irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

Engage • Balance • Protect

2014 Annual Report

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Highlights for the year

- South Africa maintains it's number one ranking for strength of auditing and reporting standards in the World Economic Forum Global Competitiveness Survey for 2013/14 for the fourth consecutive year

- IRBA issues second Integrated Report

- First time that number of Black candidates attempting PPE represented over 50% of population

- Led the International Integrated Reporting Council's research on Assurance on Integrated Reporting

PART A:

GENERAL INFORMATION

List of Abbreviations/Acronyms

AGSA	Auditor-General South Africa
APA	Auditing Profession Act, 2005, Act No. 26 of 2005 (The Act)
ARMCO	Audit and Risk Management Committee
BAC	B-BBEE Advisory Committee
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CAG	Consultative Advisory Group
CFAE	Committee for Auditor Ethics
CFAS	Committee for Auditing Standards
CPD	Continuing Professional Development
DAC	Disciplinary Advisory Committee
DISCO	Disciplinary Committee
DTI	Department of Trade and Industry
EDCOM	Education, Training and Professional Development Committee
FASSET	The SETA for finance, accounting, management consulting and other financial services
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
ICT	Information Communication Technology
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspection Committee
INVESCO	Investigating Committee
IRBA	Independent Regulatory Board for Auditors
MFRC	Micro Finance Regulatory Council
PFMA	Public Finance Management Act
PPE	Public Practice Examination
PSSC	Public Sector Standing Committee
RA	Registered Auditor
SAICA	South African Institute of Chartered Accountants
SCWG	Standards Coordination Working Group
SSC	Sustainability Standing Committee

Significant Features Summary

	2014	2013	2012	2011	2010
Activity indicators (numbers)					
Registered auditors at year-end	**4281**	4306	4258	4375	4398
New registrations for the period	**219**	306	296	229	370
Trainee accountants registered for the period*	**2722**	3128	2672	3574	4124
Entrants to Public Practice Examination (PPE)	**2768**	2288	2054	1952	2798
Reportable Irregularities (RIs) received					
• Total RIs received (first reports)	**611**	710	814	806	1108
• Second reports - continuing	**338**	459	491	468	674
• Second reports - not continuing	**261**	247	312	328	340
• Second reports – did not exist	**12**	3	11	7	11
• Second reports - other	**0**	0	0	3	83
• Second reports - overdue	**0**	1	0	0	0
Disciplinary matters					
• Investigations initiated	**68**	85	87	94	84
• Investigation committee matters disposed of	**68**	65	62	59	74
• Disciplinary committee hearings	**11**	6	5	2	6
Inspections performed					
• Firms	**34**	22	38	22	6
• Engagements	**348**	440	625	640	654
Financial indicators (R)					
Government Grant	**32 933 000**	32 208 000	34 724 000	29 296 000	22 018 000
Total income	**58 174 781**	59 099 883	44 849 330	39 324 594	45 743 973
Expenses	**(85 288 924)**	(81 775 158)	(71 663 206)	(59 515 377)	(59 130 158)
Surplus	**5 818 857**	9 532 725	7 910 124	9 105 217	8 631 815
Transferred from/(to) reserves	**2 192 083**	(3 046 261)	(7 090 695)	(1 760 365)	(454 899)
Accumulated Surplus surrendered to National Revenue Fund	**(2 621 000)**	-	-	-	-
Accumulated Surplus to be surrendered to National Revenue Fund	**(1 244 000)**	-	-	-	-
Surplus/(Deficit) after movement in reserves	**4 145 940**	6 486 464	819 429	7 344 852	(2 140 413)

* The 2012 to 2014 numbers are for the 12 months ended 31 March and the previous years for the 12 months ended 31 December.

Strategic Overview

The Strategic Focus of the IRBA 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 Vision

The IRBA vision is evolving to be an internationally recognised regulator of the auditing profession and other assurance services relevant to the South African environment.

The IRBA Mission

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

The IRBA Objectives

In line with our legislative mandate, the IRBA objectives are to create the framework and principles to contribute to the protection 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.

Furthermore, we strive to create an enabling environment which allows audit firms to grow and contribute to the protection of the public.

The IRBA Goal

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

This is done by:

- 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 on-going competence.
- Registration of auditors who meet the registration requirements.
- Monitoring compliance with reportable irregularities and anti-money laundering.
- Monitoring registered auditors' compliance with professional standards.
- 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 economically efficient and effective manner, in accordance with the relevant regulatory frameworks.

Regulatory Philosophy

We adopt a "Prudential Approach" to regulation, which implies having an agreed set of principles and values supported by well-developed and internationally recognised standards and clear laws and regulations.

The IRBA's regulation is focused on the protection of the public interest, while recognising its role in creating an enabling environment in which auditors can deliver high quality audits.

Value Proposition

The IRBA creates continuing value through its role as an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thereby contributing to the protection of the public.

The IRBA 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 ascribe to the following core values:

Independence, integrity and objectivity

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

Commitment

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

Transparency and Accountability

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

Legislative and Other Mandates

The IRBA was established in terms of section 3 of the Auditing Profession Act, 2005, (Act No. 26 of 2005) (the Act).

The objects as set out in section 2 of the Act are as follows:

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

Foreword from the Honourable Minister of Finance

Nhlanhla Nene
Minister of Finance

Former president Nelson Mandela said in his last State of the Nation Address that "The foundation has been laid - the building is in progress". This was not only true then, but remains relevant today as we cast our eyes back on the journey of the past 20 years and also look two decades ahead.

The National Development Plan (NDP) provides a broad strategic framework to put the economy and society on a new trajectory for the next two decades. It recognises that development has never been a linear process, one step following another in a predictable and orderly sequence. Instead, development requires a multidimensional framework of interacting initiatives, policies and investments that generate a virtuous cycle of progress, with actions in one area supporting advances in others. Some of the key building blocks relate to improved accountability and instilling investor confidence.

In this regard, enhancing the quality of financial reporting in the country will contribute immensely to instilling investor confidence and more generally, enhancing the environment within which businesses operate.

Just as the financial crisis raised questions about the workings of the economics profession, it has also thrown up many challenges and lessons for the accounting profession. Financial markets, indeed all markets, depend for their efficient functioning on the availability of information that participants in those markets can trust.

Seen this way, the accounting profession's reason for existence is based on the trust and confidence that participants in financial markets have on the profession's work . The relevance therefore of the accounting profession is, and will remain, tied up with retaining this confidence.

Our fight against corruption also remains a crucial imperative if we want to strengthen governance and build confidence in our financial markets. At the granular level, auditors will have to continue to play an important role in reporting on financial management and undesirable practices, but will have an equally critical role to play in strengthening financial

management and governance by finding the right space where they can make a difference.

More importantly, we need to, at all times, bear in mind the role of the IRBA to protect the public, and the World Bank's recent recommendations in their Report on the Observance of Standards and Codes (ROSC) will support plans to strengthen the regulatory environment and thereby achieve this objective.

I am confident that, with the support of the regulator and profession, as well as the stakeholders who invest in building on the foundation which had been laid, we can secure a sustainable future for our future leaders.

Nhlanhla Nene
Minister of Finance

Foreword by the Chairman

WHG van der Linde, SC
Chairman

I am pleased to present the Independent Regulatory Board for Auditors' (IRBA's) eighth Annual Report.

South Africa celebrates 20 years of freedom and democracy in 2014. This fact presents a propitious time to reflect on the considerable achievements under democracy, and also on the considerable scope for improvement. Looking back we take pride in the roll-out of infrastructure to areas that were previously completely lacking in this regard. But we are concerned too about protests against lack of service delivery. We are concerned about unemployment, and – among those that are in fact employed - the unacceptable disparity in income between top management and labour. We particularly recognise the need for stability and foreign investment in an environment that acknowledges the rule of law over arbitrary action.

The existence of a capital market that is seen to be well-regulated is reliant on a reputable auditing profession that ensures the flow of credible financial information to the investing public. The IRBA has in the past year continued to strive towards sustaining a reputable auditing profession and we will continue to seek ways to strengthen this.

It is pleasing that the latest international survey by the World Economic Forum confirmed South Africa in the pole position for its auditing and reporting standards in the global arena for the fourth consecutive year. The maintenance of appropriate auditing and ethics standards is a major contributor to South Africa's reputation in local and foreign financial markets, and therefore plays a significant role in maintaining investor confidence and the creation of employment. It remains important for auditors to provide assurance that the financial information they report on is credible and reliable, to enable investors to be confident about the decisions they make, especially in times of turmoil.

However, financial stability is not possible in a climate of socio-economic unrest. The 2013 economic survey indicates that although South Africa is advancing, it is failing to fully achieve its considerable potential. Our perennial problems remain that too high a proportion of the population is out of work, income inequality remains extremely high, and educational outcomes are on average poor and hugely uneven. Therefore, as we celebrate 20 years of freedom and democracy we need to take stock of the progress made and to change focus to strengthen our democracy and accelerate the delivery of service to the people of South Africa.

The IRBA for its part is committed to creating the appropriate space within which it can support other government initiatives. For example, the Auditor-General has set itself the objective of improving financial reporting at local government level. The IRBA recognises the support it can offer to such initiatives, which will ultimately benefit the country through the auditing profession it regulates.

The IRBA has also been involved in other related disciplines that are in the process of being strengthened, such as the independent review as introduced by the Companies Act, 2008 and Broad-Based Black Economic Empowerment Verification by Registered Auditors. However, these will require amendments to the Auditing Profession Act, 2005, and we continue to engage with the Minister of Finance who will determine any changes to our mandate as appropriate.

The World Bank completed its Review of Standards and Codes on South Africa (ROSC) in February 2013 and submitted a report to the National Treasury. The Minister signed off the recommendations in October 2013. An implementation framework is currently being considered by the National Treasury (NT) for consideration by the

Minister. This may also influence the auditing and accounting landscape in the country and likely further improve standards and regulation in the profession.

Having also recognised the dynamic environment in which auditors deliver assurance services, the implementation of the new audit development model is in progress to qualify auditors, taking into account current and future skills and competency requirements based on international and local experience.

Transformation in the auditing profession remains a challenge that requires a concise strategy. The IRBA faces ongoing challenges in terms of limited capacity and resources in this regard. However, the Transformation Committee continues to make progress towards achieving its objectives.

In this context the IRBA is a signatory to the Chartered Accountancy Profession Sector Code, which has as its vision *'to grow the number of Black people in the CA profession to reflect the country's population demographics, to empower and enable them to meaningfully participate in and sustain the growth of the economy, thereby advancing equal opportunity and equitable income distribution.'*

The sector code was gazetted on 10 May 2011.

The IRBA is a founding member of the Thuthuka Bursary Trust. The Thuthuka project is SAICA's initiative to transform the CA (SA) profession and we continue to also rely on this pipeline to transform the auditing profession.

Finally, I wish to thank the CEO of the IRBA, Bernard Agulhas, and his executive directors, the National Treasury, my fellow board members, and the management team for their invaluable contribution and support during the past year. I look forward to another year in which we will use every opportunity to maintain our international position with our standards while delivering on our mandate to serve and protect the public.

Chief Executive Officer's overview

Bernard Peter Agulhas
Chief Executive Officer

It gives me great pleasure to present the Independent Regulatory Board for Auditors' (IRBA's) eighth Annual Report on this occasion of the country's celebration of 20 years of freedom and democracy.

Presenting the Budget Speech in 2014, the Minister of Finance said "Political emancipation is just the beginning of our journey towards justice and equality. In exercising the responsibilities that flow from democratic participation, we have the opportunity to create a better future for all". He continued to quote from a journal written by former President Nelson Mandela while in prison where he wrote *"The purpose of freedom is to create it for others".*

As we celebrate this milestone of freedom and democracy, as a country we should strive even further for economic freedom. The South African public continues to be in need of the confidence to invest in the economy and the assurance that unemployment and other social issues will be addressed - assurance that can be provided by the existence of a well regulated capital market, which, in turn, relies on a reputable auditing profession to provide capital providers with credible financial information.

We continued to deliver on our strategy in terms of our mandate, while simultaneously remaining responsive to the needs of the public, the profession and other relevant stakeholders, as well as finding the appropriate space in which the IRBA must support government in achieving its national objectives.

Some of our more significant achievements, projects and areas of influence are outlined below.

Influencing International Best Practice

South Africa continues to actively influence developments in auditing and audit regulation through its representation on, and contribution to, international best practice. The IRBA is represented on IFAC's International Accounting Education Standards Board (IAESB) and has previously been represented on the Ethics and Auditing Standards Setting Boards. We will continue to seek representation on these structures. The IRBA is also a founding member of the International Forum of Independent Audit Regulators (IFIAR), an international forum which shares best practices as well as challenges to audit regulation and inspection processes. IFIAR has various working groups, one of which is the Standards Coordination Working Group (SCWG). The mandate of the SCWG is to consider and provide inputs to the International Audit and Ethics Standards setting structures of IFAC and was chaired by South Africa until April 2014.

South Africa also chairs the Consultative Advisory Group (CAG) to the international auditing standard setter. The CAG comprises representatives from various international bodies interested in audit standard setting and auditing standards and can influence the standard setting activities to ensure that standards continue to be set in the public interest. South Africa is also represented on the CAG of the IAESB.

Auditing Profession Act

To ensure that the audit legislation remains relevant, effective and efficient, the IRBA has made several proposals to the National Treasury to amend the legislation to give effect to improvements in the audit legislation.

Regulation of the B-BBEE Verification Industry

The IRBA was approached to regulate the B-BBEE Verification Industry, thus providing it with the opportunity to have a direct impact on government's transformation policies.

The DTI's legislation has been amended and the IRBA will proceed with its responsibilities once the Minister has agreed that it has the necessary capacity and resources to deliver on this additional mandate. Relevant stakeholders, including the existing industry, have been consulted and the IRBA will continue to engage with them to draw on their expertise and experience in this sector. Any final decision regarding the regulation of the industry will be dependent on the availability of the required capacity and funding.

Branding, Stakeholder Relationships and Communications

Stakeholder engagements during the year under review were designed to counter any negative perceptions of the IRBA and to position the IRBA as a cross industry enabler. I am pleased to report that the objectives for year one was achieved, mostly through stakeholder engagements and opportunities for incorporating the IRBA's vision into various forms of messaging.

As part of our stakeholder engagements we have met with and shared our vision with professional bodies, government departments, auditing firms, our regional counterparts in Africa and internationally, and with students. Our presence in all accredited Universities across the country through career days and speaking opportunities has been welcomed by leaners and students that we have engaged with. Our message of promoting auditing as an exciting career and creating awareness of the Registered Auditor brand has been well received and supported.

Road Shows

The IRBA conducted its annual road show to provide an opportunity for it to share projects and the strategy of the IRBA with registered auditors, as well as to obtain feedback from auditors on issues that they believe should be addressed by the IRBA.

In addition, the IRBA conducted workshops in ethics and reporting aimed at assisting auditors to better understand ethical issues that could be potentially faced by auditors, and common issues giving rise to action against auditors by the IRBA. The workshops are consistent with the IRBA's strategy to provide more support to auditors in its role as the custodian of the profession.

International Developments in Audit Regulation

Developments in the international arena have highlighted the importance of increased engagement between the shareholders and the auditor. Investors continued to pay attention to independence requirements such as auditor rotation, provision of other services to an audit client, and communications with audit committees. We will closely monitor these developments and engage in the necessary conversations when starting the debates in South Africa.

Prior period error

During November 2013, SAICA reported to the IRBA that, due to their system problems, some training contracts were reported incorrectly to the IRBA and that SAICA never reported the necessary corrections to the IRBA.

Accordingly, some training contracts were recorded twice in the accounting records of the IRBA dating back to the 2011/12 and 2012/13 financial accounting periods. It should be noted that the IRBA must necessarily place reliance on SAICA's systems regarding the registration and monitoring of training contracts.

The correction of these errors resulted in the following adjustments to the IRBA's financial statements:

Correction to Opening Balance in Prior Period	R260 026
Correction of error in Comparatives	R215 151

The IRBA has been assured by SAICA that these corrections would resolve all legacy errors relating to the system problems at SAICA and continues to engage with SAICA to address the accuracy of information being reported to the IRBA in respect of training contracts that impact the IRBA's financial records.

Prepayment in respect of training contracts

During February 2014, while the SAICA systems for registering training contracts were decommissioned for upgrade, the IRBA invoiced audit firms based on trainee information sent directly to the IRBA, to accommodate the firms. As the training contracts were not registered by SAICA, the IRBA could not recognise this income and accordingly these amounts have been disclosed as prepayments in the IRBA's financial statements.

Human Resources, Financial Matters and Performance

Matters relating to human resources are set out in the section on **Human Resource Management** and financial matters are covered by the **Report of the Accounting Authority** and the **Financial Statements**. The performance of the IRBA against its predetermined objectives is included under **Part B** of the Annual Report.

I take the opportunity to thank the management team and staff of the IRBA, as well as the Board, Board committees, and statutory committees for the support and commitment on which we inevitably rely in driving the IRBA's strategy towards achieving our objectives.

Finally, on behalf of the management, Board and statutory committees, I would like to extend my sincere gratitude to Sandy van Esch, who retired as Director: Standards in May 2014, for her unfailing commitment and dedication to standard-setting and the profession, and wish her well with her retirement.

Organisational Structure

The organisation operates through an Executive and a total staff complement of 71 employees.

Board

Willem **van der Linde**, SC
B. Iuris LLB
(Chairman)

Cynthia **Mbili**
CA(SA), RA

Yunus **Suleman**
CA(SA), RA

Mohamed Iqbal **Khan**
CA(SA)

Pule **Mothibe**
CA(SA), RA

Lindelwa **Majova-Songca**
CA(SA), RA

Rene **Kenosi**
CA(SA)

Alex **van der Watt**
CA(SA)

The IRBA Executive consists of the Chief Executive Officer and directors.

	Title	Name	Surname	Qualifications	Designation	Date Joined the IRBA
1	Ms	Laine	Katzin	M.Ed Educational Psychology	Director: Education, Training and Professional Development	August 2009
2	Mr	Imre	Nagy	CA(SA), RA	Director: Inspections	February 2013
3	Ms	Willemina Hendrika	de Jager	CA(SA), CIMA	Director: Operations	May 2009
4	Mr	Bernard Peter	Agulhas	CA(SA)	Chief Executive Officer	June 2003
5	Ms	Sandra Dawn	Van Esch	CA(SA)	Director: Standards	August 2009
6	Ms	Patricia Jane	O'Connor	BA, LLB	Director: Legal	June 1986

PART B:

PERFORMANCE INFORMATION AGAINST MEASURABLE OBJECTIVES

Performance Against Measurable Objectives

For the year ended 31 March 2014

STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS AND REPORTABLE IRREGULARITIES

STRATEGIC OBJECTIVE	Developing and maintaining auditing and ethics standards that are internationally comparable				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2013/14	Status for the year ended 31 March 2014
To develop and issue new audit guidance to ensure guidance remains relevant and actively addresses gaps	Issued auditing pronouncements	To provide auditors with guidance to perform high quality audits	Target dates for issuing audit pronouncements as per CFAS Project Timetable adjusted on a quarterly basis	85%	**Achieved** 88% of projects completed according to the CFAS project timetable
To develop and issue additional guidance on ethical issues from the Code of Professional Conduct	Issued additional guidance on ethical issues	To provide auditors with a code consistent with international codes and enable IRBA to take disciplinary action where necessary	Target Dates for issuing additional guidance is as per the CFAE work programme adjusted on a quarterly basis	85%	**Achieved** 90% of projects completed according to the CFAE work programme
To process reportable irregularities reports received from registered auditors timeously	Closed reportable irregularities files	To comply with the Auditing Profession Act	Time taken to close reportable irregularities files	90% adherence to targets – files closed within 40 days from receipt of initial reportable irregularities report	**Achieved** 97% of a total of 619 reportable irregularities

STRATEGIC FOCUS AREA 2: EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT

STRATEGIC OBJECTIVE	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2013/14	**Status for the year ended 31 March 2014**
To establish processes so that only competent candidates enter the audit profession	Assessment of professional competence	Competence is established at entry to the profession	Adherence to dates in assessment programme schedule	100% adherence to the work schedule	**Achieved** 100% adherence to the work schedule
To monitor the programmes and institutional requirements of accredited professional bodies	Monitoring reports	To ensure compliance with the Accreditation Model	Date of submission of final monitoring reports	**Academic Programme –** 60 days after submission of the draft monitoring report by Accredited Entity	**Achieved** 100% completed
				Core Assessment Programme – 60 days after submission of the draft monitoring report by accredited entity	**Achieved** 100% completed
				Education Programme – 60 days after submission of the draft monitoring report by accredited entity	**Achieved** 100% completed
				Training Programme – 60 days after submission of the draft monitoring report by accredited entity	**Achieved** 100% completed
				Institutional requirements – 60 days after submission of the draft monitoring report by accredited entity	**Achieved** 100% completed
Present a support programme for Black repeat candidates who have been unsuccessful in previous attempts at the Public Practice Examination that will impact on the results	To present a support programme that met the needs of Black candidates	To increase the number of potential Black RAs by offering educational support to repeat Black candidates	Provide a support programme for Black repeat candidates on an annual basis in accordance with the support programme work schedule Attendance at support programme sessions	80% compliance with the work schedule with successful completion	**Achieved** 100% completed

STRATEGIC FOCUS AREA 3: INSPECTIONS

STRATEGIC OBJECTIVE	**Monitor registered auditors' compliance with professional standards**				
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2013/14	**Status for the year ended 31 March 2014**
To regularly inspect on a risk basis the assurance work of registered firms and their auditors, focusing on significant public interest	Inspection reports	Compliance of firms (including their individually registered auditors) with the auditing and ethical standards	Number of inspections completed in accordance with the Inspection Plan	90% adherence to the Inspection Plan	**Achieved** Firm inspections: Planned 34 Actual 34 **Achieved 100%** File inspections: Planned 381 Actual 348 **Achieved 91%**

STRATEGIC FOCUS AREA 4: REGISTRATION AND LEGAL

STRATEGIC OBJECTIVE	**To investigate and take appropriate action against registered auditors in respect of improper conduct**				
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2013/14	**Status for the year ended 31 March 2014**
To finalise all complaints received timeously	Closed case files	Fair and appropriate outcome of investigations	Percentage of complaints closed within 18 months of receipt of complaint (***excluding matters referred to disciplinary hearings)***	80%	**Achieved** 82% of complaints received were closed within 18 months of receipt
STRATEGIC OBJECTIVE	**Registration of registered auditors (RAs) who meet the registration requirements**				
Adherence to individual registration policies and procedures	First and re-registration of individual RAs who meet registration requirements	To maintain the integrity of the register of RAs	Registration within one month from date of receipt of completed application, with the exception of applications received in terms of the "3 year-rule"	95%	**Achieved** 99% of the 258 new registrations were done within one month from date of receipt
	Annual renewal of individual RAs who meet renewal requirements	To maintain the integrity of the register of RAs	By set renewal deadline date	95%	**Achieved** 100% lapsing due to non-payment of fees has been done Cancellation for failure to submit documentation has been done

STRATEGIC FOCUS AREA 5: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

STRATEGIC OBJECTIVE	Developing and maintaining corporate and stakeholder relationships to enhance performance, accountability and public confidence				
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2013/14	**Status for the year ended 31 March 2014**
To collaborate and build relationships with critical stakeholders	Approved Stakeholder Relationship Strategy and Communication Plan completed and implemented	Informed and improved cooperation with stakeholders	Date of approval and revision of Stakeholder Relationship Strategy	July 2013	**Achieved** Stakeholder Plan approved on 21 May 2013
			Date of approval of revised Communication Plan	August 2013	**Achieved** Communications Plan approved on 21 May 2013
				Implementation of activities as per milestones in the communication plan	**Not achieved** 70% of communication activities implemented
Compliance with legislation and governance	Approved Compliance Framework and the successful implementation thereof	The IRBA as a regulator be a compliant entity	Date of approval of revised Compliance Framework	Sept 2013	**Achieved** The revised Compliance Framework was approved in November 2013 due to the timing of the board meeting
	Compliance with legislation and governance		Compliance as reported to Audit and Risk Management Committee	75% adherence to Compliance Reported	**Achieved** There were no instances of non-compliance

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable objective	**Output**	**Outcomes**	**Measurable Indicator**	**Performance Targets**	
				2013/14	**Status for the year ended 31 March 2014**
To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate	Funding/income received to equal expenses	Financial sustainability to deliver on mandate	Funding/income received to equal actual expenses excluding special reserve funds	10% deviation of funding/ income from actual expenses excluding special reserve funds	**Achieved** Deviation 7% Income R91 million Actual expenses R85 million
	Maximum utilisation of resources		Percentage deviation on expenses from budget vs. actual	15% deviation, up or down	**Achieved** Deviation was 10,8% (actual expenses less than budget)
	Financial discipline adherence		Clean audit report	100% clean audit report	**Achieved** 100%
To transform the IRBA in line with employment equity legislative requirements by implementing employment equity plans and achieving targets within the plan	Implementation of the employment equity plan	Transformed organisation	Percentage of employment equity targets achieved in total	90% of target achieved as indicated in Employment Equity plan	**Achieved** 63% Female employees against a target of 50% = 100% achievement 58% Black employees against a target of 65% = 7% negative deviation from target Overall achievement 96%



PART C:

GOVERNANCE STRUCTURE

The Board

The Board is the designated accounting authority and governs the Independent Regulatory Board for Auditors (IRBA) in accordance with the provisions of the Auditing Profession Act, No. 26 of 2005 (the Act), the Public Finance Management Act, 1999 (PFMA) and good corporate governance principles.

The IRBA continued to assess the extent to which it applies the best practice recommendations of the King Report on Corporate Governance for South Africa (King III). No material issues were identified to suggest flaws in governance. The IRBA will continue to monitor and enhance current practices on an on-going basis.

Composition of the Board

Board members are all non-executive members appointed by the Minister. In terms of the the Act, the Minister must appoint not less than six but not more than 10 persons as members of the Board. A new Board was appointed with effect from 01 April 2013 and consists of eight members. The Minister appoints competent persons, who include registered auditors, to effectively manage and guide the activities of the Regulatory Board, based on their knowledge and expertise.

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

Board meetings

The Board met six times during the year under review.

Board and Subcommittee Meeting Attendance 2013/14

Board Member	Board	Operations Committee	Audit and Risk Management Committee	IT Steering Committee	Disciplinary Advisory Committee
Total number of meetings	6	4	4	3	7
WHG van der Linde, SC (Chairman)	6	n/a	n/a	n/a	n/a
RA Kenosi	6	4	3	2	n/a
MI Khan	4	4	n/a	n/a	n/a
Prof LY Majova-Songca	5	n/a	n/a	n/a	5
CN Mbili	5	n/a	4	3	n/a
P Mothibe	6	3	n/a	n/a	n/a
YGH Suleman	4	n/a	n/a	n/a	7
Prof A van der Watt	6	n/a	3	2	6

During the year under review, the Board Members were as follows:

TITLE	INITIALS	NAME	SURNAME	QUALIFICATIONS	DESIGNATION	DATE APPOINTED TO BOARD	AGE	DIRECTORSHIPS
Mr	WHG	Willem Hendrik Gabriel **(Chairman)**	Van der Linde	B. Iuris LLB	Advocate	01 April 2011	58	None
Mr	MI	Mohamed Iqbal	Khan	B Compt (Hons)	CA(SA)	01 April 2011	48	House of Monatic Group Sea Harvest Incorporated
Prof	LY	Lindelwa Yvonne	Majova-Songca	Senior teacher's diploma BCompt (Hons) MBA	CA(SA)	01 April 2011	44	Capraway MasengViljoen Inc. Trustee: Jongilizwe Trust for Jongilizwe School of Traditional Leaders SGB member: Hudson Park High School E.C. Liquor Board
Ms	C	Cynthia	Mbili	Mcom Certificate in Investment Management Post Graduate Diploma in Accounting B Com (Accounting) Senior Secondary Teachers Diploma Certificate in Life Insurance and Retirement funds	CA(SA)	01 April 2011	42	Sizwe Ntsaluba Gobodo Azuze Poultry Products
Mr	YGH	Yunus Goolam Hoosen **(Deputy Chairman)**	Suleman	B Com B Compt (Hons)	CA(SA)	01 April 2011	57	Chairman: KPMG Dormell Properties 385 (Pty) Ltd Chairman: Enactus South Africa
Ms	RA	Rene Aloise	Kenosi	B Comt B Compt (Hons)	CA(SA)	01 April 2013	43	Bridging Concepts Financial Services (Pty) Ltd Dikago Development CC
Mr	P	Pule	Mothibe	B Com Dip Acc	CA(SA)	01 April 2013	45	PwC PwC Combined Systems (Pty) Ltd (a PwC company)
Prof	A	Alex	Van der Watt	B Com B Com (Hons) M Com	CA(SA)	01 April 2013	45	South African Institute of Chartered Accountants Head of Department: Department of Accountancy (UJ) Thuthuka Busary Fund Thuthuka Education Upliftment Fund Accounting Professional Training (Pty) Ltd Accounting Education (Pty) Ltd
Ministerial representative								
Mr	M	Michael	Sass			30 October 2013		
Ms	Z	Zolisa	Zwakala			30 October 2013 (Resigned 28 February 2014)		

Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in the annual report. The Board is ultimately responsible for ensuring that adequate accounting records and effective systems of internal control are being maintained. To enable the Board to meet its responsibilities, it employs adequately trained and skilled personnel to implement and maintain the accounting records and systems of control in line with the requirements of the PFMA and Treasury regulations. The Board also exercises its functions in accordance with the Auditing Profession Act, (Act No 26 of 2005).

The Board is assisted by the following committees in the execution of its duties:

Audit and Risk Management Committee

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

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

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

Disciplinary Advisory Committee

In terms of the Auditing Profession Act, (Act No 26 of 2005), the Investigating Committee (INVESCO) investigates all complaints and then recommends to the Board whether or not to charge a practitioner with unprofessional conduct.

INVESCO meets every six weeks, but the Board does not meet frequently enough to consider recommendations from INVESCO after each of their meetings. The Board has therefore delegated this function to the Disciplinary Advisory Committee (DAC) which consists exclusively of Board members.

During the period under review the number of members of this committee was reduced from four to three, one of which is a registered auditor. The DAC functions independently from the INVESCO and the Disciplinary Committee and reports to the Board.

The DAC meets about three weeks after each INVESCO meeting and considers all matters where Invesco has made a recommendation on finalisation of its investigation. DAC will not substitute a recommendation, but rather will refer matters back to INVESCO if it does not agree with the recommendation.

Period Under Review

During the twelve months under review, the DAC met seven times (2013: eight times) to consider 83 (2013: 66) matters of which 68 were new matters and the remainder were matters brought forward from the previous year.

Of these 68 matters:

- 36 were received from members of the public (including their clients).
- 9 were originally referred by the JSE Ltd.
- 3 were received from the Law Society.
- 1 was received from the Master of the High Court.
- 1 was received from the Companies Intellectual Properties Commission (CIPC) / the DTI.
- 1 was received from a religious organisation.
- 2 were received from body corporates.
- 2 were received from the Estate Agency Affairs Board.
- 1 was received from the Auditor-General.
- 8 matters were referred by the Board's Inspections Committee.
- 1 matter was referred by the Board's Standards Department, and
- 3 matters were initiated mero motu.

This is a substantial number of cases and is indicative of the continued awareness regarding the disciplinary processes amongst users of services provided by registered auditors. Furthermore, it is an indication of trust in the ability of the Board to effectively discipline its members.

Matters finalised

During the current financial year 108 (2013: 64) matters were finalised. Of these:

- 56 were not prosecuted
  - 8 in terms of Rule 3.5.1.1 (The practitioner is not guilty of unprofessional conduct).
  - 28 in terms of Rule 3.5.1.2 (The practitioner having given a reasonable explanation for the conduct).
  - 17 in terms of Rule 3.5.1.4 (There being no reasonable prospect of proving the practitioner guilty of the conduct in question).

- 3 in terms of Rule 3.5.1.5 (In all the circumstances it is inappropriate to charge the practitioner with unprofessional conduct).
- 1 practitioner was admonished for his behaviour but was not formally charged.
- 38 matters were settled by way of consent orders, and the practitioners were fined.
- 1 matter was closed as the parties had reached settlement and the complaint was withdrawn, and would not be prosecutable in the circumstances.

Matters Referred

Eleven matters (one of which concerned two practitioners) were referred to the Disciplinary Committee for a full hearing. Three of these have been finalised during the year.

Operations Committee

The objective of the committee is to assist the Board with human resources, which includes, *inter alia,* the annual review of the performance and remuneration of the CEO, regularly assessing staff benefits, trends, and reviewing changes to the personnel policies of the Board. The committee also assists the Board with nominations for all appointments to IRBA committees by making recommendations to the Board. The committee is further tasked to consider reports from the directors on operational and functional issues.

The committee operates in accordance with terms of reference authorised by the Board which is reviewed annually.

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

IT Steering Committee

The objective of the IT Steering Committee is to assist the Board with IT governance. The Board has entrusted the committee with, *inter alia,* developing and recommending the IRBA policy to the Board in relation to IT, the review of IT project development plans, the creation of ad hoc committees to research strategic IT issues, as required, and make recommendations. The committee advises the Board with issues of IT governance, in line with the recommendations in the King III Report on Corporate Governance.

The committee operates in accordance with the terms of reference authorised by the Board.

Internal Auditors

The IRBA appointed Business Innovation Group as a service provider for internal audit in 2012/13. The Audit and Risk Management Committee approved a four-year rolling internal audit plan following the appointment. Internal audit performed its activities as per the plan and tabled progress reports at Audit and Risk Management Committee meetings quarterly. Significant risks identified are monitored on a continuous basis.

External Auditors

The external auditors provide an independent assessment of IRBA's systems of internal financial control and express an independent opinion on its financial statements. The external auditors' plan is reviewed by the Audit and Risk Management Committee to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit. The Auditor-General of South Africa is the auditor of the IRBA.

The Board adopted a Combined Assurance Framework during the year under review.

Strategic Plan and Budget

Management of the IRBA prepares the business plan, strategic plan and budget for Board consideration and approval. The strategic plan and budget are duly submitted to the National Treasury for consideration and approval. Quarterly reports, including the management accounts, performance information and PFMA compliance are submitted to National Treasury as per the requirements of the PFMA and Treasury regulations.

Social Responsibility

The IRBA continued with its approach to corporate social responsibility (CSR) and involvement with charitable institutions. In the previous financial year, a CSR Committee was formally established, which comprises a member from each department and a director representing management.

The following organisations benefitted from staff donations, which were in turn matched by the IRBA:

- The Thembelami Care Centre

  The care centre looks after frail pensioners of limited means, primarily those receiving a social or disability grant from government. The IRBA donated reading material and goods for Christmas to the centre.
- SPCA Sebenza

  The IRBA donated consignments of pet food.
- Santa's Shoebox Project

  The Santa Shoe Box Project is a community initiative of Kidz2kidz Trust, which coordinates the donation, collection and distribution of personalised gifts at Christmas for underprivileged children across South Africa and Namibia.

  The IRBA, through its staff members, donated 14 Santa's Shoeboxes to needy children.
- Arebaokeng Hospice

This is a hospice and education facility for orphaned and vulnerable children ranging from six to 18 years. The children are given a meal after school and assisted with homework and psychosocial counselling by auxiliary workers. The IRBA donated food and cash to the hospice.

The IRBA also donated photocopier machines to the following institutions:

- Child Welfare – Kempton Park
- Hope Restoration College
- Vuleka Early Learning Centre
- The Love Trust – Nokuphila School and Nokuphila Teachers Training Centre

Environmental initiatives remain very important to the IRBA and it participates in numerous recycling initiatives including cartridge recycling. The office park where the IRBA is located has a waste sorting facility where all office waste including light bulbs and tubes are sorted and recycled.

Integrated Reporting

The IRBA issued its second Integrated Report in February 2014. The report was prepared in line with best practice, pursuant to the recommendations of the King III Report on Corporate Governance and the principles prescribed by the International Integrated Reporting Council.

Corporate Governance Environment in Relation to the King III Report on Corporate Governance

Governance Area	Current Status
Accounting authority and directors	The Board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct was approved by the Board and is reviewed annually.
Performance assessment	Performance evaluation of the Board and its sub-committees for the financial year ended March 2014 was completed.
Board Secretary	The Board Secretary was appointed in September 2011, and is fully operational in handling the governance and compliance of the IRBA.
Board committees	Full compliance for the reporting period.
Remuneration of Board members, directors and senior executives	Full compliance for the reporting period.
Audit committee	The Terms of Reference of the Audit and Risk Management Committee were reviewed during the financial year and approved by the Board.
Risk	The risk evaluation and monitoring is done by management and reviewed by the Board. The revised Risk Management Policy Framework was approved by the Board in November 2013.
IT governance	The Board established the IT Steering Committee to assist with governance. An Information Communication Technology (ICT) strategy was approved by the Board.
Compliance with laws, rules, codes and standards	The principal laws to comply with are the Auditing Profession Act and the PFMA, and there was full compliance during the reporting period. Compliance monitoring is handled by the Board Secretary, who also acts as the Compliance Officer. Reports on compliance with the PFMA are issued quarterly to National Treasury following approval by the Board.
Internal audit	The internal audit function is outsourced. Internal audit follows a risk based approach and reports back to the Audit and Risk Management Committee on a quarterly basis.
Governing stakeholder relationships	A Stakeholder Management Plan was approved by the Board in May 2013 and the IRBA is satisfied that important milestones were reached during the year under review.
Integrated reporting and disclosure	The IRBA issued its second Integrated Report in February 2014.

PART D:

HUMAN RESOURCE MANAGEMENT

The Value of Human Capital

The IRBA is a service entity and as such its most valuable asset is its staff. The staff complement, excluding contract workers, was 71 as at 31 March 2014. The budgeted staff complement of 77 was not reached due to staff turnover and uncertainty about the IRBA taking over the B-BBEE function. The total staff expenditure was R45,3 million, which represents 53% of the total expenses of the IRBA.

Overview of HR Practices

The IRBA ensures that it complies with employment legislation: the Labour Relations Act (Act 66 of 1995), the Basic Conditions of Employment Act (Act 75 of 1997), the Employment Equity Act (Act 55 of 1998), the Skills Development Act (Act 97 of 1998), the Occupational Health and Safety Act (Act 181 of 1993] and various human resources (HR) codes of best practice. To ensure on-going communication with staff members, the Chief Executive Officer holds monthly staff meetings to provide feedback to staff on relevant matters.

The IRBA has a manual of human resource policies and practices that is reviewed on a regular basis. During the year under review the following policies were updated and approved by the Board:

- Children at work.
- Employment equity.
- Engaging in private work.
- Medical aid.
- Overtime.
- Performance management.
- Resignations.
- Retirement.
- Reward strategy.

Employee Reward and Performance Management Framework

The IRBA recognises that reward is a business issue and not just a human resources issue, as it has a direct impact on operational expenditure, culture, employee behaviour and ultimately the sustainability of the IRBA. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers.

The objectives of the IRBA's reward programme are to assist the IRBA to:

- Compete for talent in an increasingly competitive labour market.
- Retain competent employees who enhance business performance.
- Motivate individual and team performance that drives stakeholder value for the IRBA.
- Achieve most effective returns (employee productivity) for total employee cost.
- Ensure sufficient equity levels.

To achieve these objectives, the IRBA rewards employees in a way that reflects the dynamics of the market and the context in which it operates. All components of the reward strategy, including the fixed pay portion, variable pay, performance management, learning and personal growth and the work environment, is aligned to the strategic direction and specific value drivers of the IRBA. The reward strategy is fully integrated into other management processes.

The performance measurement of staff is extended to include the behavioural competencies of the staff, by including a 360 degree evaluation of behaviours. All employees took part in the development of the evaluation technique, which was successfully implemented.

Human Resource Oversight Statistics

Staff Complement

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

	2014	%	2013	%	2012	%	2011	%	2010	%
Black Female	26	37	27	42	25	39	24	36	26	38
White Female	19	27	19	29	20	31	19	29	16	24
Black Male	15	21	12	18	11	17	15	23	16	24
White Male	11	15	7	11	8	13	8	12	10	14
TOTAL STAFF	**71**	**100**	**65**	**100**	**64**	**100**	**66**	**100**	**68**	**100**

Personnel Cost of Permanent Staff

Total staff expenses consist of the following:

	2013/14 R'000	2012/13 R'000
Cost to employer	39 338	34 146
Overtime and relief staff	610	592
Consultants	3 070	1 347
Staff training and seminars	434	367
Incentives	1 883	1 473
TOTAL PERSONNEL COSTS	**45 335**	**37 925**
Total operating expense for the IRBA	85 288	81 774
Personnel expenditure as a percentage of total expenditure	53%	46%
Number of employees	71	65
Average cost to employer cost per employee	R 554 056	R 525 323

Training Costs

	2013/14			2012/13
	Training Cost (R'000)	Bursary Costs (R'000)	Total Training Cost (R'000)	Total Training Cost (R'000)
Top management	16	-	16	22
Senior management	98	-	98	70
Professionally qualified	242	-	242	189
Skilled	21	83	104	70
Semi-skilled	40	37	77	193
Unskilled	30	-	30	7
TOTAL	**447**	**120**	**566**	**551**

The IRBA gave financial assistance to 12 employees studying at a university during the year.

Employment and Vacancies

	2013/2014		2012/2013	
	No. of employees	Vacancies	No. of employees	Vacancies
Top management	1	0	1	0
Senior management	5	0	5	0
Professionally qualified	30	4	24	3
Skilled	8	2	8	4
Semi-skilled	21	0	22	0
Unskilled	6	0	5	0
TOTAL	**71**	**6**	**65**	**7**

Due to the scarce skills in the market in the senior management positions and of professionally qualified individuals, the recruitment process for each of these positions usually takes some time. Every effort is made to advertise and conduct interviews for these positions as soon as a vacancy is identified, but due to the competitive salaries being offered by the private sector it is difficult to find suitable employment equity candidates for these positions.

Two of the above vacancies are due to the delay in the transfer of the regulation of the B-BBEE verification industry from the DTI, and accordingly in the appointment of the relevant employees.

Employment Changes

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

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	0	1
Senior management	5	0	0	5
Professionally qualified	24	8	2	30
Skilled	8	1	1	8
Semi-skilled	22	2	3	21
Unskilled	5	2	1	6
Total	**65**	**13**	**7**	**71**

The majority of changes in recruitment occurred at the professionally qualified level. Most of the candidates that resigned at this level were CAs(SA) and employment equity candidates. These employees represent scarce skills within the financial field and are paid much higher salaries and premiums in the private sector. The IRBA is not in a position to compete with these salary expectations or the benefits paid to these candidates from the private sector.

Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Resignation	3	44%
Dismissal	1	14%
Retrenchment	1	14%
Retired	1	14%
Death	1	14%
Total	**7**	**100%**

A filing clerk was dismissed following a medical incapacity enquiry regarding her extensive sick leave and absenteeism. An IT technician was retrenched following the outsourcing of the IT function to Bytes Technology. He was given the option of joining Bytes Technology on a similar contract basis but decided to take a retrenchment package instead.

Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Written warning	0
Final written warning	1
Dismissal	1

Equity Target and Employment Equity Status

TARGET 2014										
Occupational Levels	**Male**			**Female**				**White Male**	**Total**	**Disabled**
	A	**C**	**I**	**A**	**C**	**I**	**W**			
Top management		1							1	
Senior management							4	1	5	1
Professionally qualified	5	1	4	5	1	2	3	6	27	
Skilled technical	1			3			4		8	
Semi-skilled	5			9	2	1	7		24	1
Unskilled	1			6					7	1
Total employees	**12**	**2**	**4**	**23**	**3**	**3**	**18**	**7**	**72**	**3**
	17%	3%	6%	32%	4%	4%	25%	10%	100%	4%

ACTUAL 2014										
Occupational Levels	**Male**			**Female**				**White Male**	**Total**	**Disabled**
	A	**C**	**I**	**A**	**C**	**I**	**W**			
Top management		1							1	
Senior management							4	1	5	1
Professionally qualified	3	1	3	4		3	6	10	30	1
Skilled technical	1			3	1		3		8	
Semi-skilled	5			9	1		6		21	1
Unskilled	1			5					6	
Total employees	**10**	**2**	**3**	**21**	**2**	**3**	**19**	**11**	**71**	**3**
	14%	3%	4%	30%	3%	4%	27%	15%	100%	4%

The IRBA makes every effort to achieve its employment equity targets for the period. This is being addressed by incorporating the premium approach into the recruitment and selection policy. This method is being used in pursuance of establishing an equitable staff composition for the IRBA.

The Employment Equity Forum, consisting of eight staff members representing all areas of employment equity, is also making every effort to become more involved in the recruitment process to ensure compliance with the policy and to ensure fairness and transparency throughout all recruitment drives within the organisation.

The objective set by management was to achieve at least 90% of employment equity targets as approved in the plan and this was achieved for the financial year.



PART E:

FEEDBACK FROM STATUTORY COMMITTEES

Education, Training and Professional Development Committee

Prof Amanda Dempsey

Members	Meetings Attended
Prof A Dempsey (Chairman)	3 of 4
Prof TS Zakuza	4 of 4
N Dongwana	1 of 4
C Lane	2 of 4
E Lehapa	3 of 4
MR Naidoo	3 of 4
F van den Berg	4 of 4
SPJ von Wielligh	2 of 4
H Wessels	2 of 4
MY Ismail	3 of 4
Prof A van der Watt	4 of 4
E Belstead	4 of 4

I am delighted to report on some of the Education, Training and Professional Development Committee's (EDCOM) current and strategic activities for the 2013/2014 financial year.

The Public Practice Examination

The last Public Practice Examination (PPE) for first time candidates was written in November 2013. This represents the closing of a chapter in the history of the IRBA and the beginning of a new era in the development and assessment of professional competence of Registered Auditors (RAs). The PPE will be presented once more in 2014 for repeat candidates, and all first time candidates will write the SAICA Assessment of Professional Competence (APC).

The 2013 PPE was written on 20 November 2013 and of the 2768 candidates who wrote, 2150 passed, resulting in an overall pass rate of 78% (76% in 2012). Candidates who attempted the PPE for the first time achieved a pass rate of 82% (82% in 2012).

A luncheon was held in Johannesburg on 19 March 2014 at the Glass House, Turbine Hall, Johannesburg to honour the top ten candidates. Industry leaders, training officers, professional bodies and other stakeholders came together to congratulate the candidates that excelled in the final test of professional competence to become RAs.

The Chairman of the Examination Committee and the committee members are commended for their dedication and tireless effort to ensure that the PPE remains an appropriate assessment of professional competence.

Transformation of the Profession

The IRBA's continuous efforts to support transformation of the profession are producing results, and it is encouraging to note that the total number of Black candidates (African, Coloured and Indian) who entered the PPE increased steadily from 1093 in 2009 to 1493 in 2013. This is the first time in the history of the PPE that the number of Black candidates who attempted the PPE represented over 50% of the population.

The IRBA is also delighted at the throughput rates for Black candidates. Of the 1493 Black candidates that entered the 2013 PPE, 1041 passed, resulting in an overall pass rate of 70%.

The IRBA is particularly pleased to announce the results of the 2013 IRBA Support Programme. The IRBA has presented a support programme for Black repeat candidates on an annual basis for the past 12 years. In 2013, Fasset (the Seta for finance, accounting, management consulting and other financial services) once again provided the IRBA with funding for the Support Programme. The candidates who participated in the IRBA Support Programme again achieved better results on each question than repeat candidates who did not participate in the programme. Of the 107 Black candidates who successfully completed the programme 64 passed, representing a pass rate of 60%. Of the 233 Black repeat candidates that did not participate in the Programme 125 passed, representing a pass rate of 54%.

Monitoring of Recognised Programmes

Central to achieving the objectives of the IRBA is the monitoring of the institutional and programme requirements to be complied with by accredited professional bodies. The institutional requirements and the following recognised programmes were monitored during the period under review:

- The Academic Programme.
- The Core Assessment Programme.
- The Training Programme.
- The Education Programme.

To enable the IRBA to carry out its monitoring function effectively and efficiently, it requires certain information concerning the recognised programmes. The South African Institute of Chartered Accountants (SAICA), currently the only accredited professional body, submitted its self-evaluation and regular formal reports for the academic, core assessment, education, training and institutional requirements in 2013. EDCOM has confirmed the on-going accreditation of SAICA and recognition of its programmes for 2014.

Strategic Initiatives

The Audit Development Programme (ADP) is a programme designed by the IRBA to develop and assess the professional competence of RAs. All candidates who write SAICA's APC and wish to become RAs will be required to complete the ADP. The programme is premised on the fact that professional competence is best developed and assessed on the job. Candidate RAs will therefore be required to demonstrate professional competence on the job and develop a portfolio of evidence that supports their application to become an RA. Application for registration with the IRBA must also be supported by a senior RA who has worked with the applicant and can attest to his or her competence.

Participation on the International Accounting Education Standards Board (IAESB) and IAESB CAG

As the Chairman of the Education, Training and Professional Development Committee I am also a member of the Consultative Advisory Group (CAG) of the IAESB. During the year under review I participated in three CAG meetings. The CAG is an oversight body for the IAESB and offers direction and advice for the IAESB's consideration.

The South African member on the IAESB and the Director: Education, Training and Professional Development (his technical advisor) attended three IAESB meetings during the year under review. The main topics for consideration were the definition of a professional accountant, IES 8: Competence requirements for engagement partners and the Strategic Plan.

Appreciation

My sincere gratitude is extended to the committee members for their valuable contributions during the year. Without the commitment of all members our achievements would not have been possible.

I also wish to thank the staff of the Education, Training and Professional Development Department.

Committee for Auditing Standards

M Engelbrecht

Members	Meetings Attended
M Engelbrecht (Chairman)	4 of 4
W Botha	2 of 4
M Bourne	4 of 4
Prof L de Beer	4 of 4
S Louw	3 of 4
L du Plessis	4 of 4
C Mbili	3 of 4
E M Southey	3 of 4
I Vanker*	1 of 4
R van Wyk* *	0 of 2
R Makomva	1 of 4
B Sebesho	3 of 4
Prof H Wainer	3 of 4
M Maphiwa	2 of 4

* Ms S Petzer (Auditor-General South Africa (AGSA) alternate) attended three meetings in place of Mr I Vanker.

** Mr R van Wyk was appointed 26 November 2013. Mr N Maree (South African Reserve Bank (SARB) alternate) attended two meetings in place of Mr R van Wyk.

It is my pleasure to present this report on the activities of the Committee for Auditing Standards (CFAS) for the 2013/2014 financial year.

CFAS Work Programme

The CFAS concluded its work to develop and issue the ***Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements (Status and Authority)*** in November 2013, which articulates the status and authority of the various auditing pronouncements adopted, developed and issued by the IRBA. The pronouncements differentiate between the status and authority of the international pronouncements issued by the International Audit and Assurance Standards Board (IAASB), adopted and prescribed for auditors since 2005, and the status and authority of South African auditing pronouncements developed by the CFAS and issued by the IRBA.

The ***Status and Authority*** clarifies that all auditors are required to comply with all pronouncements issued by the IRBA. It distinguishes between "requirements" contained in the Standards, implementation guidance contained in South African Practice Statements that does not introduce new "requirements" and Guides, containing guidance for auditors in meeting the regulatory requirements of another South African regulator, which may refer to several Standards, legislative requirements and implementation guidance in the context of the specific engagement.

The ***CFAS Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*** issued in November 2013, sets out the due process followed by the CFAS in its standard setting activities. These include the statutory requirements from the Auditing Profession Act, 2005 and processes that are recognised as internationally comparable, best practices in audit and assurance standard setting, to ensure the IRBA's reputation as a national standard setter for quality auditing pronouncements adopted, developed and issued, continues to be maintained, and enables auditors to meet their public interest mandate.

CFAS Standing Sub-Committees

In order to address the demands for auditing pronouncements to be developed for auditors, the CFAS maintains the following standing sub-committees:

CFAS Steering Committee

The CFAS Steering Committee guides the CFAS agenda and priorities, and considers proposals for new projects.

CFAS Regulated Industries and Reports Standing Committee (RIRSC)

The RIRSC maintains liaison with industry regulators and government departments to provide guidance for auditors in implementing international standards on audit, review and other assurance engagements by developing illustrative auditor's reports on financial information and regulatory returns that meet South African jurisdictional requirements, while ensuring consistency of auditors' reports with relevant reporting standards. Auditors' reports included in other auditing pronouncements developed by the CFAS are subject to review by the RIRSC prior to issue by the IRBA.

The following illustrative auditor's reports and implementation guidance were developed and issued during the year under review:

Reporting on financial information	**Implementation guidance developed and issued**
ISA 200 and ISA 210 and Auditor Reporting Standards (ISA 700, ISA 705 ISA 706 and ISA 800).	SAAPS 2 (Revised 2013), ***Financial Reporting Frameworks and the Auditor's Report,*** issued in November 2013.
Auditor Reporting Standards (ISA 700, ISA 705, ISA 706, ISA 800 and ISRE 2400)	SAAPS 3 (Revised 2013), ***Illustrative Reports,*** issued November 2013
Regulator or Government Department	**Regulatory Reports developed and issued**
Financial Services Board: Retirement Funds Department	Auditor's reports on retirement funds' annual returns: • Schedule D – auditor's report on annual financial statements • Section 15 – Large funds and Small funds • Section 15 – Umbrella Funds - Large, Small and Audit Exempt • Section 15 – Retirement Annuity Funds and Preservation Funds – Large, Small and Audit Exempt; and • Schedule IB - Regulation 28 compliance
Department of Trade and Industry: ITAC Automotive Production and Development Programme	Auditor's assurance reports on: • Company Specific Percentage; • Declaration of Imported Component Values; • Production Rebate Credit Certificate; and • Standard Materials and Component Declaration
Council for Medical Schemes	Auditor's reports on medical schemes' annual returns
Provincial Law Societies and Attorneys Fidelity Fund	Reviewed and approved the auditor's assurance report on attorneys trust accounts, included in the ***Guide for Registered Auditors: Engagements on Attorneys Trust Accounts***

CFAS Public Sector Standing Committee (PSSC)

The PSSC develops guidance jointly with the Auditor-General South Africa (AGSA) to assist registered auditors in understanding and meeting the additional requirements when performing audits in the public sector. During the year under review, the PSSC developed the proposed and final ***Guide for Registered Auditors Regarding Audits Performed on Behalf of the AGSA*** and the ***Guide for Registered Auditors where the AGSA has opted not to Perform the Audit of a Public Sector Entity*** for approval by the Board and for issue jointly by the IRBA and the AGSA. The Guides will assist registered auditors undertaking public sector audit and assurance engagements to meet the AGSA's specific requirements, and the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004).

CFAS Sustainability Standing Committee (SSC)

The SSC develops guidance for auditors performing sustainability assurance engagements to enhance the quality of assurance reporting and undertakes leadership initiatives and research into evolving demands for assurance on integrated reports in conjunction with the Integrated Reporting Council Working Group (South Africa). During the year under review, an Illustrative sustainability assurance report and related illustrative engagement letter reporting on select key performance indicators were developed and issued as guidance for auditors reporting on sustainability engagements.

The SSC also led the International Integrated Reporting Council's (IIRC's) Technical Consultative Group (TCG) global research project into assurance on integrated reporting and contributed to several discussion papers that informed the development of the IIRC's International <IR> Framework issued in December 2013, and continues to inform the global assurance debate on <IR>.

CFAS B-BBEE Advisory Committee (BAC)

The BAC develops standards and guidance for B-BBEE approved registered auditors when providing assurance services and issuing B-BBEE verification certificates in compliance with the B-BBEE Act, the generic B-BBEE Codes of Good Practice and relevant sector codes. The BAC did not meet during the 2013/2014 year as further guidance, in the form of frequently asked questions (FAQs) that focused on addressing emerging unethical trends, was prepared by the Committee for Auditor Ethics.

CFAS Strategy

The CFAS approved its strategy for the three years from 2012 to 2014 in November 2011, which has continued to guide its work programme during 2014. The CFAS strategy focuses the activities of CFAS, establishes pre-determined objectives for the three year period and prioritises projects that address emerging issues.

The CFAS met during 2013 to consider its strategy for the period 2015 to 2019 which will be finalised during the 2015 financial year.

The strategy for the past years focused on the following areas:

- The development of guidance to meet the needs of South African regulators and government departments requiring audit and assurance opinions from auditors, and provision of comments on proposed legislation and regulations affecting auditors.
- The development of illustrative audit, review and other assurance reports and the identification of acceptable financial reporting frameworks that meet the requirements of the international standards as well as corporate and public sector legislative requirements in South Africa.
- Influencing international standard-setting activities and debates of the International Audit and Assurance Standards Board (IAASB) by participating in IAASB task forces and providing comments on international exposure drafts and discussion papers.
- Informing implementation issues pertaining to the clarified International Standards on Auditing (ISAs) by participation in the IAASB's ***Implementation Monitoring Project***.
- Leading the International Integrated Reporting Council's (IIRC's) Technical Consultative Group (TCG): ***Assurance on Integrated Reporting*** <IR> to identify critical issues with respect to assurance matters related to <IR>, possible approaches to dealing with such issues, and the pros and cons of such possible approaches, and submission of discussion papers submitted to the IIRC.

International and Regional Liaison

The Chairman of the CFAS and Director: Standards participated in the annual IAASB National Standard Setters meeting in New York in April 2013. The Chairman presented the progress being made in the IIRC – TCG research project regarding considerations and challenges in meeting emerging demands globally for assurance on integrated reports.

The IIRC issued its ***International <IR> Framework*** in December 2013 and is preparing ***The Assurance Debate Background Paper*** from the discussion papers submitted by the SSC's IIRC-TCG which was expected to be issued during 2014. The SSC and international TCG conference participants have provided comments to the IIRC on the draft background paper.

The IRBA's Chief Executive Officer participated as a member of the IAASB task force developing the IAASB's ***Framework for Audit Quality*** issued in February 2014. Comments prepared by the CFAS were submitted on the Consultation Paper on the ***Framework for Audit Quality*** during 2013.

The Institute of Chartered Accountants of Namibia (ICAN) has sought permission to adopt certain IRBA practice statements and guides, developed by the CFAS, that are of relevance in their jurisdiction. The Botswana Accountancy Oversight Authority has expressed interest in attending CFAS meetings as an observer, and may seek permission to adopt relevant auditing pronouncements developed by the CFAS.

CFAS Initiatives and Deliverables Achieved

Initiatives	Deliverables
Initiatives in South Africa	
Initiatives relating to the development, adoption and implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements in South Africa	
Status and authority of South African Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements	*Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* issued in November 2013
CFAS Due Process Policy followed by the Committee for Auditing Standards in the development, adoption and implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements	*CFAS Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* issued in November 2013
Initiatives relating to financial statement audits – implementation guidance issued	
External confirmations (ISA 505)	SAAPS 6 *External Confirmations from Financial Institutions,* issued August 2013
ISA 200 and ISA 210 and Auditor Reporting Standards (ISA 700, ISA 705 ISA 706 and ISA 800).	SAAPS 2 (Revised 2013), *Financial Reporting Frameworks and the Auditor's Report,* issued in November 2013.
Auditor Reporting Standards (ISA 700, ISA 705, ISA 706, ISA 800 and ISRE 2400)	SAAPS 3 (Revised 2013), *Illustrative Reports,* issued November 2013
Auditor Reporting (ISA 810, ISRE 2410): Regulatory reporting by auditors on financial information of entities listed on the Johannesburg Stock Exchange	*Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements,* issued in November 2013.
Engagements in the public sector (joint guidance with the AGSA)	*Proposed Guide for Registered Auditors Regarding Audits Performed on Behalf of the AGSA,* issued September 2013.
	Joint Guide for Registered Auditors Regarding Audits Performed on Behalf of the AGSA, approved for issue in March 2014.
Engagements in the public sector (joint guidance with the AGSA)	*Proposed Guide for Registered Auditors where the AGSA has Opted not to Perform the Audit of a Public Sector Entity,* issued September 2013.
	Joint Guide for Registered Auditors where the AGSA has Opted not to Perform the Audit of a Public Sector Entity, approved for issue in March 2014.
Initiatives relating to other assurance – guides issued	
Guidance on Engagements on Attorneys Trust Accounts (ISAE 3000)	*Proposed Guide for Registered Auditors: Engagements on Attorneys Trust Accounts,* issued September 2013.
	Guide for Registered Auditors: Engagements on Attorneys Trust Accounts, issued in February 2014.
Initiatives relating to other assurance and related services – pronouncements in progress	
Assurance on XBRL (ISAE 3000)	*Proposed South African Standard on Assurance Engagement (SASAE) 3501 Assurance Engagements on eXtensible Business Reporting Language (XBRL)* issued in July 2013. Comments received and revision still under consideration.
Related services engagement for auditors to report on supplementary information included in audited financial statements.	*Proposed Compliance Standard* on engagements to report by the auditor of the entity on supplementary information included in annual financial statements. Project in progress. Proposed compliance standard expected to be issued for comment by 2015.

<table>
<tr><th>Initiatives</th><th>Deliverables</th></tr>
<tr><td colspan="2">Initiatives relating to the revision of existing auditing pronouncements issued by the IRBA</td></tr>
<tr><td colspan="2">Project approved to review all auditing pronouncements issued by the IRBA in order to:
• Align their status and authority with the Status and Authority of South African Standards on Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, issued November 2013.
• Update existing pronouncements for relevant legislative changes.
• Ensure consistency in the drafting convention applied.
This project will commence during 2014 and is expected to take approximately two years to complete.</td></tr>
<tr><td colspan="2">International</td></tr>
<tr><td colspan="2">Initiatives relating to International Standards – IAASB International Pronouncements adopted</td></tr>
<tr><td>Adoption and prescribing of the IAASB 2013 Handbooks</td><td>Board Notice 207 included in Government Gazette 36923 of 18 October 2013, titled The Adoption of International Quality Control, Auditing, Review, Other Assurance And Related Services Pronouncements in terms of the Auditing Profession Act, 26 of 2005 (the Act):
• The International Audit and Assurance Standards Board's Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2013 Edition Volume I, ISBN 978-1-60815-152-3.
• Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2013 Edition Volume II, ISBN 978-1-60815-152-3.</td></tr>
<tr><td>ISAE 3000 (Revised), International Framework for Assurance Engagements and related conforming amendments</td><td>International Standard On Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information, International Framework for Assurance Engagements and related conforming amendments, issued December 2013, adoption and prescription approved for issue in March 2014.</td></tr>
<tr><td>A Framework for Audit Quality:
Key Elements that Create an Environment for Audit Quality</td><td>A Framework for Audit Quality issued February 2014.</td></tr>
</table>

Initiatives	Deliverables
Comments submitted to the IAASB	
Auditor reporting	*IAASB Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs):* • Proposed ISA 700 (Revised), ***Forming an Opinion and Reporting on Financial Statements.*** • Proposed ISA 701 ***Communicating Key Audit Matters in the Independent Auditor's Report – New.*** • Proposed ISA 260 (Revised) ***Communication with Those Charged with Governance.*** • Proposed ISA 570 (Revised) ***Going Concern*** • Proposed ISA 700 (Revised) ***Forming an Opinion and Reporting on Financial Statements.*** • Proposed ISA 705 (Revised) ***Modifications to the Opinion in the Independent Auditor's Report.*** • Proposed ISA 706 (Revised) ***Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.*** • Proposed Conforming Amendments to other ISAs. Comments were submitted in December 2013. Auditor reporting round tables were held in Johannesburg and Cape Town attended by directors of companies, auditors, investors and academics to consider the implications of, and convey views expressed to the IAASB's proposed changes to the international reporting standards.
IAASB Consultation Paper - *A Framework for Audit Quality*	Comments on Consultation Paper - *A Framework for Audit Quality* submitted June 2013.
The International Integrated Reporting Council (IIRC) – Technical Consultative Group (TCG) Assurance	
Research project undertaken for the IIRC - TCG *Assurance on Integrated Reporting <IR>* led by the CFAS - SSC chairman with global conference participants	The TCG submitted several discussion papers during 2013 that informed the development of the IIRC's ***The International <IR> Framework***, issued December 2013.
Initiatives in progress	**Activities**
Initiatives relating to international standards issued and approved by the Board – implementation considerations	
International Standards on Auditing (610)	ISA 610 (Revised 2013), ***Using the Work of Internal Auditors*** and conforming amendments for direct assistance by internal audit - issued March 2013, approved by the Board. Consultation is being undertaken regarding the use of direct assistance by internal auditors in South Africa.

Appreciation

I wish to express my appreciation to the members of CFAS, its standing sub-committees, the various task groups , the auditing firms who support the CFAS with resources and emerging trends, and the staff of the IRBA standards department for their commitment and support in delivering on the mandate of the CFAS.

Committee for Auditor Ethics

E Kieswetter

Members	Meetings Attended
E Kieswetter (Chairman)	3 of 4
S Ball	4 of 4
J Beaumont	3 of 4
S Davies (Deputy Chairman)	4 of 4
E Hamman	3 of 4
R C Terblanche	2 of 4
L Ratsoma	4 of 4
B R Sisulu	4 of 4
J Schoeman	4 of 4
M M Tshishonga	4 of 4

It is my pleasure to present this report on the activities of the Committee for Auditor Ethics (CFAE) for the 2013 / 2014 financial year.

Code of Professional Conduct and Rules Regarding Improper Conduct (the Code)

The committee focused its activities during this past year on implementation of the Code, and identification of trends in unethical behaviours, including those arising from the regulation by the IRBA of B-BBEE approved registered auditors who are permitted to issue B-BBEE Verification Certificates, and development of frequently asked questions (FAQs) to assist auditors to address the issues identified.

Amendments to the definitions, and Parts A and B of the IESBA *Code of Ethics for Professional Accountants*, were considered for amendment of the Code and following exposure in November 2013 were adopted and included in the Code (Revised 2013) which was issued in February 2014.

Implementation of the Code

The Ethics Workshops presented during 2013 were well attended and have given rise to a demand for these to be continued during 2014.

The Committee for Auditing Standards (CFAS) issued the South African Standard on Assurance Engagements (SASAE) 3502, *Assurance Engagements On Broad-Based Black Economic Empowerment Verification Certificates* in November 2012, and as a consequence the CFAE plans to develop additional ethics guidance for B-BBEE approved registered auditors undertaking such engagements, to address undesirable emerging trends. Investigations were initiated during the year arising from complaints against B-BBEE approved registered auditors for failure to comply with the Code.

CFAE Strategy

The CFAE held a strategy planning session during November 2013 to plan and guide its activities for the period 2013 to 2016 and clarified its focus and process for implementation for the period 2015 to 2019.

Activities of Task Groups

The following CFAE task groups assist the CFAE in researching emerging ethical issues and developing guidance for auditors.

CFAE Steering Committee

The CFAE Steering Committee guides and focuses the agenda for CFAE meetings, considers proposals and priorities for new projects for inclusion in the CFAE Work Plan and monitors the work programme.

Public Interest Task Group

The Public Interest Task Group monitors global developments affecting enhancements to auditor independence affecting public interest. During the year the task group worked on possible amendments to the definition of public interest in section 290.26 of the Code to provide further guidance to auditors engaged in audits of regulated industries in South Africa. The task group continued to engage with various regulators to ensure due consideration of possible implications for those industries regulated by them before any proposed amendments to the Code are approved by the CFAE for exposure for public comment.

B-BBEE Task Group

The B-BBEE Task Group focuses on research and development of ethics guidance for B-BBEE approved registered auditors undertaking such assurance engagements, including more detailed independence considerations to address concerns regarding emerging unethical trends. The CFAE concluded that the IRBA Code of Professional Conduct provides sufficient guidance, but there appeared to be a lack of understanding in the application of the Code in the market. The CFAE approved ***Frequently Asked Questions (FAQs) on Assurance Engagements on B-BBEE Verification Certificates*** developed by this task group, issued in March 2014 as guidance for auditors to address those enquiries most commonly received by the IRBA standards department. These FAQs are issued to assist auditors with applying the requirements in the Code of Professional Conduct for Registered Auditors and those in SASAE 3502, ***Assurance Engagements on Broad-Based Black Economic Empowerment Verification Certificates*** when undertaking B-BBEE assurance engagements to provide a B-BBEE verification certificate, or when providing an EME certificate in terms of the 2007 B-BBEE Codes of Good Practice.

Code Amendments Task Group

The task group considered the amendments to the definitions and Parts A and B of the IESBA ***Code of Ethics for Professional Accountants*** issued in 2013 as proposed amendments to the Code. The proposed amendments to the Code were issued for public comment in October 2013 by way of Board Notice 208 of 2013. The final amendments to the IRBA Code (Revised 2014) were approved by the Board in February 2014 and issued by way of Board Notice 25 of 2014. In order to facilitate implementation of the inspections, investigations and disciplinary functions of the IRBA, the amendments are incorporated in the body of the Code (Revised 2014), with new and amended sections reflected in grey shading. The CFAE does not anticipate significant implementation implications for auditors, and as early adoption is permitted all amendments to the IRBA Code (Revised 2014) are effective from 1 April 2014.

International Ethics Standards Board - National Standard Setters Meeting

The Chairman of the Committee for Auditing Standards and Director: Standards attended the annual meeting of the IESBA National Standard Setters in New York in May 2013. Key discussions revolved around the following topics:

- Considering significant matters arising from the IESBA's exposure draft, ***Responding to a suspected illegal act.***
- Considering improvement to the structure of the IESBA Code of Ethics for Professional Accountants.
- Consideration of the IESBA Strategy and Work plan.
- Long association of senior personnel (including Partner Rotation) with an audit client, including partner rotation.

Comment Letters Provided on International Pronouncements

Comment letters were submitted during the year on the following IESBA exposure draft and consultation paper:

- IESBA survey on "***Long association of senior personnel with the audit clien***t", submitted in May 2013.
- Consultation Paper on the IESBA's Strategy and Work Plan 2014-2018 in March 2014.

Appreciation

I wish to express my appreciation to the members of the CFAE and its sub-committees for their commitment and support, as well as the staff of the IRBA standards department, in delivering on the mandate of the CFAE.

Inspection Committee

T Abdool-Samad

Members	Meetings Attended
T Abdool-Samad (Chairman)	4 of 4
N Griffith	3 of 3 (Resigned)
R McIntyre	4 of 4
C Mbili	1 of 1 (Resigned)
G Joubert	4 of 4
S Masuku	1 of 1 (New member)

Inspections are performed in terms of Section 47 of the Auditing Profession Act, 2005. One of the objectives of the Act is to protect the public by regulating audits performed by Registered Auditors (RAs). The functions of the IRBA include promoting the integrity of the auditing profession through conducting inspections. Inspections are performed by qualified professional staff employed on a full time basis by the IRBA. As at 31 March 2014 the Inspections Department had in its employ one director, one quality leader, two team leaders, 11 inspectors and three administrative staff.

There are two types of inspections, these being firm inspections and engagement inspections. The objective of a firm inspection is to monitor compliance by firms with current standards of quality control, while the objective of an engagement inspection is to monitor compliance by individual RAs with professional standards in the performance of audits. Inspections are performed by following a risk-based approach on a three year inspection cycle. This report is in respect of the second year in the fifth inspection cycle of the IRBA.

Findings from inspections are reported quarterly, on an anonymous basis, to the Inspection Committee which is responsible for determining the final result of an inspection. Final results of inspections are determined in terms of pre-determined criteria applicable to the inspection cycle.

The committee's final decision would either be:

- Satisfactory, meaning an inspection only in the next cycle.
- Not satisfactory, meaning some matters still require attention before a satisfactory result can be achieved and a follow-up inspection's scheduled.
- Referral to the Investigating Committee, meaning disciplinary action by the IRBA.

Engagement Inspections

During the current financial year 348 (2013: 440) engagement inspections were performed of which 345 were submitted to the Inspection Committee. An average of 27% of the engagements showed deficiencies and were scheduled for follow-up inspections or referred for investigation.

The most significant findings were found in the following areas:

- Insufficient and/or inappropriate audit evidence.
- Fair value measurements, impairments and estimates.
- Adequacy of financial statements and disclosures/Incorrect opinion.
- Risk assessment and response /Fraud risk considerations.
- Revenue recognition.
- Internal controls testing.
- Materiality and sample sizes.
- Going concern.
- Auditor's compliance with laws and regulations (including Reportable Irregularities).
- Journal verification.

Firm Inspections

Registered firms involved in the audit of public interest entities are subject to firm inspections at least once in a three-year inspection cycle. The objective of a firm inspection is to inspect the design and implementation of a firm's quality control system, organised under the elements of leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring. The scope of these inspections range between full scope, whereby all elements are tested, and limited scope, whereby only selected elements are tested, based on the size of the firms and public interest exposure. During the current financial year 34 (2013: 22) firm inspections were performed of which 31 were referred to the Inspection Committee. An average of 53% of the firms showed deficiencies and were scheduled for follow-up inspections or referred for investigation.

The most significant findings were raised on the engagement performance and monitoring elements of ISQC1, but deficiencies were noted on all the other elements as well, although to a lesser extent.

Appreciation

I record my appreciation to the Director: Inspections and his department who have performed diligently and consistently throughout the year and to the Inspection Committee members for their time and dedication to the committee. I also thank the practitioners and firms who were subject to inspection for their co-operation.

Investigating Committee

BW Smith

Members	Meetings Attended
BW Smith (Chairman)	7 of 7
H Wadiwala	6 of 7
EH du Plooy	7 of 7
A de Valence	7 of 7
M Claassens	7 of 7
D Von Hoesslin	5 of 7
D Deysel	6 of 7
DNH Mostert	6 of 7
U Shäckermann	5 of 6
C Hess	3 of 6
M Tshishonga	1 of 1
HP Dwinger	1 of 4

During the period under review, the number of members of the committee was reduced from 11 to 10. The committee comprises of registered auditors in practice, registered auditors in other areas of specialisation, chartered accountants and lawyers.

An investigation is initiated when a complaint is received from an external party, or when it is initiated from within the IRBA.

Externally originated complaints are lodged by members of the public or are matters referred by a court or other regulator. Internally originated complaints are raised by the IRBA itself, such as those arising out of the inspection process or matters where investigations are initiated by the IRBA as a result of information that is brought to its attention.

Complaints lodged with the IRBA are required (by the Disciplinary Rules) to be on affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, it is essential when the information is solely within the knowledge of the complainant. If the information that forms the subject of the investigation is a matter of public record, it is not necessary for it to be on affidavit. The Disciplinary Rules also stipulate that the affidavit should make it perfectly clear exactly what it is that is being complained of.

Once a complaint is received and it is verified that the respondent is a registered auditor, the complaint is then perused by the IRBA's legal department's forensic investigator to ascertain if further information is needed from the complainant or if specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director: Legal must decide in terms of §48(1) of the Act whether or not to refer the matter to the Investigating Committee (INVESCO). Most cases will be referred and INVESCO must then investigate the matter in terms of §48(3) of the Act.

Period Under Review

During the course of the twelve months under review 68 new investigations were initiated. These included enquiries or allegations of improper conduct received by the directorate, as well as investigations initiated by the IRBA itself. This figure represents only matters where a case file is opened, and excludes matters conciliated on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned practitioners across the spectrum from the smallest to the largest firms and across a wide spectrum of conduct.

Five matters were finalised after a case file had been opened but before the matter was tabled before INVESCO, usually after resolution with the assistance of the directorate.

The committee met on seven occasions to consider 23 cases brought forward from the previous year, as well as 83 new cases and two cases referred back for reconsideration. At the financial year-end, other cases were still under preliminary investigation by the directorate and were not yet ready for referral to INVESCO.

Investigations Concluded

Sixty Eight (68) cases were referred to the Disciplinary Advisory Committee (DAC) with recommendations.

Other Matters

The Executive Committee has delegated to the Investigating Committee the function of interviewing persons who have been sequestrated, with a view to recommending whether or not their registration should be cancelled. The committee resolved one such item and is currently considering another application.

Concluding Remarks

The nature and complexity of cases over the period under review has increased with more cases being referred by the JSE Ltd as the reporting framework set by them has grown and is monitored more rigorously. It is also of concern that the number of serious matters which I referred to last year, has continued to grow resulting in matters referred to the disciplinary committee for hearings increasing further.

Appreciation

I know that members of the committee spend a great deal of time preparing for meetings and going through the vast quantum of papers that make up each case, and I commend their dedication and professional input in this regard and thank them for their support over the past year.

Finally I wish to record my sincere gratitude to the Director: Legal and her staff in the legal department. They do a tremendous amount of work in compiling the case files for the committee and we would not be able to operate without their well-documented support.

Disciplinary Committee

A Dodson

During the period under review the committee comprised the chairman, Adv AC Dodson SC and two vice-chairmen, Adv IV Maleka SC and Adv B Neukircher SC, and the committee members.

The registered auditors who served on the committee were Messrs H Griffiths, CF Reid, LP Fourie and N Russouw. The non-auditor members were two lawyers, Messrs H Goga, and LX Pierce, a businesswoman, Ms R van Wyk CA (SA) and a consultant, Mr C Qually CA (SA).

The following table reflects the number of sessions attended by these individuals. A session may extend over more than a day and sometimes did. The committee sat for a total of nine days during the year.

Members	Number of Sessions Attended
A Dodson SC (Chairman)	3
I V Maleka SC (vice Chairman)	3 (3 as chairman)
B Neukircher SC (vice Chairman)	4 (2 as chairman)
LP Fourie	1
H Goga	5
H Griffiths	5
LX Pierce	8
CR Qually	7
CF Reid	7
N Russouw	3
R van Wyk	2

During the period concerned the committee dealt with seven matters, six of which were finalised within the year, although sometimes requiring more than one sitting. The two vice-chairmen have each separately chaired a number of the cases during the year. In recent times the cases heard by the committee have become more complex in nature and require more time to finalise.

On 10 March 2014 the comittee convened again in a part heard matter which had commenced in 2012 to hear arguments on sanction. Judgment was handed down on 28 June 2013 but sentence was reserved and the matter will be dealt with in the next annual report.

The first matter heard to completion on 11 April 2013 was that of Mr J. The respondent was present and had been charged with five charges of improper conduct. At the commencement of the hearing, the respondent pleaded guilty to, and was found guilty of all five charges levelled against him.

The first three charges related to the respondent's negligence in failing to detect trust shortages and to record these in the report of the independent auditor on three statutory audits for two firms of attorneys. The fourth charge dealt with the respondent's failure to make full disclosure of his statutory audit clients in his annual practice review attest affidavit. The last charge dealt with a statutory contravention of being reflected as both the auditor and director of two companies.

In respect of the first three charges the committee felt that the manner in which the trust account was audited was most unsatisfactory and could possibly verge on being grossly negligent. Regarding the fourth charge the committee emphasised that the respondent must ensure that the affidavit is received timeously and that the information therein is correct. In relation to the fifth charge the committee felt that the facts seemed to demonstrate an unfortunate set of circumstances in which the respondent had been caught up at the time and the sentence imposed therefore reflected this view.

The respondent was accordingly sentenced to R100 000 in respect of each of the four charges. Fifty percent of each of the fines was suspended for a period of five years on condition that the respondent is not found guilty of improper conduct relating to any conduct or work carried out during the period of suspension. In respect of charge five the respondent was reprimanded.

The respondent was ordered to contribute R200 000 towards the Board's legal costs.

In addition, the facts of the matter, the charges, the fact that the respondent had pleaded guilty to the charges and the sentence imposed were to be published in the IRBA News but without reference to the respondent's name or the name of the respondent's audit firm.

The second matter heard to completion was that of Mr Antony Ian Marais of the firm Marais and Associates. It was heard on 30 May 2013. The respondent pleaded guilty to all five charges of improper conduct and was accordingly found guilty by the committee. At the commencement of the disciplinary hearing the respondent was no longer registered with the IRBA, his registration having lapsed in July 2011.

The first charge related to the manner in which the respondent had misappropriated a client's funds, which were to be held in trust in a designated, identifiable account by the respondent.

The second charge pertained to having agreed to hold funds of a client in trust and to invest the funds in an interest bearing account. Through a series of misrepresentations to his client, the respondent furnished fictitious bank statements reflecting the investment, when he had in fact misappropriated the funds.

Regarding the third charge, the respondent issued or caused to be issued false/forged bank statements in respect of the administration of various clients' trust funds.

In relation to the fourth charge, the respondent had misappropriated funds that were paid over by a client in respect of tax assessments and a late penalty due to the South African Revenue Service.

In respect of the fifth charge, the respondent issued or caused to be issued certain invoices for work performed and received payment thereof when he had not performed all the work and as such was not entitled to payment thereof.

In respect of each of the five charges on which the respondent was found guilty, the committee imposed a fine. The committee placed on record that given the severity of the five charges and the public interest and the fact that the respondent had been in a position of trust, which he abused, that had the respondent still been registered with the IRBA, the committee would have made an order cancelling his registration.

He was fined a total of R355 000 and was ordered to contribute towards the costs of the hearing in the amount of R100 000. The fines in respect of the five charges and the costs awarded were wholly suspended by the committee and will become payable only upon the respondent applying for re-admission as a registered auditor at some time in the future.

In addition, simultaneous publication in the IRBA News and the Natal Mercury were to take place containing the respondent's name, his firm's name, a summary of the charges and the committee's findings on both the charges and the sentence.

The third matter that was heard to completion was that of Ms E (which had commenced last year and continued again on 8 and 9 May 2013). The committee finally sat on Saturday, 2 November 2013 to conclude the matter. The respondent, who had refused a consent order, had been found guilty of one out of three charges brought against her. She was no longer registered as an auditor at the time of the hearing. The charge on which the respondent was found guilty concerned the calculation of negative goodwill, its inclusion in the income statement under operating profit, audit materiality and the effect of this on headline earnings per share.

The respondent was fined R75 000, which was suspended on condition that should she apply to be re-registered as an auditor, prior payment of the fine would be a condition of re-registration as such, (the same sanction proposed in the consent order), and she was ordered to pay costs in the sum of R220 000.

The charges against the respondent, the findings and the sanction imposed were to be published in general terms in the IRBA News. No mention was to be made of the respondent's name or the name of her erstwhile practice.

The fourth matter heard to completion was that of Mr T on 16 and 17 January 2014. At the commencement of the proceedings the respondent pleaded not guilty to all three charges of improper conduct, but on day two of the proceedings, he admitted guilt in respect of charges two and three. The plea of guilt was accepted and the respondent was accordingly found guilty. Charge one was withdrawn.

The respondent pleaded guilty to two counts of dishonesty. The second charge related to the respondent having amended the audit report of a trading entity, by removing non-compliance issues, despite having been advised by his superior not to do so, and without following the Auditor-General South Africa's standard procedure where there were differing views on an audit report. The third charge flowed from the second charge, and dealt with the respondent dishonestly advising an employee at the Auditor-General South Africa that he had obtained permission from his superior, at the time, to amend the audit report on the financial statements of the trading entity by removing the material findings relating to non-compliance.

The respondent was removed from the register of auditors with effect from 18 January 2014 which sentence was suspended for a period of five years on condition that he is not found guilty of any contravention of rules 2.3, 2.4 and 2.5 of the Rules regarding improper conduct, relating to any conduct or work carried out during the period of suspension, where a fine of R50, 000 or more, or suspension from practice has been imposed.

The respondent was ordered to make a contribution of R250 000 to the Board's legal costs and R28 000 in respect of wasted costs. In addition, the facts of the matter, the charges, the fact that the respondent pleaded guilty to the charges and the sentence imposed were to be published in the IRBA News. No mention was to be made of the name of the respondent in the publication.

The committee had to give careful consideration to the fact that the offences involved an element of dishonesty, and ordinarily once there is an element of dishonesty it is an offence which results in the ultimate sanction which is a permanent removal from the register. However, the committee took into account a number of features of this matter that made it distinguishable from those matters in which the ultimate sanction for these purposes had been imposed. These included the fact that the respondent was a relatively recent entrant to the profession and was relatively inexperienced at the time of the offences concerned. He had personal commitments to his family, including three children and had expressed unequivocal remorse and expressly acknowledged that he had committed an extremely serious lapse of judgment which gave rise to the offences in respect of which he had pleaded guilty.

The fifth matter heard to completion was that of Mr M on 12 March 2014. The respondent was present and unrepresented and pleaded guilty to, and was found guilty of, six charges of improper conduct involving an element of dishonesty.

In respect of the first charge, the respondent fraudulently misrepresented to his client, that the latter had signed a resolution as a director of a company, when the truth of the matter was that the respondent had falsified the signature of his client on the resolution.

In respect of the second charge, the respondent had completed and signed several application documents to open a bank account with a bank in Mauritius by misrepresenting to the bank that he was authorised to sign the relevant application documents, when in fact he was not so authorised.

In respect of the third charge, the respondent had submitted several documents to the Mauritius Financial Services Commission ("the Commission") by making misrepresentations to the Commission that those documents were regular and authentic, when in fact, they were forged by him.

The fourth charge was based on the fact that the respondent had misrepresented that an order form issued by an entity that provided assistance to persons who wished to register off-shore trusts in the Isle of Man, as well as a Declaration of Trust were signed by his client and that he had authority to act for him in the registration of a trust, when in fact the order form and the Declaration of Trust were not signed by his client and the respondent did not have the authority to act for him.

The fifth charge dealt with a misrepresentation made by the respondent to his client that the latter had signed a Declaration of Trust when in fact the Declaration of Trust was signed by the respondent.

In respect of the sixth charge, the respondent had directed an email to several persons in which he misrepresented that that email emanated from an official of the bank in Mauritius, and in which confirmation was given that an account was opened by the bank for the company concerned, when in fact the said email did not emanate from the bank and the contents of that email were not true.

In respect of the six charges involving dishonesty, the name of the respondent was removed from the register of auditors with effect from 31 March 2014, and that removal was suspended for a period of five years on certain specified conditions. In addition a fine of R100 000 was imposed and the respondent was ordered to contribute R150 000 towards the costs of the Board.

The committee concluded that although the charges were multiple in their nature and comprised a series of fraudulent activities perpetrated against several individuals and entities, they related to the same client, whom the respondent sought to please. The committee placed emphasis on the seriousness of the charges concerned and accepted that all of them involved an element of dishonesty. Dishonesty strikes at the heart of the integrity and reputation of the profession to which the respondent belonged. The committee also took into account the contrition displayed by the respondent for his misdeeds, the facts that there was no financial prejudice to any persons or entities affected by his misrepresentations and that he did not obtain undue financial benefit. However, the committee accepted that those factors should not be over-emphasized at the expense of the interests of the community. The submissions made by the pro forma prosecutor and the respondent persuaded the committee that the particular circumstances were sufficiently exceptional to warrant a suspension of the sentence. It was considered that the sentence struck a fair balance between the interests of the community, the auditing profession and the respondent.

The charges or a fair summary thereof, the fact that the respondent pleaded guilty thereto, the sentence imposed by the committee and the reasons or a fair summary of those reasons were to be published in the IRBA News. No mention was to be made of the name the respondent or that of his firm in the publication.

The final matter heard to completion was that of Mr T J van Heerden Lochner of Lochner & Associates. The matter was heard on 12 March 2014. The respondent was present and represented and pleaded guilty to, and was found guilty of, four charges of improper conduct.

The first charge dealt with a statutory contravention and related to the professional services rendered by the respondent to an unrehabilitated insolvent client, which entailed advising him on the corporate structure and setting up a public company to conduct his business affairs unlawfully.

The second charge related to a lack of independence in that the respondent reported on the financial statements of the public company as auditor and reported on the prospectuses of the public company as independent reporting accountant.

The third charge related to a failure to report material irregularities and reportable irregularities that had taken place or were taking place in the public company and that had caused or were likely to cause financial loss or prejudice to the public company.

The fourth charge related to the respondent not keeping proper accounting and secretarial records.

In respect of sentence, the respondent's name and his firm's name (Lochner & Associates) were removed from the register of registered auditors with effect from midnight on 31 March 2014. In addition, a fine of R100 000 was imposed in respect of each of the four charges, payment of which was suspended until such time as the respondent is re-registered with the Board and shall be a condition for such re-registration. The respondent may not apply for re-registration at any time before 31 March 2019, and shall not automatically be entitled to entry onto the register after that date. Further, the respondent was ordered to pay R500 000 towards the reasonable costs of the Board.

The charges against the respondent, his conviction thereon, as well as the facts or a fair summary of those facts giving rise to the charges and conviction, as well as the sanction which had been imposed, were to be published in the IRBA News, and the respondent's name and that of his firm were to be published in the IRBA News.

On 10 February 2014, the South Gauteng High Court handed down judgment in a review application of the case of Mr M S Lourens, which was reported on last year. The judgment upheld the committee's decision and dismissed the review application with costs, save in respect of one minor charge where it felt that the misconduct of the practitioner fell outside the scope of the committee's disciplinary jurisdiction. This related to defamatory correspondence sent by Mr Lourens to a practising attorney.

Appreciation

We express our gratitude to the Director: Legal and her department for the efficient and effective manner in which the proceedings of the committee are administered and supported.

PART F:

FINANCIAL INFORMATION

Report of the Audit and Risk Management Committee (ARMCO)

Statement of Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. The Board has ultimate responsibility for ensuring that adequate accounting records and effective systems of internal control are being maintained. To enable the Board to meet its responsibilities it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control in line with the requirements of the PFMA and Treasury regulations. The Board also exercises its functions in accordance with the Auditing Profession Act, 2005.

Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2014.

The committee is a sub-committee of the Board and consists of non-executive Board members. The committee's overall objective is to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded, assessing the going concern status, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies significant risks associated with the environment within which the IRBA operates and develops a framework for managing these risks.

The committee meets at least three times per annum as per its approved terms of reference. Members of the management, internal auditors and external auditors attend these meetings by invitation. Since the committee is an advisory committee, it does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective adviser and it operates as an overseer, making recommendations to the Board for final approval.

During the reporting year four meetings were held. Meeting attendance appears on page 24.

Committee Responsibility

The committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the Public Finance Management Act of 1999 (PFMA) and Treasury Regulation 3.1.

The committee also reports that it has operated within the terms of reference of the Audit and Risk Management Committee, has regulated its affairs in compliance with the terms of reference and has discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

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

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements and the management report of the Auditor-General, it was noted that no significant or material noncompliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

The committee is satisfied with the expertise and adequacy of resources within the operations department, which is responsible for the finance function of the IRBA. The committee relies on feedback obtained from both external and internal audit to make these assessments.

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance and the PFMA. The Board has delegated certain aspects of its authority as it pertains to risk management to the Audit and Risk Management Committee.

During the year the Board approved and adopted a Framework for Combined Assurance. Combined assurance is the total comfort derived that the different assurance providers have satisfied themselves that risk had been adequately addressed and any required controls to mitigate risks had been established.

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

The committee is satisfied with the effectiveness of the risk management process.

The committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of the IRBA during the year under review.

Information and Communications Technology (ICT)

The Board constituted an Information Technology Steering Committee (ITSCOM). The overall mandate of ITSCOM is to ensure proper and appropriate governance of IT within the IRBA by the creation and implementation of a suitable governance framework in line with the principles and practises of corporate governance put forward in the ICT Policy.

The primary objectives of the IRBA's ICT governance framework address the following:

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

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

Evaluation of Financial Statements

The committee has:

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

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

Internal audit

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

External Audit

The committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

Going Concern

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

Appreciation

I wish to express my appreciation to the members of the committee and to the Director: Operations and the operations department for their commitment and support in this financial year.

C Mbili

Chairman

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Independent Regulatory Board for Auditors (IRBA) set out on pages 61 to 86, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Additional matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurances on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

9. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:

   - Objective 1: Developing and maintaining auditing and ethics standards which are internationally comparable
   - Objective 2: Providing an appropriate framework for the education and training of properly qualified auditors
   - Objective 3: Monitor registered auditors' compliance with professional standards

- Objective 4: To investigate and take appropriate action against registered auditors in respect of improper conduct
- Objective 5: Registration of registered auditors (RA) who meet the registration requirements

10. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI).*

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Compliance with legislation

14. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. I did not identify any significant internal control deficiencies.

Auditor General

31 July 214

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Financial Statements

Index

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

Contents **Page**

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

Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the IRBA as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, it is satisfied that the IRBA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on page 58.

The annual financial statements set out on pages 61 to 87, which have been prepared on the going concern basis, were approved by the accounting authority on 30 May 2014 and were signed on its behalf by:

WHG van der Linde, SC
Chairman

Report of the Accounting Authority

The accounting authority submits it's report for the year ended 31 March 2014.

1. Introduction

The accounting authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the year ended 31 March 2014, to the Minister of Finance, the Executive Authority in terms of section 55 (1)(d) of the Public Finance Management Act No. 1 of 1999 as amended (PFMA).

2. Principle activities of IRBA

The IRBA is established in terms of section 3 of the Auditing Profession Act No. 26 of 2005 (the Act), which had an effective date of 1 April 2006. The objectives as set out in section 2 of the Act are as follows:

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

3. Analysis of Financial Statements

3.1 Revenue

The operations of the IRBA are funded by revenue from exchange transactions and government grants.

Revenue from Exchange Transactions

Revenue from exchange transactions is primarily comprised of license fees, examination fees, inspection fees, registration fees, and revenue derived from the administration of training contracts. The revenue from exchange transactions remained constant at R55,2 million. The inspection fees increased to R21,6 million from R20,6 million due to increase in fees declared by audit firms. The income from Training contracts reduced to R4,6 million from R6,5 million due to problems experienced with the registration system of SAICA and therefore late registrations of contracts at year-end. The disciplinary expense contributions and fines have reduced to R2,9 million from R5,1 million as a result of the type of cases closed during the year. The Examination fees has increased to R6,3 million from R4,6 million as it was the last year for candidates writing the examination for the first time, and an increased number of students entered.

The decrease in other income to R0,2 million from R1,7 million is due to the DTI that did not contribute towards the regulation of approved auditors for B-BBEE.

Revenue from non-exchange transactions

During the year, the IRBA received government grants amounting to R32,9 million (2013: R32,2 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

3.2 Expenses

Operating expenses increased to R85,3 million from R81,8 million, representing an increase of 4,3%. The main reason for the increase is as follows:

- Employment cost increased by 11,7% due to vacancies in the previous year that were filled. Salaries increased by an average of 7,6%. The appointment of new senior staff resulted in R1,5 million of placement fees.
- Consulting and professional fees increased to R3,1 million from R1,3 million due to scarcity of professional staff and therefore retired partners were used while the positions could not be filled.
- The disciplinary case expenses decreased by R2,7 million to R8,4 million from R11,1 million.
- The support programme and education fund expenses increased to R3,5 million from R1,2 million, due to more support given to more repeat candidates for the Public Practice Examination.
- The travel costs for overseas travel to attend international meetings and workshops decreased to R0,7 million from R1,3 million because two of the meetings scheduled was delayed until the next financial year.
- The IRBA achieved costs savings by being more effective and the increased use of electronic means of communication.

3.3 Assets

The computer, network and printing infrastructure were replaced at a total cost of R2 million. Limited additional development was done and the net intangible assets decreased due to amortisation.

3.3 Assets (continued)

A major portion of current assets are comprised of trade receivables. Most of the outstanding balance excluding those impaired, was collected subsequent to year end.

The cash balance increased to R37,4 million from R32,3 million. R27,6 million of the cash is required to back up the reserves required to safeguard the IRBA's ability to continue as a going concern.

3.4 Liabilities

Non-current liabilities include the operating lease incentive and equalisation amount of R1,6 million, which represents an amount received from the landlord for leasehold improvements to be amortised over the lease, as well as accounting for lease instalments on the straight line basis.

Trade and other payables consist of trade payables, fees received in advance, accruals of R5,7 million, and an accrual for leave pay of R1,1 million. It also includes payments received in advance for training contracts of R3,6 million.

3.5 Surplus

The surplus of R5,8 million (2013: R9,5 million) arose mainly due to the saving of costs. Due to scarcity of professional employees, vacancies could not be filled in time, resulting in a saving of R3,6 million against budget. The operational costs were R4,6 million less than budget and the disciplinary cost was R3 million less than the previous year. The accumulated surplus for the year, after transfers to the reserves and surrender of accumulated reserves to the National Reserve Fund of R2,6 million, increased by R5,4 million to R21,7 million.

Approval has been obtained from National Treasury to retain a Contingency fund for Disciplinary cases and Operational requirements, and for the Education fund. The IRBA also maintains a Trust fund of R10 million on instruction from the Minister of Finance. The total reserves to be retained is R27,6 million. Certain of the accumulated reserves will be requested to be retained due to specific roll-over of specified expenses to 2014/15.

3.6 Reserves

Reserves include four funds that were approved by National Treasury: Education Fund, Trust Fund and two Contingency funds for Disciplinary cases and Operational working capital requirements. The Contingency fund for Disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs. The Education Fund was established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors. The Trust Fund was established as prescribed by the Minister of Finance consisting of R10 million representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets. The Contingency fund for Operational working capital requirements was established to accumulate funds to fund short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at a level of approximately 3 months' operational expenditure.

3.7 Budget

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

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

The breakeven budget was approved by the Board for 2013/14 excluding the direct impact of the reserve funds. This budget would ensure the IRBA will be in a position to deliver on its mandate as required by the Auditing Profession Act (APA) (No 26 of 2005).

After the budget was submitted approval was received from National Treasury to maintain the reserve fund as indicated above. The approval of the reserve fund had an impact on the budget as disclosed in the Statement of Comparison of Budget and Actual Amounts.

Report of the Accounting Authority (continued)

4. Members of the Board

WHG van der Linde, SC	(Chairman)
YGH Suleman	(Deputy Chairman)
P Mothibe	
R Kenosi	
Prof LY Majova	
Prof A van der Watt	
CN Mbili	
MI Khan	

5. Ministerial Representative

M Sass

Z Zwakala (Resigned 28 February 2014)

6. Business and Registered Address

Physical address	Building 2
	Greenstone Hill Office Park
	Emerald Boulevard
	Modderfontein
	1609
Postal address	IRBA
	P O Box 8237
	Greenstone
	1616
DOCEX	DX008 Edenvale

7. Bank

Standard Bank of South Africa

8. Auditors

The Auditor-General of South Africa

Statement of Financial Position

as at 31 March 2014

Figures in Rand	Notes	2014	2013
Assets			
Current Assets			
Inventories	7	166 786	150 147
Loans receivables	8	218 068	171 579
Receivables from exchange transactions	9	6 662 635	5 157 829
Cash and cash equivalents	10	37 389 692	32 289 759
		44 437 181	**37 769 314**
Non-Current Assets			
Plant and equipment	3	4 394 211	3 907 313
Intangible assets	4	2 437 247	2 585 108
		6 831 458	6 492 421
Restricted cash	6	10 000 000	10 000 000
		16 831 458	**16 492 421**
Total Assets		**61 268 639**	**54 261 735**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	11	10 416 655	5 652 490
Trade and other payables from non-exchange transactions	12	1 244 000	-
		11 660 655	**5 652 490**
Non-Current Liabilities			
Operating lease	5	1 590 189	2 545 307
Total Liabilities		**13 250 844**	**8 197 797**
Reserves		27 603 362	29 795 445
Accumulated surplus		20 414 433	16 268 493
Total Net Assets		**48 017 795**	**46 063 938**
Total Net Assets and Liabilities		**61 268 639**	**54 261 735**

Statement of Financial Performance

for the year ended 31 March 2014

Figures in Rand	Notes	2014	2013
Revenue	14	88 357 299	89 086 615
Operating expenses		(85 288 924)	(81 775 158)
Operating surplus	**15**	**3 068 375**	**7 311 457**
Interest received		2 750 482	2 221 268
Surplus for the year		**5 818 857**	**9 532 725**

Statement of Changes in Net Assets

for the year ended 31 March 2014

Figures in Rand	Trust fund	Education fund	Contingency fund - Disciplinary cases	Contingency fund - Operational	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported Adjustments	10 000 000	2 280 565	14 468 619	-	26 749 184	10 042 055	36 791 239
Correction of errors	-	-	-	-	-	(260 026)	(260 026)
Balance at 01 April 2012 as restated	**10 000 000**	**2 280 565**	**14 468 619**	**-**	**26 749 184**	**9 782 029**	**36 531 213**
Changes in net assets	-	770 330	(4 442 913)	6 718 844	3 046 261	6 486 464	9 532 725
Surplus for the year	-	-	-	-	-	9 532 725	9 532 725
Transfer to education fund	-	770 330	-	-	770 330	(770 330)	-
Transfer from contingency fund: Disciplinary cases	-	-	(4 442 913)	-	(4 442 913)	4 442 913	-
Transfer to contingency fund: Operational	-	-	-	6 718 844	6 718 844	(6 718 844)	-
Balance at 01 April 2013 as restated	**10 000 000**	**3 050 895**	**10 025 706**	**6 718 844**	**29 795 445**	**16 268 493**	**46 063 938**
Changes in net assets	-	(1 798 937)	480 376	(873 522)	(2 192 083)	4 154 940	1 953 857
Surplus for the year	-	-	-	-	-	5 818 857	5 818 857
Transfer from education fund	-	(1 798 937)	-	-	(1 798 937)	1 798 937	-
Transfer to contingency fund: Disciplinary cases	-	-	480 376	-	480 376	(480 376)	-
Transfer from contingency fund: Operational	-	-	-	(873 522)	(873 522)	873 522	-
Accumulated surplus surrendered to National Revenue Fund	-	-	-	-	-	(2 621 000)	(2 621 000)
Accumulated surplus to be surrendered to National Revenue Fund	-	-	-	-	-	(1 244 000)	(1 244 000)
Balance at 31 March 2014	**10 000 000**	**1 251 958**	**10 506 082**	**5 845 322**	**27 603 362**	**20 414 433**	**48 017 795**

Cash Flow Statement

for the year ended 31 March 2014

Figures in Rand	Notes	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from registered auditors and other sources		86 839 326	90 049 975
Interest received		2 750 482	2 221 268
		89 589 808	92 271 243
Payments			
Cash paid to suppliers and employees		(77 735 714)	(80 788 026)
Total receipts		89 589 808	92 271 243
Total payments		(77 735 714)	(80 788 026)
Net cash flows from operating activities	**18**	**11 854 094**	**11 483 217**
Cash flows from investing activities			
Purchase of plant and equipment	3	(2 133 567)	(739 661)
Proceeds from sale of plant and equipment		31 000	15 493
Purchase of other intangible assets	4	(740 105)	(159 301)
Net cash flows from investing activities		**(2 842 672)**	**(883 469)**
Cash flows from financing activities			
Movement in loans receivables		(46 489)	(50 733)
Movement in trade and other payables from non-exchange transactions		(1 244 000)	-
Accumulated surplus surrendered to National Revenue Fund		(2 621 000)	-
Net cash flows from financing activities		**(3 865 000)**	**(50 733)**
Net increase/in cash and cash equivalents		**5 099 933**	**10 549 015**
Cash and cash equivalents at the beginning of the year		32 289 759	21 740 744
Cash and cash equivalents at the end of the year	**10**	**37 389 692**	**32 289 759**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Rendering of services	52 154 384	-	**52 154 384**	55 180 349	**3 025 965**
Other income	2 070 000	-	**2 070 000**	243 950	**(1 826 050)**
Interest received	2 253 672	-	**2 253 672**	2 750 482	**496 810**
Total revenue from exchange transactions	**56 478 056**	**-**	**56 478 056**	**58 174 781**	**1 696 725**
Revenue from non-exchange transactions					
Government grants	32 933 000	-	**32 933 000**	32 933 000	**-**
Total revenue	**89 411 056**	**-**	**89 411 056**	**91 107 781**	**1 696 725**
Expenditure					
Personnel	(47 865 119)	-	**(47 865 119)**	(42 390 718)	**5 474 401**
Depreciation and amortisation	(2 289 231)	-	**(2 289 231)**	(2 516 802)	**(227 571)**
Debt impairment	(181 500)	-	**(181 500)**	(43 999)	**137 501**
Committee expenses	(3 874 556)	-	**(3 874 556)**	(2 489 011)	**1 385 545**
General expenses	(17 499 493)	-	**(17 499 493)**	(16 452 069)	**1 047 424**
Direct expenses	(9 158 472)	(6 309 724)	**(15 468 196)**	(12 943 923)	**2 524 273**
Departmental expenses	(6 302 765)	-	**(6 302 765)**	(4 937 034)	**1 365 731**
Expenses for reserve funds	(8 373 724)	6 309 724	**(2 064 000)**	(3 515 368)	**(1 451 368)**
Total expenditure	**(95 544 860)**	**-**	**(95 544 860)**	**(85 288 924)**	**10 255 936**
Operating (deficit)/surplus	**(6 133 804)**	**-**	**(6 133 804)**	**5 818 857**	**11 952 661**
Transactions accounted for in reserve funds	6 133 804	-	**6 133 804**	1 798 937	**(4 334 867)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**7 617 794**	**7 617 794**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

The impairment for loans and receivables is calculated on a portfolio basis, on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

Effective interest rate

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

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

1.3 Plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the IRBA; and
- the cost of the item can be measured reliably. Plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the IRBA; and
- the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

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

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

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

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

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

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in the surplus or deficit when the asset is derecognised.

1.5 Financial instruments

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

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

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

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

1.5 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an IRBA's statement of financial position.

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

Loans payable are financial liabilities, other than short-term payables, on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial assets measured at amortised cost
Receivables from exchange transactions	Financial assets measured at amortised cost
Cash and cash equivalents	Financial assets measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange / non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

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

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the surplus or deficit.

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit (where applicable). Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit (where applicable).

1.6 Leases

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

Operating leases - lessee

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

1.7 Inventories

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the IRBA.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the IRBA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The IRBA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the IRBA estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

1.8 Impairment of non-cash-generating assets (Continued)

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the IRBA would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

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

1.10 Revenue from exchange transactions

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.11 Revenue from non-exchange transactions

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

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

1.12 Investment income

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

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

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

a. this Act; or

b. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

c. any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

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

1.17 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.18 Related parties

The IRBA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the IRBA, including those charged with the governance of the IRBA in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the IRBA.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Related party disclosure for transactions between government entities that took place on terms and conditions that is considered arms' length are not required in accordance with IPSAS 20, Related Party Disclosure.

1.19 Reserves

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

1.19 Reserves (Continued)

Contingency fund - Disciplinary cases

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

Contingency fund - Operational

This is a fund established to accumulate funds to fund short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at a level of approximately 3 months' operational expenditure.

Education fund

This fund is established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors. Any surplus or deficit arising out of these activities is transferred to or out of this fund at the end of each reporting period.

Trust fund

This fund is established to ring fence the capital proceeds of the sale of the building as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantaged students who aspire to become Registered Auditors, and to raise awareness of the auditing profession at various levels, and therefore transferred to the Education Fund.

Notes to the Annual Financial Statements

for the year ended 31 March 2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the IRBA has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
GRAP 25: Employee benefits	01 April 2013	New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. The impact on the financial results and disclosure is considered to be minimal.

2.2 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published, are mandatory and that are relevant for the IRBA's accounting periods beginning on or after 01 April 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2014	New standard of GRAP dealing with the presentation and disclosure of related parties information. The impact on the financial results and disclosure is considered to be minimal.
GRAP108: Statutory Receivables	01 April 2015	New standard of GRAP dealing with the presentation and disclosure of Statutory Receivables. The impact on the financial results and disclosure is considered to be minimal.

3. Plant and equipment

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 964 638	(1 955 705)	1 008 933	2 887 758	(1 842 650)	1 045 108
Motor vehicles	197 055	(91 498)	105 557	387 786	(244 374)	143 412
Computer equipment	4 230 585	(2 238 183)	1 992 402	2 507 154	(1 778 283)	728 871
Leasehold improvements	4 901 826	(3 614 507)	1 287 319	4 901 826	(2 911 904)	1 989 922
Total	**12 294 104**	**(7 899 893)**	**4 394 211**	**10 684 524**	**(6 777 211)**	**3 907 313**

Reconciliation of plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation/ change in accounting estimate	Total
Furniture and fixtures	1 045 108	143 106	(11 939)	(167 342	1 008 933
Motor vehicles	143 412	1 710	(23)	(39 542)	105 557
Computer equipment	728 871	1 988 751	(5 871)	(719 349)	1 992 402
Leasehold improvements	1 989 922	-	-	(702 603)	1 287 319
	3 907 313	**2 133 567**	**(17 833)**	**(1 628 836)**	**4 394 211**

Reconciliation of plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation/ change in accounting estimate	Total
Furniture and fixtures	1 032 774	188 809	(3 689)	(172 786)	1 045 108
Motor vehicles	182 749	-	-	(39 337)	143 412
Computer equipment	553 774	550 852	(10 948)	(364 807)	728 871
Leasehold improvements	2 692 525	-	-	(702 603)	1 989 922
	4 461 822	**739 661**	**(14 637)**	**(1 279 533)**	**3 907 313**

4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software and development cost	4 847 306	(2 410 059)	2 437 247	4 107 201	(1 522 093)	2 585 108

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software and development cost	2 585 108	740 105	(887 966)	2 437 247

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software and development cost	3 240 323	159 301	(814 516)	2 585 108

Figures in Rand	2014	2013

5. Operating lease

Total lessor incentive	468 429	819 750
Less: Current liabilities	(351 321)	(351 321)
Lessor incentive	117 108	468 429
Operating lease accrual	1 473 081	2 076 878
	1 590 189	2 545 307

The lessor gave an incentive on occupation of the new building. The incentive is set off against the rent payable over the term of the lease. The lease payment has an annual escalation of 8,8%. The lease agreement is not renewable at the end of the lease term.

6. Restricted cash

An amount of R10 000 000 was received from the sale of land and buildings owned by the IRBA. The Minister of Finance restricted the use of the capital amount.

7. Inventories

Stationery	166 786	150 147

8. Loans receivables

At beginning of the year	171 579	120 845
Advances	46 489	50 734
	218 068	**171 579**

Loans receivable consist of study loans and travel advances paid to staff members. The loans are not interest bearing and the effect of discounting is not material.

Figures in Rand	2014	2013

9. Receivables from exchange transactions

Trade debtors	1 367 188	2 273 216
Prepaid expenses	784 781	403 620
Fines, penalties and legal cost recoveries outstanding	4 259 868	2 421 450
Sundry - other	2 295 148	1 632 754
World Bank (Zimbabwe Support Program)	-	437 040
Less: Impairment provision	(2 044 350)	(2 010 251)
	6 662 635	**5 157 829**

Trade and other receivables pledged as security

The IRBA does not hold any collateral as security.

Fair value of trade and other receivables

The fair value of trade and other receivables is equal to the invoice amounts related to these receivables.

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

1 month past due	3 293 948	4 243 533

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(2 010 251)	(291 919)
Provision for impairment	(34 099)	(1 718 332)
	(2 044 350)	**(2 010 251)**

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

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

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 163	4 631
Bank balances	36 500 753	31 400 352
12 Month Term Deposit	884 776	884 776
	37 389 692	**32 289 759**

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

Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Education fund: R1 251 958 (2013: R3 050 895), Contingency fund - Disciplinary cases: R10 506 082 (2013: R10 025 706) and Contingency fund - Operational: R5 845 322 (2013: R6 718 844).

12 Month Term Deposit

An amount of R884 776 (2013: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

Figures in Rand	2014	2013

11. Trade and other payables from exchange transactions

Trade payables	3 075 358	3 223 041
Accrued leave pay	1 142 842	929 140
Payments received in advanced - training contracts in process	3 691 624	-
Operating lease payables	351 321	351 321
Other accruals	2 155 510	1 148 988
	10 416 655	**5 652 490**

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

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

12. Trade and other payables from non-exchange transactions

Accumulated surplus to be surrendered to National Revenue Fund	1 244 000	-

During the financial year the National Treasury requested the IRBA to surrender R2 074 000 of its 2013 accumulated surpluses. The IRBA surrendered R830 000 of this amount and is in discussion with National Treasury to retain the balance of R1 244 000.

13. Financial instruments disclosure

Categories of financial instruments
2014

Financial assets

	At amortised cost	Total
Loans receivable	218 068	218 068
Trade and other receivables from exchange transactions	6 383 646	6 383 646
Cash and cash equivalents	37 389 692	37 389 692
	43 911 406	**43 991 406**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 725 034	6 725 034

2013

Financial assets

	At amortised cost	Total
Loans receivable	171 579	171 579
Trade and other receivables from exchange transactions	4 754 208	4 754 208
Cash and cash equivalents	32 289 758	32 289 758
	37 215 545	**37 215 545**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 652 492	5 652 492

Figures in Rand	2014	2013

14. Revenue

	2014	2013
Government grants	32 933 000	32 208 000
Other income	243 950	1 688 474
Rendering of services	55 180 349	55 190 141
Interest received	2 750 482	2 221 268
	91 107 781	**91 307 883**

The amounts included in rendering of services arising from exchanges of goods or services are as follows:

	2014	2013
Disciplinary expense contributions	1 448 000	1 905 000
Disciplinary fines	1 449 440	3 198 330
Examination fees	6 309 405	4 551 356
Income from capacity building in Africa	-	799 480
Inspection fees	21 554 060	20 555 996
License fees	14 516 378	12 960 188
Monitoring fees	411 500	353 000
Proficiency test fees	22 347	20 790
Registration fees	2 113 116	2 291 648
Support programme	1 200 500	1 278 951
Training programs for registered auditors	1 532 651	753 438
Training contracts and levies	4 622 952	6 521 964
	55 180 349	**55 190 141**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

	2014	2013
Government grants	32 933 000	32 208 000

15. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

	2014	2013
Building		
• Lease rentals on operating lease	4 294 988	4 295 890
Net gain on sale of plant and equipment	13 168	856
Amortisation of intangible assets	887 966	814 516
Depreciation on plant and equipment	1 628 836	1 279 533
Employee costs	42 390 718	37 925 252

16. Bad debts

	2014	2013
Bad debt	43 999	1 735 182

Figures in Rand	2014	2013

17. Auditors' remuneration

Auditor's remuneration - internal	453 775	615 235
Auditor's remuneration - external	789 167	836 398
	1 242 942	**1 451 633**

18. Cash generated from operations

Surplus	5 818 857	9 532 725
Adjustments for:		
Depreciation and amortisation	2 516 802	2 094 049
Net gain on sale of assets	(13 168)	(856)
Debt impairment	43 999	1 735 182
Movements in operating lease	(955 118)	(529 576)
Changes in working capital:		
Inventories	(16 639)	36 097
Receivables from exchange transactions	(1 504 806)	1 313 190
Impairment provision	(43 999)	(1 735 182)
Trade and other payables from exchange transactions	4 764 166	(962 412)
Trade and other payables from non-exchange transactions	1 244 000	-
	11 854 094	**11 483 217**

19. Commitments

Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	5 712 116	5 251 009
- in second to fifth year inclusive	1 956 796	7 669 363
	7 668 912	**12 920 372**

20. Contingencies

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The total accumulated surplus amounts to R20 414 433 as disclosed in the financial statements for the year ended 31 March 2014.

21. Related parties

Relationships

Members of key management	Refer to note 22 for the disclosure of Key Management's and Board Members' remuneration

22. Key Management's and Board Members' Remuneration

Key management

2014

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	2 322 586	290 000	333 376	12 600	2 958 562
L Katzin, Director: Education, Training and Professional Development	1 298 716	92 790	196 805	9 600	1 597 911
PJ O'Connor, Director: Legal	1 247 979	92 790	267 114	9 600	1 617 483
SD van Esch, Director: Standards	1 388 213	92 790	210 094	9 600	1 700 697
WH de Jager, Director: Operations	1 416 958	92 790	214 019	9 600	1 733 367
I Nagy, Director: Inspections	1 661 140	110 870	185 754	9 600	1 967 364
	9 335 592	**772 030**	**1 407 162**	**60 600**	**11 575 384**

2013

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	2 019 060	290 000	303 643	12 500	2 625 203
L Katzin, Director: Education, Training and Professional Development	1 202 641	107 000	182 989	9 500	1 502 130
PJ O'Connor, Director: Legal	1 152 512	107 000	248 362	9 500	1 517 374
P van Helden, Director: Inspections (Retired Dec 2012)	973 323	-	185 902	7 100	1 166 325
SD van Esch, Director: Standards	1 299 279	107 000	197 100	9 500	1 612 879
WH de Jager, Director: Operations	1 311 772	107 000	198 995	9 500	1 627 267
I Nagy, Director: Inspections (Appointed February 2013)	272 708	-	30 958	1 600	305 266
	8 231 295	**718 000**	**1 347 949**	**59 200**	**10 356 444**

	2014	2013
Board members' fees		
WHG van der Linde, SC	34 583	21 956
YGH Suleman	48 036	57 953
P Mothibe	30 379	-
R Kenosi	45 509	-
Prof LY Majova	39 607	20 282
Prof A van der Watt	62 364	-
CN Mbili	42 270	37 510
MI Khan	27 859	26 226
F Timmins	-	33 851
Dr SP Kana	-	46 659
Prof A Dempsey	-	38 254
H Goga	-	92 707
	330 607	**375 398**

23. Prior period errors

During November 2013, SAICA reported to the IRBA that, due to their system problems, some training contracts were reported incorrectly to the IRBA and that SAICA never reported the necessary corrections to the IRBA.

Accordingly, some training contracts were recorded twice in the accounting records of the IRBA dating back to the 2011/12 and 2012/13 financial accounting periods. It should be noted that the IRBA must necessarily place reliance on SAICA's systems regarding the registration and monitoring of training contracts.

The correction of the errors results in adjustments as follows:

Statement of Financial Performance (Extract)	**2014**	**2013 Restated**	**2013 Previously Reported**
Revenue	88 357 299	89 086 615	89 301 766
Operating expenses	(85 288 924)	(81 775 158)	(81 775 158)
Operating surplus	3 068 375	7 311 457	7 526 608
Investment revenue	2 750 482	2 221 268	2 221 268
Surplus for the year	**5 818 857**	**9 532 725**	**9 747 876**
Statement of Changes in Net Assets (Extract – Accumulated Surplus) As at 31 March			
Opening accumulated surplus	16 268 493	10 042 055	10 042 055
Correction of error to opening balance	-	(260 026)	-
Restated accumulated surplus	16 268 493	9 782 029	10 042 055
Surplus for the year	5 818 857	9 532 725	9 747 876
Surplus previously reported	-	9 747 876	-
Correction of error	-	(215 151)	-
Movement to other reserves	2 192 083	(3 046 261)	(3 046 261)
Accumulated surplus surrendered to National Revenue Fund	(2 621 000)	-	-
Accumulated surplus to be surrendered to National Revenue Fund	(1 244 000)		
Closing accumulated surplus	**20 414 433**	**16 268 493**	**16 743 670**

24. Risk management

Financial risk management

The IRBA's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk and credit risk

The IRBA's risk to liquidity is a result of the funds available to cover future commitments. The IRBA manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The IRBA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

24. Risk management (Continued)

Interest rate risk

As the IRBA has no significant interest-bearing assets, the IRBA's income and operating cash flows are substantially independent of changes in market interest rates.

25. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

26. Events after the reporting date

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

27. Surrendered accumulated surplus

Figures in Rand	2014	2013
Accumulated surplus surrendered to National Treasury	2 621 000	-

In terms of the PFMA all Public Entities must request from National Treasury to retain accumulated surpluses. The IRBA applied to National Treasury for the retention of certain surpluses and surrendered the following surpluses to the National Revenue Fund;

- R1 791 000 of the accumulated surplus at 31 March 2012; and
- R830 000 of the accumulated surplus at 31 March 2013.

Refer to note 12 and 20 for further details of the accumulated surpluses as at 31 March 2014.

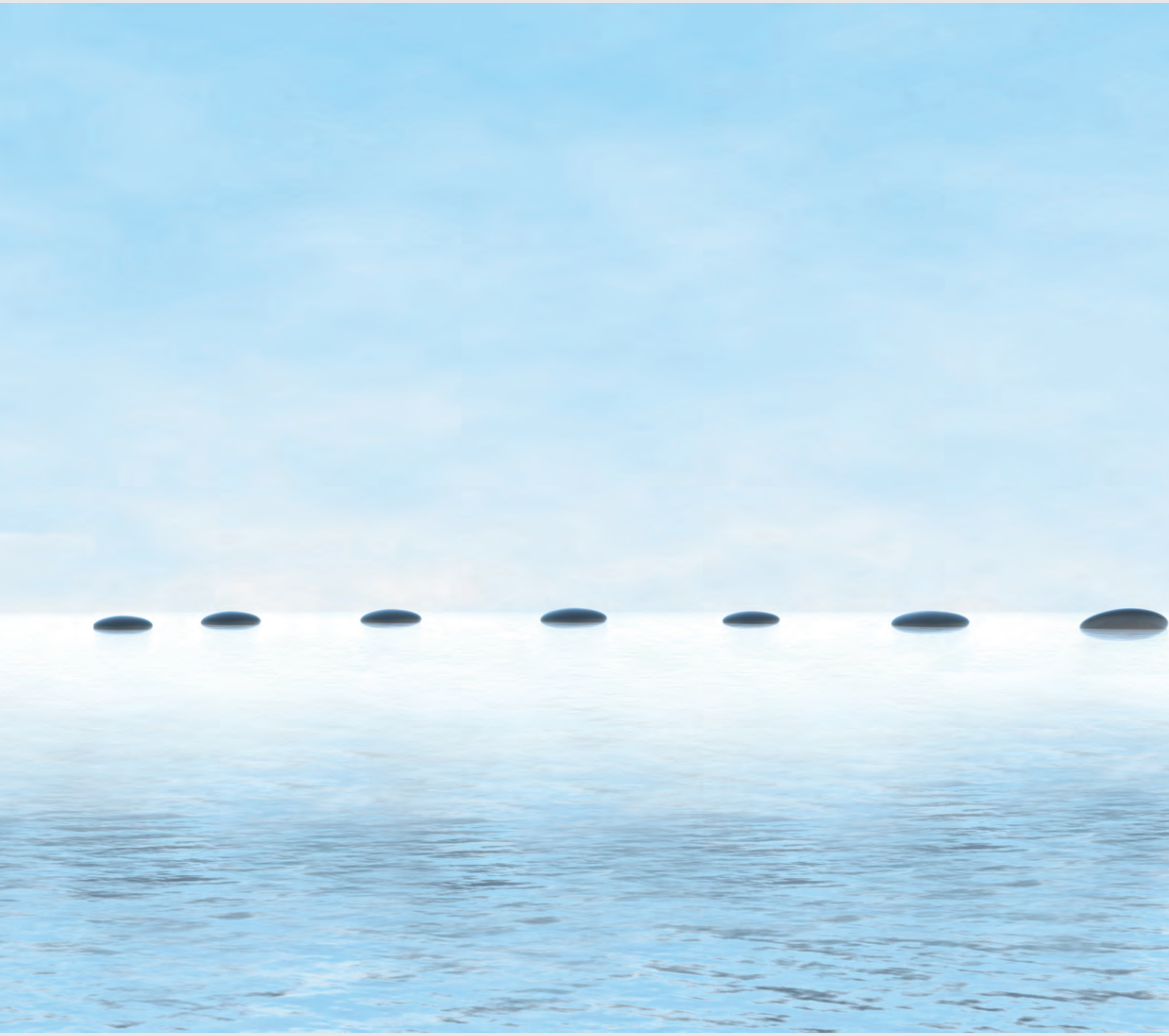
Detailed Income Statement

for the year ended 31 March 2014

Figures in Rand	Notes	2014	2013
Revenue			
Government grants & subsidies		32 933 000	32 208 000
Other income		243 950	1 688 474
Rendering of services		55 180 349	55 190 141
Interest received		2 750 482	2 221 268
	14	**91 107 781**	**91 307 883**
Operating expenses			
Auditors remuneration	17	(1 242 942)	(1 451 633)
Bad debts	16	(43 999)	(1 735 182)
Building operating expenses		(957 034)	(863 529)
Committee expenses		(2 489 011)	(3 142 683)
Computer expenses		(2 542 020)	(2 942 196)
Consulting and professional fees		(3 070 011)	(1 346 688)
Depreciation, amortisation and impairments		(2 516 802)	(2 094 049)
Disciplinary case expenses		(8 444 005)	(11 112 018)
Employee costs		(42 390 718)	(37 925 252)
Examination expense		(5 209 958)	(4 218 684)
Insurance		(158 092)	(204 453)
Lease of building		(4 294 988)	(4 295 890)
Other expenses		(1 511 086)	(1 490 905)
Placement fees		(1 470 702)	(1 370 397)
Printing and stationery		(497 854)	(997 169)
Proficiency test		(31 429)	(19 802)
Public relations		(573 451)	(150 389)
Publications		(459 496)	(748 773)
Staff welfare		(834 431)	(729 164)
Support programmes and education fund expenses		(3 515 368)	(1 179 433)
Training courses for Registered Auditors		(1 146 068)	(743 650)
Travel - local		(1 190 458)	(977 565)
Travel - overseas		(676 138)	(1 334 256)
Workmans compensation		(22 863)	(12 510)
Capacity building in Africa		-	(688 888)
		(85 288 924)	**(81 775 158)**
Surplus for the year		**5 818 857**	**9 532 725**

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

Notes



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