(31 154)
		<b>(152 438 568)</b>	<b>(131 416 293)</b>
<b>Surplus/(deficit) for the year</b>		<b>6 064 010</b>	<b>(11 986 563)</b>

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

## Part A: General Information

### Part B: Performance Against Measurable Objectives

## Part C: Governance

## Part D: Human Resources Management

## Part E: Feedback from Statutory Committees

## Part F: Financial Information

## Notes (continued)

[illegible]



## Notes (continued)

[illegible]



## Notes (continued)

[illegible]



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**RP:** 253/2020

**ISBN:** 978-0-621-48587-5

