



STRATEGIC PLAN FOR 2021-2025

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Definitions

- **Activities** are processes or actions that use a range of inputs to produce the desired outputs and ultimate outcomes. In essence, activities describe “what we do”.
- **Assumptions** are factors that are accepted, without proof, as true and certain to happen.
- **Budget sub-programme** is a constituent part of a programme that defines the services or activities that contribute to the achievement of the objective(s) of the programme of which it forms part. Some of the defined services or activities could include key projects identified by a department.
- **Budget programme** is a main division within a department’s budget that funds a clearly defined set of objectives, based on the services or functions within the department’s constitutional and legislative mandates. It also constitutes a management unit established within a department responsible for the delivery of that defined set of services and functions.
- **Impacts** are changes in conditions. These are the results of achieving specific outcomes, such as reducing poverty and creating jobs. Impacts seek to answer the following question: “What do we aim to change?”
- **Indicators** are predetermined signals which demonstrate that a specific point in a process has been reached or a result has been achieved. They should include a unit of measurement that specifies what is to be measured along a scale or dimension, but should not indicate the direction or change. In addition, indicators can be qualitative or quantitative measures. (Refer to the Guidelines for Implementation of the Revised Framework for Strategic and Annual Performance Plans, DPME, for the full list of indicators.)
- **Inputs** are the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
- **Outcomes** are “what we wish to achieve”; they are institutional and behavioural changes in development conditions that occur between the completion of outputs and the achievement of changes in the institution’s performance. They are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.
- **Outputs** may be defined as “what we produce or deliver”. They are also the building blocks towards the desired outcomes. They are the final products, or goods and services, produced for delivery.
- **Performance information** includes planning, budgeting, implementation, monitoring, reporting and evaluation elements, which are key to effective management. Performance information

indicates how well an institution performs towards the achievement of its results. This information is vital in enhancing transparency, accountability and oversight.

- **Risks** are a potential, unwanted outcome that will affect the achievement of an institution's predetermined results and service delivery.
- **Strategic Plans** reflect institutional programmes and projects that contribute to the achievement of the overall priorities of government, and the realisation of the mandate of the institution. They identify the impact and outcomes against which institutions can be measured and evaluated by Parliament, provincial legislatures and the public. Strategic Plans span over a five-year planning horizon, subsequent to an election year.
- **Targets** are the scores an institution would like to achieve and they must be time bound and achievable. Targets must be SMART.

Executive Authority Statement

The auditing profession has faced many challenges recently, and these have led to the integrity of auditors' work being questioned both locally and globally.

Auditors remain a key stakeholder in protecting the interests of the investing public and are a link in attracting much needed investments to the country.

To grow and create jobs, our economy relies on the integrity of our financial services industry. Regulators and governments, worldwide, are looking at the developments within the auditing profession, but the number of audit failures has been a major cause for concern.

The IRBA Strategic Plan for 2021-2025 will assist in restoring confidence and bring about the necessary changes to the status of the auditing profession in the country. The implementation of restoring confidence projects will continue for the next few years, while the regulator and the profession find ways to address the current challenges.

Locally, we have to work hard to return to our high global ranking status as a country and as the auditing profession.

I would like to thank the Caretaker Board and the management of the IRBA for their commitment to rebuilding trust in the profession and for considering this fundamental role in the development of the strategy over the next strategic period.

Restoring confidence in the auditing profession will take collective courage and commitment from all stakeholders. As the Executive Authority, I support this strategic plan and provide my commitment to ensuring its implementation.

Tito Mboweni

Minister of Finance

Executive Authority of the IRBA

Accounting Authority Statement

The Minister of Finance appointed two Caretakers on 28 January 2021, in terms of Section 12(6) of the Auditing Profession Act, No. 26 of 2005.

The Caretakers assumed the full functions of the Board, including those of the accounting authority, as defined in the Public Finance Management Act.

The Strategic Plan has been reviewed by the Caretaker Board, taking into account the current economic, social and political environment.

COVID-19 and the Economy

The coronavirus pandemic has led to a global recession, with a resulting impact on South Africa's economy. Lockdown measures taken to protect public health have resulted in a decline in consumer spending and domestic production.

The 2020 Medium-Term Budget Policy Statement indicates that GDP growth is expected to rebound to 3.3% in 2021, and to an average 2.1% over the medium term. Based on these projections, the economy will only recover to 2019 levels in 2024. In response, the Presidency and National Treasury have implemented Operation Vulindlela, focusing on the effective implementation of structural reforms to ensure sustainable economic growth.

The contraction in the economy will place increased pressure on businesses to maintain solvency levels and continue to operate as going concern entities. In turn, auditors will need to pay particular attention to the assumptions underlying the fair presentation of the financial statements.

Early indications are that small and medium audit practitioners are experiencing financial hardships caused by a diminishing client base, which is affecting their ability to earn fees. This will have an impact on the number of registered auditors (RAs) who are able to continue with their practices.

The above factors create a challenging context for the IRBA to fulfil its mandate.

Reputational Crisis and the IRBA's Strategic Response

The management team approached its strategic planning having considered the changed public sentiment towards auditors, auditing and the broader accounting profession due to several high-profile scandals, investigations and disciplinary hearings. The reputational crisis for the profession broke the public trust because of what was seen as unethical behaviour by the very beacons of integrity, trust and independence.¹

¹ Who broke auditing and can it be fixed? Ann Crotty, Financial Mail, 8 August 2019.

<https://www.businesslive.co.za/fm/features/cover-story/2019-08-08-who-broke-auditing-and-can-it-be-fixed/>

Since June 2017, the public has felt betrayed, pensioners have lost millions in savings, corporate fraud scandals have eroded trust and negative sentiment has grown. Questions have been raised about what role external audit fulfils; who is responsible for finding fraud and exposing corruption; the impact of corporate governance failures; the limitations for recourse against management; the lack of consequences for directors and boards; and there has been criticism for a lack of ethics and acting in the public interest.

Furthermore, events – that include financial scandals at EOH, Steinhoff, Tongaat Hulett and VBS Bank – have highlighted weaknesses in the financial reporting ecosystem, the lack of regulatory oversight over accountants and limits to recourse against individuals for malfeasance. Against a backdrop of President Cyril Ramaphosa's *New Dawn*, his administration set out its strategic objectives, with its number one objective being to strengthen oversight and accountability.²

International Regulatory Developments

Looking abroad, management took note of the outcomes of various parliamentary reviews of the profession in the United Kingdom, notably the Kingman, the Brydon and the Competition and Market Authority reviews. The latter review clarifies that the role of audit regulators is not to prevent a failure of an audit practice at all costs, but rather to ensure that the market can recover and respond sufficiently by moderating the impact on the market, i.e. be resilient. This has enabled management to consider international regulatory developments in guiding this strategy.

Management also considered the IRBA's role in supporting the government's focus on anti-corruption initiatives, clean governance and the role that auditors, the regulator as well as preparers and users of financial reports should fulfil in respect of strengthening oversight of the financial reporting chain and increasing accountability for those charged with governance (TCWG).

Strategy Redefined

Due to the changing context caused by corporate failures and the COVID-19 pandemic, the management team reviewed the strategy to ensure that the IRBA continues to fulfil its mandate.

The following factors were specifically considered:

- The need to perform a gap analysis of the broader financial ecosystem, with a specific focus on identifying areas that place pressure on the auditing profession.
- The need to perform a gap analysis of the auditing profession itself and implement measures to address significant gaps.
- We are living in a new normal where the pace of change has accelerated. As such, it is imperative that we acknowledge the uncertainties and opportunities of this turbulent,

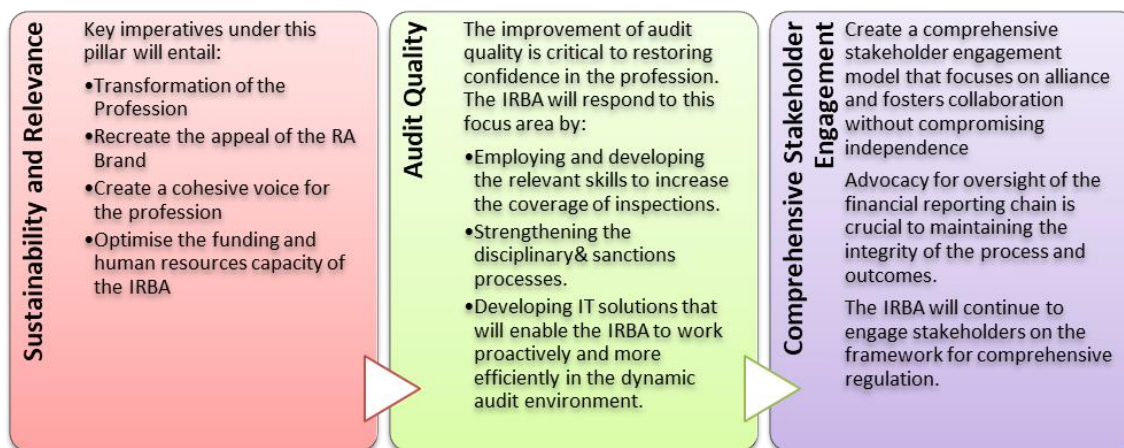
² <https://www.parliament.gov.za/storage/app/media/Publications/InSession/2018-01/final.pdf>

uncertain, novel, ambiguous (TUNA) world.

- Being an organisation in transition, it is vital that we take cognisance of public and stakeholder sentiments regarding the audit profession.
- To balance enforcement with growth and development in the profession, evolving stakeholder business platforms (which are moving to the digital space) call for agility in the IRBA's processes.
- The acceleration of 4IR during the pandemic requires the IRBA to re-evaluate the effective use of technology.
- To facilitate remote working for IRBA staff, a redesign of the dynamic work policies will be necessary.
- The recovery of economies post the pandemic is expected to be long and arduous, thereby impacting the profitability and sustainability of public and private sector entities.

Therefore, it was against this backdrop that we embarked on a strategy refresh to align our plans to the new realities and expectations, as necessitated by not only the impact of COVID-19 but also public perception. The realignment entails a review of the audit sector, our processes, people, platforms and our stakeholder engagement model. Out of this process, a fit-for-purpose IRBA will emerge to regulate the profession and all its stakeholders.

The strategic focus areas have been defined as follows:



Additionally, the focus areas will be supplemented by the outcomes of the gap analyses performed on the financial ecosystem and the auditing profession.

Sustainability and Relevance of the IRBA

The sustainability of the IRBA is dependent on its financial and human capitals to execute on its mandate. The increased volume of complaints and disciplinary matters, however, has placed a severe strain on both of these capitals.

In 2021-2025, the IRBA will be focusing on redefining business processes, harnessing the efficiencies to be gained from technology and looking at alternative funding models to ensure its sustainability.

To remain relevant, the IRBA is represented on many international standard-setting bodies as well as international regulatory structures, and it updates the Board on global developments.

Participation in global regulatory meetings of the International Forum of Independent Audit Regulators (IFIAR), of which South Africa is one of the 55 member countries, as well as the African Forum of Independent Audit and Accounting Regulators (AFIAAR), of which South Africa is a founding member and one of the 11 member countries, is key to benchmarking the IRBA against international developments and best practice in audit regulation. The IRBA is a member of the board of IFIAR and the vice-chairman of the AFIAAR.

Audit Quality

Stimulating economic growth requires confidence in the capital markets and in attracting increased foreign direct investment. Likewise, rebuilding confidence locally will unlock private-sector investment. Improving investor sentiment is key to how the IRBA can contribute to one of the core elements of the National Development Plan, which is “*strong, sustained and inclusive economic growth to sharply reduce unemployment, poverty and inequality*”.

Investors, whether direct or indirect via pension funds or investment companies, are a critical stakeholder grouping for the IRBA. Until the recent scandals, the investor community, while recognised by the IRBA, has not been a large part of the stakeholder relations plan, due to the limited organised investor structures. However, the IRBA believes that if it is to align to a stakeholder-centric strategy for the next five-years, it must single out the investment community as a priority stakeholder grouping in order to understand from the stakeholder perspective what is critical to the process of addressing concerns around audit quality and good governance.

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.

The IRBA is committed to perform a gap analysis of the auditing profession and implement measures to address significant gaps.

By restoring investor confidence in auditing and audit quality, and rebuilding trust in the financial statements of public interest entities, it is possible for the IRBA to play its role in supporting government's efforts to promote an economic recovery, which is aligned to the national and public interest.

Comprehensive Stakeholder Engagement

The 2013 World Bank Report on the Observance of Standards and Codes for Accounting and Auditing³ highlighted the need for broader regulatory oversight over the financial reporting chain. As a result, in the 2015-2020 Strategic Plan, the IRBA included in its sub-programmes a four-pillar strategy, with one pillar addressing Comprehensive Regulation. Recent events do support the World Bank's view for the regulation of all accountants.

Comprehensive regulation continues to form part of the IRBA's broader stakeholder engagement strategy during the current cycle and the IRBA has assisted National Treasury by formulating a proposal for ways in which it could be implemented. Therefore, should National Treasury proceed with implementation, the IRBA will continue to play a role in assisting with and supporting this process. Not only will a Comprehensive Regulator Model include other financial role players, but also other governance structures that have a crucial role to play to avoid systemic failures.

The IRBA is committed to perform a gap analysis, in the broader financial ecosystem, of factors that increase audit risk and then make recommendations to relevant stakeholders and decision-makers.

Our Mandate, Vision and Mission

The IRBA's mandate comprises:

1. Setting **competency requirements** for auditors;
2. Issuing **standards and a code of ethics**; and
3. Monitoring **compliance and disciplining auditors**, when necessary.

The execution of the IRBA's mandate ensures that the financial interests of investors are protected and that high-quality audits are delivered, which in turn provides confidence in and reliance on financial statements and consequential investment. Ultimately, investment stimulates the financial markets and creates employment, which is a national imperative for the country.

Therefore, while the IRBA's mandate is limited to protecting the investing public, an outcome of the successful execution of this mandate will ultimately benefit the wider public.

In reviewing the IRBA's mandate, we have also focused on the redefinition of the vision and mission, as set out in the table below.

³ There are a significant number of people working as accountants who are not members of any of the recognized professional accountancy organizations—this situation can cause reputational risk to the accountancy profession (paragraph 3.29). There is a need for a comprehensive arrangement to supervise and regulate PAOs to ensure that all PAOs serve public interest, a move that would also contribute to enlisting all accountants to be members of PAOs (2013 World Bank Report on the Observance of Standards and Codes for Accounting and Auditing, <http://documents.worldbank.org/curated/en/661381468302454182/pdf/824940ROSCOP130official0use0only090.pdf>.)

Current Elements	Assumptions Affecting the Strategy	Do We Require Changes?	Proposed Change
VISION <p>The IRBA vision is 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's regulation is focused on the protection of the public's financial interests, while it recognises its role in creating an enabling environment in which auditors can deliver high-quality audits.</p>	<ul style="list-style-type: none"> • Acceleration of 4IR. • Audit quality. • Stakeholder sentiments. • Ethics: Corporate failures. 	<p>Yes. We must be respected by the audit profession, all stakeholders in the financial value chain and the public. We will work constructively to restore the confidence of the general public and maintain the respect and trust of the industry.</p>	<p>To be a preeminent, respected internationally and locally recognised audit regulator, whose purpose is to protect the public interest and safeguard the integrity of the South African financial markets by creating an enabling environment in which auditors can deliver high-quality audits.</p>
MISSION <p>Our mission is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers, in accordance with internationally recognised standards and processes.</p>	<ul style="list-style-type: none"> • Growth and development. • Ethics. • Standards which are relevant to the South African dynamic. 	<p>Yes. Re-create the RA brand appeal to attract and retain more people to the RA profession (sustainability of the profession).</p>	<p>We endeavour to protect the financial interests of the investing community by creating and enhancing regulatory tools and principles to empower registered auditors to carry out their duties competently, independently and in good faith.</p>

The redefinition of the vision and mission will create a renewed focus on the execution of our mandate.

Endorsement

The Caretaker Board has endorsed the policy priorities identified by the IRBA executive team. These are aligned to the public and national interest and are aimed at ensuring the sustainability and relevance of the profession and the regulator.

The strategic plan is endorsed for implementation.

– N. Gobodo*

Signature:



– R. Andersen*

Signature:



Dated 25 February 2021

**Appointed as the Caretaker Board in terms of Section 12 (6) of the Auditing Profession Act.*

Chief Executive Officer Statement

Overview of the IRBA and Its Vision

The IRBA's mandate is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession, and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

The IRBA undertakes the following key activities in the execution of its mandate:

- 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 and anti-money laundering legislation.
- 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.

In doing so, the IRBA aims to create the framework and principles that contribute to the protection of the financial interests of the public, who rely on the services of registered auditors; and to support registered auditors who carry out their duties competently, fearlessly and in good faith.

By advocating for an ethical, value-driven, and morally upright financial sector, the IRBA recognises that this will stimulate investment, create confidence in the financial markets and promote sound financial practices.

The IRBA aims to achieve its vision of remaining an internationally recognised regulator of the auditing profession, pioneering the audit reforms that are required and evolving to regulate other assurance and related services relevant to the South African environment.

Overall Focus for 2015-2020

On the 21st of July 2014, the then Minister of Finance, Nhlanhla Nene, during his budget vote speech in the National Assembly, stated the following:

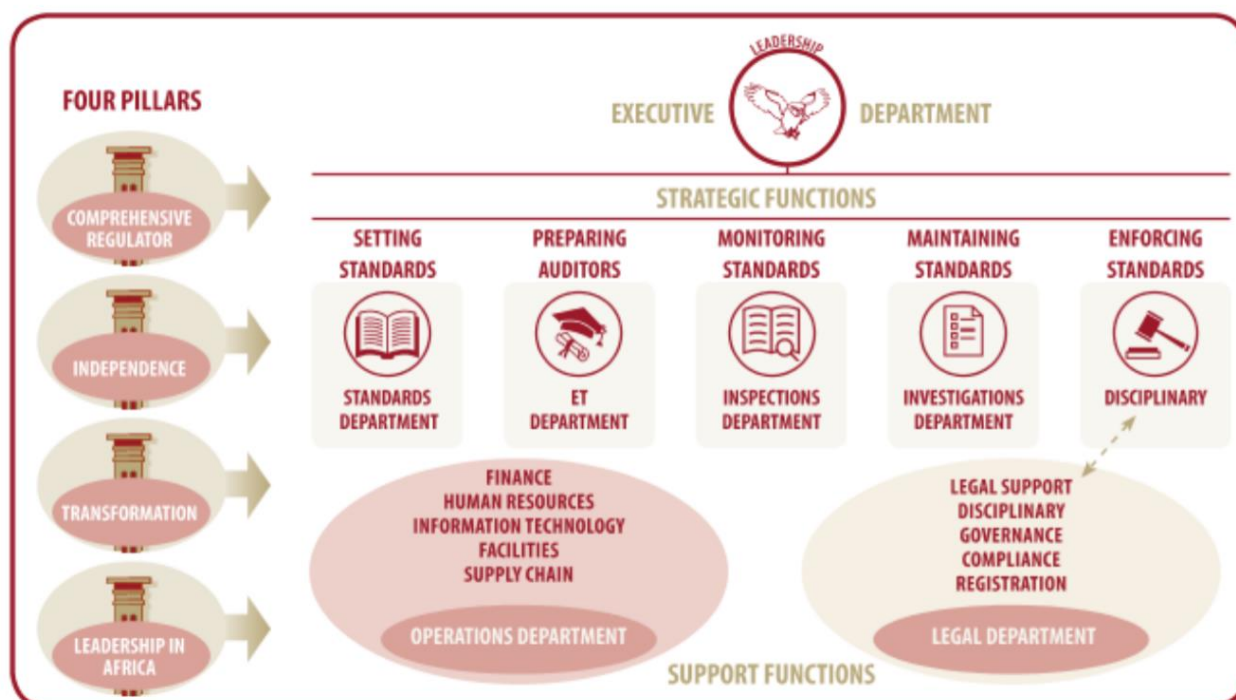
"During this year, the Office of the Accountant-General will put forward plans to strengthen the regulatory environment in the audit and accounting industry. This will be done by considering the recommendations of the Report on the Observance of Standards and Codes (ROSC) done by the World Bank."

Therefore, the IRBA, during the period 2015-2020, adopted a four-pillar strategy, in addition to its primary mandate, to contribute to and support national priorities.

The focus areas 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.

This can be illustrated as follows:



Key Accomplishments

Accomplishments in terms of the IRBA's primary mandate, and in relation to the NDP, are as set out in the table below.

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
Interventions to ensure economic environmental sustainability and resilience to future shocks.	<ul style="list-style-type: none"> To develop and maintain auditing and ethics standards which are internationally comparable. To provide auditors with a Code that is consistent with International Codes and one that enables the IRBA to take disciplinary action, where necessary. 	<ul style="list-style-type: none"> High-quality audits. An ethical audit sector. 	<p>2016</p> <p>The IRBA started researching measures that could be introduced in South Africa to strengthen auditor independence. It began a research project into Mandatory Audit Tendering (MAT); Mandatory Audit Firm Rotation (MAFR); and Joint Audits (JA).</p> <p>2017</p> <p>The IRBA undertook a long process of consultation with various stakeholders, including auditors, regulators, and investors, on measures to strengthen the independence of auditors. The Board considered the research into the three proposed measures – MAFR, MAT and JA – and decided to further consult on MAFR as the most effective solution. It embarked on a lengthy consultation process.</p> <p>The IRBA prescribed International Standard on Auditing (ISA) 701, Communicating Key Audit Matters in the Independent Auditor's Report, for registered auditors' use in South Africa, together with revisions to existing reporting standards. ISA 701 deals with the auditor's responsibility to communicate Key Audit Matters (KAM) in the auditor's report, which supports increased transparency by auditors. The disclosure of KAM fundamentally transforms the auditor's report and will improve audit quality or users' perceptions thereof.</p> <p>2018</p> <p>The Minister of Finance announced that the IRBA would gazette an MAFR rule to address concerns with auditor independence. Gazetted on 5 June 2017, it prescribed that auditors of public interest entities in South Africa must comply with MAFR with effect from 1 April 2023.</p>

⁴ As per the IRBA Annual Performance Plan.

⁵ Refer to the IRBA Annual Reports for 2016, 2017, 2018 and 2019.

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
			<p>2019</p> <p>Audit Quality Indicators (AQIs) were rolled out to JSE-accredited firms and will provide audit committees with information that will assist them to critically assess the performance of their current and (if relevant) future auditors.</p> <p>At the IRBA's request, some audit firms started to voluntarily publish Transparency Reports.</p> <p>The IRBA published the revised Code of Professional Conduct for Registered Auditors (November 2018), with an effective date of 15 June 2019.</p> <p>2020</p> <p>AQIs: The launch of the Feedback Report on Audit Quality Indicators provided an overview of the set of measures that audit firms reported on to the regulator.</p> <p>MAFR: 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 their auditors. The early adoption of this rule by companies indicated that audit committees are paying greater attention to the independence of their auditors.</p> <p>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 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.</p>
Establish a competitive base of infrastructure, human resources and regulatory	<ul style="list-style-type: none"> To provide an appropriate framework for the education and training of properly 	<ul style="list-style-type: none"> Ensure that the environment is conducive to the development of audit competence. 	<p>2016</p> <p>The IRBA conducted an independent research survey to explore and quantify factors driving and limiting professional advancement in auditing, also focusing on transformation.</p> <p>2017</p>

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
frameworks	qualified auditors.	<ul style="list-style-type: none"> • Ensure compliance with the Accreditation Model. • Increase awareness of the RA profession among Black trainees. 	<p>The Audit Development Programme (ADP), launched in 2015, produced its first candidate.</p> <p>The IRBA made written submissions to the joint sitting of the Standing Committee on Finance and the Portfolio Committee on Trade and Industry on Transformation of the Financial Sector.</p> <p>2018</p> <p>The IRBA conducted transformation workshops in Johannesburg, Pretoria, Durban and Cape Town to discuss the outcomes of the survey with the firms and to pursue potential strategies to improve transformation in the profession.</p> <p>2019</p> <p>Since its launch in 2015, the ADP showed a gradual increase in the number of candidates. During 2019, 31 candidates completed the programme and 170 new candidates were registered.</p> <p>2020</p> <p>ADP: The programme grew and had a total number of 454 registered candidate auditors (RCAs) at year-end.</p> <p>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.</p> <p>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.</p>
Strengthen accountability, improve coordination and prosecute	<ul style="list-style-type: none"> • To monitor registered auditors' compliance with professional standards. 	<ul style="list-style-type: none"> • Compliance of firms (including their individually registered auditors) with the auditing and ethics 	<p>2016</p> <p>South Africa maintained its number one ranking for the strength of auditing and reporting standards, according to the World Economic Forum (WEF) Global Competitiveness Survey for 2015/2016, for the sixth consecutive year.</p>

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
corruption		standards.	<p>The IRBA issued its <i>Public Inspections Report: Striving for Consistent, Sustainable High Audit Quality</i>. The report provided an analysis of key findings arising from firm and engagement inspections performed by the Inspections Department.</p> <p>2017</p> <p>For the seventh consecutive year, South Africa maintained its number one ranking for the strength of auditing and reporting standards, according to the WEF's Global Competitiveness Survey for 2016/2017.</p> <p>The IRBA was approved as an equivalent competent authority under European Union (EU) legislation and by the Federal Audit Oversight Authority (FAOA) of Switzerland, meaning it had met the EU Commission and Swiss FAOA standards for public oversight of statutory auditors and audit firms, and its quality assurance reviews and investigations were sufficiently comprehensive to meet the standards of the commissions.</p> <p>The IRBA and the Public Company Accounting Oversight Board conducted simultaneous regulatory inspections in South Africa, albeit from different jurisdictional perspectives, to share knowledge and limit the regulatory burden on auditing firms.</p> <p>2018</p> <p>The Seventh Inspections Cycle was launched, with an expanded approach adding new focus areas to what would be inspected and an increased focus on inspecting leadership, ethics and the governance of audit firms. Rating and communicating deficiencies were changed and remedial action to improve audit quality was emphasised.</p> <p>2019</p> <p>The IRBA published its Public Inspections Report, which highlighted the common firm and audit file deficiency themes reported during the previous financial year and through the Sixth Cycle. The Inspections Committee and the Board started implementing more proactive resolutions to drive audit quality improvement at firms with poor inspection results.</p>

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
			2020 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.
Strengthen accountability, improve coordination and prosecute corruption	<ul style="list-style-type: none"> To investigate and take appropriate action against registered auditors in respect of improper conduct. 	<ul style="list-style-type: none"> Errant auditors are appropriately disciplined. 	2016 During the 12 months under review, the Disciplinary Advisory Committee (DAC) met six times and finalised 91 matters. 2017 During the 12 months under review, the DAC met six times and finalised 96 matters. 2018 The IRBA was provided with several opportunities to respond in Parliament to progress on high-profile investigations and to demonstrate the role of audits and audit regulation in strengthening the credibility of the South African financial markets and macro-economy, attracting investment and protecting investors and the public. The IRBA, with National Treasury, commenced with drafting amendments to the Auditing Profession Act, No. 26 of 2005, to strengthen the IRBA's oversight and ability to institute the required measures against errant auditors. The disciplinary hearing against two audit partners, regarding the audit of African Bank Investments Limited and African Bank Limited, commenced in March 2018. During the 12 months under review, the DAC met six times and finalised 60 matters. 2019 The Linkway Trading auditor was found guilty on all six charges, leading to the cancellation of

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
			<p>his registration as an auditor.</p> <p>During the 12 months under review, the DAC met five times and finalised 65 matters.</p> <p>2020</p> <p>During the 12 months under review, the DAC met four times and finalised 60 matters. The Disciplinary Committee heard six (6) matters, finalising three (3) matters, including the hearing against the then auditors of African Bank, which had collapsed in 2014. Appropriate sanctions were accordingly imposed by the committee, thus ensuring that those who continue to transgress relevant ethical and auditing standards or requirements are appropriately dealt with.</p> <p>The IRBA disciplinary processes were benchmarked against local and international regulators and a disciplinary strategy and implementation plan developed to aid the efficiency and effectiveness of these disciplinary processes.</p>
Steps by the state to professionalise the public service, strengthen accountability, improve coordination and prosecute corruption	<ul style="list-style-type: none"> • To strengthen 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. 	<ul style="list-style-type: none"> • Financial sustainability to deliver on the mandate. • Increased procurement and effective payments to promote empowered businesses. • Transformation of management control achieved according to the relevant B-BBEE codes. • Transformation of staff achieved according to the approved 	<p>2016</p> <p>The IRBA celebrated 10 years of independent audit regulation.</p> <p>The IRBA published its third Integrated Report. The report was prepared in accordance with the International Integrated Reporting Council Framework published by the IIRC. It also considered further guidance from the King III Report on Corporate Governance for South Africa.</p> <p>The IRBA achieved a clean audit report.</p> <p>2017</p> <p>The IRBA achieved a clean audit report.</p> <p>2018</p> <p>The IRBA achieved a clean audit report.</p> <p>2019</p> <p>The IRBA received its ninth successive clean audit award from the Auditor-General South Africa</p>

NDP 2030	Strategic Focus Area	Outcomes ⁴	Accomplishments ⁵
		Employment Equity Plan.	<p>and is one of the few state entities to maintain this achievement.</p> <p>The IRBA published its fifth Integrated Report.</p> <p>The IRBA CEO was reappointed to the Board of the IFIAR and continued to serve as the chairman of its Audit and Finance Committee.</p> <p>2020</p> <p>The IRBA achieved its 10th successive clean audit report.</p> <p>The Director Inspections was appointed to the board of the IFIAR and also became the chairman of its Audit and Finance Committee.</p>

Accomplishments in terms of the four-pillar strategy are as set out below.

NDP 2030	Strategic Focus Area	Outcomes	Accomplishments
Strengthen accountability, improve coordination and prosecute corruption	<ul style="list-style-type: none"> To be a comprehensive regulator of the accounting and auditing professions. 	<ul style="list-style-type: none"> 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 has been completed and a final proposal has been adopted by the Board and presented to National Treasury.
Strengthen accountability	<ul style="list-style-type: none"> To strengthen the independence of the IRBA from the auditing profession, as well as the independence of auditors from their 	<ul style="list-style-type: none"> Independent regulation which is free of influence of those regulated and 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 MAFR rule was gazetted and is effective as of 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.</p>

NDP 2030	Strategic Focus Area	Outcomes	Accomplishments
	clients.		Having successfully drawn attention to concerns for the independence of audit committees, directors and board members, the IRBA was encouraged with greater dialogue occurring around the role of corporate governance and the importance of independence in increasing its effectiveness through the financial reporting chain. Subsequently, the South African Reserve Bank issued a directive in 2019 limiting the tenure of non-executive directors on the boards 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.
Play a leading role in continental development and economic integration	<ul style="list-style-type: none"> To strengthen governance and reporting practices on the continent. 	<ul style="list-style-type: none"> Independent audit regulation on the continent, sharing best practice and achieving consistency in regulation and audit oversight. 	<p>The AFIAAR charter was signed on 2 March 2018 by 11 countries, including South Africa.</p> <p>The AFIAAR will assist regulators in Africa to align their independence and regulation with the requirements of the IFIAR; and through collaboration, it will improve financial reporting, governance and independent oversight on the continent.</p> <p>The IRBA CEO was elected as the deputy chairman of the AFIAAR.</p>
	<ul style="list-style-type: none"> To influence transformation in the auditing profession. 	<ul style="list-style-type: none"> Correct imbalances and inequities of the past. 	<p>The IRBA became a signatory to the CA Charter and continues to engage with stakeholder associations representing Black people, and particularly Black women accountants and auditors.</p>

Strategic Focus for 2021-2025 – Redefined by Audit Failures and COVID-19

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." – Charles Darwin

The above quote resonates with almost everyone as we all are living through a pandemic. This pandemic has certainly upended economies and has put tremendous strain on the lives and livelihood of citizens.

The IRBA has been engaging with internal and external stakeholders on working together to rebuild the auditing profession and respond to the expectations of the public that we serve and protect. This collective dialogue, coupled with our regulatory findings, observations and experience, has enabled us to reflect on priorities and to reconstruct the IRBA's strategy and, more importantly, to recreate projects that will truly enable the elevation of the confidence needed in the audit industry. In the Strategic Plan 2021-2025 the IRBA's additional contributions to the advancement of broader government priorities included the following:

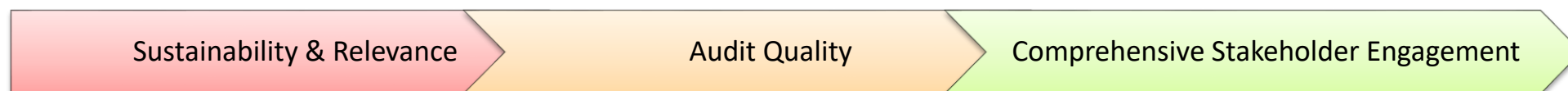
Strategic Focus ⁶	Resources	Process	Technology
Sustainability and Relevance	Seek alternative funding mechanisms.	Adopt a proactive approach to regulation.	Keep abreast of technological developments generally and in the industry.
Audit Quality	Employ and develop the relevant skills to respond to a dynamic environment.	Strengthen enforcement functions. Increase capacity, coverage and reach with regard to inspections. Provide guidance on auditing standards and the Code of Ethics, where required. Perform a gap analysis in the auditing system and implement measures to address significant gaps.	It is essential to develop IT solutions that will allow the IRBA to work smarter and more efficiently. Therefore, use the relevant technology to monitor auditors who have already adapted to the changing environment.
Comprehensive Stakeholder Engagement	Consider resource requirements for the engagement with stakeholders.	Identify ways in which oversight over all role-players in the financial reporting chain could be implemented, and this will include legislative changes.	Identify technology solutions to enable effective comprehensive regulation.

⁶ These will later be referred to as the IRBA's Institutional Pillars.

Strategic Focus ⁶	Resources	Process	Technology
		Perform a gap analysis of the broader financial ecosystem to identify factors that increase audit risk and make recommendations to relevant stakeholders and decision-makers.	

Following the stakeholder engagements, and capitalising on our institutional knowledge, we concluded that a strategy refresh was vital to ensure that the IRBA and the auditing profession are fit for the future. We have completed a strategy refresh, reviewing the above focus areas, which resulted in a realignment. The realignment entails a review of the audit sector, our processes, people, platforms and our stakeholder engagement model. Out of this process, a fit-for-purpose IRBA and profession will emerge.

In addition to its legislative mandate, and arising out of the situational analysis, the revised three focus areas (referred to as our Institutional Responsibility) for 2021-2025 are:



The strategy refresh has resulted in comprehensive regulation being incorporated into a redefined comprehensive stakeholder engagement framework which will focus on building strategic alliances and leveraging networks. This will enable the future development of a comprehensive regulation framework and address other gaps identified in the financial reporting ecosystem.

In addition to the above focus areas, the following will be key focus areas during the period under review:

- **Adequate Resourcing of the IRBA**

Parallel to the strategy refresh process, a review of the IRBA's organisational structure and operating model is underway to ensure that we remain relevant and sustainable with adequate financial and human capital.

- **Enhancing Our Investigations Capacity**

We currently have a backlog of investigation matters. This is due to the complexity of matters being investigated as well as a higher volume of complaints received for investigation. Criticism has been received regarding the length of time taken to finalise investigations into the alleged improper conduct of registered auditors.

We are committed to ensuring that we are adequately capacitated through the filling of vacancies and recruiting additional investigators to conduct these investigations in a reasonable timeframe.

- **Auditing Profession Amendment Bill**

The proposed amendments to the Auditing Profession Act are receiving momentum with the assistance of National Treasury. The public hearing process was heard in Parliament during October 2020. Significant progress has been made with the Auditing Profession Amendment Bill and the approval process is nearing completion. During the last quarter of 2020, Parliament hosted two sessions: one on public consultations on the Bill; and the second for National Treasury and the IRBA to respond to the issues raised during the public consultations. The Bill was introduced and debated in the National Assembly on 2 December 2020 and was passed. It has been submitted to the National Council of Provinces for concurrence.

The amendments will enhance the efficiency and effectiveness of the IRBA's investigating and disciplinary processes. Also, these amendments seek to strengthen the IRBA's independence from the profession; strengthen the reportable irregularities and registration processes; and address the management and sharing of information that is within the IRBA's control. All these are important areas in the restoration of confidence in both the IRBA and the profession.

- **Resetting Relationships**

Through our targeted engagements, we have heard our stakeholders who have expressed a need for a more collaborative regulator that will enable the formation of a cohesive voice for the profession to restore trust and confidence. While we are independent, it is imperative that we are also proactive in regulating the profession, balancing our mandate between enforcement and development, and

creating a stakeholder engagement framework that will allow us to interact and proactively share pertinent information with all our stakeholders.

- **Audit Reforms**

The challenges facing the auditing profession call for an honest conversation, without fear or favour, on the reforms needed to rebuild trust in the profession. Through certain engagements, we have identified certain red flags in some areas of the profession and are starting to work through these as a collective. Recent actions emerging from other countries call for the South African market to commence its own discussions and considerations on some of the proposals that include the potential of separating the audit and advisory businesses of audit firms.

- **Transformation of the Auditing Profession**

Work has commenced on identifying transformation initiatives that will address the actual challenges and factors that impact on transformation in the RA profession; that is, initiatives that will result in more impactful outcomes that go beyond only increasing awareness. These initiatives have been structured across the following areas of the RA career lifecycle:



Recruitment Progression Conversion Retention

We have recognised that to effectively influence the advancement of transformation of the audit profession, raising awareness of the RA profession among Black trainees is not sufficient as an initiative that will result in a shift in the transformation statistics. While it is an area that should continue to be focused on, in addition to other activities, the IRBA should work on initiatives that influence other factors that can have an impact on the transformation of the RA profession.

It is emphasised that to effectively influence the advancement of transformation of the profession with regard to raising awareness of

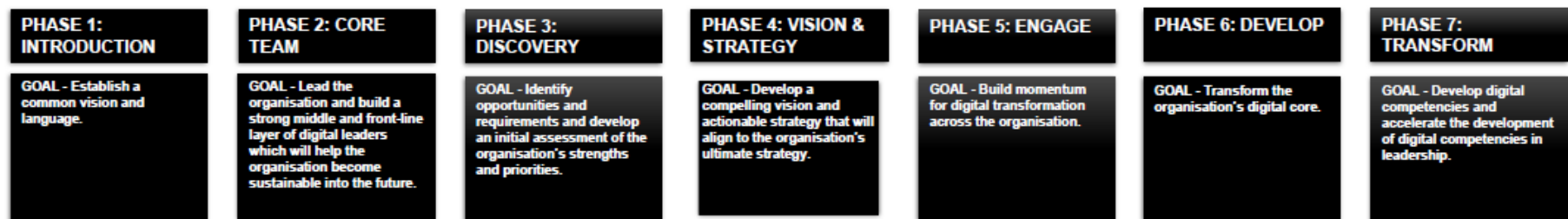
the RA profession, the audience of these initiatives should be broader than Black trainees and should include Black students (school learners and University students) and Black managers.

- **Repositioning the Registered Auditor (RA) Brand**

We have embarked on a very exciting project to reposition the RA brand. The RA profession has seen numerous scandals in recent years that have negatively impacted the brand perception as a desirable career choice. For the sustainability of the profession and to ensure that the best talent is attracted and retained by the RA profession, the IRBA needs to develop and implement a long-term brand and marketing strategy. This strategy will focus on educating the public on what an RA does and will work towards addressing the expectation gap that many have about the role of the auditor and the audit product.

The strategic refresh has created a renewed vigour in the organisation. The short-term focus will be on funding and human resources capacity as we plan for a sustainable and more agile IRBA that is led by a resolute leadership.

Our strategic focus areas are underpinned by our digital transformation strategy that is outlined below and which is critical to the achievement of our objectives.



The strategy will involve enhancements over the short, medium and longer terms. Specific initiatives for the 2021/2022 financial year, which is the first year of implementation of the strategy refresh, are outlined in the Annual Performance Plan.

Acknowledgements

The IRBA wishes to acknowledge the support it has received from the Caretaker Board, National Treasury and the Standing Committee on Finance. Furthermore, the IRBA expresses its appreciation for the cooperation, collaboration and support of other regulators, local and abroad, and its many other stakeholders that have been critical to the evolution of the IRBA.

Our appreciation also goes to the profession, which has understood that the auditing profession has reached a critical period and that introspection and change is required to rebuild public trust.

Endorsement

As a champion of financial integrity and the public interest, the IRBA recognises the scope and extent of its mandate in respect of both the public and the profession and undertakes to execute and deliver on this mandate with diligence and commitment.

We believe that the refreshed strategy will enable us to implement measures that will truly enable the elevation of the confidence needed in the audit profession.

Imre Nagy

Acting Chief Executive Officer

Signature:

A handwritten signature in black ink, appearing to be 'Imre Nagy', written over a light blue horizontal line.

Official Sign-Off

It is hereby certified that this Strategic Plan:

1. Was developed by the management of the IRBA under the guidance of the Caretaker Board.
2. Takes into account all the relevant policies, legislation and other mandates for which the IRBA is responsible.
3. Accurately reflects the impact, outcomes and outputs that the IRBA will endeavour to achieve over the period 2021-2025.

Programme Managers:

Imre Nagy, *Director Inspections*

Signature:



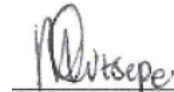
Jillian Bailey, *Director Investigations*

Signature:



Rebecca Motsepe, *Director Legal*

Signature:



Imran Vanker, *Director Standards*



Signature:



Nadine Kater, *Director Education and Transformation*

Signature:



Chief Financial Officer:Nitasha Naicker, *Director Operations*Signature: **Chief Executive Officer:**Imre Nagy, Acting *Chief Executive Officer*Signature: **Approved by:**

Nonkululeko Gobodo*

Signature: 

Roy Andersen*

Signature: **Dated 25 February 2021******Appointed as the Caretaker Board in terms of Section 12 (6) of the Auditing Profession Act.***

PART A: OUR MANDATE

1 Constitutional Mandate

The Independent Regulatory Board for Auditors (IRBA) subscribes to the principles of co-operative government and inter-governmental relations.

Similar to Chapter 9 institutions, the IRBA is independent and subject only to the Constitution and the laws of the Republic of South Africa. As an independent regulator, it must be impartial, exercise its powers and perform its functions without fear, favour or prejudice, and always do so in the public interest.

Independent regulation of the auditing profession by the IRBA results in:

- A positive impact on the audit profession through inspections, standard setting and ethical requirements.
- Monitoring audit quality, which enables the IRBA to identify weaknesses, risks and challenges in the audit profession.
- Participating in global standard setting and oversight activities to maintain an objective and independent approach to standard setting and regulation to respond to identified weaknesses in auditing standards and strengthen auditing standards.
- Educating stakeholders on the role of auditing and auditors in contributing to a positive effect on capital markets, ensuring that investors' trust in the independence of auditors and the strength of regulation is enhanced.

Constitutional Principles

The IRBA will achieve its constitutional mandate through maintaining its sustainability, relevance as well as audit quality.

In doing so, the IRBA commits to the following relevant constitutional principles:

- Ensuring that the IRBA is effective, transparent and accountable.
- Respecting the constitutional status, institutions, powers and functions of government in other spheres.

- Exercising its powers and performing its functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere.
- Co-operating with other government departments and institutions in mutual trust and good faith by fostering friendly relations, and assisting and supporting each other as allowed within the limitations of the Auditing Profession Act 26 of 2005.
- Informing other regulators, institutions and government entities of, and consulting with each other on, matters of common interest.
- Co-ordinating its actions and legislation with others.
- Adhering to the Public Finance Management Act.
- Ensuring that in the procurement of goods or services, it does so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

2 Legislative and Policy Mandate

The IRBA is a statutory body established in terms of the Auditing Profession Act, Act 26 of 2005, with its primary objective being to protect the investing public. It does so by regulating auditors through setting, monitoring and enforcing high-quality auditing standards and ethical behaviour.

As a Schedule 3A public entity, in terms of the Public Finance Management Act, the IRBA supports the State's policy outcomes; and its Strategic Plan demonstrates how it contributes to selected outcomes. The IRBA Strategic Plan is also aligned to the National Development Plan; and the IRBA has an important role to play on the road to government's desired destination.

The IRBA continues to support the national initiative in respect of transformation in relation to its employment policies as well as its procurement policies; and it also takes advantage of opportunities to appoint and procure the services of women and people with disabilities. The IRBA is also a signatory to the CA Charter, which has now been gazetted and accommodated the IRBA's recommendations for stricter and more robust transformation targets within the profession.

The Strategy addresses the IRBA's mandate with reference to two programmes:

- Programme 1: The current mandate, which arises from the Auditing Profession Act, Act 26 of 2005; and
- Programme 2: The extended mandate, which includes sub-programmes that are designed to coordinate specific interventions to address issues and challenges in the profession, in the current economic environment and in response to government's priorities for economic growth. These proposed interventions for 2021-2025 will allow the IRBA to contribute significant added value to the efforts of government to grow the economy, while also being critical success factors in support of delivering effectively on its own primary mandate.

2.1 Programme 1: Regulation of Auditors – Legislative Mandate

The object of the Auditing Profession Act 26 of 2005, as set out in Section 2, are as follows:

- a) To protect the public in the Republic by regulating audits performed by registered auditors;
- b) To provide for the establishment of an Independent Regulatory Board for Auditors;
- c) 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;
- d) To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- e) To provide for procedures for disciplinary action in respect of improper conduct.

2.1.1 Current Amendment Bill 2020

2.1.1.1 Context

The independent regulation of auditing was implemented based on recommendations from the World Bank ROSC (for Accounting and Auditing), as adopted by the Minister of Finance in 2003. Subsequently, the Auditing Profession Act 26 of

2005 (APA) was passed on 1 April 2006. This changed the Public Accountant and Auditors Board (PAAB) to the IRBA. Some amendments to the Act were made in 2015.

A further round of amendments commenced in 2017 in response to recent corporate and audit failures, including:

- African Bank/Deloitte;
- Linkway Trading/KPMG;
- Steinhoff/Deloitte;
- Tongaat Hulett/Deloitte; and
- VBS Mutual Bank/KPMG.

The general function of the regulator is to promote the integrity of the auditing profession by undertaking investigations into improper conduct, conducting disciplinary hearings and imposing sanctions. However, there have been concerns that the investigations take too long and the sanctions are too lenient to have any real deterrent effect. As a result, the IRBA approached National Treasury to strengthen the powers of the regulator, by amending the APA, to help it more effectively deliver on its mandate.

The amendments to the APA are aimed at:

- Strengthening the IRBA's regulatory powers;
- Strengthening the IRBA's independence;
- Simplifying enforcement processes; and
- Increasing sanctions to deter undesirable registered auditor behaviour.

Significant progress has been made with the Auditing Profession Amendment Bill and the approval process is nearing completion. During the last quarter of 2020, Parliament hosted two sessions: one on public consultations on the Bill; and the second for National Treasury and the IRBA to respond to the issues raised during the public consultations. The Bill was

introduced and debated in the National Assembly on 2 December 2020 and passed. It has been submitted to the National Council of Provinces for consideration in February 2021.

2.2 Programme 2: Institutional Responsibility

The Strategy has been revised to respond to the changes in the market, which are outlined in the situational analysis section of this document.

The strategic focus areas will now be referred to as the IRBA's Institutional Responsibility, to encompass the responsibilities of the regulator beyond the primary mandate.

Due to the increase in the volume of complaints and high-profile enforcement cases, the IRBA's financial and human capitals have been placed under severe constraints.

Management has taken actions to increase revenue and cut down costs and still achieve its strategic objectives in the 2019/2020 financial year, and these initiatives will be retained over the upcoming years.

Requests have been made to National Treasury for additional funding, and work is underway on a new funding model to identify other sources of revenue, including an application to have access to the Criminal Assets Recovery Account (CARA) under the Department of Justice.

2.2.1 Operationalising the Strategic Pillars of 2015-2020

2.2.1.1 Independence

As its main project to strengthen the independence of auditors from their clients, the IRBA issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with MAFR with effect from 1 April 2023. The application is to address the concerns of independence and the extended lengths of audit relationships, some in excess of 100 years. Audit firms may serve for a maximum of 10 years before rotating off the client for a cooling-off period of five years, before being eligible to audit the client again.

This has highlighted the need for accelerated transformation and de-concentration in the audit profession.

Based on recommendations made in submissions received during the consultation process, the rule has been extended beyond auditors of listed entities to incorporate auditors of PIEs, which would include non-listed pension funds and organisations that operate in the public interest. The rule also has transitional provisions for cases where joint auditors are appointed to ensure that both audit firms need not become ineligible at the same time at the effective date.

With only three years remaining until the effective date of MAFR, roughly 21% of the JSE Ltd main board listed companies have already voluntarily rotated auditors since the IRBA started tracking audit firm rotations in January 2017. Of these entities, 41% have cited MAFR as the reason for change. This means that these 76 companies will not need to rotate again until 2027 or 2028. For the remaining companies on the main board, those whose audit firms will have tenure of 10 years or more on the 1st of April 2023 must rotate prior to that date.

The IRBA has engaged with the management of entities to which the rule applies and is noting concerns and issues raised. The South African Institute of Chartered Accountants (SAICA) has issued guidance on implementation, as have some of the big four audit firms.

The IRBA will continue to monitor the progress of MAFR adoption, as part of its operational activities; engage with all affected entities and audit firms during the process; and also initiate programmes of education around implementation closer to 2023.

Independence, and specifically the monitoring of MAFR, will now become part of the IRBA's operational activities and will therefore no longer be a separate pillar.

2.2.1.2 Leadership in Africa

Leadership in Africa has been successfully addressed by the establishment of the AFIAAR. One of the operational departments will take responsibility for continued regular participation in the work programmes of the AFIAAR that are designed to improve regulation and standards across member countries.

The AFIAAR also intends to grow its membership; and through a growing membership, the IRBA will continue to be able to play its role in capacitating regulators in Africa through a formalised structure.

With the establishment of the AFIAAR, Leadership in Africa, and specifically the AFIAAR projects, will no longer be a separate pillar but form part of the IRBA's operational activities.

2.2.1.3 Transformation

Transformation of the profession remains a responsibility of the Education and Transformation Department and will be implemented through operational plans. Performance objectives have been developed to address the transformation journey.

Transformation will now become part of the IRBA's operational activities and will therefore no longer be a separate pillar.

2.2.1.4 Comprehensive Regulation

There has never been a more urgent time or need for the comprehensive regulation of all accountants and those charged with governance. The global direction of regulators is to bring all accountants under regulation, and in the United Kingdom they will bring all governance processes under regulation as well.

A Comprehensive Regulation Model has been submitted to the Minister. Pending its approval by the Minister, the IRBA will actively support the implementation of a more comprehensive oversight model, for the reasons outlined above, thereby making Comprehensive Regulation a continuing strategy in the next five years.

2.2.1.5 Restoring Confidence

The Restoring Confidence Strategy arose out of significant events in the auditing profession and the collapse of Steinhoff, which is to date the largest business collapse in the history of South Africa.

Due to reputational damage to the profession from recent events, restoring the reputation of the profession and rebuilding confidence will still take some concerted effort.

As the need to continue to restore confidence is key to national priorities, as well as to the profession and the regulator, the management team agreed that this “pillar” should be operationalised as the activities and projects of this programme now continue to be implemented.

Each department will have its own specific activities that contribute positively to restoring confidence; some may be part of the primary mandate and others may be part of institutional responsibility.

2.2.2 The New Institutional Responsibility Strategic Areas 2021-2025

Arising out of the situational analysis, the three strategic focus areas for 2021-2025 are:

- Sustainability and Relevance.
- Audit Quality.
- Comprehensive Stakeholder Engagement.

3 Institutional Responsibility Policies and Strategies for 2021-2025

3.1 National Development Plan (NDP) (2011)

The IRBA is subject to and complies with the NDP, which is the long-term vision for the country. The plan provides a broad strategic framework to guide key government choices and actions, and it also focuses on the critical capabilities needed to transform the economy and society.

The IRBA must support government’s policy objectives. Although it is not in a position to contribute to all of these, there are some outcomes in which it can play a role.

The IRBA’s role in supporting the relevant objectives is as follows:

Outcome and government priority information	How the IRBA can contribute to the selected outcome
1. Improved quality of basic education	The IRBA has engaged with the government departments responsible for basic as well as higher education to address the issue of maths literacy. Although this is more relevant to the financial industry, it could also improve higher education which will, in turn, influence the quality of overall education.
4. Decent employment through inclusive growth	The IRBA does not have a direct impact on job creation. Its indirect impact is by creating a stronger economic environment through building confidence in, and reliance on, audit reports issued by registered auditors. Confidence attracts investment and investment creates employment.
5. A skilled and capable workforce to support an inclusive growth path	The IRBA provides an appropriate framework for the qualification, education and training of auditors as well as their ongoing competence, including the training of registered candidate auditors through the ADP. Its transformation initiatives ensure that equal opportunities are provided for anyone to enter the audit profession.
6. An efficient, competitive and responsive economic infrastructure network	High-quality audits have a direct impact on the credibility of the financial markets through the provision of reliable information, which provides the confidence to investors to do business in SA. As such, the existence of a strong, independent and internationally respected audit regulator is essential in achieving government's objectives. The introduction of MAFR will contribute towards a more competitive audit environment.
9. A responsive, accountable, effective and efficient local government system	The competencies in the accounting and auditing profession can contribute to strengthening governance and accountability in local government. The Auditor-General South Africa has now placed trainees on the ADP and the IRBA is working with the South African Institute of Government Auditors (SAIGA) to develop a Local Government Auditor qualification.
10. Environmental assets and natural resources that are well protected and continually enhanced	The IRBA has been an active role player in developing standards that contribute to the promotion of sustainability projects and strategies. The IRBA also continues to play a role in emerging forms of external reporting, both locally and globally.
11. Create a better South Africa and contribute to a better and	The IRBA's objectives include creating a framework and principles to contribute to the protection of the public, who rely on the services of registered accountants and auditors who carry out their duties competently, fearlessly and in good faith.

safer Africa and world	<p>Particular strategic focus is also placed on the enhancement and improvement of overall reporting, governance and regulatory practices on the African continent and has resulted in South Africa becoming a founding member of the AFIAAR.</p> <p>The IRBA's focus is not only to stay abreast of international developments in the auditing profession, but also to influence developments through active participation.</p>
12. An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship	The IRBA continues to support government using strategies and processes derived from its own efficiencies and knowledge.
13. A comprehensive, responsive and sustainable social system	<p>The IRBA's role in the greater economy is to create continuing value as an embedded protector of confidence in the sustainability of the system, thereby contributing to the protection of the South African public.</p> <p>The introduction of a Comprehensive Regulatory Model, together with its strategic focus on being a responsive, proactive and relevant regulator, will contribute to a comprehensive, responsive and sustainable social system.</p>
14. A diverse, socially cohesive society with a common national identity	<p>The IRBA is influencing the advancement of transformation in the profession, and within the regulator through its employment and recruitment policies and its procurement practices.</p> <p>The IRBA is also a signatory to the CA Charter, through which it had the opportunity to ensure the inclusion of robust targets that will lead to faster transformation. It also drives a Transformation Plan to fast-track transformation in the audit profession.</p>

3.2 NDP Five-Year Implementation Plan

The NDP Five-Year implementation plan provides a medium-term roadmap that will form the basis for developing five-year institutional plans that will guide the realisation of NDP priorities.

This Five-Year Strategic Plan is compiled in accordance with the Revised Framework for Strategic Plans and Annual Performance Plans⁷, which was introduced by the Department of Planning, Monitoring and Evaluation to further improve government planning systems and processes, and to institutionalise development planning in government and public entities.

3.3 IRBA Strategy to Restore Confidence in Support of the NDP

3.3.1 Goal

The goal is for the IRBA to be seen as an effective and impactful regulator that can change the behaviour of auditors and other role players in the financial reporting system to:

- Increase audit quality;
- Improve ethics and independence; and
- Increase the transparency of audit firm practices.

3.3.2 Strategy

To be a regulator that uses its voice and position to:

- Increase audit quality through its monitoring;
- Educate shareholders, users and the public on the audit product, quality and improvement initiatives/measures; and
- Act swiftly to discipline and apply sanctions to errant auditors.

Therefore, strategically the IRBA must advance those activities, projects and engagements that contribute to restoring the reputation of auditors and accountants. In addition, it must use its voice and media profile to share achievements in a way that will restore confidence in the relevance of audit, audit quality as well as the integrity and ethics of the profession.

⁷ Replaces the Framework for Strategic Plans and Annual Performance Plans (2010).

3.3.3 Objectives

- Build credibility for the IRBA as a proactive regulator and for the profession as a whole (accounting and auditing).
- Demonstrate relevance and responsiveness (to changes/market expectations) by initiating improvements.
- Increase audit firm transparency.
- Align auditor behaviour and integrity with ethics requirements.
- Improve the quality of audit opinions and audits, and address investor expectations.
- Manage the public's (private and public sectors) expectations in the auditor's role.
- Promote stability and growth in capital markets.

The current and new initiatives of the IRBA in this respect are as per the graphic below.

Current and new initiatives of the IRBA

Individual Auditors	Firms	The Audit Product	The User	The Public	The Profession
Review of curriculum / ADP / skills / competencies	Appropriate sanctions	Audit Quality Indicators	Addressing secondary listing oversight	Addressing secondary listing oversight	Review of Monitoring of Accredited Body
CPD and life-long learning programmes	Transparency Reports	ISQC1 Review	Mandatory Audit Firm Rotation (MAFR)	Mandatory Audit Firm Rotation (MAFR)	
Appropriate sanctions	ISA220 Review	Engagement partner accountability	Transparency Reports	Amendments to APA	
Instilling Quality as a culture and value	ISQC1 Review	Review of standards related to recent cases	Strengthening audit committees	Comprehensive Regulation	
	Audit-only firms to increase independence	New Code of Conduct	Address governance issues	Education – What is audit? Role of Auditor?	
	Leadership, Culture and Governance		Address expectation gap		
	Remedial Action Process				
	Firm methodology review				

PART B: OUR STRATEGIC FOCUS

The IRBA's strategic focus is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession, and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

4 Vision

To be a preeminent, respected internationally and locally recognised audit regulator whose purpose is to protect the public interest and safeguard the integrity of the South African financial markets by creating an enabling environment in which auditors can deliver high-quality audits.

5 Mission

We endeavour to protect the financial interests of the investing community by creating and enhancing regulatory tools and principles to empower registered auditors to carry out their duties competently, independently and in good faith.

6 Values

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

7 Situational Analysis

7.1 Description of the Strategic Planning Process

Our strategic planning process commenced with a Management Committee (MANCO) review on 16 May 2019. This focused on a review of the Restoring Confidence Strategy and a forward-looking exercise on Responding to a Dynamic Environment. It included both SWOT and PESTEL analyses. The process then concluded in a follow-up session on 10 June 2019.

Participants were referred to the IRBA's current strategy, its continued relevance and the extent of progress made against it. Then, it was explained that the purpose of the exercise was to ensure that members remained realistic in setting a strategy that will be measurable and achievable (based on the SMART Principles).

The same process was followed with the Management Forum, which represents the various departments.

The outcomes of these four sessions were summarised for the previous Board to consider, and a Board and MANCO strategy planning session was held on 12 July 2019 to consider the situational analysis and proposals put forward by MANCO.

MANCO conducted a strategy refresh in October 2020 and, with the approval of the Caretaker Board, submitted a refreshed strategy document in February 2021.

7.2 Overview

A lot has changed in the profession since June 2017, and these changes include having South Africa lose its position as number one on the World Economic Forum Competitiveness Index ranking for strength of auditing standards and reporting.

Consequently, by December 2017 management and the former Board were faced with a profession that had lost its position of esteem. Trust in auditors was at an all-time low; the profession and the regulator were perceived in a negative way. The Board then resolved that action had to be taken to restore confidence. It approved a Restoring Confidence strategy in January 2018. This was over and above the IRBA's current five-year framework, which aims to address the shortfalls in audit quality, ethics, auditor behaviour, auditor competencies, auditing standards, as well as inspection and disciplinary processes. More than 40 projects were identified as necessary to further strengthen the market and investors' comfort that as a regulator the IRBA was responsive and could adapt to the dynamic environment.

The environment, though, is continuing to change with new hurdles such as multi-jurisdictional concerns, risks to investors of secondary listings over which IRBA has no/limited control, increasing corruption, failed corporate governance, disruptive technologies and incidents of corporate malfeasance over which there is limited disciplinary oversight and consequence.

So, it is important for the IRBA to be future ready as a regulator for an audit landscape that is rapidly changing in the context of a challenging business environment and increasing complexities.

7.3 Current Key Strategic Issues

The key issues that guided our thinking related to the following:

Priority/Issue	Solutions Considered
Addressing the public and investor expectation gap regarding the audit product and audit quality.	<ul style="list-style-type: none">• Increased focus on audit quality by strengthening enforcement functions.• Increasing the capacity, coverage and reach of the Inspections team to inspect more audit files and firms more frequently.• Firms to adopt a remedial action approach vs a defensive approach on audit quality.
Reputation and trust, considering significant reputational damage and loss of investor trust and confidence in the profession.	<ul style="list-style-type: none">• Increasing the importance of reputation management for the IRBA and the profession.• Transparency reporting and unrestricted sharing of inspection outcomes.• Implementation of the Restoring Confidence initiatives.• Education of the public with respect to the role of auditors and the regulator.

Priority/Issue	Solutions Considered
	<ul style="list-style-type: none"> • Perform a gap analysis on the auditing profession and implement measures to address significant gaps.
The government's current focus on anti-corruption, good governance and the achievement of clean government.	Increased cooperation with AGSA and SAIGA, as well as reviewing auditing standards relating to the auditor's role in assessing the risk of fraud and misstatement.
Effectiveness of the regulator within its current mandate.	<ul style="list-style-type: none"> • Rebalancing resources. • Increased emphasis on inspections and investigations processes and resources. • Apply enough consequence management at firms to address too much collegiality and too little accountability. • Apply right-touch regulation to achieve the right auditor behaviour.
Excessive cost of disciplinary processes and heavy reliance on law firms.	<ul style="list-style-type: none"> • Decreasing costs by simplifying disciplinary processes and increasing powers through the Auditing Profession Act. • Reducing dependence on law firms through establishing internal prosecutions capability.
Dealing with the risks and multi-jurisdictional issues of secondary listings, such as was highlighted by Steinhoff.	<ul style="list-style-type: none"> • Business intelligence and research capability. • Establish cooperative international regulatory arrangements through MOUs.
Responding to a financial reporting ecosystem that has revealed its weaknesses through recent high-profile business failures that have impacted retirement and pension savings of South Africans due to significant share losses	<ul style="list-style-type: none"> • Comprehensive regulation that would also have oversight over TCWG; and strengthen the combined assurance structures throughout the financial reporting chain. • Establish ethical leadership, integrity and tone at the top. • Enhance auditors professional scepticism, independence and resolve conflicts of interest.
Concerns around the length of time investigations take, how complicated disciplinary processes are to schedule, the length of cases (e.g. African Bank).	<ul style="list-style-type: none"> • Strengthening investigation and disciplinary processes, as well as sanctions. • APA Amendments are underway to address this, but further process improvements and rebalancing of resources will be required. • Researching alternative funding models.
The auditing profession is undergoing significant and rapid change; and in a market where disruptive technologies are	<ul style="list-style-type: none"> • Seeking innovative out-of-the-box thinking to future-proof the regulator to address technology advances.

Priority/Issue	Solutions Considered
changing the audit product and the way in which audits are conducted, this will require changes to the regulator to remain relevant.	<ul style="list-style-type: none">• Participating in international structures on disruptive technologies.

7.4 External Situational Analysis

7.4.1 Responding to a Dynamic Environment

There is a growing need for coordinated regulation over diverse knowledge sets and needs, as well as the regulation of non-auditors involved in the process of an audit.

Technology at audit firms is changing the way in which audits are conducted; as such, the IRBA should also plan to acquire the necessary technology solutions and specialist IT skills. Furthermore, technological advances such as drones and automation are impacting audit and the IRBA must consider the standard-setting relevance of IFRS and ISA in relation to these.

The IRBA foresees that audit committees will also need to be strengthened in terms of competencies and oversight.

Our SWOT Analysis indicated the following:

<p>Strengths</p> <ol style="list-style-type: none"> 1. Measures put in place to strengthen independence – MAFR adoption and successful implementation of Audit Tenure 2. Strong strategic regional and international alliances through partnerships with IFIAR, IFAC, PAFA, AFIAAR and AFROSAI-E. 3. Ability to influence regulatory reforms globally through participation and recognition on international structures 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Limited ability to influence race and gender transformation in the profession 2. Lack of trust and confidence in the profession. 3. Expectation gap on the role of the regulator. 4. Expectation gap on the role of the auditor and the audit product. 5. Lack of a cohesive voice on the awareness and advocacy of the profession
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Pursue the enactment of legislation to strengthen regulatory oversight. 2. Develop a Comprehensive stakeholder engagement model in support for proposed Comprehensive Regulation model. 3. Leverage communication and marketing of other stakeholders (RA Brand Appeal). 4. Strengthen and enhance AFIAAR capacity to make its voice heard globally. 5. Enhancing audit firm governance & quality processes. 6. Restoring trust and confidence in the profession. 7. Technological interface with the profession to enhance processes 8. Audit reforms including looking at audit only firms 9. Early adoption of MAFR by companies 	<p>Threats</p> <ol style="list-style-type: none"> 1. Lack of support by the sponsor department and mandate to implement Comprehensive Regulation. 2. Political influence on the work of the profession. 3. Volatile political and economic environment leading to recession. 4. Challenges in the accounting profession and the financial reporting chain with the prevalent business and audit failures. 5. Legal challenges from auditors on the IRBA's powers and functions 6. Auditing skills leaving the country.

7.5 Internal Situational Analysis

The internal SWOT analysis can be presented as follows:

<p>Strengths</p> <ol style="list-style-type: none"> 1. IRBA has strengthened the independence of its own structures, including the Board. 2. Robust due processes producing high quality output. 3. Engagements with other governance bodies to improve the functioning of corporate governance holistically. 4. Audit Quality Indicator project implemented 5. Harness the potential of talented employees 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Loss of confidence in the profession 2. Lack of adequate funding 3. Lack of independence as it relates to funding of the IRBA. 4. Perceived lack of consultation and transparency on key decisions affecting the profession. 5. Transformation in relation to the RA register and ADP not as successful as envisaged. 6. Retention of RAs in the profession and lack of growth of the RA register
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Comprehensive stakeholder engagement framework 2. Digital transformation and data driven insights. 3. Remote working and other Dynamic work policies 4. Skills retention and succession planning 5. Promote Joint Audits with medium size firms in preparation for MAFR implementation in 2023 6. Repositioning of the RA and IRBA Brand. 	<p>Threats</p> <ol style="list-style-type: none"> 1. Regulatory capture – through indirect influence on its committees. 2. Political influence 3. Influence by the profession on the mandate and functions of the IRBA 4. Transformation will be difficult in a shrinking economy. 5. The impact of disruptive technology on the profession.

7.6 Stakeholder Management

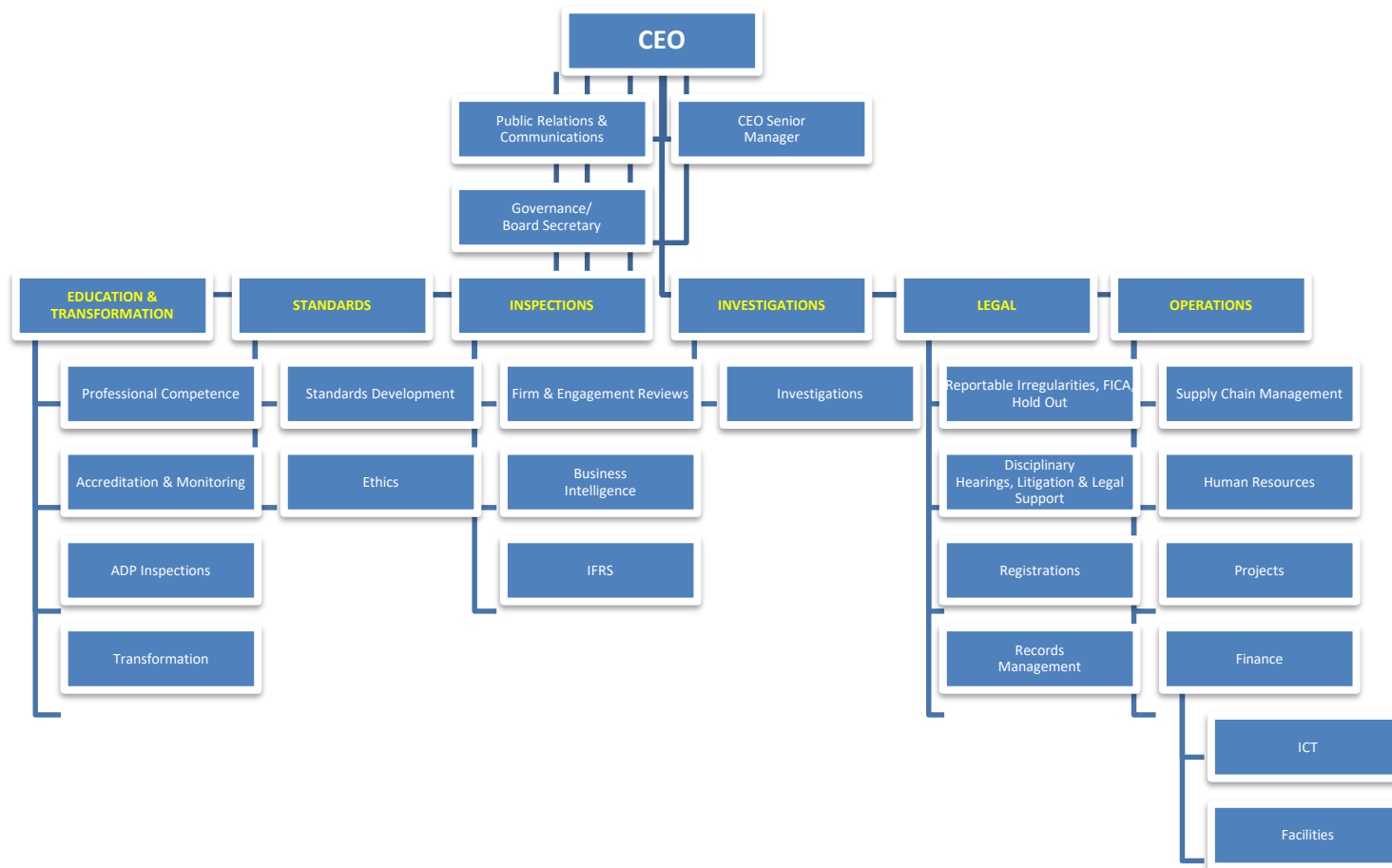
Stakeholder group	Why we engage	What they need from us	Risks if needs are not met
Legislative Authority <ul style="list-style-type: none"> Parliament Minister of Finance National Treasury 	<ul style="list-style-type: none"> Oversight of our mandate. 	<ul style="list-style-type: none"> Implement the mandate. Economic stimulation. Build investor confidence. Restore confidence in the auditing profession. 	<ul style="list-style-type: none"> Lack of understanding of our mandate. Inability to deliver on the mandate. Perceived to be ineffective. Independence perceived as compromised.
Investors	<ul style="list-style-type: none"> Create awareness of the role of the IRBA and discuss expectations about the audit product. 	<ul style="list-style-type: none"> Trust and reliance on the opinions of auditors when signing financial statements. Hold RAs accountable for the quality of the audit product. Inspection outcomes and reports (transparency). Enforcement of the IRBA mandate. 	<ul style="list-style-type: none"> Loss of investments. Loss of confidence in the financial markets. Lack of economic growth.
Registered Auditors and Audit Firms	<ul style="list-style-type: none"> Ensure an ethical, competent and globally respected profession. 	<ul style="list-style-type: none"> Requirements to be registered enhanced. Delivery model. High-quality audit and ethics pronouncements. Monitor compliance. Investigations and sanctions to maintain independence and the credibility of the profession. 	<ul style="list-style-type: none"> Unregulated profession/self-regulation. Credibility of the profession compromised. Profession perceived to be part of a corrupt system. Inadequate audit product – users not happy with audit products. Poor quality, ethics and independence.
Auditor-General South Africa (AGSA)	<ul style="list-style-type: none"> Contribute to quality audits in the public sector. Review the AGSA Quality Monitoring in terms of the MOU. 	<ul style="list-style-type: none"> Collaboration on technical audit and assurance issues. Public protection and guidance issued to RAs conducting audits on behalf of the AGSA. 	<ul style="list-style-type: none"> Risk of audit failures in public sector engagements performed by RAs. Reputation of the auditing profession negatively affected. Quality of audit product by RAs not acceptable to the AG.

Stakeholder group	Why we engage	What they need from us	Risks if needs are not met
International Standards Setting Bodies (IAASB, IESBA, IAESB)	<ul style="list-style-type: none"> Influence the development of international standards. 	<ul style="list-style-type: none"> Expertise in technical areas. Submission of comments on exposure drafts and discussion papers. Facilitate adoption, implementation and monitoring of new and revised standards issued. Lessons learnt on how South Africa managed the current crisis faced by the profession. 	<ul style="list-style-type: none"> Quality of pronouncements issued may be inappropriate for our jurisdiction. Local implementation guidance may be required.
International Audit Regulators (IFIAR)	<ul style="list-style-type: none"> Share knowledge, benchmark, influence and collaborate. 	<ul style="list-style-type: none"> Shared expertise and weaknesses identified. Participation in international meetings and workshops on audit regulation. Views on developments in global auditing standards and regulation. Lessons learnt on how South Africa managed the current crisis in the profession. 	<ul style="list-style-type: none"> Misaligned inspection processes and compliance monitoring. Decline in audit quality at audit firms and continuing regress on inspection results. Proactive response not achieved. Inability to leverage off global best practice.
Regional Partners Strengthening Independent Audit Regulation in Africa	<ul style="list-style-type: none"> Good governance on the continent. Encourage independent audit regulation. 	<ul style="list-style-type: none"> Share expertise in technical areas and standard setting. Assistance with the process of establishing independent audit regulators. Form a regulators' body to align regulation on the continent. 	<ul style="list-style-type: none"> Non-aligned profession on the continent. Delays in implementing audit regulation.
Accredited Professional Bodies; South African Institute of Chartered Accountants (SAICA)	<ul style="list-style-type: none"> Source of the pipeline of registered auditors. Setting competency requirements. Monitoring accreditation compliance. 	<ul style="list-style-type: none"> Accreditation and monitoring. Technical knowledge and advice. Influencing and issuing of Education, Ethics and Assurance Standards. 	<ul style="list-style-type: none"> A few CAs (SA) will choose to register as RAs. Knowledge, skills and competencies inappropriate for RAs. Transformation in the CA (SA) and auditing profession remains a challenge. Lack of oversight over CAs (SA) proving to be a

Stakeholder group	Why we engage	What they need from us	Risks if needs are not met
	<ul style="list-style-type: none"> Assurance initiatives. 		<ul style="list-style-type: none"> challenge in the market. Lack of assurance support.
Other Local Regulators and Enforcement Agencies	<ul style="list-style-type: none"> Share knowledge, benchmark and collaborate on mandates and enforcement. 	<ul style="list-style-type: none"> Expertise and guidance. Aware of investigations and disciplinary actions. Communication of Reportable Irregularities (RIs) reported. 	<ul style="list-style-type: none"> Weaknesses in the financial reporting chain remain unaddressed. Ineffective monitoring. Regulations that are difficult to implement or enforce. Enforcement not achieved. RIs not reported timeously.
Public	<ul style="list-style-type: none"> Create awareness of the role of the IRBA and educate about the value of the IRBA and audits in the financial markets. Address the fraud expectation gap. 	<ul style="list-style-type: none"> Expertise and guidance. Hold RAs accountable for the quality of the audit product. Inspection outcomes and reports (transparency). Enforcement of the IRBA mandate – especially investigations and disciplinary actions. 	<ul style="list-style-type: none"> Failing to meet the expectations of the market. Lack of understanding of the audit function and what it is. IRBA perceived to be ineffective. RAs perceived to be part of a corrupt system. Inability to evaluate audit firms' audit quality.
Local and International Media	<ul style="list-style-type: none"> Inform and create awareness of the IRBA's mandate and branding. Address public concerns regarding the auditing profession. 	<ul style="list-style-type: none"> Credible and timeous information. Create awareness of the work of the IRBA. 	<ul style="list-style-type: none"> Inaccurate media reports. Brand reputation. Ill-informed public and undue expectations of the profession. Negative public perception of the profession and the regulator.
Staff	<ul style="list-style-type: none"> Informed staff. Consistent and professional service orientation. 	<ul style="list-style-type: none"> Ongoing communication and consultation. Ability to raise concerns and address expectations. Equity in remuneration and training opportunities. 	<ul style="list-style-type: none"> Low productivity. Lack of commitment to the mandate. Ill-informed staff.

7.7 Organisational Environment

Below is the current organisational structure, as at January 2021.



PART C: MEASURING OUR PERFORMANCE

8 Institution Performance Information

8.1 Measuring the impact

Impact Statement	Confidence and trust in the financial markets through high-quality audits and ethical behaviour, which will stimulate economic investment, create employment and protect the public.
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8.2 Measuring Outcomes

The IRBA's strategic objectives and outcomes for the next three years are set out below.

PROGRAMME 1			
STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
High-quality audits.	Target dates met for issuing audit pronouncements, audit reports and comment letters.	85% of target dates met	85% of target dates met
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	85% of target dates met

STRATEGIC FOCUS AREA 2: EDUCATION			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
To ensure that the environment is conducive to the development of audit competence.	The number of monitoring visits completed per annum.	40 visits	42 visits
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 EDCOM's third quarterly meeting.	1 report	2 reports
To facilitate transformation of the RA profession through targeted initiatives aimed at identifying and addressing barriers to transformation.	The number of IRBA transformation initiatives completed per annum.	6	8
To ensure that RAs and tax practitioners are complying with the CPD Policy.	Number of the CPD monitoring reports analysed per annum	2 CPD monitoring reports	2 CPD monitoring reports

STRATEGIC FOCUS AREA 3: INSPECTIONS			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
Compliance of firms (including their individually registered auditors) with the auditing and ethics standards.	The number of planned inspections completed per annum.	121 inspections	To be determined annually in January

STRATEGIC FOCUS AREA 4: INVESTIGATIONS			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
Take appropriate action against registered auditors in respect of improper conduct.	The number of investigations completed per annum.	64 completed investigations.	To be determined annually in April.

STRATEGIC FOCUS AREA 5: DISCIPLINARY			
Outcome	Output Indicator	Performance Targets	
		Baseline	Five-year target
Disciplinary processes concluded swiftly and costs effectively managed.	Disciplinary strategy approved and fully implemented in line with the implementation plan.	Develop and adopt a disciplinary strategy and an implementation plan.	Disciplinary strategy fully implemented and matters scheduled for hearings in line with the approved plan.

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
Financial sustainability to deliver on the mandate.	A clean audit report regarding financial statements, compliance and performance information.	Clean audit report	Clean audit report

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS			
Outcomes	Output Indicator	Performance Targets	
		Baseline	Five-year target
Increased procurement and effective payments to promote empowered businesses.	Percentage of SMME payments effected within 30 days, in line with NT's procurement strategy.	97%	100%
Increased procurement and effective payments to promote empowered businesses.	Percentage of contracts awarded to SMMEs and small businesses.	12%	14%
Transformation of management control achieved according to the relevant B-BBEE codes.	Achievement of the score calculated according to the B-BBEE scorecard. The maximum score is 20.	16	17
Transformation of staff achieved according to the approved Employment Equity Plan.	Achievement of the employment equity target according to the approved Employment Equity Plan.	73% Black 26% White 1% Other	76% Black 23% White 1% Other

8.3 Explanation of Planned Performance over the Five-Year Planning Period

The following outcomes contribute to building investor confidence in the efficiency of capital markets, reduce financing costs and stimulate investment and economic growth (**Impact**).

Outcomes	Contribution of Outcomes	Rationale for choice of outcome indicators	Explanation of enablers to achieve five-year targets	Explanation of outcomes contribution to the achievement of the impact
Well-governed organisation that serves the public interest and profession High-quality audits Ethical behaviour Competent auditors Compliance by auditors Financial stability	Outcomes will contribute to: <ul style="list-style-type: none"> • A competitive base of infrastructure, human resources and regulatory frameworks. • Playing a leading role in continental development, economic integration and human rights. 	To demonstrate that the IRBA is responsive to public needs within its capacity.	A highly skilled staff complement fuelled with sufficient financial, human capital and technology resources. Perform a gap analysis in the auditing system and implement measures to address significant gaps.	By being proactive, setting and issuing high-quality auditing and ethics standards, monitoring compliance and enforcing discipline in the auditing profession, investors can rely on the integrity of financial statements and make economic decisions that will contribute to the growth of the economy.

9 Key Risks

Risk Name	Objective To Which Risk Is Linked	Root Causes Of The Risk	Consequences Of The Risk	Mitigating Action Plans
Sustainability of the IRBA adversely affected	Strengthening the IRBA's organisational capability, capacity and performance.	<p>INTERNAL</p> <ul style="list-style-type: none"> Financial status of the audit firms affected by reputational challenges, increased legal costs and Covid-19 economic effects and may cause further limitations on funding required. Funding Model e.g. Other priorities requiring the attention of National Treasury to the prejudice of the IRBA. <p>EXTERNAL</p> <ul style="list-style-type: none"> Slow economic growth Impact of the Covid-19 pandemic, in view of the extended lockdown phases (almost one year) 	<ul style="list-style-type: none"> Impaired ability to deliver on the mandate. Inadequate financial resources to fulfil the IRBA current or expanded mandate. Limitation on regulator to properly adjust fees. Cannot recruit correct number of people. Negative perceptions of the IRBA could translate into declining government support for the IRBA's role in protecting the public interest 	<p>A - Finalise the new funding model.</p> <p>B - Prepare a special request to NT for funding to cover the above requirements. (e.g. AENE)</p> <p>C - CEO and Chairman meet with NT to forge a cohesive relationship.</p> <p>D - Build on the implementation of Comprehensive Regulator Plan (pending approval of IRBA being appointed)</p>

Risk Name	Objective To Which Risk Is Linked	Root Causes Of The Risk	Consequences Of The Risk	Mitigating Action Plans
Loss of Confidence in the profession	The education, monitoring and investigation of RAs.	<ul style="list-style-type: none"> • Ongoing decline in audit quality • An increase in RAs behaving unethically as reported in the media. • Audit failures due to various factors such as fee pressure, lack of growth in the economy, complex regulatory requirements. • Auditors not meeting competency requirements prescribed by the Board. • Competency requirements prescribed by the Board not aligned to skills required of auditors. • Lack of regulation of entities listed on the JSE with primary non-SA listings (multinational organisations with secondary local listings). • Failure of a large audit firm(s). • Unreported RIs • Confusion about the role of auditors and the difference between public sector audits and private sector audits may exist in the market. • Expectation gap - what the public expects from an audit and what the Standards require. • Lack of transparency by auditors • Firms may not be compliant with ISQC 1 and other corporate governance best practices. • Unidentified gaps in the system. 	<ul style="list-style-type: none"> • Loss of standing of the RA brand • More entities could look for international listings to avoid SA regulation and the economic environment. • Public reliance on a potentially misleading audit opinion. • Legislation not complied with • RAs may issue audit reports that are not updated with the international standards and/or do not serve the public interest. • Issues in the public sector assumed to exist in the private sector. • Shrinking market share. • Perpetuation and inflation of issues (for example, negative impact on shareholder value due to expectation gaps in the market). • Decline in the number of individuals entering the profession • Concerns around corporate governance and financial eco- system • Declining investor confidence • Auditing may be viewed as a less attractive career • Increased pressure to improve audit quality • Loss of confidence in the profession and the potential for further audit failures. 	<ul style="list-style-type: none"> • Formally include the Remedial Action Process in the Inspections Process. • Issue a Public Inspections Report to communicate observations of inspections findings • IRBA influencing the wider distribution of inspection reports • CPD monitoring processes (random sample) as per the CPD policy. • Prescription of a competency framework for registered auditors. • Risk-based inspections with added focus on PIEs. • RI Guide and NOCLAR issued/implemented. • Influencing local and international trends • Collaboration with other Regulators • Monitoring concomitant legislation to be amended • MAFR implementation • Monitoring of programmes implemented by accredited professional bodies • New CPD Policy approved in November 2019. 2020 CPD monitoring policy implemented 2021 • AQIs to focus attention on audit quality and drive quality improvements • Transparency reports which share audit firm governance, independence and quality management measures to build confidence that firms apply appropriate resources to quality and ethics • Engagement with stakeholders and media on state of the profession • Restoring confidence projects • Ethics Workshops conducted. • Quarterly Board surveillance of firms that fail to improve audit quality following inspections. • Identify measures to close the regulatory and audit quality gaps.

10 Public Entities

Name of Public Entity	Mandate	Outcomes	Current Annual Budget (R'000)
Independent Regulatory Board for Auditors	To protect investors and the public interest.	Economic stimulation through trust in capital markets and financial reporting.	R166.7m ⁸

⁸ Projected expenditure budget for 2021/2022.

PART D: TECHNICAL INDICATOR DESCRIPTION

Education and Transformation

INDICATOR TITLE	AUDIT DEVELOPMENT PROGRAMME (ADP): The number of monitoring visits completed.
Definition	To monitor the environment in which the ADP is offered. Providing an appropriate framework for the education and training of properly qualified auditors.
Source of data	Report from monitoring file. Monitoring visits conducted and signed off by the firm will be collated in the monitoring file.
Method of calculation/assessment	ADCOM approvals, as per minutes and submissions of completed visits.
Means of verification	Proof of approval of the plan by ADCOM, proof of signed-off reports by firms.
Assumptions	The data stored in the monitoring file is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	ADP monitoring visits are performed in terms of the plan.
Indicator responsibility	Director Education and Transformation
INDICATOR TITLE	MONITOR ACCREDITED PROFESSIONAL BODIES: The number of final monitoring reports to be submitted to the accredited professional body within 10 working days after EDCOM's third quarterly meeting.
Definition	To monitor the programmes and institutional requirements of accredited professional bodies. To establish processes to monitor the programmes and institutional requirements of accredited professional bodies.
Source of data	Monitoring reports. Monitoring reports and emails/date stamps of submissions and issuances.
Method of calculation/assessment	A count of reports, as per reports dates – submission and receipt (emails and date stamps on physical delivery).
Means of verification	Proof dates on reports and emails.

Assumptions	The email data is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	The number of final monitoring reports to be submitted to the accredited professional body within 10 working days after EDCOM's third quarterly meeting.
Indicator responsibility	Director Education and Transformation
INDICATOR TITLE	TRANSFORMATION OF THE PROFESSION: The number of IRBA transformation initiatives completed.
Definition	<p>To contribute to the transformation of the profession.</p> <p>To establish processes and projects to contribute to the transformation of the profession.</p>
Source of data	<p>IRBA transformation initiatives.</p> <p>Expenses incurred per financial reports and reports from interventions.</p>
Method of calculation/assessment	Financial reports, invoices and a simple count of IRBA transformation initiatives held.
Means of verification	Financial reports and invoices.
Assumptions	The financial reports and invoices data are reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	Increased awareness of the need to transform the profession.
Indicator responsibility	Director Education and Transformation
INDICATOR TITLE	CONTINUING PROFESSIONAL DEVELOPMENT: An analysis of the CPD monitoring results.
Definition	To assess the competency the profession.
Source of data	Monitoring reports
Method of	A count of the CPD monitoring analysis reports.

calculation/assessment	
Means of verification	CPD reports.
Assumptions	The reports and data are reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	CPD monitoring reports are produced.

Standards

INDICATOR TITLE	AUDITING STANDARDS: Target dates met for issuing auditing pronouncements, audit reports and comment letters.
Definition	Standards and Guidance issued. Issued auditing pronouncements, auditor reports and comment letters.
Source of data	CFAS Project Timetable.
Method of calculation/assessment	(Target dates met for issuing audit pronouncements, auditor reports and comment letters, as per the CFAS Project timetable dates / total number of target dates) x 100 = %.
Means of verification	Proof of approval of plan by CFAS – the CFAS work programme is used as a measure to determine the “completed” documents.
Assumptions	The data stored in the plan is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Quarterly
Reporting cycle	Quarterly
Desired performance	Projects are performed in terms of the plan.
Indicator responsibility	Director Standards
INDICATOR TITLE	AUDITOR ETHICS: Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments.

Definition	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.
Source of data	CFAE Project Timetable.
Method of calculation/assessment	(Target dates met for issuing guidance on ethical issues, comment letters and Code amendments, as per the CFAE Project / total number of target dates) x 100 = %
Means of verification	Proof of approval of plan by the CFAE – the CFAE work programme is used as a measure to determine the “completed” documents.
Assumptions	The data stored in the plan is reliable, valid and timely.
Disaggregation of Beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A • Target for youth: N/A • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Quarterly
Reporting cycle	Quarterly
Desired performance	Projects are performed in terms of the plan.
Indicator responsibility	Director Standards

Inspections

INDICATOR TITLE	INSPECTIONS: The number of planned inspections completed per annum.
Definition	Risk-based inspections performed.
Source of data	Inspections plan.
Method of calculation/assessment	Actual inspections, per the booking schedule.
Means of verification	Proof of approval of plan by INSCOM.
Assumptions	The data stored in the plan is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly

Desired performance	Inspections are performed in terms of the plan.
Indicator responsibility	Director Inspections

Investigations

INDICATOR TITLE	INVESTIGATIONS: The number of investigations completed per annum.
Definition	Investigations into alleged improper conduct of registered auditors.
Source of data	Excel database of matters.
Method of calculation/assessment	Date order sorting of excel database based on “date closed” column – a count of investigations completed in the period.
Means of verification	Minutes of the INVESCO and DAC meetings held during the period.
Assumptions	The data stored in the excel database is reliable.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	The target number of investigations completed per annum is achieved.
Indicator responsibility	Director Investigations

Operations

INDICATOR TITLE	CLEAN AUDIT: A clean audit report regarding financials, compliance and performance information.
Definition	A clean audit report regarding financials, compliance and performance information.
Source of data	Audited annual financial statements.
Method of calculation/assessment	A simple count of the audit report and a review of an unqualified opinion.
Means of verification	Review of the signed audit report.
Assumptions	Internal controls remain effective.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A.

applicable)	<ul style="list-style-type: none"> Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Annually
Desired performance	Clean audit achieved.
Indicator responsibility	Director Operations
INDICATOR TITLE	TRANSFORMATION RELATING TO PROCUREMENT: Percentage of SMME payments effected within 30 days.
Definition	Increased procurement and effective payments to promote empowered businesses.
Source of data	Payments report from the accounting system.
Method of calculation/assessment	(Payments made to service providers within 30 days of valid approved invoices being received / total number of invoices) x 100 = %.
Means of verification	Payment report reviewed and approved by Director Operations.
Assumptions	The data stored in the report is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> Target for women: N/A. Target for youth: N/A. Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> Reflect on the contribution to spatial transformation priorities: N/A. Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Quarterly
Desired performance	Payments made within 30 days.
Indicator responsibility	Director Operations
INDICATOR TITLE	TARGETED PROCUREMENT: Percentage of contracts awarded to SMMEs and small businesses.
Definition	Increased procurement and effective payments to promote empowered businesses.
Source of data	Payments report from the accounting system.
Method of calculation/assessment	(Payments made to empowered service providers / total number of payments made) x 100 = %.
Means of verification	Payment report reviewed and approved by Director Operations.
Assumptions	The data stored in the report is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> Target for women: N/A. Target for youth: N/A. Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> Reflect on the contribution to spatial transformation priorities: N/A. Reflect on the spatial impact area: N/A.

Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Contracts awarded to SMMEs and small businesses.
Indicator responsibility	Director Operations
INDICATOR TITLE	TRANSFORMED WORKFORCE – B-BBEE CODES: An achievement of the management control score calculated according to the B-BBEE scorecard.
Definition	Transformation of management control achieved according to the relevant B-BBEE codes.
Source of data	BEE123 reports.
Method of calculation/assessment	Calculation of management control total in terms of the B-BBEE codes and formulas.
Means of verification	Management control report reviewed and approved by Director Operations.
Assumptions	The data stored in the report is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Promote transformation through targeted employment policies.
Indicator responsibility	Director Operations
INDICATOR TITLE	TRANSFORMED WORKFORCE – EMPLOYMENT EQUITY: An achievement of the employment equity target according to the approved Employment Equity Plan.
Definition	Transformation of staff achieved according to the approved Employment Equity Plan.
Source of data	HR Employment Equity Reports.
Method of calculation/assessment	Calculation of employment equity statistics.
Means of verification	Employment equity report reviewed and approved by Director Operations.
Assumptions	The data stored in the report is reliable, valid and timely.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities:

applicable)	N/A. <ul style="list-style-type: none"> Reflect on the spatial impact area: N/A.
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Targets achieved in terms of the employment equity report.
Indicator responsibility	Director Operations

Disciplinary

INDICATOR TITLE	DISCIPLINARY PROCESSES: Disciplinary Strategy approved and fully implemented, in line with the implementation plan.
Definition	Disciplinary processes concluded swiftly and cost effectively managed.
Source of data	<p>Year 1:</p> <p>To ensure the development of the disciplinary strategy and the implementation plan, the following inputs are required:</p> <ul style="list-style-type: none"> Benchmark research conducted on disciplinary processes. Disciplinary strategy and implementation plan drafted. A Board-approved disciplinary strategy and implementation plan. <p>Year 2:</p> <ul style="list-style-type: none"> Disciplinary strategy implementation plan. Report on the implementation of the disciplinary strategy. <p>Year 3:</p> <ul style="list-style-type: none"> Disciplinary strategy implementation plan. Report on the implementation of the disciplinary strategy. Disciplinary hearing annual plan. Quarterly reports to the DAC/OPSCOM or the Board on matters scheduled for hearings.
Method of calculation/assessment	<p>Year 1:</p> <p>The only output that is measured are documents that will be counted and reviewed. The documents that result at various stages are as follows:</p> <ul style="list-style-type: none"> Benchmark report; Disciplinary strategy; Disciplinary strategy implementation plan; Memo submitting the disciplinary strategy and implementation plan to the Board; and Board resolution/minutes approving the disciplinary strategy and implementation plan. <p>Year 2:</p> <p>Review the disciplinary strategy implementation plan against the</p>

	<p>report on the implementation of the disciplinary strategy to ensure that all planned actions were delivered.</p> <p>Year 3:</p> <ul style="list-style-type: none"> • Review the disciplinary strategy implementation plan against the report on the implementation of the disciplinary strategy to ensure that all planned actions were delivered. • Review the approved disciplinary hearing annual plan. • Notices/letter of set down for matters scheduled for hearings. • Disciplinary Committee attendance hearing register. • Hearing transcripts.
Means of verification	<p>Year 1:</p> <p>Disciplinary strategy and implementation plan approved by the Board.</p> <p>Year 2:</p> <p>Report on the implementation of the disciplinary strategy approved by the Board.</p> <p>Year 3:</p> <ul style="list-style-type: none"> • Report on the implementation of the disciplinary strategy approved by the Board. • Approved disciplinary hearing plan. • Quarterly reports to the DAC/OPSCOM or the Board on matters scheduled for hearings.
Assumptions	Disciplinary hearings designed to be conducted swiftly and cost effectively managed.
Disaggregation of beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for women: N/A. • Target for youth: N/A. • Target for people with disabilities: N/A.
Spatial transformation (where applicable)	<ul style="list-style-type: none"> • Reflect on the contribution to spatial transformation priorities: N/A. • Reflect on the spatial impact area: N/A.
Calculation type	Non-cumulative
Reporting cycle	Bi-annually
Desired performance	Disciplinary processes concluded swiftly and cost effectively managed.
Indicator responsibility	Director Legal

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