

2015

Annual Report



Engage • Balance • Protect

TABLE OF CONTENTS

PAGE

PART A: GENERAL INFORMATION

| | |
|--|----|
| Highlights of the year | 2 |
| List of abbreviations/acronyms | 3 |
| Significant features summary | 4 |
| Strategic Overview | 5 |
| Foreword by the Honuorable Minister of Finance | 7 |
| Foreword by the Chairman | 8 |
| Chief Executive Officer's Overview | 10 |
| Organisational Structure | 13 |

PART B: PERFORMANCE INFORMATION

| | |
|---|----|
| Performance Against Measurable Objectives | 16 |
|---|----|

PART C: GOVERNANCE STRUCTURE 22

PART D: HUMAN RESOURCE MANAGEMENT 28

PART E: FEEDBACK FROM STATUTORY COMMITTEES

| | |
|--|----|
| Education, Training and Professional Development Committee | 34 |
| Committee for Auditing Standards | 37 |
| Committee for Auditor Ethics | 41 |
| Inspection Committee | 43 |
| Investigating Committee | 45 |
| Disciplinary Committee | 47 |

PART F: FINANCIAL INFORMATION

| | |
|---|----|
| Report of the Audit and Risk Management Committee | 50 |
| Report of the Auditor-General | 52 |
| Annual Financial Statements | 54 |

Highlights of the year

- South Africa maintains its number one ranking for the strength of auditing and reporting standards in the World Economic Forum Global Competitiveness Survey for 2014/2015 for the fifth consecutive year.
- Last Public Practice Examination in the history of the IRBA written in November 2014.
- Parliament passes the amendments to the Auditing Profession Amendment Bill.
- Audit Development Programme Launched.
- IRBA leads the International Integrated Reporting Council's research on Assurance on Integrated Reporting.
- IRBA hosts second round of workshops on Ethics.
- IRBA introduces remedial action process to support Registered Auditors post inspections.
- IRBA registers the RA designation for Registered Auditors with the South African Qualification Authority (SAQA).

List of Abbreviations/Acronyms

| | |
|----------------|--|
| ADP | Audit Development Programme |
| AGSA | Auditor-General South Africa |
| APA | Auditing Profession Act (No. 26 of 2005) (The Act) |
| APC | Assessment of Professional Competence |
| 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 |
| DISCOM | 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 |
| INVERSCO | Investigating Committee |
| <IR> | Integrated Reporting |
| IIRC | International Integrated Reporting Council |
| IRBA | Independent Regulatory Board for Auditors |
| ISA | International Standard on Auditing |
| ISRE | International Standard on Review Engagements |
| MFRC | Micro Finance Regulatory Council |
| PFMA | Public Finance Management Act |
| PPE | Public Practice Examination |
| PSSC | Public Sector Standing Committee |
| RA | Registered Auditor |
| RIRSC | Regulated Industries and Reports Standing Committee |
| ROSC | Report on Observance of Standards and Codes |
| SADC | Southern African Development Community |
| SAICA | South African Institute of Chartered Accountants |
| SARB | South African Reserve Bank |
| SAQA | South African Qualifications Authority |
| SCWG | Standards Coordination Working Group |
| SSC | Sustainability Standing Committee |

Significant Features Summary

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------------|-------------|-------------|-------------|-------------|
| Activity indicators (numbers) | | | | | |
| Registered Auditors at year-end | 4311 | 4281 | 4306 | 4258 | 4375 |
| New registrations for the period | 276 | 219 | 306 | 296 | 229 |
| Trainee Accountants registered for the period | 5440 | 2722 | 3128 | 2672 | 3574 |
| Entrants to Public Practice Examination (PPE) | 724 | 2768 | 2288 | 2054 | 1952 |
| Reportable Irregularities (RIs) received | | | | | |
| Total RIs received (first reports) | 1123 | 611 | 710 | 814 | 806 |
| Second reports - continuing | 630 | 338 | 459 | 491 | 468 |
| Second reports - not continuing | 482 | 261 | 247 | 312 | 328 |
| Second reports – did not exist | 11 | 12 | 3 | 11 | 7 |
| Second reports - other | 0 | 0 | 0 | 0 | 3 |
| Second reports - overdue | 0 | 0 | 1 | 0 | 0 |
| Disciplinary matters | | | | | |
| Investigations initiated | 100 | 68 | 85 | 87 | 94 |
| Investigation committee matters disposed of | 67 | 68 | 65 | 62 | 59 |
| Disciplinary committee hearings | 4 | 11 | 6 | 5 | 2 |
| Inspections performed | | | | | |
| Firms | 37 | 34 | 22 | 38 | 22 |
| Engagements | 384 | 348 | 440 | 625 | 640 |
| Financial indicators | | | | | |
| Government Grant | 34 577 000 | 32 933 000 | 32 208 000 | 34 724 000 | 29 296 000 |
| Total Other income | 64 163 724 | 58 174 781 | 59 099 883 | 44 849 330 | 39 324 594 |
| Expenses | 91 258 715 | 85 288 924 | 81 775 158 | 71 663 206 | 59 515 377 |
| Surplus | 7 482 009 | 5 818 857 | 9 532 725 | 7 910 124 | 9 105 217 |
| Transferred from / (to) reserves | 28 099 | 2 192 083 | (3 046 261) | (7 090 695) | (1 760 365) |
| Accumulated Surplus surrendered to National Revenue Fund | (2 745 000) | (2 621 000) | - | - | - |
| Accumulated Surplus to be surrendered to National Revenue Fund | - | (1 244 000) | - | - | - |
| Surplus after movement in reserves | 4 765 108 | 4 145 940 | 6 486 464 | 819 429 | 7 344 852 |

Strategic Overview

The IRBA Strategic Focus

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

The IRBA Vision

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

The IRBA Mission

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

This is done 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 economic, efficient and effective manner, in accordance with the relevant regulatory frameworks.

Regulatory Philosophy

The IRBA adopts 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 by the Honourable Minister of Finance



Nhlanhla Nene
Minister of Finance

As South Africans, we have agreed on the National Development Plan (NDP) as our blue print for economic development over the next two decades and we have commenced with its implementation. We also recognise that there is still a lot to be done to create the kind of society that South Africa should be: one where poverty has been eradicated, employment opportunities are abound and where inequality is a thing of the past.

It is not, however, what government does to implement the NDP that counts; rather, it is about broadening the participation of all South Africans in the financial sector, supported by entities such as the Independent Regulatory Board for Auditors (IRBA) to achieve its economic goals.

The role of the financial sector in facilitating economic development in a modern economy is critical and government is demonstrating its commitment to economic stability through various initiatives, including legislative enhancements to financial institutions.

Over the past few years we have seen sub-optimal economic growth in our country. The stability of our financial institutions remains one of the strong pillars of our financial markets despite the challenges that we face in growing the country's economy. The strengthening of public institutions such as the IRBA will go a long way in making markets work better, creating confidence in the financial markets, strengthening our infrastructure and creating more jobs.

Corruption still remains one of our biggest challenges that we need to continue to fight to strengthen governance and build confidence in our financial markets. We rely on the auditing profession to help us find the weaknesses in the system and

report on financial mismanagement and undesirable practises that they often come across.

For this reason, we look to the IRBA to play its role as an embedded protector of confidence in the sustainability of the financial system, thereby contributing to the growth of the South African economy and influencing international developments in the profession.

The auditing profession locally and globally is faced with many changes. The introduction of the Audit Development Programme (ADP), launched in May 2015, in South Africa required that changes be made to the Auditing Profession Act (No 26 of 2005). I am pleased to announce that the legislative process went ahead in Parliament as expected. President Jacob Zuma has assented to the Auditing Profession Amendment Act 2015, which means that the ADP can now be fully implemented.

I wish to acknowledge the sterling effort of the leadership of IRBA for the positive contribution it is making to the auditing profession, as well as for the important role it is playing in strengthening the competencies required for auditors to fulfil their public responsibilities.

A stylized, handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Nhlanhla Nene
Minister of Finance

Foreword by the Chairman



Willem van der Linde, SC
Chairman

“In a volatile environment, it is critical that the IRBA remains solution - focused and so maintain investor confidence in our financial markets.”

I am pleased to present the Independent Regulatory Board for Auditors' (IRBA's) ninth Annual Report, which is also my last report as chairman since my term has reached its statutory conclusion.

While it is an appropriate time to reflect on our achievements over the past few years, I will also touch on the future landscape of the IRBA and the profession, which is captured in our approved strategy for the following five years. The one thing that has remained constant throughout is the increasing speed at which change has occurred in the audit industry, and will continue to occur in the future. But we can take some comfort from the fact that this is not only a South African phenomenon, but a feature of the global audit environment.

What is peculiar to our country, however, are the political, socio-economic and service delivery challenges that remain even though we have celebrated 20 years of democracy. In such a volatile environment it is critical that the IRBA remains solution-focused and so maintain investor confidence in our financial markets. At the same time, the IRBA must support government's policy objectives and ensure that its solutions are aligned with the State's expected outcomes. Areas in which the IRBA is able to and should play a more direct role include improved quality of basic education, contributing to a skilled and capable workforce to support an inclusive growth path, and finding the right space in which it can support the creation of a diverse and socially cohesive society with a common national identity.

Indeed, the core implementation principles and conditions for successful implementation of government's National Development Plan, which resonate with the IRBA include:

- Broad Ownership.
- Continuous Capacity Building.
- Clarity of responsibility and accountability.
- Continuous learning and improvement.
- Building trust and confidence amongst key stakeholders.

The IRBA must continue to promote integrity in financial reporting, governance and oversight, and provide the platform for creating the required confidence in capital markets, which in turn must advance economic growth. This it has to do while staying abreast of developments which impact the audit market, including how the value of audit is perceived, rapid advances in technology, big data, the commoditisation of audit, availability of competent resources and the growth in multi-disciplinary practices.

Concentration in the market and transformation in the profession also remain challenging and therefore measures to enhance competition and create equal opportunities for a wide spectrum of audit practices must continuously be explored. Globally, independence of auditors and regulators remain a high priority for oversight structures and South Africa must respond with solutions which are internationally compatible while accommodating local requirements.

In discharging its responsibility to provide strategic direction to the IRBA, the board approved a four pillar strategy which consolidates the IRBA's mandate while responding to the developments outlined above. These are:

Comprehensive regulator: To provide for a more comprehensive regulatory model that includes the regulation of Professional Accountancy Organisations;

Independence: To strengthen the independence of the IRBA and the independence of registered auditors;

Influencer in Africa: To implement initiatives which will contribute to enhance and improve overall reporting, governance and regulatory practices on the African continent; and

Transformed profession: To influence the advancement of transformation in the profession.

Some of these strategies will require legislative changes, approvals, funding and resources, and I trust that the new board will provide its full support to enable delivery on the strategy.

I express my sincere gratitude to my fellow board members for their unfailing support, confidence, and wise counsel during my term as chairman of the IRBA.

Finally, I wish to thank the CEO of the IRBA and his executive directors, the National Treasury and the Minister for providing the opportunity and support to enable us and the IRBA to maintain its international recognition as a world-class standard setter and regulator, and to deliver on its mandate to protect the public interest.



Willem van der Linde, SC
Chairman

Chief Executive Officer's overview



Bernard Peter Agulhas
Chief Executive Officer

“While the year under review presented the IRBA with interesting developments, the period ahead equally provides opportunities which will ensure that we lay foundations for the changes expected in the auditing and accounting landscape.”

It gives me great pleasure to present the Independent Regulatory Board for Auditors' (IRBA's) ninth Annual Report.

Despite some major social, political and economic challenges facing South Africa, the IRBA continued to entrench its role as a respected regulator in which the public, government, investors and other regulators place trust, and investor confidence can be maintained.

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, and supporting government in achieving its national objectives.

While the year under review presented the IRBA with interesting developments, the period ahead equally provides opportunities which will ensure that we lay foundations for the changes expected in the auditing and accounting landscape. My report will therefore cover initiatives which were responses to our dynamic environment, as well as our planned strategies for the medium term.

Changes in Mandate

Proposed interim amendments to the Auditing Profession Act, (No. 26 of 2005) have been submitted to National Treasury and The Minister of Finance introduced the Auditing Profession Amendment Bill in Parliament. Following approval of the Bill by the National Council of Provinces, the President signed the Bill into legislation in May 2015. The amendments included changes to the IRBA's mandate in respect of providing for the registration and regulation of candidate registered auditors by the IRBA and to update references to the Companies

Act, 2008, in the Act. The amendment provides for a new development programme for candidate auditors (Audit Development Programme), in response to the changing demands which are placed on the required competencies for auditors. It also gives the IRBA jurisdiction to regulate candidate registered auditors.

In 2015, the IRBA will implement this new model to qualify auditors, which will position the auditor as a specialist Chartered Accountant and focus on those professional competences that are required to operate in a dynamic environment.

More importantly, further legislative amendments are envisaged within the next five years that might expand the IRBA's mandate. This comes on the back of the World Bank's Report on the Observance of Standards and Codes (ROSC) – Accounting and Auditing for South Africa issued in 2013. The board, executive team and treasury held an IRBA strategic session to consider the World Bank ROSC recommendations, adopted by the Minister of Finance, and also the larger landscape, against which the IRBA determined its own vision and five year strategy.

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

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

Based on the above, it is understood that the IRBA will be playing a pivotal role in achieving the Minister's objective of implementing a more comprehensive regulatory model and the proposed extended mandate was therefore included as part of the IRBA's strategy.



Current and proposed extended mandate

The issuance of the World Bank's ROSC might have a significant impact on the IRBA's mandate and operations. Relevant recommendations include the potential regulation of Professional Accountancy Organisations, strengthening the rigour of inspections and investigations where required, addressing auditor liability, strengthening the independence of the IRBA, strengthening Small and Medium Practices and inspecting compliance with Financial Reporting Frameworks. The IRBA has prepared strategies and plans to implement these recommendations. Some of the recommendations require legislative changes that will require considerable planning and preparation before it becomes law, but the process has been built into the five year strategy and budget to accomplish the objectives of the board. The remaining recommendations that do not require legislative changes have been implemented already to some extent and the IRBA continues in its efforts to strengthen independent regulation.

Transformation

Transforming the profession remains a challenge. To address this, the IRBA has developed an integrated plan to retain Black auditors in the profession, attract Black auditors back into the profession and address the imbalance in the demographic representation in the auditing profession. The Board has further adopted transformation as one of its strategic initiatives which means that it does not regard transformation as a separate project, but as a central thread which permeates everything we do.

Stakeholder Engagement

Since 2012, the IRBA implemented a robust stakeholder engagement and communication plan to raise awareness of the profession and educate stakeholders on the role of the IRBA as audit regulator and protector of the public. The objectives of the first phases have been achieved and it will

continue to position itself as the protector of confidence in the sustainability of the system. Some of the critical stakeholders with which we engaged in the past year included auditors, investors, universities, the Ministry of Finance, other regulators, parliament, students and international structures which are responsible for audit and ethics standard-setting and audit regulation.

The IRBA regards on-going engagement with stakeholders as a crucial ingredient to build collaborative and constructive relationships that can benefit all parties, including the public.

Having achieved the number 1 position in the world for the strength of auditing and reporting standards for the fifth year in a row, the IRBA will continue to serve on relevant international structures where it can influence standards and regulation, while responding to the needs of local stakeholders and the profession.

Empowering the Continent

Closer to home, the IRBA will continue to engage with other regulators and standard setters on the African continent, to support them in strengthening governance practices and reliable reporting in Africa, through robust audit and ethics standards and independent audit regulation.

The Board identified outreach in Africa as one of its strategic initiatives, and must continue to engage with other jurisdictions on the continent to share best practices, transfer skills through partnering arrangements, and influence independent regulation and audit quality in Africa.

Global Trends

Since the audit failures associated with Enron and larger corporates in South Africa, the independence of auditors and regulators have become a focal point for governments and oversight structures. Investors and the public are also demanding more information and transparency and have become more aware of their rights to be protected. These developments have seen the European Union and other international role players implement more robust measures which will enhance the independence of auditors, as well as audit regulators. The IRBA must therefore determine the measures which need to be introduced to further strengthen independence of auditors, appropriate for the South African environment, as well as strengthen its own independence if it is to be regarded as a credible regulator. In this regard, the debate on rotation has already commenced and the IRBA has introduced protocols to ensure the independence of its own structures.

Audit Quality

The IRBA recognises that, although Audit Quality remains the primary responsibility of auditors, other stakeholders such as audit committees and audit regulators also have a role to play. Therefore, in response to the number of findings

on inspections, we introduced a process of remedial action, which requires audit firms to prepare root cause analyses to address the findings and avoid re-occurrence in future. We believe that this process will contribute to audit quality while simultaneously enhance investor protection, which is a shared objective of the regulator and the profession.

Auditor Reporting

One of the most significant changes to the audit and reporting landscape has been the recent issue of the new auditor reporting standards globally and the adoption of these standards in South Africa. The changes to these standards were influenced by investors requiring more transparency and clarity regarding the auditor's report, and provide users of the reports with explanations of how significant issues which arose during the audit have been dealt with by the auditor. Appreciating that these new standards do not only impact on the auditor, we developed and implemented awareness raising programmes directed at investors, directors of companies and audit committees. We will continue to educate stakeholders on the benefits of the new auditor reporting standards while ensuring that auditors are sufficiently prepared, and have a sufficient understanding of the new reporting standards.

Integrated Reporting

The IRBA and South Africa continued to influence the development of an assurance framework for Integrated Reports. South Africa is represented on the task force of the International Auditing and Assurance Standards Board and the Board of the IRBA approved the establishment of a Standing Committee to provide thought leadership on the subject matter.

To demonstrate the IRBA's own support of the need for more strategic and integrated thinking, it will be issuing its third Integrated Report based on the Reporting Framework which was developed by the International Integrated Reporting Council.

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 statutory committees for the support and commitment on which we inevitably rely in driving the IRBA's strategy towards achieving our objectives.

Finally, I like to extend my sincere gratitude to the outgoing Board for their unfailing commitment and dedication to support and promote the objectives of the IRBA, and welcome the new board which was appointed by the Minister of Finance in April 2015. I trust that they will continue to support and drive the strategy to further the goals of the IRBA.



Bernard Peter Agulhas
Chief Executive Officer

Organisational Structure

The organisation operates through an Executive and a total staff complement of 69 employees. The Executive reports to the Board, the members of which are appointed by the Minister of Finance.

Members of the Board



Willem van der Linde

SC

Chairman



Yunus Suleman

CA (SA), RA

Deputy Chairman



Cynthia Mbili

CA (SA), RA



Iqbal Khan

CA (SA)



Prof Lindelwa Majova-Songca

CA (SA)



Pule Mothibe

CA (SA), RA



Prof Alex van der Watt

CA (SA)



Rene Kenosi

CA (SA)

Executive



Bernard Peter Agulhas

CA(SA)

Chief Executive Officer

Appointed June 2003



Willemina Hendrika de Jager

CA(SA), ACMA

Director: Operations

Appointed May 2009



Imre Nagy

CA(SA), RA

Director: Inspections

Appointed February 2013



Imran Vanker

CA(SA), RA

Director: Standards

Appointed May 2014



Laine Katzin

M.Ed Educational Psychology

Director: Education, Training and
Professional Development

Appointed August 2009



Patricia Jane O'Connor

BA, LLB

Director: Legal

Appointed June 1986

PART B

PERFORMANCE AGAINST MEASURABLE OBJECTIVES



Performance Against Measurable Objectives

Strategic Focus Area 1: Auditing and Ethics Standards and Reportable Irregularities

| STRATEGIC OBJECTIVE | Developing and maintaining auditing and ethics standards which are internationally comparable | | | | |
|---|---|--|---|---|--|
| Measurable objective | Output | Outcomes | Measurable Indicator | Performance Targets | |
| | | | | 2014/15 | Status for the twelve months ended 31 March 2015 |
| 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 100% 8 out of 8 project documents planned were completed |
| To develop and issue additional guidance on ethical issues based on the IRBA Code of Professional Conduct | Issued additional guidance on ethical issues | To provide auditors with a Code consistent with International Codes and enables IRBA to take Disciplinary action where necessary | Target Dates for issuing additional guidance is as per CFAE work programme adjusted on a quarterly basis | 85% | Achieved 100% 4 out of 4 project documents planned were completed |
| 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 98% compliance |

Note: CFAS and CFAE deliver on projects according to Work Plans which are updated for progress and approved at each meeting of the committee. This is necessary as standard setting projects necessarily extend over more than one reporting period and it is therefore not always possible to complete particular projects within a specific period. Projects are also influenced by a variety of external factors such as unexpected delays caused by stakeholders who are critical to the project, and comments on exposure drafts which could take considerable time to address. Therefore, although the targets appear static, it consists of different projects at any point in time at different stages of progress.

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 | |
| | | | | 2014/15 | Status for the twelve months ended 31 March 2015 |
| 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 date |
| 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 |
| | | | | Training and Education 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 and that will improve the candidates' chances of success in the examination | To present a successful Support Programme that meets 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 | 100% compliance to work schedule | Achieved 100% completed |
| To promote transformation and raise awareness of the audit profession | To complete projects and activities that raises awareness and promotes transformation of the audit profession | Successful completion of scheduled projects | Adherence to the project schedule approved by the Transformation Committee | 80% compliance with the project schedule | Achieved 80% completed |

Performance Against Measurable Objectives

Strategic Focus Area 3: Inspections

| STRATEGIC OBJECTIVE | Monitor registered auditors' compliance with professional standards | | | | |
|---|---|--|--|------------------------------|---|
| Measurable objective | Output | Outcomes | Measurable Indicator | Performance Targets | |
| | | | | 2014/15 | Status for the twelve months ended 31 March 2015 |
| To regularly inspect on a risk basis, the assurance work of registered firms and its auditors, focussing on significant public interest | Inspection reports | Compliance of firms (including its individually registered auditors) with the auditing, and ethics standards | Number of inspections completed in accordance with the inspection plan | 90% adherence to inspections | Achieved: 90% of target met Target: 469 Inspections Actual: 421 Inspections performed |

Strategic Focus Area 4: Registration and Legal

| STRATEGIC OBJECTIVE | To investigate and take appropriate action against registered auditors in respect of improper conduct | | | | |
|--|---|--|---|-----|--|
| To finalise all complaints received timeously | Closed case files | Fair and appropriate outcome of investigations | % of complaints closed within 18 months of receipt of complaint (<i>excluding matters referred to disciplinary hearings</i>) | 80% | Not Achieved 78% Out of the total number of 79 complaints due 62 cases were closed instead of 63 within 18 months of receipt of complaint |
| STRATEGIC OBJECTIVE | Registration of registered auditors (RA) 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 complete application, with the exception of applications received in terms of the "3 year-rule" | 95% | Achieved 97% 170 of the 176 new registrations were registered within one month from date of receipt of completed application |
| | 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% A total of 3956 annual renewals were successfully completed during the 2014 annual renewal process. The process was completed by 31 December 2014 |

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 | |
| | | | | 2014/15 | Status for the twelve months ended 31 March 2015 |
| To collaborate and build relationships with critical stakeholders | Any revision to Stakeholder relationship strategy completed and approved | Informed and improved cooperation with stakeholders | Date of approval and revision of Stakeholder relationship Strategy | July 2014 | Achieved Revised stakeholder plan approved by Board on 30 July 2014 |
| | Annual Stakeholder relationship strategy plan completed and approved | | Implementation of projects and activities of the Stakeholder relationship plan | 80% implementation of Stakeholder projects and activities agreed at the beginning of the year | Achieved 150% 37 Stakeholders listed as per stakeholder management plan for the year. Total number of interactions planned is 114 171 Stakeholder interactions recorded for the financial year |
| | Revised communication plan approved | | Date of approval of revised communication plan | July 2014 | Achieved Revised communication plan approved by Board on 30 July 2014 |
| | Annual communication plan completed and approved | | Implementation of activities per milestone in the plan | 75% of implementation of activities as per milestone in the plan | Achieved 100% year to date. 10 Main activities listed with 41 sub activities. 41 activities recorded for the financial year |
| Compliance with legislation and governance | Approved compliance framework and the successful implementation thereof | The IRBA as a regulator be a compliant entity | Implementation of compliance plan | 80% Implementation of compliance activities detailed in the Compliance Plan | Achieved 90% of compliance activities have been implemented |
| | Compliance to legislation and governance | | Compliance as reported to Audit and Risk Management Committee | 75% adherence to Compliance report | Achieved 100% compliant |

Performance Against Measurable Objectives

Strategic Focus Area 6: Operational Effectiveness

| STRATEGIC OBJECTIVE | Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economic, efficient and effective manner, in accordance with the relevant regulatory frameworks | | | | |
|---|--|--|--|---|--|
| Measurable objective | Output | Outcomes | Measurable Indicator | Performance Targets | |
| | | | | 2014/15 | Status for the twelve months ended 31 March 2015 |
| To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate | Funding/Income received to equal the 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 reserves/funds | Achieved Actual total income to expenses ratio = 108% Budget total income to expenses ratio = 100% Deviation = 8% |
| | Maximum utilisation of resources | | % deviation on expenses from budget vs actual | 15% deviation, up or down | Achieved The actual expenses are 2% favourable to the budget Actual expenses = R91 258 Budgeted expenses = R93 105 |
| | Financial discipline adherence | | Clean audit report | 100% clean report | Achieved A clean audit report was received |
| 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 | % of employment equity targets achieved in total | 90% of target achieved as indicated in employment equity plan | Partially achieved 87% 62% Female employees against a target of 50% = 100% achieved 56% Black employees against the Employment Equity Plan of 75% Black employees – 74% achieved The turnover of Black employees during the year was 18% and it was not possible to replace all the positions at all or with Black candidates |

PART C
GOVERNANCE STRUCTURE



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 Act, the Minister must appoint not less than six but not more than 10 persons as members of the Board. The Board, during the period under review, 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 IRBA, 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 2014/15

| Board Member | Board | Operations Committee | Audit and Risk Management Committee | IT Steering Committee | Disciplinary Advisory Committee |
|----------------------------------|----------|----------------------|-------------------------------------|-----------------------|---------------------------------|
| Total number of meetings | 6 | 6 | 5 | 4 | 7 |
| WHG van der Linde, SC (Chairman) | 6 | n/a | n/a | n/a | n/a |
| RA Kenosi | 6 | 6 | 5 | 4 | n/a |
| MI Khan | 4 | 4 | n/a | n/a | n/a |
| Prof LY Majova-Songca | 6 | n/a | n/a | n/a | 6 |
| CN Mbili | 3 | 1* | 4 | 3 | n/a |
| P Mothibe | 6 | 6 | n/a | n/a | n/a |
| YGH Suleman | 5 | n/a | n/a | n/a | 5 |
| Prof A van der Watt | 6 | n/a | 5 | 3 | 6 |

* Additional attendance

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

| Title | Name | Surname | Qualifications | Designation | Date appointed to Board | Age | Directorships |
|-------|---------------------------------------|---------------|--|-------------|-------------------------|-----|---|
| Mr | Willem Hendrik Gabriel (Chairman) | van der Linde | B. Juris LLB | Advocate | 01 April 2011 | 59 | None |
| Mr | Mohamed Iqbal (Chairman of OPSCOM) | Khan | B Compt (Hons) | CA (SA) | 01 April 2011 | 49 | House of Monatic Group Sea Harvest Incorporated |
| Prof | Lindelwa Yvonne (Chairman of DAC) | Majova-Songca | Senior teacher's diploma BCompt (Hons) MBA | CA (SA) | 01 April 2011 | 45 | Capraway MasengViljoen Inc. Trustee: Jongilizwe Trust for Jongilizwe School of Traditional Leaders SGB member: Hudson Park High School E.C. Liquor Board |
| Ms | 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 | 43 | Sizwe Ntsaluba Gobodo Azuze Poultry Products |
| Mr | Yunus Goolam Hoosen (Deputy Chairman) | Suleman | B Com B Compt (Hons) | CA (SA) | 01 April 2011 | 58 | Chairman: KPMG Dormell Properties 385 (Pty) Ltd Chairman: Enactus South Africa |
| Ms | Rene Aloise | Kenosi | B Compt B Compt (Hons) | CA (SA) | 01 April 2013 | 44 | Bridging Concepts Financial Services (Pty) Ltd Dikago Development CC |
| Mr | Pule | Mothibe | B Com Dip Acc | CA (SA) | 01 April 2013 | 46 | PWC PWC Combined Systems (Pty) Ltd (a PWC company) |
| Prof | Alex (Chairman of ARMCO and ITSCOM) | van der Watt | B Com B Com Hons M Com | CA (SA) | 01 April 2013 | 46 | Head of Department: Department of Accountancy (UJ) Thuthuka Busary Fund Thuthuka Education Upliftment Fund Account Professional Training (Pty) Ltd Accounting Education (Pty) Ltd |

Mr Michael Sass was appointed as the Ministerial representative on 30 October 2013.

Governance Structure (continued)

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 (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 five 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 (No. 26 of 2005), the Investigating Committee (INVERSCO) investigates all complaints and then recommends to the Board whether or not to charge a practitioner with unprofessional conduct.

INVERSCO meets every six weeks, but the Board does not meet frequently enough to consider recommendations from INVERSCO after each of their meetings. Therefore, the Board has delegated this function to the Disciplinary Advisory Committee (DAC). This committee consists exclusively of Board members. The DAC functions independently from the INVERSCO and the Disciplinary Committee and reports to the Board.

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

Period under review

Not every matter considered is finalised at the meeting at which it is first considered. Therefore, matters finalised include matters which were first considered during the year under review, as well as those which were carried forward from the previous year. Similarly, certain matters first considered in the year under review might only be concluded in the following year.

Matters considered

During the twelve months under review, the DAC met seven times (2014: seven) to consider 85 (2014: 83) matters of which 68 were new matters and the remainder were matters brought forward from the previous year.

Of these 68 new matters:

- 39 were received from members of the public (including clients of auditors).
- 3 were originally referred by the JSE Ltd.
- 16 matters were referred by the Inspections Committee.
- 8 matters were initiated mero motu.
- 2 matters were referred by the National Lotteries Board.

Matters finalised

During this period 78 (2014: 108) matters were finalised. Of these:

- 34 were not prosecuted.
- 4 in terms of Rule 3.5.1.1 (The practitioner is not guilty of unprofessional conduct).
- 15 in terms of Rule 3.5.1.2 (The practitioner having given a reasonable explanation for the conduct).
- 13 in terms of Rule 3.5.1.4 (There being no reasonable prospect of proving the practitioner guilty of the conduct in question).
- 2 in terms of Rule 3.5.1.5 (In all the circumstances it is inappropriate to charge the practitioner with unprofessional conduct).
- One practitioner was admonished for his behaviour but was not formally charged.
- 35 matters were settled by way of consent orders, and the practitioners were fined.

Matters referred

Eight matters (two of which each concerned two practitioners) were referred to the Disciplinary Committee for a full hearing.

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 six 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 and met four times during the year.

Internal Auditors

The IRBA appointed Business Innovation Group as a service provider for internal audit in 2012/13. The Audit and Risk Management Committee (ARMCO) approved a three-year rolling internal audit plan. Internal audit performed its activities as per the plan and tabled progress reports at ARMCO 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 ARMCO 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.

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. The CSR Committee which was formally established in 2013 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 Thembalami Care Centre

Thembalami care centre has been a recipient of the IRBA CSR donations for over five years. The care centre looks after frail pensioners of limited means, primarily those receiving a social or disability grant from government. The IRBA donates reading material quarterly and goods for Christmas to the centre.

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, participated in the Santa Shoebox project donations drive for the second consecutive year and donated 16 Santa's Shoeboxes to needy children.

Arebaokeng Hospice

Arebaokeng Hospice and Child care centre 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, clothing, reading material and toys to the hospice.

Nelson Mandela Day

The IRBA participated in the 67 minutes for Mandela day by partnering with COMPASS. COMPASS offers a safe house and early learning centre to mother and children who have been abused. The women are taught life skills such as cooking, computer skills and administrative services and they are prepared to face life once they leave the safe house. COMPASS provides meals, clothing, toiletries and linen to the women and children who are housed in their living quarters.

IRBA staff donated clothes, toys and reading material to COMPASS and these were matched with groceries and cleaning material from the IRBA. The staff also spent the day at the shelter cleaning, reading to the children and helping the child minders to look after the children for the day.

Governance Structure (continued)

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.

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 were approved by the Board in 2013 and are 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 resigned in May 2014. A new Board Secretary was appointed in November 2014 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 and senior executives | Full compliance for the reporting period. |
| Audit committee | The Terms of Reference of the Audit and Risk Management Committee is being reviewed and will be submitted to the new Board in 2015 for approval. |
| 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 IT governance. The Information and Communication Technology (ICT) strategy is being reviewed and will be submitted to the new board in 2015 for approval. |
| Compliance with laws, rules, codes and standards | <p>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 is also the Compliance Officer.</p> <p>Reports on compliance with the PFMA are issued quarterly to National Treasury following approval by the Board.</p> |
| 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 July 2014 and the IRBA is satisfied that important milestones were reached during the year under review. |
| Integrated reporting and disclosure | The third integrated report for 2015 was prepared in accordance with the International Integrated Reporting Council's <IR> framework. |

PART D
HUMAN RESOURCE MANAGEMENT



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 69 as at 31 March 2015. The budgeted staff complement of 80 was reduced to 77 positions after certain positions were made redundant after staff resigned. At year end only 69 positions were filled due to staff turnover and scarcity of skills. The total staff expenditure was R52 million, which represents 57% 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:

- IRBA Social and Business Functions
- Learnership Internship
- Long Service Award
- Pension Fund
- Salary Advance
- Working Hours

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 participated 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:

| | 2015 | % | 2014 | % | 2013 | % | 2012 | % | 2011 | % |
|--------------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| Black Female | 25 | 36 | 26 | 37 | 27 | 42 | 25 | 39 | 24 | 36 |
| White Female | 18 | 26 | 19 | 27 | 19 | 29 | 20 | 31 | 19 | 29 |
| Black Male | 15 | 21 | 15 | 21 | 12 | 18 | 11 | 17 | 15 | 23 |
| White Male | 11 | 17 | 11 | 15 | 7 | 11 | 8 | 13 | 8 | 12 |
| TOTAL STAFF | 69 | 100 | 71 | 100 | 65 | 100 | 64 | 100 | 66 | 100 |

Personnel Cost of Permanent Staff

Total staff expenses consist of the following:

| | 2014/15 R'000 | 2013/14 R'000 |
|---|------------------|------------------|
| Cost to employer | 48 067 | 39 338 |
| Overtime and relief staff | 625 | 610 |
| Consultants | 1 338 | 3070 |
| Staff training and seminars | 555 | 434 |
| Incentives | 2 888 | 1 883 |
| TOTAL PERSONNEL COSTS | 52 204 | 45 335 |
| Total operating expense for the IRBA | 91 259 | 85 288 |
| Personnel expenditure as % of total expenditure | 57% | 53% |
| Number of employees | 69 | 71 |

Training Costs

R '000

| | 2014/15 | | | 2013/14 | | |
|------------------------|---------------|---------------|---------------------|---------------|---------------|---------------------|
| | Training Cost | Bursary Costs | Total Training Cost | Training Cost | Bursary Costs | Total Training Cost |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Management | 70 | - | 70 | 114 | - | 114 |
| Professional qualified | 273 | - | 273 | 242 | - | 242 |
| Skilled | 174 | 120 | 294 | 21 | 83 | 104 |
| Semi-skilled | 6 | - | 6 | 40 | 37 | 77 |
| Unskilled | 13 | - | 13 | 30 | - | 30 |
| TOTAL | 538 | 120 | 657 | 447 | 120 | 567 |

The IRBA gave financial assistance to 7 employees studying at a university during the year.

Human Resource Management (continued)

Employment and Vacancies

| | 31 March 2015 | | 31 March 2014 | |
|--------------------------|------------------|-----------|------------------|-----------|
| | No. of Employees | Vacancies | No. of Employees | Vacancies |
| Management | 6 | - | 6 | - |
| Professionally qualified | 30 | 7 | 30 | 4 |
| Skilled | 9 | 1 | 8 | 2 |
| Semi-skilled | 18 | - | 21 | - |
| Unskilled | 6 | - | 6 | - |
| TOTAL | 69 | 8 | 71 | 6 |

Due to the scarce skills and skills set in the market in the senior management positions and of professionally qualified individuals, the recruitment process for each of these positions 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 also difficult to find suitable employment equity candidates for these positions.

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 |
|--------------------------|-----------------------------------|--------------|--------------|---------------------------------|
| Management | 6 | 1 | 1 | 6 |
| Professionally qualified | 30 | 6 | 6 | 30 |
| Skilled | 8 | 1 | - | 9 |
| Semi-skilled | 21 | 1 | 4 | 18 |
| Unskilled | 6 | - | - | 6 |
| Total | 71 | 9 | 11 | 69 |

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 in the private sector.

Reasons for Staff Leaving

| Reason | Number | % of total no. of staff leaving |
|--------------|-----------|---------------------------------|
| Resignation | 7 | 70% |
| Dismissal | 1 | 10% |
| Retirement | 3 | 20% |
| Total | 11 | 100% |

An employee was dismissed following a disciplinary hearing regarding work performance and absenteeism. The Standards Director, Inspector and an Administrator turned 65 years during the period and retired.

Labour Relations: Misconduct and Disciplinary Action

| Nature of disciplinary action | Number |
|-------------------------------|--------|
| Written Warning | 0 |
| Final Written warning | 0 |
| Dismissal | 1 |

Equity Target and Employment Equity Status

TARGET 2015

| TOTAL | Male | Female | African | Coloured | Indian | White | Disabled |
|-------|------|--------|---------|----------|--------|-------|----------|
| 82 | 36 | 46 | 43 | 11 | 10 | 18 | 2 |
| 100% | 44% | 56% | 52% | 13% | 12% | 23% | 1% |

ACTUAL 2015

The numbers for employment equity purposes include fixed term contract workers. These fixed term contract employees are only employed during a period when a replacement employee's recruitment process is in process.

| TOTAL | Male | Female | African | Coloured | Indian | White | Disabled |
|-------|------|--------|---------|----------|--------|-------|----------|
| 70 | 27 | 43 | 28 | 4 | 7 | 31 | 1 |
| 100% | 39% | 61% | 40% | 6% | 10% | 44% | 1% |

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.

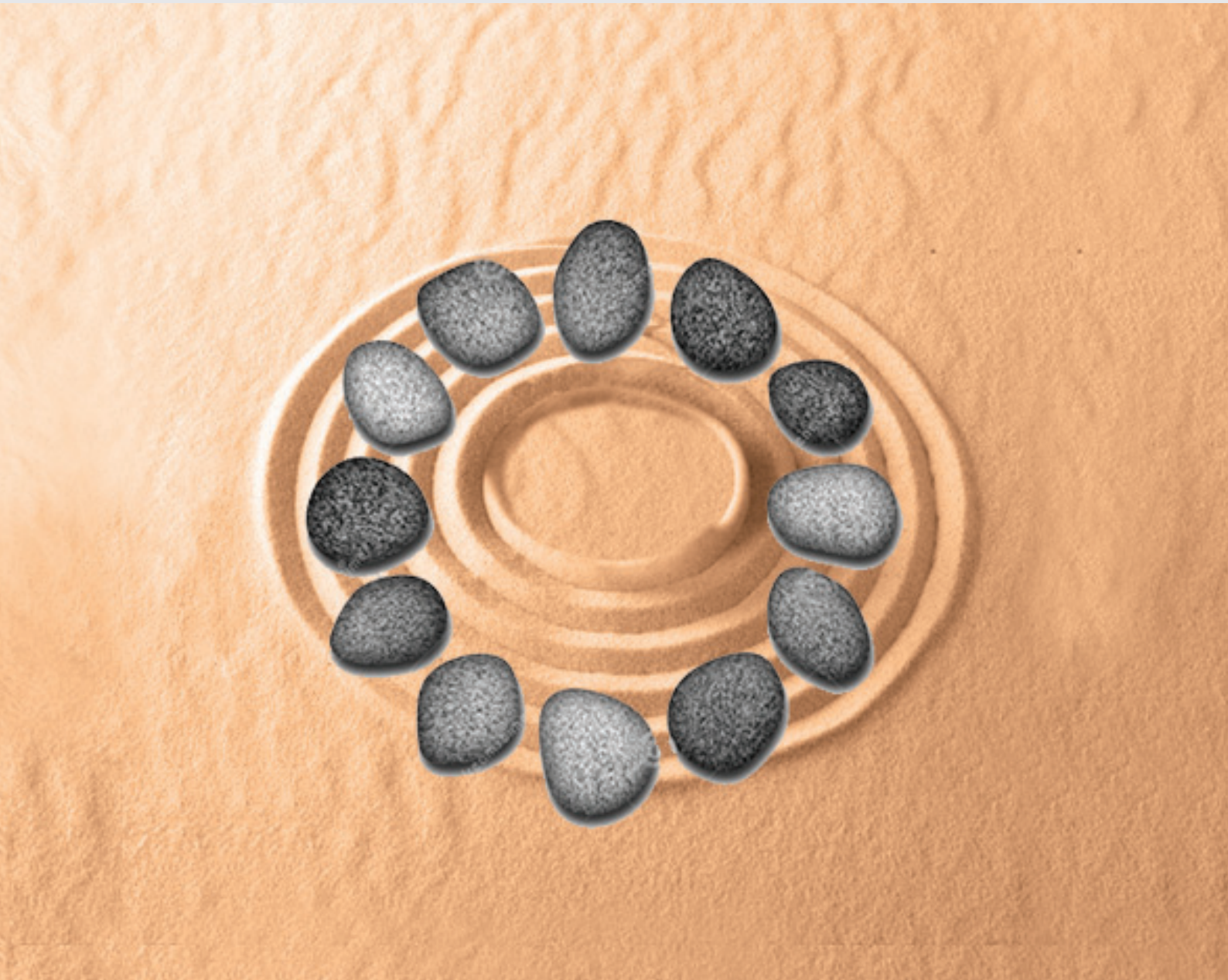
The Employment Equity Forum, consisting of eight staff members representing all areas of employment equity, is also making every effort to become more involved in the recruitment process to ensure compliance with the policy and to ensure fairness and transparency throughout all recruitment drives within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

The objective set by management was to achieve at least 90% of employment equity targets as approved in the plan. The plan is a five year plan set in 2010.



PART E

FEEDBACK FROM STATUTORY COMMITTEES



Education Training and Professional Development



Prof A Dempsey
Chairman

| Members | Number of meetings attended | Membership Status |
|-----------------------|-----------------------------|---------------------------------|
| Prof A Dempsey | 3 of 4 | Chairman |
| Mr H Wessels | 1 of 3 | Rotated off on 23 October 2014 |
| Prof SPJ Von Wielligh | 3 of 4 | Rotated off on 10 February 2015 |
| Mr T Zakuza | 2 of 3 | Rotated off on 23 October 2014 |
| Ms CF Lane | 4 of 4 | Rotated off on 10 February 2015 |
| Ms MY Ismail | 4 of 4 | Deputy Chairman |
| Mr E Lehapa | 3 of 3 | Rotated off on 23 October 2014 |
| Mr MR Naidoo | 3 of 4 | Rotated off on 10 February 2015 |
| Prof A van der Watt | 4 of 4 | Member |
| Mr F Van Den Berg | 4 of 4 | Rotated off on 10 February 2015 |

| Members | Number of meetings attended | Membership Status |
|---------------|-----------------------------|--------------------------------|
| Ms N Dongwana | 3 of 3 | Rotated off on 23 October 2014 |
| Mr E Belstead | 4 of 4 | Member |
| Ms M Olivier | 2 of 4 | SAICA Observer |
| Mr B Hlongwe | 0 of 1 | Member |
| Mr S Sono | 1 of 1 | Member |
| Ms S Mokoena | 1 of 1 | Member |
| Ms T Ramawtar | 1 of 1 | Member |

It gives me great pleasure to report on the Education, Training and Professional Development Committee's (EDCOM's) current and strategic activities for the 2014/2015 financial year.

Endings and new beginnings

The last Public Practice Examination (PPE) was written on 19 November 2014. The last PPE sees the IRBA closing a chapter in its history. As with any ending, there is a new beginning. The Audit Development Programme (ADP) marks a new era in the development and assessment of professional competence of Registered Auditors (RAs) in South Africa.

The Audit Development Programme

The ADP is a period of specialisation undertaken by professional accountants who want to become RAs. It provides a context wherein the consolidated capabilities developed in the training programme can be refined in a more complex learning environment and in performing roles more senior to those undertaken in the training contract.

The ADP became effective in March 2015. All aspirant RAs who complete the South African Institute of Chartered Accountants' (SAICA's) Assessment of Professional Competence (APC) and wish to become an RA must undertake the ADP in order to register as an RA. The programme is premised off 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 their competence.

The IRBA is confident that the new qualification route for RAs in South Africa will provide further public protection and instil confidence in the markets to attract foreign investment.

Amendments to the Auditing Profession Act (APA)

The introduction of the ADP has necessitated amendments to the APA. The proposed changes to the Act were presented to the National Assembly on 12 March 2014, who voted in favour of the changes. Thereafter the Amendment Bill was presented to the Select Committee on Finance of the Council of Provinces, who also voted in favour of the Amendment Bill. The Amendment Bill was signed into legislation by the President in May 2015.

The Public Practice Examination

The 2014 PPE was written on Wednesday, 19 November 2014. The overall pass rate for the 2014 PPE was 56%. The pass rate achieved in 2014 cannot be compared to pass rates in previous years due to the very different composition of the candidate population. Although the results of the 2014 PPE are lower than usual, the IRBA is pleased to announce that of the 724 candidates who wrote the examination, 407 candidates passed which represented a 56% pass rate.

Only one candidate achieved honours (above 75%). Due to the nature of the 2014 assessment and candidate population, the IRBA did not announce a list of the top ten candidates as has been the practice in previous years.

The Chairman of the Examination Committee and the committee members are commended for their tireless work over the years to ensure that the standard of the examination has remained consistent and that the examination continued to be relevant for a changing profession.

The PPE has served the IRBA well over the last 16 years and it has positioned the RA designation as an internationally sought after and respected brand.

Transformation of the Profession

Transformation of the profession remains at the forefront of the IRBA's agenda. In this regard the IRBA has undertaken various outreach activities and programmes to recruit and retain Black candidates in the profession.

The IRBA was also delighted with the throughput rates for Black candidates in the 2014 PPE. Of the 531 Black candidates that entered the 2014 PPE, 301 passed, resulting in an overall pass rate of 57%.

The IRBA is particularly pleased to announce the results of the 2014 IRBA Support Programme. The IRBA has presented a support programme for Black repeat candidates on an annual basis for the past 13 years. In 2014, 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 attended the Support Programme achieved better results on each question than repeat candidates who did not attend the IRBA's programme. Of the 231 Black candidates who successfully

completed the programme 145 passed, representing a pass rate of 63% compared to a pass rate of 52% achieved by Black candidates who did not attend the programme.

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; and
- the Education Programme.

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 2014. EDCOM has confirmed the on-going accreditation of SAICA and recognition of its programmes for 2015.

SAICA also presented its Assessment of Professional Competence for the first time in 2014. The IRBA has monitored SAICA's new assessment methodology closely and is confident that it is reliable, valid and above all equitable.

Continuing Professional Development

In terms of the Continuing Professional Development (CPD) policy, all RAs are required to undertake a minimum of 90 verifiable hours of CPD, which includes nine hours of compulsory ethics in a three year rolling period.

RAs are required to sign a declaration with their annual renewal documentation indicating that they have complied with the minimum requirements of the CPD policy and that they will retain the relevant supporting documentation for a period of five years.

In the period under review the IRBA selected a random sample of RAs and reviewed their CPD records. Two RAs were referred to the Legal Department for disciplinary action for failure to submit the required CPD documentation. These RAs submitted the annual declaration and declared that they had complied with the minimum CPD requirements and that they retained the required supporting documentation. However, one RA admitted to not having the documentation and the other has failed to correspond with the IRBA.

CPD is an important aspect of being a professional and the IRBA recognises, and is proud to report, that the majority of RAs complete their CPD and endeavour to remain competent for the work that they undertake.

Proficiency Interviews

The IRBA has, as one of its mandates, the responsibility to ensure that all registered auditors (RAs) are competent at entry to the profession and remain so throughout their professional lives.

The IRBA also has the responsibility to ensure that all applicants, who wish to enter the profession after an “extended absence” from the audit and assurance environment, are competent.

An “extended absence” from audit and assurance is defined as the following:

More than three years since an applicant:

- was registered with the IRBA (assurance¹);
- successfully completed the ADP;
- completed a training contract in public practice; or
- worked in an audit and assurance environment; whichever is the latter.

During the period under review the IRBA conducted 17 proficiency interviews. Of the 17 interviews, 5 candidates were registered immediately and the other 12 were given an opportunity to update their CPD, develop practice plans and/or develop quality manuals. The proficiency interviews are developmental in nature and the IRBA seeks to assist potential RAs in carefully considering their practices and the risks associated with public practice.

Participation on the International Accounting Education Standards Board (IAESB)

As the chairman of the EDCOM, 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 Board’s consideration.

The Director: Education, Training and Professional Development was appointed to the IAESB as a public member in October 2014.

The work of the IAESB has focused on finalising the revision of the current International Education Standards (IES) 1 – 8. The final draft of IES 8 was approved by the Board in November 2014. The IAESB’s strategic plan will focus on the adoption and implementation of the IESs.

Appreciation

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

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

¹ This rule will also apply to non-assurance members who wish to change their status to assurance.

Committee for Auditing Standards



M Engelbrecht
Chairman

| Members | Number of meetings attended | Membership Status |
|------------------|-----------------------------|--------------------------|
| Mr M Engelbrecht | 4 of 4 | Chairman |
| Mr W Botha | 3 of 3 | Member |
| Mr M Bourne | 4 of 4 | Member |
| Prof L de Beer | 3 of 4 | Member |
| Mr S Louw | 4 of 4 | Resigned on 4 March 2015 |
| Ms L du Plessis | 3 of 4 | Member |
| Ms C Mbili | 4 of 4 | Member |
| Mr E M Southey | 1 of 1 | Resigned on 13 June 2014 |
| Mr R van Wyk* | 3 of 4 | Member |
| Mr R Makomva | 2 of 4 | Member |
| Ms B Sebesho | 2 of 4 | Member |
| Prof H Wainer | 4 of 4 | Member |
| Mr M Maphiwa | 1 of 4 | Member |
| Ms R Fourie | 4 of 4 | Member |
| Mr S Badat** | 1 of 4 | Member |
| Ms Y Lange*** | 2 of 2 | Member |

* Mr N Maree (South African Reserve Bank (SARB) alternate) attended one meeting in place of Mr R van Wyk.

** Mr S Badat became a CFAS member prior to the June 2014 meeting. Ms S Petzer (Auditor-General South Africa (AGSA) alternate) attended three meetings in place of Mr S Badat.

*** Ms Y Lange became a CFAS member prior to the November 2014 meeting.

It gives me great pleasure to present this report on the strategic activities of the Committee for Auditing Standards (CFAS) for the 2014/2015 financial year.

CFAS

The CFAS continued to be guided in its work by the Auditing Profession Act, the CFAS strategy and the *Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements (Status and Authority)* issued in November 2013.

The CFAS Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements which was issued in November 2013, sets out the due process followed by the CFAS in its standard setting activities during the year.

As a further development of its due process, in particular the prioritisation of projects, the CFAS paid attention to using a scoring model to identify the high priority projects that arise from a range of stakeholder requests. This has allowed both the CFAS and the secretariat to get closer to a two year activity plan, with a balance between tracking and implementation of international standard setting initiatives and local priorities, as well as matching these projects to the available time of the CFAS members, and the secretariat's resources.

Auditor Reporting

January 2015 saw the International Auditing and Assurance Standards Board (IAASB) finalise its new and revised standards on auditor reporting. This signature project of the IAASB is designed to enhance the value of the audit report for users and investors. While implementation of the new and revised standards will follow over the next two years, its impact is expected to be significant to auditors, preparers and those charged with governance. The secretariat together with other stakeholders is undertaking efforts to raise awareness of the new and revised reporting standards, and the CFAS is busy with the related technical projects following adoption in South Africa.

CFAS Standing Committees

In order to address demands for auditing pronouncements developed for auditors, the CFAS maintains the following standing 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 whilst ensuring consistency of auditors' reports with relevant reporting standards. Auditors' reports included in other auditing pronouncements developed by the CFAS are also subject to review by the RIRSC prior to issue by the IRBA.

The following illustrative auditor's reports were developed and issued during the year under review in conjunction with the relevant regulators:

- Department of Trade and Industry (DTI) grant programmes – Section 12I tax allowance incentive report.
- Council for Medical Schemes - Auditor's reports on medical schemes' annual returns.

- **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 paused its activities of developing new guides. This decision was taken in order to accommodate the significant changes in audit methodology for public sector audits planned by the AGSA. Instead, the PSSC provided a platform for public sector auditors to interact with the AGSA on the new methodology.

- **CFAS Sustainability Standing Committee (SSC)**

The SSC develops guidance for auditors performing assurance engagements on sustainability in order to enhance the quality of assurance reporting. During the year under review, after the completion of its work-plan, the SSC was reconstituted. Under the leadership of its new Chairman, it has developed a work-plan that will focus the SSC on assurance needs in respect of sustainability issues. The work also previously performed by this committee on the topic of assurance on integrated reporting <IR>, and new work arising, has been prioritised for the attention of the newly established <IR> Integrated Reporting Standing Committee (IRSC).

- **CFAS B-BBEE Advisory Committee (BAC)**

The BAC develops standards and guidance for Broad-Based Black Economic Empowerment (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 2014/2015 year, as significant developments were in the pipeline in the regulation of the verification industry as well as developments in the various codes and instruments issued by the Department of Trade and Industry. The secretariat has

been monitoring developments, meeting with stakeholders, and responding to relevant technical queries.

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 2014/2015. The CFAS strategy focuses the activities of CFAS, establishes pre-determined objectives and prioritises projects that address emerging issues. Based on the new strategy of the IRBA, the new strategy of the IAASB and the priorities of public protection in South Africa, a new multi-year strategy will be finalised during the 2015/2016 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 IAASB projects and strategy by participating in IAASB Task Forces and provision of comments on international exposure drafts and discussion papers.

International and regional liaison

The Chairman of the CFAS and both incoming and outgoing Directors: Standards participated in the annual IAASB National Standard Setters meeting in New York in May 2014. South African considerations on matters currently under discussion by the IAASB were put forward, as well as a formal sharing of outputs and products of standard setters from over a dozen countries. The case for attention on assurance on integrated reporting <IR> was also made.

The secretariat submitted a response to the International Integrated Reporting Council (IIRC) on its global discussion paper exploring the issues around assurance on integrated reporting. The secretariat's response was preceded by the hosting of two South African round-tables where investor representatives, preparers and practitioners shared their views.

Auditor regulators and standard setters in the Southern African Development Community (SADC) region have been invited to attend CFAS meetings. This has been accompanied by an invitation to Audit Departments in South African universities to encourage their auditing teaching staff to attend CFAS meetings. Both initiatives have been well received with an increase in attendance by observers at CFAS meetings.

CFAS Initiatives and Deliverables Achieved

| Initiatives | Deliverables |
|---|---|
| Initiatives relating to financial statement audits – implementation guidance issued | |
| Auditor Reporting (ISA 810, ISRE 2410): Regulatory reporting by auditors on financial information of entities listed on the Johannesburg Stock Exchange (JSE) | <i>Revised Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements</i> , issued in September 2014. |
| Guidance on Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme | Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme issued December 2014 |
| International | |
| Initiatives relating to International Standards – IAASB International Pronouncements adopted | |
| Adoption and prescribing of the IAASB 2014 Handbooks | <p><i>Board Notice 143 included in Government Gazette 38263 of 5 December 2014, 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)”</i></p> <ul style="list-style-type: none"> <i>The International Audit and Assurance Standards Board’s Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2014 Edition Volume I, ISBN 978-1-60815-185-1.</i> <i>Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2014 Edition Volume II, ISBN 978-1-60815-185-1.</i> <i>Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2014 Edition Volume III, ISBN 978-1-60815-185-1</i> |
| Comments submitted to the IAASB | |
| Auditor Reporting | <p>IAASB Exposure Draft, <i>Proposed ISA 720 (Revised), The Auditor’s Responsibilities Relating to Other Information and Proposed Consequential and Conforming Amendments to Other ISAs</i>.</p> <p>Comments submitted July 2014.</p> |
| Changes to ISAs, Addressing Disclosures in the Audit of Financial Statements | <p>IAASB Exposure Draft, <i>Proposed Changes to the ISAs, Addressing Disclosures in the Audit of Financial Statements</i>:</p> <ul style="list-style-type: none"> <i>Proposed ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing</i> <i>Proposed ISA 210, Agreeing the Terms of Audit Engagements</i> <i>Proposed ISA 240, The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements</i> <i>Proposed ISA 260 (Revised), Communication with Those Charged with Governance</i> <i>Proposed ISA 300, Planning an Audit of Financial Statements</i> <i>Proposed ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i> <i>Proposed ISA 320, Materiality in Planning and Performing an Audit</i> <i>Proposed ISA 330, The Auditor’s Responses to Assessed Risks</i> <i>Proposed ISA 450, Evaluation of Misstatements Identified during the Audit</i> <i>Proposed ISA 700, Forming an Opinion and Reporting on Financial Statements</i> <p>Comments submitted September 2014.</p> |

Appreciation

I wish to express my appreciation to the members of CFAS, its Standing Committees, the various task groups working with the development of projects, the auditing firms who support the CFAS with resources and emerging trends, and the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAS. I wish to also acknowledge the contribution and rich legacy of Ms Sandy van Esch who retired during the year as Director of the Standards Department.

Committee for Auditor Ethics



V Naicker
Chairman

| Members | Number of meetings attended | Membership Status |
|------------------|-----------------------------|-------------------------------|
| Mr E Kieswetter | 2 of 2 | Resigned in September 2014 |
| Mr V Naicker * | 0 of 2 | Chairman |
| Mr S Ball | 3 of 4 | Member |
| Mr J Beaumont | 3 of 4 | Member |
| Mr S Davies | 3 of 4 | Deputy Chairman |
| Mr RC Terblanche | 0 of 3 | Resigned on 16 February 2015 |
| Ms L Ratsoma | 3 of 4 | Member |
| Ms BR Sisulu | 1 of 4 | Resigned on 31 March 2015 |
| Mr J Schoeman | 3 of 4 | Member |
| Mr MM Tshishonga | 0 of 1 | Resigned on 14 September 2014 |

** V Naicker succeeded E Kieswetter as chairman of the CFAE prior to the November 2014 meeting.*

It gives me great pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2014/2015 financial year.

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

The CFAE focused its activities during the year on the implementation of the Code, and ongoing updates to address emerging needs.

Implementation of the Code

As part of its support to RAs, the IRBA held several Ethics Workshops in October and November 2014. These practical and interactive workshops exposed participants to the application of the fundamental ethical principles in practical situations when evaluating threats as well as identifying and applying safeguards in terms of the conceptual framework

The CFAE Strategy

The CFAE held a strategic planning session during April 2015 to plan and guide its activities 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 the 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 continued to work 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.

International Ethics Standards Board (IESBA) – National Standard Setters Meeting

Both the outgoing and incoming Directors of the Standards Department attended the annual meeting of the IESBA with the National Standard Setters in New York in May 2014. Key discussions revolved around the following topics:

- Considering significant matters arising from the IESBA's exposure draft, ***Responding to Non-Compliance with Laws and Regulations***.
- 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.

Comment letters provided on international pronouncements

Comment letters were submitted during the year on the following:

- IESBA exposure draft on Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients.
- IESBA exposure draft addressing Long Association of Personnel with an Audit or Assurance Client.
- IESBA consultation paper on Improving the Structure of the Code of Ethics for Professional Accountants.

Appreciation

This year saw a change in chairmanship of the committee. Mr E Kieswetter's long association with the committee reaching back to the early development of the Code came to an end. His efforts together with those of the other committee members have laid a formidable foundation for auditor ethics in South Africa. 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



G Joubert
Chairman

| Members | Number of meetings attended | Membership Status |
|-------------------|-----------------------------|-------------------------|
| Ms T Abdool-Samad | 1 of 1 | Resigned on 22 May 2014 |
| Mr R McIntyre | 1 of 1 | Resigned on 22 May 2014 |
| Mr G Joubert | 4 of 4 | Chairman |
| Ms S Masuku | 3 of 4 | Member |
| Prof M van Staden | 3 of 4 | Member |
| Ms L du Plessis | 3 of 4 | Member |
| Ms E Nyandoro | 2 of 2 | Member |
| Ms A Baijnath | 2 of 2 | Member |

It gives me great pleasure to report on the Inspection Committee's current and strategic activities for the 2014/2015 financial year.

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 which are performed by qualified professional staff employed on a full time basis by the IRBA. As at 31 March 2015 the Inspection Department had in its employ 18 full time employees.

There are two types of inspections, being firm inspections and engagement inspections. The objective of a firm inspection is to monitor compliance by firms to 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 3 year inspection cycle. This report is in respect of the third year in the fifth inspection cycle of the IRBA. This year also marks the end of the fifth inspection cycle.

Findings from inspections are reported quarterly, on an anonymous basis, to the Inspection Committee who 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; or
- Unsatisfactory meaning some matters still require attention before a satisfactory result can be achieved and a follow-up inspection will be scheduled; or
- Referral to the Investigating Committee, meaning possible disciplinary action by the IRBA.

The IRBA, as a responsible regulator, has implemented processes such as analysis of root causes and increased sharing and communication of common findings to demonstrate its commitment to support the profession to achieve our shared goal of Audit Quality. Firms and practitioners are encouraged to make Audit Quality a priority and support the IRBA to continue to deliver on its mandate to the best of its ability, not only in pursuit of protecting the public, but also in protecting the integrity of our profession.

Engagement inspections

For the current financial year 375 (2014: 345) engagement inspections were reported to the Inspection Committee. Although a significant percentage of audit engagements showed some form of deficiency during the initial engagement inspection, those practitioners that identified the root causes and implemented appropriate remedial action plans were found to be satisfactory upon re-inspection. Six percent (6%)

of unsatisfactory engagement inspections were referred to the Investigating Committee of the IRBA.

The most significant deficiencies were noted as a result of a lack of documentation of sufficient appropriate audit evidence to support the audit opinion, especially at assertion level for material balances and classes of transactions as well as where professional judgement is involved. Deficiencies were also noted on independence issues, non-compliance with legislation such as Section 90(2) of the Companies Act and failure to identify or address quantifiable, material uncorrected misstatements or omissions in the financial statements.

Firm inspections

Registered firms involved in the audit of public companies are subject to firm inspections at least once in a 3-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 following elements: leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring. The scope of these inspections range between full scope, where all elements are tested, and limited scope, where only selected elements are tested, based on the size of the firms and their public interest engagements. For the current financial year 37 (2014: 31) firm inspections were reported to the Inspection Committee. Although the majority of firms showed some or other deficiency at their initial firm inspection, those firms that identified the root causes and implemented appropriate remedial action plans were found to be satisfactory upon re-inspection. Sixteen percent (16%) of unsatisfactory firm inspections were referred to the Investigating Committee of the IRBA.

The most significant deficiencies were noted on the Ethical (Independence), EQCR and Monitoring elements of ISQC1. It was noted that where a firm's leadership did not fully embrace the importance of ISQC1 and it being the foundation upon which audits are performed, the quality of engagement audits also suffered.

Appreciation

I record my appreciation to the Director 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 inspection process. I also thank the practitioners and firms who were subject to inspection for their co-operation.

Investigating Committee



BW Smith
Chairman

| Members | Number of meetings attended | Membership Status |
|-------------------|-----------------------------|------------------------------|
| Mr BW Smith | 7 of 7 | Chairman |
| Mr H Wadiwala | 7 of 7 | Member |
| Ms EH du Plooy | 7 of 7 | Member |
| Mr A de Valence | 6 of 7 | Member |
| Ms M Claassens | 5 of 5 | Resigned on 13 November 2014 |
| Mr D Deysel | 6 of 7 | Member |
| Mr DNH Mostert | 5 of 7 | Member |
| Mr U Shäcker mann | 4 of 7 | Member |
| Prof. B Stobie* | 2 of 2 | Member |
| Mr M Gani** | 1 of 1 | Member |
| Mr S Masuku*** | 1 of 1 | Member |

* Prof. Stobie was appointed a committee member on 4 November 2014.

** Mr Gani was appointed a committee member on 18 February 2015.

*** Mr Masuku was appointed a committee member on 18 February 2015.

It gives me great pleasure to report on the Investigating Committee's current and strategic activities for the 2014/2015 financial year.

The committee comprises Registered Auditors in practice, registered auditors in other areas of specialisation, Chartered Accountants and lawyers.

An investigation is initiated once a complaint is received either from an external party, or it may be initiated from within the IRBA.

Externally originated complaints are lodged by a member 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 which comes 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 where the information is solely within the knowledge of the complainant. If the information which forms the subject of the investigation is a matter of public record, it is not necessary for this to be on affidavit. The Disciplinary Rules also stipulate that the affidavit should make it 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 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 Section 48 (1) 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 Section 48 (3).

Period under review

During the course of the twelve months under review 100 new investigations were initiated. These include 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.

Nine 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 35 cases brought forward from the previous year, as well as 51 new cases and five cases referred back for reconsideration by the

Disciplinary Advisory Committee (DAC). Other cases are still under preliminary investigation by the directorate and are not yet ready for referral to INVESCO.

Investigations concluded

67 cases were referred to the DAC with recommendations.

Other Matters

The Board has delegated to this committee the function of interviewing persons who have been sequestered, with a view to recommending whether or not their registration should be cancelled. The Committee resolved two such matters.

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. A new area of complaint which has arisen is in the Broad Based Black Economic Empowerment (B-BBEE) reporting framework where practitioners have not yet fully understood the requirements. There has also been an increase in the number of cases arising from Inspections where the standard of working paper documentation appears to have deteriorated.

What is also of great concern is that the number and nature 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 commend the committee members for their dedication and professional input and thank them for their support over the past year.

Finally I wish to record my sincere gratitude to the Director 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
Chairman

| Members | Number of sessions attended | Membership Status |
|---------------------|-----------------------------|-------------------|
| Adv A Dodson SC | 1 | Chairman |
| Adv IV Maleka SC | 3 (as chairman) | Vice Chairman |
| Adv B Neukircher SC | 0 | Vice Chairman |
| Mr LP Fourie | 0 | Member |
| Mr H Goga | 3 | Member |
| Mr H Griffiths | 4 | Member |
| Mr LX Pierce | 4 | Member |
| Mr CR Qually | 3 | Member |
| Mr CF Reid | 1 | Member |
| Mr N Russouw | 4 | Member |
| Ms R van Wyk | 4 | Member |

It gives me great pleasure to report on the Disciplinary Committee's current and strategic activities for the 2014/2015 financial year.

During the period under review the Committee dealt with **four matters**, **two** of which were finalised within the year. These

cases appear below. In recent times the cases heard before the Committee have become more complex in nature and require more time to finalise.

| First Matter – Mr Johan Nel | | |
|--|----------------|---------|
| Charges | Plea | Outcome |
| Charge One: Dishonesty and behaving in a manner which tended to bring the profession into disrepute (rules 2.4.2, 2.6 and 2.17 of the 2011 Rules regarding Improper Conduct). | Pleaded guilty | Guilty |
| Charge Two: Failure to comply with section 275 of the Companies Act, Act No 61 of 1973 and section 90(2)(b)(i) of the Companies Act, Act 71 of 2008 (rules 2.1.2, 2.1.20 and 2.1.21 of the old Disciplinary Rules and rules 2.2, 2.6 and 2.17 of the 2011 Rules regarding Improper Conduct). | Pleaded guilty | Guilty |
| Charge Three: Failure to answer or to appropriately deal with correspondence within a reasonable time (rules 2.12, 2.6 and 2.17 of the 2011 Rules regarding Improper Conduct). | Pleaded guilty | Guilty |
| Sanction Charges one to three were taken together for the purposes of sentence and the respondent's registration with the IRBA was cancelled and his name removed from the register of auditors with effect from 26 November 2014. The respondent was ordered to make a contribution of R175,000 towards the IRBA's legal costs and the payment of the costs concerned was suspended until such time as the respondent applies for, and is successful with, registration with the IRBA, and payment shall be a condition of such registration. The Committee ordered publication in the IRBA News of the facts of the case, the name of the respondent, the charges, the fact that the respondent had pleaded guilty to the charges and the sentence imposed, without reference to the name of the respondent's erstwhile firm. | | |

In November 2014 the Committee also heard a postponement application in the **second matter** of Mr J D. Mr J D was present and represented. The application was granted and the matter was postponed to 22 to 24 June 2015.

In December 2014 the Committee convened again to hear a postponement application in the **third matter** of Mr M D.

The Committee postponed the hearing *sine die* subject to the following directions:

1. The respondent was ordered to file and submit his plea in writing by 16 February 2015.
2. The parties were directed to formulate and prepare a written statement setting out the facts on which they agree and also describing the facts on which there remains disagreement by 9 March 2015.
3. The parties were directed to attend a pre-trial conference on 13 April 2015 which will be convened by the Committee.

| Fourth Matter – Ms Alta-Mari Grebe (First Respondent) and Mr Hayden du Preez (Second Respondent of the firm HDP Audit) | | |
|---|----------------|---------|
| Charge | Plea | Outcome |
| Charge One (both respondents): Negligence (rules 2.1.1, 2.1.5 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Two (both respondents): Negligence (rules 2.1.1, 2.1.5 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Three (both respondents): Negligence and Failure to report a reportable irregularity (rules 2.1.1, 2.1.2, 2.1.5 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Four (first respondent): Audit Practice through a CC, Sharing profits, Disqualification from appointment as auditor and Disclosing confidential information (rules 2.1.1, 2.1.2, 2.1.8 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Five (first respondent): Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Six (first respondent): Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules) | Pleaded guilty | Guilty |
| Charge Seven (first respondent): Dishonesty (rules 2.1, 2.2, 2.4, 2.6 and 2.17 of the Rules regarding Improper Conduct) | Pleaded guilty | Guilty |
| Charge Eight (second respondent): Dishonesty (rules 2.1.1, 2.1.4, 2.1.20 and 2.1.21 of the old Disciplinary Rules). | Pleaded guilty | Guilty |

Sanction

Charges one and two were combined and each respondent was fined R100,000 of which R50,000 was suspended for three years on certain conditions.

Each respondent was fined R100,000, of which R50,000 was conditionally suspended for three years for charge three.

In respect of charge four the first respondent was fined R100,000.

Charges five and six were taken together and the first respondent was fined R100,000, of which R50,000 was conditionally suspended for three years.

The first respondent was fined R100,000 for charge seven and in respect of charge eight, the second respondent's name was removed from the register, which removal was suspended for five years on certain conditions.

The Committee ordered the first respondent to pay R285,000 and the second respondent to pay R140,000 towards the costs incurred by the IRBA.

At the time of the hearing, the first respondent was no longer registered as an auditor with the IRBA, having requested removal of her name from the register. The first respondent unconditionally undertook not to apply for re-registration for five years. Accordingly, the Committee ordered that implementation of the sanction and costs order against the first respondent be postponed until such time as the respondent applies for, and is successful with, registration with the IRBA, and that the payment of the costs and the unsuspended portion of the fines be a condition of such re-registration.

Furthermore, the Committee ordered that the respondents' names as well as the name of the second respondent's firm, be published in IRBA News with a fair summary of the charges, convictions and sanctions, as well as the facts giving rise thereto.

Appreciation

We express our sincere gratitude to the Director 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 (No. 26 of 2005).

Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2015.

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 five meetings were held. Meeting attendance appears on page 22.

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 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 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 non-compliance 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 ARMCO.

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 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.

Prof A van der Watt
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 55 to 77 which comprise the statement of financial position as at 31 March 2015, 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 board, which constitute 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 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 financial 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 IRBA as at 31 March 2015 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.

Report on other legal and regulatory requirement

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected strategic focus areas presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic focus areas presented in the annual performance report of the public entity for the year ended 31 March 2015:
- Strategic focus area 1: Auditing and ethics standards and reportable irregularities on page 16
 - Strategic focus area 2: Education, training and professional development on page 17
 - Strategic focus area 3: Inspections on page 18
 - Strategic focus area 4: Registration and Legal on page 18
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. 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 strategic focus areas. 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).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected strategic focus areas.

Compliance with legislation

13. 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

14. 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

Pretoria

31 July 2015



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 |
|---|------|
| Accounting Authority's Responsibilities and Approval..... | 55 |
| Report of the Accounting Authority | 56 |
| Statement of Financial Position | 59 |
| Statement of Financial Performance | 60 |
| Statement of Changes in Net Assets | 61 |
| Cash Flow Statement | 62 |
| Statement of Comparison of Budget and Actual Amounts..... | 63 |
| Accounting Policies | 64 |
| Notes to the Annual Financial Statements..... | 69 |
| The following supplementary information does not form part of the annual financial statements and is unaudited: | |
| Detailed Income statement | 78 |

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 2016 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 52 to 53.

The annual financial statements set out on pages 55 to 78, which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2015 and were signed on its behalf by:



Willem van der Linde, SC
Chairman

Report of the Accounting Authority

The accounting authority submits its report for the year ended 31 March 2015.

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 2015, to the Minister of Finance, the Executive Authority in terms of section 55 (1)(d) of the Public Finance Management Act (Act 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 of the Act 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 non-exchange transactions including government grants.

Revenue from exchange transactions

Revenue from exchange transactions primarily comprised of registration, license, examination and training contract fees. Revenue from exchange transactions increased to R33,7 million from R30,7 million. Income from training contracts increased to R9,5 million from R4,6 million as 2 718 more training contracts were registered. Examination fees decreased to R1,8 million from R6,3 million as the last full examination was written in 2013 and this year was limited to only 724 repeat candidates.

Revenue from non-exchange transactions

During the year, the IRBA received government grants amounting to R34,6 million (2014: R32,9 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

Inspection fees increased to R23,4 million from R21,6 million primarily due to the normal inflationary increase in fees declared by audit firms. The disciplinary expense contributions and fines have reduced to R1,7 million from R2,9 million as a result of the type of cases closed during the year.

An amount of R1,8 million was received from the DTI in terms of the memorandum of agreement for the regulation of Registered Auditors that issue B-BBEE certificates.

3.2 Expenses

Operating expenses increased to R91,3 million from R85,3 million, representing an increase of 7%. The main reason was due to the increase in employment cost set off by a number of savings and reduction of activities as explained below:

- Total employment cost increased by 23,15% mainly due to vacancies in the previous financial year that were filled. Salaries increased by an average of 7,85% and a structural adjustment of 1.13% was done on salaries to ensure salaries are market related. Due to the overall performance of the IRBA the bonus allocation has increased from 4,4% to 6,0% as a percentage of cost to employer.

The major cost savings are:

- Consulting and professional fees decreased to R1,3 million from R3,1 million due to vacancies that were filled during the financial year.
- The IRBA did its own advertising for the placement of employees resulting in the cost decrease to R0,9 million from R1,5 million.
- The examination expenses decreased to R2,8 million from R5,2 million as the last full examination was written in 2013 and this year was limited to only 724 repeat candidates.
- The training cost for Registered Auditors decreased to R0,4 million from R1,1 million.
- Depreciation and amortisation decreased by R0,9 million of which R0,6 million was due to the extension of the useful life of leasehold improvements and other assets due to the planned extension of the building lease for an additional three years, as well as the extension of the useful life of software.

3.3 Assets

The procurement of assets was limited to the replacement of computers and acquisition of a video conferencing unit at a total cost of R0,7 million. Limited additional development was done. The procurement of a document management system was included.

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 R38,1 million from R37,4 million. R17,6 million of the cash is required to fund the reserves required to safeguard the IRBA's ability to continue as a going concern.

3.4 Liabilities

Trade and other payables consist of trade payables, accruals of R1,6 million and an accrual for leave pay of R1,1 million.

3.5 Surplus

The surplus of R7,5 million (2014: R5,8 million) arose mainly due the saving of costs. Due to scarcity of professional people vacancies could not be filled in time, resulting in a saving of R2,0 million against budget. The recognition of training contracts of R3,6 million received in advanced in the prior year also contributed to the increase. Due to higher cash resources an additional R1,5 million was earned in interest. The accumulated surplus for the year, after transfers to the reserves and surrender of accumulated reserves to the National Revenue Fund of R 2,7 million, increased by R4,8 million to R25,2 million.

Approval has been obtained from National Treasury to retain a Contingency fund for Disciplinary cases and Operational requirements as well as 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 to finance specific expenses which were rolled over to 2015/16.

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 Education Fund will be depleted by March 2016 and further related activities will be accounted for in the normal operating activities of the IRBA. 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 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 2014/15 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 (No. 26 of 2005).

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

4. Members of the Board

| | | Term ended | Term extended | New Board Members' term |
|-----------------------|-------------------|---------------------|---------------------|-------------------------|
| WHG van der Linde, SC | (Chairman) | April 11 - March 15 | | |
| YGH Suleman | (Deputy Chairman) | April 11 - March 15 | | |
| P Mothibe | | April 13 - March 15 | | |
| Prof LY Majova-Songca | | April 11 - March 15 | | |
| CN Mbili | | April 11 - March 15 | | |
| MI Khan | | April 11 - March 15 | | |
| R Kenosi | (Chairman) | | April 13 - March 17 | |
| A Dlamini | (Deputy Chairman) | | | April 15 - March 17 |
| Prof A van der Watt | | | April 13 - March 17 | |
| L Keech | | | | April 15 - March 17 |
| T Pillay | | | | April 15 - March 17 |
| ZL Fihlani | | | | April 15 - March 17 |
| AL Mazibuko | | | | April 15 - March 17 |
| NL Noxaka | | | | April 15 - March 17 |

5. Ministerial Representative

M Sass

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
1610

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 2015

| Figures in Rand | Notes | 2015 | 2014 |
|---|-------|-------------------|-------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 7 | 158 973 | 166 786 |
| Loans receivables | 8 | 193 730 | 218 068 |
| Receivables from exchange transactions | 9 | 1 636 106 | 3 073 385 |
| Receivables from non-exchange transactions | 10 | 2 744 504 | 3 589 250 |
| Cash and cash equivalents | 11 | 38 092 071 | 37 389 692 |
| | | 42 825 384 | 44 437 181 |
| Non-Current Assets | | | |
| Plant and equipment | 3 | 3 958 405 | 4 394 211 |
| Intangible assets | 4 | 2 348 180 | 2 437 247 |
| | | 6 306 585 | 6 831 458 |
| Restricted cash | 6 | 10 000 000 | 10 000 000 |
| | | 16 306 585 | 16 831 458 |
| Total Assets | | 59 131 969 | 61 268 639 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables from exchange transactions | 12 | 6 377 165 | 10 416 655 |
| Trade and other payables from non-exchange transactions | 13 | - | 1 244 000 |
| | | 6 377 165 | 11 660 655 |
| Non-Current Liabilities | | | |
| Operating lease liability | 5 | - | 1 590 189 |
| Total Liabilities | | 6 377 165 | 13 250 844 |
| Reserves | | 27 575 263 | 27 603 362 |
| Accumulated surplus | | 25 179 541 | 20 414 433 |
| Total Net Assets | | 52 754 804 | 48 017 795 |
| Total Net Assets and Liabilities | | 59 131 969 | 61 268 639 |

Statement of Financial Performance

for the year ended 31 March 2015

| Figures in Rand | Notes | 2015 | 2014 |
|-----------------------------|-------|------------------|------------------|
| Revenue | 15 | 95 381 746 | 88 357 299 |
| Operating expenses | | (91 258 715) | (85 288 924) |
| Operating surplus | 16 | 4 123 031 | 3 068 375 |
| Investment revenue | | 3 358 978 | 2 750 482 |
| Surplus for the year | | 7 482 009 | 5 818 857 |

Statement of Changes in Net Assets

for the year ended 31 March 2015

| | Trust Fund | Education Fund | Contingency fund - Disciplinary cases | Contingency fund - Operational | Total reserves | Accumulated surplus | Total net assets |
|--|-------------------|------------------|---------------------------------------|--------------------------------|-------------------|---------------------|-------------------|
| Figures in Rand | | | | | | | |
| Balance at 01 April 2013 | 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) | 4 145 940 | 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 01 April 2014 | 10 000 000 | 1 251 958 | 10 506 082 | 5 845 322 | 27 603 362 | 20 414 433 | 48 017 795 |
| Changes in net assets | - | (336 326) | 417 617 | (109 390) | (28 099) | 4 765 108 | 4 737 009 |
| Surplus for the year | - | - | - | - | - | 7 482 009 | 7 482 009 |
| Transfer from education fund | - | (336 326) | - | - | (336 326) | 336 326 | - |
| Transfer to contingency fund: Disciplinary cases | - | - | 417 617 | - | 417 617 | (417 617) | - |
| Transfer from contingency fund: Operational | - | - | - | (109 390) | (109 390) | 109 390 | - |
| Accumulated surplus surrendered to National Revenue Fund | - | - | - | - | - | (2 745 000) | (2 745 000) |
| Balance at 31 March 2015 | 10 000 000 | 915 632 | 10 923 699 | 5 735 932 | 27 575 263 | 25 179 541 | 52 754 804 |

Cash Flow Statement

for the year ended 31 March 2015

| Figures in Rand | Notes | 2015 | 2014 |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Cash receipts from registered auditors and other sources | | 97 740 060 | 86 839 326 |
| Interest income | | 3 358 978 | 2 750 482 |
| | | 101 099 038 | 89 589 808 |
| Payments | | | |
| Cash paid to suppliers and employees | | (96 646 210) | (77 735 714) |
| Net cash flows from operating activities | 19 | 4 452 828 | 11 854 094 |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | 3 | (729 701) | (2 133 567) |
| Proceeds from sale of plant and equipment | | 20 899 | 31 000 |
| Purchase of other intangible assets | 4 | (320 984) | (740 105) |
| Net cash flows from investing activities | | (1 029 786) | (2 842 672) |
| Cash flows from financing activities | | | |
| Movement in loans receivables | | 24 337 | (46 489) |
| Movement in trade and other payables from non-exchange transactions | | - | (1 244 000) |
| Accumulated surplus surrendered to National Revenue Fund | | (2 745 000) | (2 621 000) |
| Net cash flows from financing activities | | (2 720 663) | (3 911 489) |
| Net increase in cash and cash equivalents | | 702 379 | 5 099 933 |
| Cash and cash equivalents at the beginning of the year | | 37 389 692 | 32 289 759 |
| Cash and cash equivalents at the end of the year | 11 | 38 092 071 | 37 389 692 |

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2015

| Figures in Rand | Approved budget | Actual amounts on comparable basis | Difference between budget and actual |
|--|---------------------|---|---|
| Statement of Financial Performance | | | |
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Revenue from regulatory functions | 29 398 915 | 33 699 734 | 4 300 819 |
| Other income | 151 176 | 204 852 | 53 676 |
| Interest received | 1 779 993 | 3 358 978 | 1 578 985 |
| Total revenue from exchange transactions | 31 330 084 | 37 263 564 | 5 933 480 |
| Revenue from non-exchange transactions | | | |
| Government grants | 34 577 000 | 34 577 000 | - |
| Revenue from regulatory functions | 26 346 922 | 26 900 160 | 553 238 |
| Total revenue from non-exchange transactions | 60 923 922 | 61 477 160 | 553 238 |
| Total revenue | 92 254 006 | 98 740 724 | 6 486 718 |
| Expenditure | | | |
| Personnel | (54 172 764) | (52 204 181) | 1 968 583 |
| Depreciation and amortisation | (2 702 099) | (1 565 623) | 1 136 476 |
| Bad debts written off | - | (1 203 550) | (1 203 550) |
| Committee expenses | (2 824 794) | (1 946 170) | 878 624 |
| General expenses | (16 189 343) | (12 655 446) | 3 533 897 |
| Direct expenses | (9 847 846) | (14 636 548) | (4 788 702) |
| Departmental expenses | (7 368 383) | (7 047 197) | 321 186 |
| Total expenditure | (93 105 229) | (91 258 715) | 1 846 514 |
| Operating (deficit)/surplus | (851 223) | 7 482 009 | 8 333 232 |
| Transactions accounted for in reserve funds | 851 223 | 336 326 | (514 897) |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | - | 7 818 335 | 7 818 335 |

Accounting Policies

for the year ended 31 March 2015

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 represented 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 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 an individual item basis, 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.

Determination of useful lives for plant and equipment

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

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.

Training levy income

During the previous financial year, 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.

During the current financial year the process for registering training contracts was amended to reduce the reliance on external systems for generating the information to register training contracts. As a result of these changes, revenue is recognised when the IRBA approves the training contract for registration, as the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the contract will flow to the IRBA. Previously, revenue was recognised when the contract achieved an active status, at which point the amount of the revenue could be reliably measured and it was probable that the economic benefits associated with the contract will flow to the IRBA.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Adequacy of the leave pay provision

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

1.3 Plant and equipment

Plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of 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 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 surplus or deficit when the asset is derecognised.

Accounting Policies

for the year ended 31 March 2015 (continued)

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.

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 asset measured at amortised cost which, due to their short-term nature, closely approximates their fair value |
| Receivables from exchange / non-exchange transactions | Financial asset measured at amortised cost which, due to their short-term nature, closely approximates their fair value |
| Cash and cash equivalents | Financial asset measured at amortised cost which, due to their short-term nature, closely approximates their fair value |

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 which, due to their short-term nature, closely approximates their fair value |

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.

1.5 Financial instruments (continued)

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 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 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 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 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services 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.

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

1.8 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.

Revenue from regulatory functions

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

1.9 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.

Accounting Policies

for the year ended 31 March 2015 (continued)

1.9 Revenue from non-exchange transactions (continued)

Measurement

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

Government grants and Revenue from regulatory functions

Revenue is recognised 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.

1.10 Investment income

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

1.11 Comparative figures

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

1.12 Budget information

The Statement of comparative of budget and actual amounts 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.

1.13 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 are considered arms' length are not required in accordance with IPSAS 20, Related Party Disclosure.

1.14 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:

Contingency fund - Disciplinary cases

This is a fund established to maintain the IRBA's long-term capital requirements and to protect the IRBA's operating capacity against the effects of inflation and unforeseen events. This will further cover the unforeseen expenses for Disciplinary cases that cannot be covered within the normal budget parameters. This reserve is maintained at a maximum of 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. This fund will be depleted at the end of March 2016 and future related activities will be included in operations.

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 2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2015 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--------------------------------|--|--|
| GRAP 20: Related Parties | No effective date has been determined by the Minister of Finance | New standard of GRAP dealing with the presentation and disclosure of Related Parties. The impact on the financial results and disclosure is considered to be minimal. |
| GRAP108: Statutory Receivables | No effective date has been determined by the Minister of Finance | 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. |

Notes to the Annual Financial Statements

for the year ended 31 March 2015 (continued)

3. Plant and equipment - 2015

| | 2015 | | | 2014 | | |
|------------------------|-------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 2 960 090 | (2 145 363) | 814 727 | 2 964 638 | (1 955 705) | 1 008 933 |
| Motor vehicles | 195 345 | (117 289) | 78 056 | 197 055 | (91 498) | 105 557 |
| Computer equipment | 4 675 206 | (2 575 073) | 2 100 133 | 4 230 585 | (2 238 183) | 1 992 402 |
| Leasehold improvements | 4 901 826 | (3 936 337) | 965 489 | 4 901 826 | (3 614 507) | 1 287 319 |
| Total | 12 732 467 | (8 774 062) | 3 958 405 | 12 294 104 | (7 899 893) | 4 394 211 |

Reconciliation of plant and equipment - 2015

| | Opening balance | Additions | Disposals | Depreciation / change in accounting estimate | Total |
|------------------------|------------------|----------------|----------------|--|------------------|
| Furniture and fixtures | 1 008 933 | 5 318 | (2 053) | (197 471) | 814 727 |
| Motor vehicles | 105 557 | - | (1 368) | (26 133) | 78 056 |
| Computer equipment | 1 992 402 | 724 383 | (6 514) | (610 138) | 2 100 133 |
| Leasehold improvements | 1 287 319 | - | - | (321 830) | 965 489 |
| | 4 394 211 | 729 701 | (9 935) | (1 155 572) | 3 958 405 |

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 |

4. Intangible assets

| | 2015 | | | 2014 | | |
|--|-----------|--------------------------|----------------|-----------|--------------------------|----------------|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software and development cost | 5 168 290 | (2 820 110) | 2 348 180 | 4 847 306 | (2 410 059) | 2 437 247 |

Reconciliation of intangible assets - 2015

| | Opening balance | Additions | Amortisation / change in accounting estimate | Total |
|--|-----------------|-----------|--|-----------|
| Computer software and development cost | 2 437 247 | 320 984 | (410 051) | 2 348 180 |

Reconciliation of intangible assets - 2014

| | Opening balance | Additions | Amortisation / change in accounting estimate | Total |
|--|-----------------|-----------|--|-----------|
| Computer software and development cost | 2 585 108 | 740 105 | (887 966) | 2 437 247 |

Figures in Rand**2015****2014****5. Operating lease**

| | | |
|---------------------------|-----------|------------------|
| Total lessor incentive | 117 108 | 468 429 |
| Less: Current liabilities | (117 108) | (351 321) |
| Lessor incentive | - | 117 108 |
| Operating lease accrual | - | 1 473 081 |
| | - | 1 590 189 |

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 in 2010 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 | 158 973 | 166 786 |
|------------|---------|---------|

8. Loans receivables

| | | |
|--------------------------|----------------|----------------|
| At beginning of the year | 218 068 | 171 579 |
| Advances / (Repayments) | (24 338) | 46 489 |
| | 193 730 | 218 068 |

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.

9. Receivables from exchange transactions

| | | |
|----------------------------|------------------|------------------|
| Trade debtors | 1 429 718 | 2 270 680 |
| Prepaid expenses | 239 738 | 784 781 |
| Sundry - other | 11 772 | 24 468 |
| Less: Impairment provision | (45 122) | (6 544) |
| | 1 636 106 | 3 073 385 |

Trade and other receivables pledged as security

The IRBA does not hold any collateral as security.

Trade and other receivables past due but not impaired

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

| | | |
|------------------|-----------|-----------|
| 1 month past due | 1 114 762 | 2 218 630 |
|------------------|-----------|-----------|

Reconciliation of provision for impairment of trade and other receivables

| | | |
|--------------------------|-----------------|----------------|
| Opening balance | (6 544) | (8 156) |
| Provision for impairment | (38 579) | 1 612 |
| | (45 123) | (6 544) |

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.

Notes to the Annual Financial Statements

for the year ended 31 March 2015 (continued)

Figures in Rand

2015

2014

10. Receivables from non-exchange transactions

| | | |
|--|------------------|------------------|
| Fines, penalties and legal cost recoveries outstanding | 2 191 091 | 4 259 868 |
| Inspection fees outstanding | 1 774 599 | 1 367 188 |
| Less: Impairment provision | (1 221 186) | (2 037 806) |
| | 2 744 504 | 3 589 250 |

Receivables from non-exchange transactions pledged as security

The IRBA does not hold any collateral as security.

Receivables from non-exchange transactions past due but not impaired

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

| | | |
|------------------|---------|-----------|
| 1 month past due | 845 390 | 1 075 318 |
|------------------|---------|-----------|

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

| | | |
|--------------------------|--------------------|--------------------|
| Opening balance | (2 037 806) | (2 002 095) |
| Provision for impairment | 816 620 | (35 711) |
| | (1 221 186) | (2 037 806) |

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.

11. Cash and cash equivalents

| | | |
|-----------------------|-------------------|-------------------|
| Cash on hand | 2 253 | 4 163 |
| Bank balances | 37 205 042 | 36 500 753 |
| 12 Month Term Deposit | 884 776 | 884 776 |
| | 38 092 071 | 37 389 692 |

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 R915 632 (2014: R1 251 958), Contingency fund - Disciplinary cases R10 923 699 (2014: R10 506 082) and Contingency fund - Operational R5 735 932 (2014: R5 845 322).

12 Month Term Deposit

An amount of R884 776 (2014: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

Figures in Rand**2015****2014****12. Trade and other payables from exchange transactions**

| | | |
|---|------------------|-------------------|
| Trade payables | 3 161 768 | 3 075 358 |
| Accrued leave pay | 1 148 770 | 1 142 842 |
| Payments received in advanced - training contracts in process | - | 3 691 624 |
| Operating lease payables | 524 832 | 351 321 |
| Other accruals | 1 541 795 | 2 155 510 |
| | 6 377 165 | 10 416 655 |

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.

13. Trade and other payables from non-exchange transactions

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

14. Financial instruments disclosure**Financial assets at amortised cost**

| | | |
|--|-------------------|-------------------|
| Loans receivable | 193 730 | 218 068 |
| Trade and other receivables from exchange transactions | 1 396 367 | 2 794 396 |
| Trade and other receivables from non-exchange transactions | 2 744 504 | 3 589 249 |
| Cash and cash equivalents | 38 092 071 | 37 389 692 |
| | 42 426 672 | 43 991 405 |

Financial liabilities at amortised cost

| | | |
|---|-----------|-----------|
| Trade and other payables from exchange transactions | 6 377 165 | 6 725 034 |
|---|-----------|-----------|

Notes to the Annual Financial Statements

for the year ended 31 March 2015 (continued)

| Figures in Rand | 2015 | 2014 |
|---|-------------------|-------------------|
| 15. Revenue | | |
| Government grants | 34 577 000 | 32 933 000 |
| Revenue from regulatory functions - exchange | 33 699 734 | 30 728 849 |
| Revenue from regulatory functions - non-exchange | 26 900 160 | 24 451 500 |
| Other income | 204 852 | 243 950 |
| | 95 381 746 | 88 357 299 |
| The amounts included in Revenue from regulatory functions (exchange transactions) are as follows: | | |
| Examination fees | 1 824 207 | 6 309 405 |
| License fees | 16 135 508 | 14 516 378 |
| Monitoring fees | 419 650 | 411 500 |
| Proficiency test fees | 24 555 | 22 347 |
| Registration fees | 2 492 569 | 2 113 116 |
| Support programme | 2 916 400 | 1 200 500 |
| Training programs for registered auditors | 405 799 | 1 532 651 |
| Training contracts and levies | 9 481 046 | 4 622 952 |
| | 33 699 734 | 30 728 849 |
| The amounts included in Revenue from regulatory functions (non- exchange transactions) are as follows: | | |
| Disciplinary expense contributions | 437 271 | 1 448 000 |
| Disciplinary fines | 1 265 000 | 1 449 440 |
| Inspection fees | 23 397 889 | 21 554 060 |
| DTI Transfer | 1 800 000 | - |
| | 26 900 160 | 24 451 500 |
| 16. Operating surplus | | |
| Operating surplus for the year is stated after accounting for the following: | | |
| Operating lease charges | | |
| Building | | |
| • Lease rentals on operating lease | 4 295 439 | 4 294 988 |
| Net gain on sale of plant and equipment | 10 964 | 13 168 |
| Amortisation of intangible assets | 410 051 | 887 966 |
| Depreciation on plant and equipment | 1 155 572 | 1 628 836 |
| Employee costs | 52 204 181 | 42 390 718 |

| Figures in Rand | | 2015 | 2014 |
|---|---|------------------|-------------------|
| 17. Bad debts | | | |
| Bad debts | | 1 203 550 | 43 999 |
| 18. Auditors' remuneration | | | |
| Auditors' remuneration - internal | | 436 122 | 453 775 |
| Auditors' remuneration - external | | 814 138 | 789 167 |
| | | 1 250 260 | 1 242 942 |
| 19. Cash generated from operations | | | |
| Surplus | | 7 482 009 | 5 818 857 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 1 565 623 | 2 516 802 |
| Net gain on sale of assets | | (10 964) | (13 168) |
| Debt impairment | | 1 203 550 | 43 999 |
| Movements in operating lease | | (1 590 189) | (955 118) |
| Changes in working capital: | | | |
| Inventories | | 7 813 | (16 639) |
| Receivables from exchange transactions | | 1 437 280 | 1 471 054 |
| Impairment provision | | (1 203 550) | (43 999) |
| Other receivables from non-exchange transactions | | 844 745 | (2 975 859) |
| Trade and other payables from exchange transactions | | (4 039 489) | 4 764 165 |
| Trade and other payables from non-exchange transactions | | (1 244 000) | 1 244 000 |
| | | 4 452 828 | 11 854 094 |
| 20. Commitments | | | |
| Operating leases - as lessee (expense) | | | |
| Minimum lease payments due | | | |
| - within one year | | 1 956 796 | 5 712 116 |
| - in second to fifth year inclusive | | - | 1 956 796 |
| | | 1 956 796 | 7 668 912 |
| Authorised capital expenditure Already contracted but not provided for | | | |
| • Intangible assets | | 347 578 | - |
| 21. 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 R 25 179 541 as disclosed in the financial statements for the year ended 31 March 2015. | | | |
| 22. Related parties | | | |
| Relationships | | | |
| Members of key management | Refer to note 23 for the disclosure of Key Management's and Board Members' remuneration | | |

Notes to the Annual Financial Statements

for the year ended 31 March 2015 (continued)

23. Key Management's and Board Members' Remuneration

Key Management

2015

| | Annual remuneration | Performance bonuses | Contributions to retirement fund | Telephone allowance | Total |
|--|---------------------|---------------------|----------------------------------|---------------------|-------------------|
| BP Agulhas, CEO | 2 550 128 | 387 000 | 384 469 | 13 440 | 3 335 037 |
| L Katzin, Director: Education, Training and Professional Development | 1 436 272 | 131 610 | 213 572 | 10 200 | 1 791 654 |
| PJ O'Connor, Director: Legal | 1 361 903 | 131 610 | 272 697 | 10 200 | 1 776 410 |
| I Vanker, Director: Standards (Start May 2014) | 1 649 792 | 153 460 | 184 782 | 9 350 | 1 997 384 |
| SD van Esch, Director: Standards (Retired May 2014) | 301 330 | - | 37 999 | 1 700 | 341 029 |
| WH de Jager, Director: Operations | 1 505 913 | 131 610 | 232 254 | 10 200 | 1 879 977 |
| I Nagy, Director: Inspections | 1 797 810 | 153 460 | 201 580 | 10 200 | 2 163 050 |
| | 10 603 148 | 1 088 750 | 1 527 353 | 65 290 | 13 284 541 |

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 |

Board members' fees

| | 2015 | 2014 |
|-----------------------|----------------|----------------|
| WHG van der Linde, SC | 36 225 | 34 583 |
| YGH Suleman | 44 345 | 48 036 |
| P Mothibe | 49 702 | 30 379 |
| R Kenosi | 62 756 | 45 509 |
| Prof LY Majova-Songca | 51 196 | 39 607 |
| Prof A van der Watt | 82 561 | 62 364 |
| CN Mbili | 51 643 | 42 270 |
| MI Khan | 33 976 | 27 859 |
| | 412 404 | 330 607 |

24. Classification of revenue

During the financial year the management of the IRBA undertook a review of classification of revenue from exchange transactions in terms of GRAP 9 and revenue from non-exchange transactions in terms of GRAP 23.

In terms of these Standards revenue from disciplinary expense contribution and disciplinary fines, as well as inspection fees, are designated as non-exchange revenue.

Accordingly, disciplinary expense contribution and disciplinary fines and inspection fees have been reclassified from "revenue from exchange transactions" to "revenue from non-exchange transactions". The reclassification has resulted in a net increase in revenue from non-exchange transactions and a corresponding net decrease in revenue from exchange transactions of R25 100 160 (2014: R24 451 500). The reclassification has no impact on the surplus for the year or the accumulated surplus at the beginning of the year.

25. 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 evaluates 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.

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.

26. 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.

26.1 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.

26.2 Surrendered accumulated surplus

| Figures in Rand | 2015 | 2014 |
|--|-----------|-----------|
| Accumulated surplus surrendered to National Revenue Fund | 2 745 000 | 2 621 000 |
| Accumulated surplus to be surrendered to National Revenue Fund | - | 1 244 000 |

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 surpluses and surrendered the above amount to the National Revenue Fund.

Refer to note 21 for further details of the accumulated surplus as at 31 March 2015.

Detailed Income statement

for the year ended 31 March 2015

| Figures in Rand | Notes | 2015 | 2014 |
|--|-------|---------------------|---------------------|
| Revenue | | | |
| Government grants | | 34 577 000 | 32 933 000 |
| Interest received | | 3 358 978 | 2 750 482 |
| Other income | | 204 852 | 243 950 |
| Revenue from regulatory functions - exchange | | 33 699 734 | 30 728 849 |
| Revenue from regulatory functions - non-exchange | | 26 900 160 | 24 451 500 |
| | 15 | 98 740 724 | 91 107 781 |
| Operating expenses | | | |
| Auditors' remuneration | 18 | (1 250 260) | (1 242 942) |
| Bad debts | | (1 203 550) | (43 999) |
| Building operating expenses | | (1 152 968) | (957 034) |
| Committee expenses | | (1 946 170) | (2 489 011) |
| Computer expenses | | (2 439 042) | (2 542 020) |
| Consulting and professional fees | | (1 338 449) | (3 070 011) |
| Depreciation, amortisation and impairments | | (1 565 623) | (2 516 802) |
| Disciplinary and Investigation case expenses | | (8 851 586) | (8 444 005) |
| Employee costs | | (52 204 181) | (42 390 718) |
| Examination expenses | | (2 865 006) | (5 209 958) |
| Insurance | | (229 391) | (158 092) |
| Lease of building | | (4 295 439) | (4 294 988) |
| Other expenses | | (1 773 059) | (1 511 086) |
| Placement fees | | (940 121) | (1 470 702) |
| Printing and stationery | | (308 029) | (497 854) |
| Proficiency test | | (35 102) | (31 429) |
| Public relations | | (706 882) | (573 451) |
| Publications | | (335 476) | (459 496) |
| Staff welfare | | (818 060) | (834 431) |
| Support programmes and education fund expenses | | (3 841 323) | (3 515 368) |
| Training courses for Registered Auditors | | (428 403) | (1 146 068) |
| Travel - local | | (1 515 437) | (1 190 458) |
| Travel - overseas | | (1 186 608) | (676 138) |
| Workmans compensation | | (28 550) | (22 863) |
| | | (91 258 715) | (85 288 924) |
| Surplus for the year | | 7 482 009 | 5 818 857 |

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

Notes



HOW TO CONTACT US

Physical address: Building 2, Greenstone Hill Office Park,
Emerald Boulevard, Modderfontein, 1609
Postal address: PO Box 8237 Greenstone 1616
Internet: www.irba.co.za
Docex: DX008, Edenvale
Telephone: 087 940 8800
Fax: 087 940 8873/4/5/6/7/8

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