

Trust
Ethics
Integrity
Knowledge





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Who we are, what we
stand for

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Legislative mandate

The Independent Regulatory Board for Auditors is established in terms of section 3 of the Auditing Profession Act (Act No. 26 of 2005), (the Act) which had an effective date of 1 April 2006. The objects 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 ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic;
- 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.



Minister of Finance, **Trevor Manuel**



minister's foreword

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It is with pleasure that I present the second annual report of the Independent Regulatory Board for Auditors (IRBA) for the year ended 31 March 2008.

The Auditing Profession Act (Act No. 26 of 2005) established the IRBA in 2006 and strengthened its mandate to respond to the numerous corporate and audit failures experienced locally and internationally. I believe that the regulatory board has dutifully delivered on its mandate in the various areas in which it has set objectives to be met post implementation of the new legislation.

These areas, which are further explained in the body of the annual report, include, inter alia, the following achievements in respect of specific objectives:

- The appointment of a governance structure which firmly establishes the IRBA as a truly independent regulator
- The establishment of the various statutory committees, which composition reflects a wide range of stakeholders
- Increasing mobility into the profession through the new accreditation model
- Implementation of registration requirements for firms in addition to individual auditors
- Continuation of inspections of firms in addition to inspections of individual auditors
- Commencement of drafting a Code of Professional Conduct for Registered Auditors
- Alignment with international practices without losing the focus on local requirements
- Strengthening stakeholder relationships locally and internationally

Most of the above initiatives were introduced to create a regulatory framework that would enhance audit quality and ensure that South Africa remains in tandem with global practices, while also furthering the wider objectives of the country, such as transformation.

South Africa is currently in its fourteenth year of its new democracy, and there are still many social and service delivery challenges. The country has also seen a slowdown in economic growth over the past year, while the demand for financial skills is increasing. It is therefore important that the IRBA positions itself to continue to fulfil a demanding role in a dynamic environment as well as ensure, together with other role players, that appropriate regulation and standards are set, while establishing its appropriate role in which to effectively influence the education requirements to produce registered auditors of world class calibre.

More importantly, the work of the IRBA in creating a stable economy and protecting investors through regulating audits is vital in providing credibility and integrity to our capital markets. I am confident that, ultimately, this must lead to a better South Africa.

Trevor Manuel, MP
Minister of Finance



about the irba

Strategic focus

The strategic focus of the IRBA is to:

Protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the profession and that registered auditors deliver services of the highest quality and adhere to the highest ethical standards.

Vision, mission, objectives and values

Vision

To be an internationally recognised and respected regulator of the auditing profession in South Africa.

Mission

To protect the financial interest of the South African public and international investors in South Africa through the effective regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes, adapted to the South African environment where necessary.

Objectives

To protect the public who rely on the services of registered auditors and support registered auditors who carry out their duties competently, fearlessly and in good faith and to:

*Appointment of
independent
board*

April 2007

*Development of new Code
of Professional Conduct*

June 2007

*First joint international
inspection with foreign
regulator*

October 2007

- Develop and maintain auditing standards which are internationally comparable;
- Develop and maintain ethical standards which are internationally comparable;
- Provide an appropriate framework for the education and training of properly qualified auditors as well as their ongoing competence;
- Inspect and review the work of registered auditors and their practices, to monitor their compliance with the professional standards;
- Investigate and take appropriate action against registered auditors in respect of non-compliance with standards and improper conduct;
- Conduct our business in an economically efficient and effective manner, in accordance with the relevant regulatory frameworks.

Values

As overall custodians of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament and all its members and staff ascribe to the following core values:

Independence, integrity and objectivity

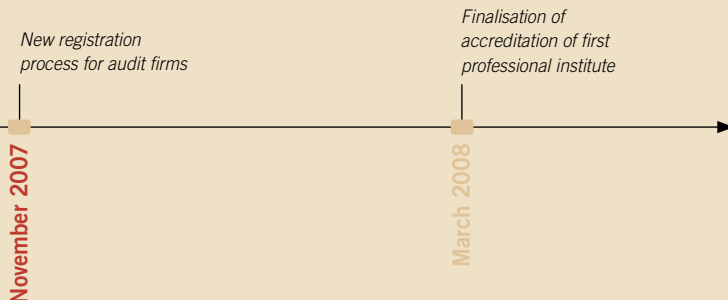
It is imperative that we are not just independent of the auditing profession in our composition and membership, but also reflect independence in the perception of our key stakeholders, through our actions and behaviour. It is therefore important that we act with integrity and objectivity in our deliberations,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

Commitment

We recognise the scope and extent of our mandate and undertake to execute and deliver on this mandate with diligence and commitment.

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.





our top achievers

The top 10 candidates in the 2007 PPE were:

1. Shaun Lawrence Robert
2. Pieter van der Zwan
3. Ayesha Chotia
4. Karen Viviers
5. Kathryn Elizabeth Hodsdon
6. Morne van Rensburg
7. Kathleen Cloete
8. Pieter Fourie
9. Stacey Jennifer Armstrong
10. Jill Alice Sindle





highlights of the year

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- Appointment of **independent** board
- Strengthening of relevant **governance** structures
- Implementation of **new registration** process for audit firms
- Development of a new **Code of Professional Conduct** for Registered Auditors
- Continued roll out of **firm review** process
- PPE pass rate **71** %
- Record number of **580** Black candidates pass PPE
- First **joint international inspection** with foreign regulator
- Initiation of **mutual recognition of inspection processes** with foreign regulator
- Exposure drafts of ISAs drafted by IRBA **approved** by IAASB
- **370** engagement reviews performed



new premises

The IRBA will be relocating to new premises at the end of 2008. The move was necessary given the increase in staff and everyone is looking forward to settling into their new offices in the new year.



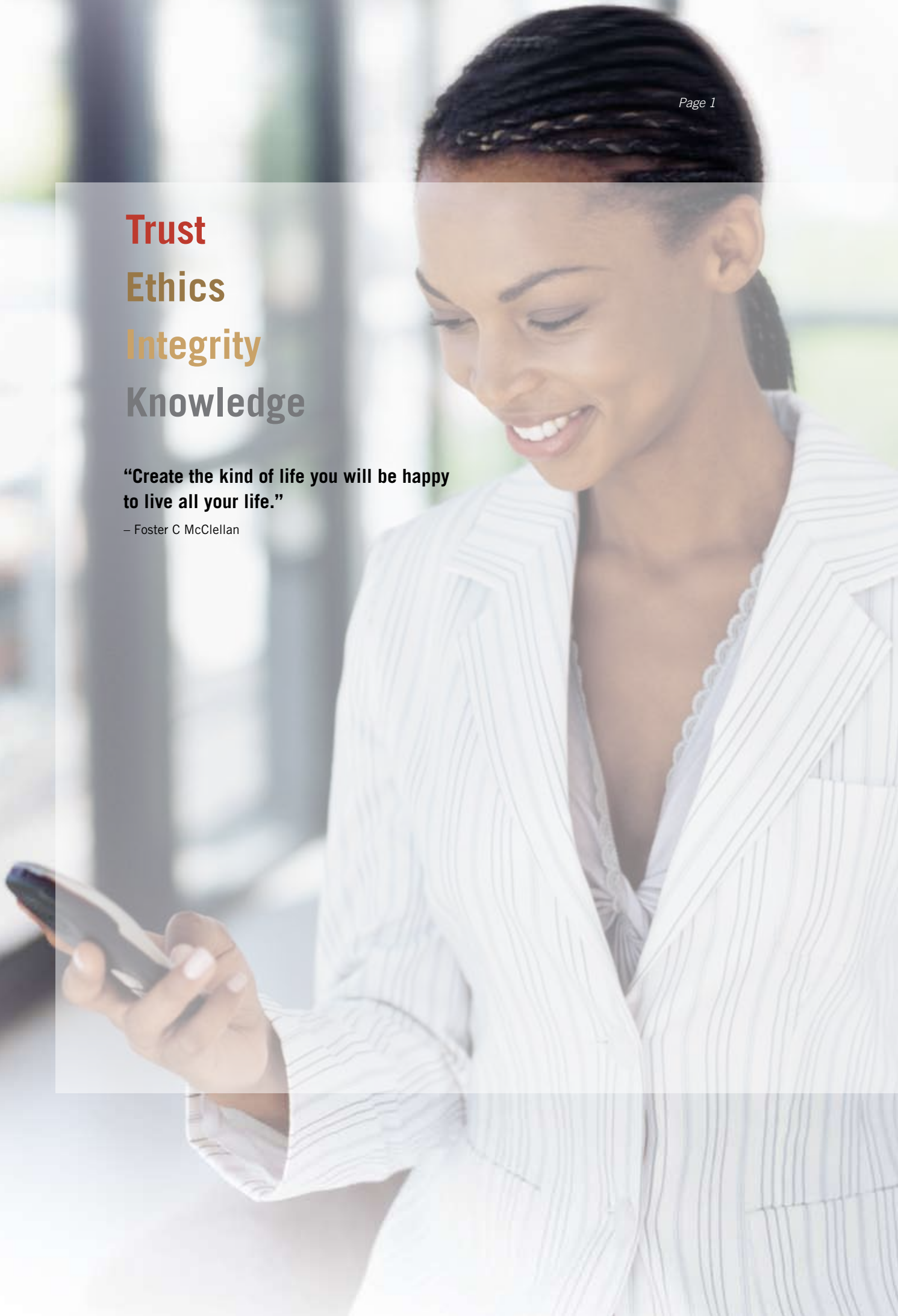
IRBA's new home

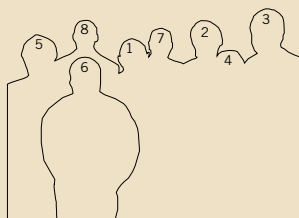
Building 2, Greenstone Hill Office Park,
Emerald Boulevard, Modderfontein
Johannesburg

Trust
Ethics
Integrity
Knowledge

**“Create the kind of life you will be happy
to live all your life.”**

– Foster C McClellan

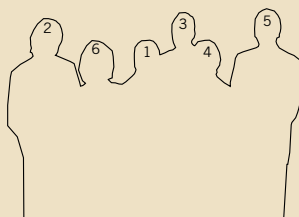




1 DCM Gihwala (Chairperson); 2 LER de Vries (Deputy Chairperson); 3 WP du Plessis; 4 CR Emslie; 5 G Marcus; 6 T Zakuza; 7 DD Nagar; 8 SF Nomvalo (Ministerial representative)

Absent
JRD Modise; HC Motau; SE Sono

executive staff of the board



1 AK Hoosain; 2 BP Agulhas; 3 R Ally; 4 J Bailey; 5 UI Naidoo; 6 PJ O'Connor

<i>Statutory committees</i>	<i>Chairperson</i>	<i>Chairperson's report Page</i>
Education, Training and Professional Development Committee	T Zakuza	20
Committee for Auditing Standards	F Timmins	24
Committee for Auditor Ethics	E Kieswetter	28
Inspection Committee	DD Nagar	30
Investigating Committee	KN Kooverjee	34
Disciplinary Committee	WHG van der Linde SC	40

<i>Other committees</i>		
Disciplinary Advisory Committee	WP du Plessis	38
Audit and Risk Committee	HG Motau	46
Nominations Committee	DCM Gihwala	
Human Resource and Remuneration Committee	LER de Vries	

executive staff of the board

AK Hoosain	Chief Executive Officer
BP Agulhas	Director: Standards
R Ally	Director: Operations
J Bailey	Director: Practice Review
UI Naidoo	Director: Education, Training and Professional Development
PJ O'Connor	Director: Legal

Members of the Board

Committees of the Board

Executive staff of the Board

Report of the chairperson

Report of the chief executive officer

Activities of the IRBA

Education, Training and Professional Development Committee

Committee for Auditing Standards

Committee for Auditor Ethics

Inspection Committee

Investigating Committee

Disciplinary Advisory Committee

Disciplinary Committee

Report of the Audit and Risk Committee

Corporate governance statement

Report of the Auditor-General

Annual financial statements



Chairperson, **Dines Gihwala**

I am pleased to present the second annual report of the Independent Regulatory Board for Auditors (IRBA).

This year represents the first year of operation of the IRBA under the changed composition as required in terms of the Auditing Profession Act, 2005. The Board now consists of no fewer than six but no more than 10 non-executive members, appointed by the Minister of Finance. These members, of whom no more than 40% may be registered auditors, must effectively guide and oversee the activities of the IRBA, based on their knowledge and experience.

The focus of the Board over the last year was to consolidate the activities of the IRBA following its transition from the Public Accountants' and Auditors' Board (PAAB) in the previous year. The key areas of focus were:

- the induction and orientation of all new members to the board;
- the review and strengthening of the relevant governance structures;
- the nomination and appointment of new committee members as required by the Act;
- the review and strengthening of IRBA method of work with the appropriate delegations to committees and executive;
- the review, consideration and approval of the IRBA strategic plan and budgets in terms of the Medium Term Expenditure Framework (MTEF) requirements;
- the development of a new accreditation model for professional bodies;
- the implementation of a new registration process for audit firms;
- the development of a new code of ethics for registered auditors;
- the continuation of the roll-out of the firm review process;
- strengthening stakeholder relationships with professional bodies, government, other local and international regulators and standard setters; and
- conducting regular monitoring and oversight over the management activities of the IRBA.

This year the IRBA received the first applications for accreditation from professional bodies to be considered in terms of the new accreditation model. One professional body, The South African Institute of Chartered Accountants (SAICA) received full accreditation, and a second application is currently under consideration. The Public Practice Examination of the IRBA also yielded a pass

rate of 71% (2006: 71%) with a record number of 580 (67%) successful black candidates (2006: 64%).

The IRBA continues to exercise diligent oversight over the auditing profession and in respect of ethical and disciplinary matters. The revision of the code of ethics is in progress and is strongly focused on alignment with international best practice.

Internationally, the IRBA continued to make a significant contribution to the International Forum for Independent Audit Regulators (IFIAR), particularly in finalising its founding charter. This charter is expected to be formally adopted by the IFIAR at their meeting in September 2008, which will be hosted by the IRBA in South Africa. The IRBA also conducted its first joint international practice inspection together with the Canadian Public Accountability Board (CPAB) at one of the Big Four audit firms. We have also initiated steps for the mutual recognition of inspection processes with the Public Company Accounting Oversight Board (PCAOB) of the United States of America.

The auditing profession continues to face some significant challenges, in particular the impending changes to the corporate legislation. These changes, if approved as currently proposed, would see the statutory requirement for the audit of non-public interest companies removed. Whilst the deregulation for small businesses is welcomed, it will no doubt change the landscape for the auditing profession. In particular, small practitioners would have to adapt their business models to take this into consideration. This is also expected to have a significant impact on the training opportunities that will be available in the market for prospective trainee auditors. However, we are committed to walk the path together with the profession in meeting such challenges and to ensure a sustainable and vibrant profession.

I would like to thank the honourable Minister of Finance and my fellow Board members for their confidence, commitment and support during this year. I would also like to express my appreciation to the directors and support staff for their hard work, commitment and dedication. Finally, I wish to thank Kariem Hoosain, the chief executive officer, for his valuable contribution during his term of office up to the date of his resignation. We wish him well in his future endeavours.



Chief executive officer, **Kariem Hoosain**

The second year of the Independent Regulatory Board for Auditors (IRBA) proved to be just as exciting and challenging as the first, as we continued to develop our focus on implementing the strategic plan as approved by the IRBA and managing the ongoing business of the IRBA.

The IRBA committees have continued to successfully meet their mandate, as can be seen in the individual chairpersons' reports that follow. Highlights in this regard include the large amount of work spent on developing a new code of ethics, and the successful application of the new accreditation model.

On the operational side, the IRBA continued to grow and much of the past year has been spent sourcing suitable accommodation to fit the ever-growing staff complement and the corresponding support infrastructure.

We continued to grow and enhance the image of the IRBA, both locally and internationally. These liaisons have already seen our profile being raised in the global arena through increased representation on international committees and boards, thereby reaffirming our commitment to be an internationally respected regulator.

Our local presence has been maintained and enhanced through the executive starting to roll out its stakeholder relationship strategy, marketing the Registered Auditor brand and continuing its strategy to attract young professionals to the auditing profession.

The second public practice examination conducted under the auspices of the IRBA saw results that equalled the record set in the previous year, not only in terms of the overall pass rate (71%) but also in terms of the number of black candidates, which is a hugely positive step towards achieving our transformation goals.

The continued successful functioning of the IRBA in its fledgling years of operation is attributable to the support of the Board and the co-operation and support of its staff. The hard work and dedication shown by my management committee is indicative of the high level of commitment

to the mandate and objectives of the IRBA. I am deeply grateful for their commitment, support and enthusiasm over the past year. I would like to express my appreciation to the Board, the various committees and specifically the chairperson, Dines Gihwala, for his support, guidance and leadership.

Finally, I wish to express my thanks to the Honourable Minister of Finance, the Director-General of National Treasury and the Accountant-General of South Africa and their staff for their support, assistance and co-operation.

Trust Ethics Integrity Knowledge

“Well arranged time is the surest mark of a well arranged mind.”

- Sir Isaac Pitman





Measurable objectives

The following summarises the activities planned for 2007/8, the planned timeframes and actual delivery.

Statutory activities

Auditor Ethics

The Act requires, in terms of section 20(2)(a), the establishment of a Committee for Auditor Ethics (CFAE) which, in terms of section 21(2), must assist the Independent Regulatory Board for Auditors (IRBA) to:

- (a) determine what constitutes improper conduct by registered auditors by developing rules and guidelines, including a code of professional conduct;
- (b) interact on any matter relating to its functions and powers with professional bodies and any other body or organ of state with an interest in the auditing profession; and
- (c) provide advice to registered auditors on matters of professional ethics and conduct.

This was the first full year of operation for this committee and the focus was on the following:

Planned activity	Planned timeframes	Actual
Prepare a strategy for the CFAE	1 April 2007 to 31 December 2007	Completed
Draft and issue guidance and circulars on Auditor ethics	December 2008	Drafted guidance on network firms to be issued with the Code of Professional Conduct
Conduct research	December 2008	Research conducted on: <ul style="list-style-type: none"> • Codes of ethics • Network firms • Multi-disciplinary practices
Provide comment and input to International Exposure Drafts and participate in international projects as appropriate	Comment letters submitted by closing date for comment	Comment on Exposure Drafts on Independence I and II submitted on 30 April 2007 and 15 October 2007 respectively. Served on the Clarity Task Force to redraft the IFAC Code of Ethics into the Clarity format
Draft a new Code of Professional Conduct	December 2008	Planned to be issued as an exposure draft in October 2008.

Auditing Standards

The Act requires, in terms of section 20(2)(b), the establishment of a Committee for Auditing Standards (CFAS) which, in terms of section 22(2), must assist the IRBA to:

- (a) develop, maintain, adopt, issue or prescribe auditing pronouncements;
- (b) consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and
- (c) promote and ensure the relevance of auditing pronouncements by:
 - (i) considering the needs of users of audit reports;
 - (ii) liaising with the other committees of the regulatory board on standards to be maintained by registered auditors and by receiving feedback from such committees on areas where auditing pronouncements are needed;
 - (iii) ensuring the greatest possible consistency between auditing pronouncements and accepted international pronouncements; and
 - (iv) consulting with professional bodies on the direction and appropriateness of auditing pronouncements.

During the year the CFAS focused on the following:

Planned activity	Planned timeframes	Actual
Update the strategy and work plan for the CFAS	The work plan is updated at each CFAS meeting	The last update was done at the CFAS meeting held on 3 March 2008
Consider amendments and new International Standards on Auditing (ISAs) and adopt in SA	Ongoing	The CFAS recommended for issue, and the Board approved, 12 ISAs for the period under review.
Draft and issue practice statements, guidance and circulars on the implementation of ISAs	In terms of the CFAS work plan	Practice statements, guidance and circulars commenced for the period under review: <ul style="list-style-type: none"> • Attending the Annual General Meeting Audit Guide • Access to Audit Working Papers Guide • South African Auditing Practice Statement (SAAPS) 2, Financial Reporting Frameworks and Audit Opinions • South African Auditing Practice Statement (SAAPS) 3, Illustrative Independent Auditor's Reports
Participation in international activities	September 2008	IAASB* standards drafted in the clarity format: <ul style="list-style-type: none"> • ISA 520, <i>Analytical Procedures</i> and ISA 710, <i>Comparative Information – Corresponding Figures and Comparative Financial Statements</i> were approved for exposure at the IAASB meeting in December 2007. The comment periods expired in March 2008 and April 2008 respectively and will be presented to the IAASB in September 2008 for approval as final standards. • The IAASB approved ISA 510, <i>Initial Audit Engagements – Opening Balances</i>, as a final standard at their meeting in March 2008. <p>The Director: Standards attended three IAASB meetings and one National Standard Setters' meeting during the year.</p>

* International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC).

Planned activity	Planned timeframes	Actual
Issue comment letters	Comment letters submitted by closing date for comment	<p>Comment letters issued for the period under review:</p> <ul style="list-style-type: none"> • ISA 200, <i>Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing</i>; • ISA 220, <i>Quality Control for an Audit of Financial Statements</i>; • ISA 250, <i>The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements</i>; • ISA 500, <i>Considering the Relevance and Reliability of Audit Evidence</i>; • ISA 501, <i>Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures</i>; • ISA 505, <i>External Confirmations</i>; • ISA 510, <i>Initial Audit Engagements – Opening Balances</i>; • ISA 520, <i>Analytical Procedures</i>; • ISA 530, <i>Audit Sampling</i>; • ISA 550, <i>Related Parties</i>; • ISA 570, <i>Going Concern</i>; • ISA 620, <i>Using the Work of an Auditor's Expert</i>; • ISA 700, <i>The Independent Auditor's Report on General Purpose Financial Statements</i>; • ISA 705, <i>Modifications to the Opinion in the Independent Auditor's Report</i>; • ISA 706, <i>Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report</i>; • ISA 800, <i>Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>; • ISA 805, <i>Engagements to Report on Summary Financial Statements</i>; and • ISQC 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>.

Reportable irregularities

S45 of the Act sets out the requirements on how Reportable Irregularities are to be dealt with. The statistics for the period under review are as follows:

Number of reportable irregularities

	2008	2007
Continuing	411	313
Not continuing	305	229
Did not exist	19	10

Registration of individuals

S37 of the Act sets out the requirements relating to the application, consideration and registration of individuals as registered auditors. A new process had been developed and implemented in the previous year. During the year 414 individuals were registered.

Registration of firms

S38 of the Act sets out the requirements relating to the application, consideration and registration of firms as registered auditors. During the year 1 781 firms were registered.

Accreditation of professional bodies

In terms of S5(a) of the Act the IRBA prescribed minimum requirements for accreditation of professional bodies in an accreditation model (the model) to facilitate the accreditation process. This financial year represented the first year in which the model was in operation. It was envisaged that at least one professional body will apply for accreditation in terms of the model. The planned activities, timeframes and delivery were as follows:

Planned activity	Planned timeframes	Actual
Review and evaluate the SAICA application for accreditation	September 2007 to March 2008	Completed in March 2008
Recommend approval for accreditation	April 2008	Completed in April 2008
Contract with the professional body in relation to the accreditation	July 2008	Completed in August 2008
Monitor compliance with all elements of the accreditation and report to the IRBA in this regard	April 2008	Completed in April 2008
Recommend and monitor remedial action, if required	April 2008	Completed in April 2008

Public Practice Examination

S7(1)(b) of the Act requires the IRBA to recognise or withdraw the recognition of any accredited professional body to conduct any qualifying examination or conduct any such examination for the purpose of registering as a registered auditor, as contemplated in S37 of the Act. In the approved accreditation model, the IRBA and its Education Committee maintained the right to determine the final competence of the persons it will allow to register as auditors. It has therefore retained the right to set the final qualifying examination for auditors. It is not envisaged that this will change for the first few years of operation of the IRBA as there is currently no professional body that is fully qualified to conduct this examination.

Training contracts and officers

S7(1) of the Act requires the IRBA to:

- (d) prescribe training requirements, including, but not limited to, the period of training and the form for training contracts;
- (e) approve and register training contracts entered into by prospective registered auditors;
- (f) prescribe competency requirements; and
- (g) either conditionally or unconditionally, recognise or withdraw the recognition of registered auditors as training officers.

In addition to this, S47(1)(a) requires that the IRBA or any person authorised by it, at any time inspect or review the practice of a registered auditor and the effective implementation of any training contracts.

These functions are currently being performed by the accredited professional body, as part of the competence requirements for becoming a registered auditor, and no significant change to this process is envisaged at this stage. However, it is apparent from the Act that the IRBA also needs to be involved more substantially in the performance of these functions, particularly as it relates to training in auditing. Additional business process steps have been developed to accommodate this involvement and have been implemented during the 2007/2008 year.

Continuing professional development (CPD)

Section 7(1)(c) of the Act requires the IRBA to prescribe requirements for the conditions relating to, and the nature and extent of, continued education, training and professional development of registered auditors. The IRBA required registered auditors to submit returns for CPD by 31 March 2008 and will be monitoring compliance by registered auditors in future.

Contribution to transformation of the profession

Over the last two years the IRBA participated in the Black Economic Empowerment (BEE) charter process of SAICA. Whilst this process was focused on setting up a BEE Charter for the Chartered Accountancy (CA) profession, it is commonly understood that the major part of the implementation will be with the audit firms of the CA sector. The IRBA will continue to participate and support, as appropriate, the various initiatives identified in the CA Charter document.

The IRBA also established a fund for the education, training and professional development of students.

Inspections (Practice Review)

S47(1)(a) of the Act requires the IRBA or any person authorised by it to, at any time, inspect or review the practice of a registered auditor.

The objective of engagement reviews is to monitor registered auditors' compliance with the relevant professional standards in the performance of the attest function. The objective of firm reviews is to inspect the design and implementation of an audit firm's system of quality control. During the period under review, 370 engagement reviews were performed and 11 firm reviews were completed.

Investigation and charging of improper conduct

The Act requires the IRBA to refer a matter brought against a registered auditor to the investigating committee for the purpose of considering, investigating and laying the appropriate charges against the registered auditor. In the period under discussion, the pre-existing processes needed to be adapted as the requirements of the Act are complex. Substantial intellectual time and effort has been expended to simplify these as much as possible and to incorporate the additional new procedures that the Act requires.

Planned activity	Planned timeframes	Actual
Conduct Investigations in accordance with approved procedures	Ongoing	For the period 1 April 2007 to 31 March 2008, 122 matters were tabled at the Investigating Committee, of which 82 were finalised and referred to the Disciplinary Advisory Committee (DAC).
Conclude investigations and refer to DAC	Ongoing	36 investigations were finalised by DAC up to 31 March 2008 (including two matters referred for disciplinary action).
Conduct disciplinary hearings	Ongoing	Four matters were finalised.

Supervisory Body in terms FICA

The PAAB had been designated as a supervisory body in terms of the Financial Intelligence Centre Act (FICA). The IRBA continued with its supervisory responsibilities by establishing a database of registered auditors that are accountable institutions in terms of FICA. The IRBA will commence with monitoring accountable institutions' compliance with FICA in the next financial year.

Consultative Advisory Group (CAG)

The CAG was established by the Auditing and Assurance Standards Board (AASB) of the PAAB in order to give stakeholders in the audit process an opportunity to provide comment and feedback on the activities of the AASB. The AASB is the predecessor body to the CFAS. The CAG revisited its mandate during the period under review and agreed to change it as follows:

- The CAG should operate as a consultative group, not only to CFAS but also to other committees of the Board, as well as the Board itself;
- CAG members should make themselves available to serve on other Board committees;
- The membership should be reconsidered;
- The CAG should meet on an *ad hoc* basis, as and when matters of sufficient gravity arise which require the inputs of a broader advisory group.

During the period under review, the CAG held two meetings.

Operational activities

Stakeholder management

The IRBA continued with the process of establishing an effective stakeholder management plan to facilitate its interaction with the appropriate stakeholders during the implementation of the new Act and beyond. The plan involves:

- Stakeholder identification and prioritisation;
- Stakeholder grouping;
- Identification of stakeholder needs;
- Contracting with stakeholders;
- Agreeing action plans; and
- Monitoring.

The stakeholder management plan is driven by the CEO with the support of the directors. During the 2007/2008 year the CEO and management had several interactions with a large number of local and international stakeholders.

Memoranda of understanding have been concluded with:

- South African Revenue Service
- Auditor-General
- JSE Ltd
- Financial Intelligence Centre

Discussions and/or draft agreements were initiated with:

- Companies and Intellectual Property Registration Office
- Department of Trade and Industry
- Association for the Advancement of Black Accountants in South Africa
- Black Firms' Forum
- South African Reserve Bank

The CEO attended the following stakeholder meetings during the period under review:

Local

- Audit firm senior partners' forum
- Auditor-General
- Chinese Institute of Certified Public Accountants – meeting with delegates from China
- Durban University of Technology
- FASSET (Seta for Finance, Accounting, Management Consulting and other Financial Services)
- JSE Limited
- Law Society of South Africa
- Council for Medical Schemes
- South African Revenue Service Tax Forum
- The South African Institute of Chartered Accountants (SAICA)
- SAICA BEE Charter – signing-off ceremony

International

During the year, the CEO attended three meetings of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC), 4 meetings and task force meetings of the International Forum of Independent Audit Regulators (IFIAR) and one meeting of the Consultative Advisory Group of the IFAC International Accounting Education Standards Board (IAESB).

National road show

A national road show was held in 16 centres around the country in 2007, and was attended by more than 830 delegates, the majority of whom were registered auditors. The road show has become an annual event and is aimed at facilitating first hand interaction between the IRBA and registered auditors.

Corporate social responsibility

The IRBA is committed, on a small but growing scale, to corporate social responsibility and charitable activities. A corporate social task team was formed and is eager to get involved in projects.

Other charity activities included regular contributions by the staff members to campaigns such as Dress Red, Casual Day, the 16 days of activism campaign and similar *ad hoc* awareness campaigns.

Participation in international forums

The executive continues to make significant progress in achieving representation on international forums.

The IRBA is represented by the CEO on the IFIAR. South Africa will host the IFIAR meeting in Cape Town in September 2008.

The CEO also served on two IFAC structures, namely the IESBA and the IAESB-CAG.

The Director: Standards represented the IRBA on the international forum for National Audit Standards Setters and has been invited to participate in task forces of the IAASB of IFAC.

The Director: Education, Training and Professional Development was appointed as technical adviser to the South African member on IFAC's IAESB.

Media

During the period the IRBA ensured that it had a strong presence in the media. Some of the press releases published included articles on setting up independent regulatory bodies in Africa, successes in the Public Practice Examination, articles to market the auditing profession, working together to protect the public interest, accreditation of the first institute under the new accreditation model and uniform practice reviews.

Human Resources

Staff Complement

The staff complement increased from 54 to 71 employees during the reporting period. Although the organisation has previously not experienced high turnover levels, the market is becoming increasingly competitive.

Employment Equity

The IRBA has made significant progress on its employment equity strategy. One of the developments has been the establishment and training of an employment equity forum. The forum has completed a first draft of its constitution.

Staff complement reported in occupational levels for the period ending 31 March 2008

Occupational Levels	Male			Female				White male	Total
	A	C	I	A	C	I	W	W	
Senior management	0	1	3	0	0	0	2	0	6
Professionally qualified and experienced specialists and middle management	3	2	1	3	1	1	10	14	35
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0		2	0	0	0		3
Semi-skilled and discretionary decision making	3	0	0	2	4	3	7	2	21
Unskilled and defined decision making	1	0	0	5	0	0	0	0	6
Total employees	8	3	4	12	5	4	19	16	71

Recruitment and Selection

The current recruitment environment is highly competitive, especially with the high skills shortage in specialised areas. The IRBA has, however, managed to attract a number of individuals to assist it in carrying through its vision, although some vacancies still exist and continue to affect the ability to fully deliver on the IRBA's mandate.

A total of 20 permanent positions were filled at the following occupational levels:

	Male		Female	
	Black	White	Black	White
Professionals and middle management	3	3	1	7
Semi-skilled technical and academically qualified	1		1	
Semi-skilled and discretionary decision making			2	1
Unskilled and defined decision making			1	

Staff resignations

Employees who resigned from the organisation between the period 01 April 2007 and 31 March 2008:

	Male		Female	
	Black	White	Black	White
Professionals and middle management		1		
Semi-skilled and discretionary decision making			1	2

Performance Management

The IRBA put a performance management policy in place, reviewed its job profiles and is in the process of finalising the compilation of individual performance contracts. These will form the guiding principles for fair and equitable evaluation and recognition of efforts of all employees.

Employee wellness programme

Although the IRBA has engaged in a number of wellness initiatives at different intervals in the past, in this financial year it was decided to arrange a one-day comprehensive programme. The programme was held at the end of February 2008. It was made up of a wellness assessment and counselling, HIV/Aids voluntary counselling and testing (VCT) and vision screening.

Wellness Assessment

The wellness assessment covered areas such as stress tests, lung capacity, blood pressure, body fat, glucose, cholesterol, fitness, body weight, lower back flexibility and a lifestyle score. At the completion of the assessment, each employee received results and individual counselling, where necessary.

HIV/Aids VCT

90% of the staff who attended the wellness programme participated in the VCT. Amongst those were repeats who had done these tests when they were previously offered at IRBA.

Vision screening

A number of employees had their vision screened by the participating corporate optometrists. Screening was at no cost and those who wanted to have further testing and eye wear prescribed utilised their individual medical aid benefits.

The IRBA recognises that the physical, mental and emotional wellbeing of its staff all contribute to the IRBA being a successful organisation that is able to meet its mission and objectives. Therefore, further wellness initiatives that are planned for the future will include stress management and change management programmes, and any other relevant issues that are identified.

Information technology

The information technology needs of the IRBA increased significantly over the past 12 months. Significant projects undertaken include a web monitoring project, anti-virus protection project, backup server replacement and the development of an integrated management information system.

Furthermore, the telephone management system had to be extended due to the increase in staff at the IRBA. The IRBA website was also revamped and the navigation of the website was made more accessible for users. The new IRBA website went live in February 2008.

Finances

The financial performance, cash flows and financial position are set out in the annual financial statements on pages 51 to 72.



Chairman, **Temba Zakuza**

Members

Members	Meetings attended
T Zakuza (Chairperson)	3 of 4
PSF Austin	4 of 5
NP Dongwana	3 of 4
L Engelbrecht	2 of 5
HR Gowar	5 of 5
MY Ismail	5 of 5
CF Lane	5 of 5
FE Lehapa	4 of 5
MR Naidoo	4 of 5
VF Paino	3 of 4
FN van den Berg	4 of 4
SPJ von Wielligh	5 of 5
H Wessels	4 of 5

I am pleased to report that the Education, Training and Professional Development Committee (EDCOM), with assistance from the various sub-committees, rose to the challenge in carrying out its duties, particularly those relating to the Public Practice Examination (PPE), accreditation, Continuing Professional Development (CPD), its monitoring role and the transformation of the profession. Faced with numerous challenging tasks, EDCOM established an additional sub-committee, the Accreditation Committee, to assist with the accreditation process.

The Public Practice Examination

Of the 2 479 candidates who sat the November 2007 PPE, 1 766 passed the exam, achieving a record equalling pass rate of 71% (2006: 71%). The pass rate for candidates who wrote for the first time was 81% (2006: 79%). All top 10 candidates achieved an outstanding achievement of passing with honours by obtaining a mark of 75% and above. The PPE has once again proved to be a very good test of professional competence at entry point into the profession.

It was the second time that the PPE was written under the auspices of the Independent Regulatory Board for Auditors (IRBA). Allowing reading time in order to better simulate

practice, and restructuring the exam to span an entire day comprising two sessions (9:00 – 12:00 and 14:00 – 17:00) which included half an hour reading time in each session, was again received favourably by the candidates. Prior to 2006, the exam was of five hours duration with no break and no reading time.

The use of marking centres for the PPE was continued from 2006 and it again demonstrated the value of marking at a marking centre. Increased interest was shown by prospective markers and umpires which provided the opportunity for the IRBA to increase the pool of experienced markers and umpires for the PPE. The IRBA staff provided the administrative support.

The chairperson of the Examinations Committee (EXAMCOM), Mr Francois van den Berg, his committee and the question-composing teams are commended for their efforts in preparing and marking the 2007 PPE.

Transformation of the profession

The pass rate for black (African, Coloured and Indian) candidates was a record 67% (2006: 64%), out of a total of 870 (2006: 806) candidates.

We recognise, however, that there is much to be done in order to achieve an appropriately transformed profession. As part of the drive to increase numbers of black accountants and auditors, the IRBA introduced a support programme for repeat candidates, including black repeat candidates. This programme is funded by the Education Fund of the IRBA.

In 2007, 132 candidates completed the support programme and achieved a pass rate of 53% compared to candidates who did not participate in the support programme, achieving 45%.

As part of our effort to increase the overall numbers in the profession, the support programme will again be open to all repeat candidates. The support programme will be presented in Johannesburg, Pretoria, Cape Town and Durban.

Continuing professional development

A CPD information booklet for registered auditors was sent to all RAs to assist them in complying with the CPD Policy. We have been liaising with SAICA to align the SAICA CPD recording system to that of the IRBA. This is expected to be in place in time for the 2009 reporting period.

In any one year reporting period within the three year reporting cycle, the minimum number of CPD hours required is 20. The onus is, however, on the Registered Auditor (RA) to ensure that the minimum number of hours acquired over the full three year reporting cycle is at least 90 hours and in the prescribed categories.

CPD reports for the first year of the reporting period, i.e., 1 January to 31 December 2007, were due by 31 March 2008, when other documentation and fees for the renewal of licences were also due.

CPD activities undertaken by RAs will be monitored annually for compliance with the CPD policy. An RA's registration with the IRBA will be dependent on the CPD activities being up to date and relevant to the work they undertake.

Accreditation

The accreditation status awarded to a professional body by the IRBA is an expression of confidence in the professional body and its programmes to support its candidates who enter the PPE. An application for accreditation is subjected to a rigorous evaluation process by the Accreditation Committee. EDCOM considers the recommendation of the Accreditation Committee and submits its recommendation to the Board.

The South African Institute of Chartered Accountants (SAICA) submitted its application for accreditation in 2007 and we are pleased to announce that their application for accreditation was approved by the Board on 23 April 2008.

An application for accreditation from another professional body, the Association of Chartered Certified Accountants (ACCA), was received on 13 May 2008.

Though accreditation is seen as a once-off process, accredited professional bodies will be subjected to annual monitoring by the IRBA in terms of the IRBA's monitoring processes. During 2008, the IRBA concluded the monitoring of SAICA's recognised programmes, based on the recognition model. The monitoring of professional bodies will, in future, be carried out in terms of the accreditation model.

Training contracts

The process of approving and registering training contracts has been finalised and is being implemented in the current year.

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 for their dedication and commitment.

My particular thanks to the outgoing chairperson of EXAMCOM, Mr Herman Wessels, who has made a very significant contribution to the deliberations of EDCOM, EXAMCOM and other sub-committees over many years. His role as chairperson of the newly established Accreditation Committee has been invaluable.



Chairperson, **Frank Timmins**

Members

Members	Meetings attended
SP Kana (Chairperson) (resigned June 2007)	1 of 4
F Timmins (Chairperson) (appointed June 2007)	4 of 4
PSF Austin	3 of 4
M Bourne	3 of 4
K Bowman	3 of 4
L de Beer (appointed June 2007)	2 of 4
WH de Jager	3 of 4
M Engelbrecht	4 of 4
F Evans (resigned June 2007)	1 of 4
DB Heymans	3 of 4
J Makwakwa	3 of 4
M Petros	3 of 4
FE Prinsloo	3 of 4
EM Southey	3 of 4
D Spavins	3 of 4
SD van Esch	4 of 4
J van Schalkwyk	3 of 4

Participation in international projects

During the period under review, in line with one of the key strategies of the CFAS to influence and participate in international standard-setting activities, the CFAS completed the redrafting of three International Standards on Auditing (ISA) as part of the International Auditing and Assurance Standards Board's (IAASB's) Clarity project to redraft clear and understandable auditing standards, capable of implementation throughout the world. The IAASB approved all three ISAs as exposure drafts. One of the ISAs was presented to the IAASB and approved for issue as a standard at their meeting in March 2008. The other two ISAs will be presented to the IAASB for final approval to issue as standards in September 2008.

CFAS exposure drafts

The CFAS exposed South African Auditing Practice Statement (SAAPS) 3, *Independent Illustrative Auditor's Reports*, and *Access to Audit Working Papers: A Guide for Registered Auditors* for public comment of which the comment period expired on 20 September 2007. The SAAPS and Guide were approved by the Board at its meeting in April 2008.

The CFAS drafted guidance for auditors attending the annual general meeting of a widely held company to respond to questions relating to the audit as a result of the enactment of the Corporate Laws Amendment Bill. The exposure period for the guide expired in February 2008 and the guide was approved by the Board at its meeting in April 2008.

The CFAS revised SAAPS 2, *Financial Reporting Frameworks and Audit Opinions* with changes resulting from the Corporate Laws Amendment Act. The SAAPS was approved by the Board at its meeting in April 2008.

The CFAS exposed the proposed Guide: *Access to Audit Working Papers* for public comment on 15 June 2007. The comment period closed on 15 September 2007. The Board approved the Guide at its meeting in April 2008.

Regulated industries – guide for the verification of BBBEE

The Regulated Industries Standing Committee (RISC), a subcommittee of CFAS, completed drafting the guide to verification agencies of broad-based black economic empowerment (BBBEE) in consultation with the Department of Trade and Industry (DTI). The guide was expected to be published by the DTI in June 2008.

Auditing pronouncements issued by the CFAS

Clarity Standards

During the period under review, the Board approved the following standards issued by the IAASB, and recommended for approval by the CFAS:

- *Preface to International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services;*
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements;*
- ISA 300, *Planning an Audit of Financial Statements;*
- ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment;*
- ISA 330, *The Auditor's Response to Assessed Risks;*
- ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors);*
- ISA 230, *Audit Documentation;*
- ISA 260, *Communication with Those Charged with Governance;* and

- ISA 720, *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.*

The above ISAs have an effective date for audits of financial statements for periods beginning on or after 15 December 2009.

Regulated Industries Standing Committee (RISC)

The following projects have been completed or are in progress:

- Guidance on audit procedures to be performed for the Bond Exchange of South Africa;
- Guide for Auditors on Financial Advisory and Intermediary Services;
- The auditor's reasonable assurance report on part 4 to 10 of medical schemes' Regulatory Return and the auditor's limited assurance report on medical schemes compliance with certain sections of the Medical Schemes Act;
- Medical Schemes Audit Guide;
- Reports for the National Credit Regulator in terms of the National Credit Act;
- Guidance on reporting in terms of BASEL II requirements;
- Revision of South African Practice Statement 1100, Bank Confirmations;
- Guide for auditors on the requirements of the Co-operatives Act;
- Guide for auditors on the Home Loan and Mortgage Disclosure Act;
- Auditors Report on the Solvency Certificates to the Intermediary Guarantee Facility;
- Factual findings report on the income and expenditure statements to the DTI for the film incentive – Film and Television Production Rebate.

- Auditor's Reports for the Department of Private Further Education and Training Colleges;
- Guidance and Auditor's report on attorneys' trust accounts;
- Agreed-upon procedures reports in terms of section 15 of the Pension Funds Act for reporting on umbrella funds, retirement annuity funds, general funds and preservation funds;
- Auditor's Report on credit bureaus in terms of section 52(6) and section 73 of the National Credit Act.
- Guidance and auditor's report on Estate Agents Trust Account audit engagements; and
- Guidance for auditors on the DTI Small/Medium Manufacturing Development Programme.

Meetings held

During the period under review, the CFAS held four meetings and 95 task force meetings.

Comment letters

Eighteen comment letters were issued during the period under review.

Appreciation

I wish to express my appreciation to the members of CFAS as well as the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAS.

In particular, I wish to thank Suresh Kana, immediate past chairperson of CFAS, for his invaluable contribution to CFAS and its predecessor bodies, and to the auditing profession as a whole.



Chairperson, **Edward Kieswetter**

Members

Members	Meetings attended
E Kieswetter (Chairperson)	3 of 3
J Brink (resigned April 2007)	n/a
S Davies	3 of 3
V Jack	2 of 3
J Kuzwayo	2 of 3
F Ntombela (resigned December 2007)	2 of 3
G Paris	1 of 3
U Schäckermann	3 of 3
N van Graan	2 of 3

Development of the new IRBA code for registered auditors

The Committee for Auditor Ethics (CFAE) is mandated in terms of section 21(2) of the Auditing Profession Act, Act No 26 of 2005, to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct. The CFAE delegated the task of developing a new code to a sub-committee which was formed earlier during the year under review. For the period under review, the sub-committee held numerous meetings and workshops as part of an interactive process involving consultants from the Ethics Institute of South Africa, the sub-committee members and the secretariat in the drafting and development of various chapters which will be included into the new code.

A decision was taken at earlier CFAE meetings that the basis for the new Independent Regulatory Board for Auditors (IRBA) Code will be the International Federation of Accountant's (IFAC) Code of Professional Ethics for Accountants.

It is anticipated that the new IRBA Code of Professional Conduct will come into force in May 2009.

Progress on guidance for network firms

The subcommittee on network firms presented its draft guidance to the CFAE.

Once the IFAC guidance on network firms becomes effective, it will form an inclusion within the new IRBA code.

Participation on the IESBA and International Meetings

The IRBA CEO is a member of the International Ethics Standards Board for Accountants (IESBA) and attends the international meetings set up by this board. His appointment as a member on the IESBA also serves as a useful conduit for bringing the South African perspective within the

international standard setting arena. The following IESBA meetings were attended by the CEO:

- 25 – 27 June 2007 in Berlin, Germany
- 24 – 26 October 2007 in Toronto, Canada
- 21 – 23 January 2008 in Amsterdam, Netherlands

Participation in process to comment on international exposure drafts

The CFAE actively participated in the process of commenting on international exposure drafts issued by the IESBA. These included submitting comment letters on:

- the proposed revisions to section 290 (Independence I) which comment date was 30 April 2007;
- the IESBA Strategic and Operational Plan for 2008/2009 which comment date was 31 August 2007; and
- the proposed revisions to three other areas in section 290 (Independence II) which comment date was 15 October 2007.

Appointments to the CFAE

Given the resignation of the section 21(1)(d) member, the CFAE advertised for a new member. At the CFAE meeting held on 8 June 2007, the committee also agreed to include an additional member who is experienced in the study of ethics. The Board approved both appointments in April 2008.

Appreciation

I wish to express my appreciation to the members of CFAE as well as the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAE.



Chairperson, **Deepak Nagar**

Members

Members	Meetings attended
DD Nagar (Chairperson)	4 of 4
JG Beaumont	2 of 4
PJ Brink	4 of 4
JG Beaumont	2 of 4
RP Brussow	3 of 4
CN Mbili	4 of 4
BJ Olivier	4 of 4
MR Rajah	4 of 4
FF Scheepers	4 of 4

Practice reviews are performed in terms of S47 of the Auditing Profession Act, Act No. 26 of 2005. One of the objectives of the Act is to protect the South African public by regulating audits performed by registered auditors (RAs). The functions of the Independent Regulatory Board for Auditors (IRBA) include promoting the integrity of the auditing profession through conducting practice reviews. Reviews are performed by qualified professional staff employed on a full-time basis by the IRBA. As at 31 March 2008 the Practice Review Department employed 16 chartered accountants, two lawyers, two human resources consultants and four administrative staff. There are two types of reviews in place, being engagement reviews and firm reviews. Review findings are reported quarterly, on an anonymous basis, to the Inspection Committee, which is responsible for determining the final outcome of a review.

Review decisions are in terms of pre-determined criteria applicable to the review cycle. A review decision would be either:

- satisfactory, meaning review again in the next review cycle; or
- re-review, meaning review again in one year's time; or
- referral to the Investigating Committee, meaning disciplinary action by the IRBA.

Engagement reviews

The objective of engagement reviews is to monitor compliance by RAs with appropriate levels of professional standards in the performance of the attest function. All attest RAs are subject to engagement reviews where a sample of attest engagement files are reviewed at least once in a review cycle. Engagement reviews are either on a three-year

or a six-year review cycle, depending on the classification of the RA's attest portfolio. An engagement review assesses the sufficiency and appropriateness of evidence obtained and the appropriateness of key audit judgements made. Verbal representations on review findings are not accepted.

The first engagement review cycle commenced in December 1994, the second review cycle in April 1999 and the third review cycle in February 2006. An RA must first be found satisfactory in a review cycle before proceeding to the next cycle. New practitioners fall into the cycle in place at the time of their attest registration. To date a total of 7 933 engagement reviews have been performed. During the period April 2007 to March 2008, 233 second cycle and 137 third cycle engagement reviews were performed. A total of 36 practitioners were referred to the Investigating Committee. The major reason for review results not being rated as satisfactory relates to documentation being insufficient and/or inappropriate. Non-documentation of audit evidence does not necessarily imply that an inappropriate audit opinion was expressed.

Areas identified on engagement reviews as not having sufficient and appropriate audit evidence documented include:

- ethical considerations;
- unadjusted audit difference considerations;
- going concern considerations;
- engagement Quality Control reviews;
- testing of impairments;
- independence considerations;
- testing the design and implementation of internal controls;
- carrying value of fixed assets;
- testing of provisions;
- fair value considerations;
- completeness of income verification; and
- risk assessment at the assertion level.

Firm reviews

All audit firms involved in the audits of listed companies are subject to firm reviews at least once in a review cycle. Firm reviews are on a three-year review cycle. Firm reviews commenced in February 2006. The objective of the firm review process 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. To date a total of 15 firm reviews have been performed. During the period April 2007 to March 2008, 11 firm reviews were performed. No firms were referred to the Investigating Committee.

Key recommendations for improvement based on the findings of the firm reviews include:

- Internal reviews were in some instances not performed, or not performed with sufficient rigour;
- pre-issuance reviews were in some instances not performed, or not sufficiently and appropriately documented;
- independence infractions identified were in some instances not timeously resolved;

- risks identified at the client acceptance phase were not always sufficiently documented and monitored;
- ultimate responsibility within a network of firms for quality control was not always sufficiently defined; and
- quality was not always a significant indicator in performance appraisals.

Foreign audit regulators

During the course of the year the IRBA participated in reviews performed in South Africa by a foreign audit regulator on foreign entities operating in South Africa. A high degree of reliance was placed on the IRBA firm review process by the foreign regulator. We anticipate an increase in our interactions with foreign regulators in the future.

Appreciation

I record my thanks to the staff of the Practice Review Department who have performed diligently and consistently throughout the period, and to the Inspection Committee members for their time and dedication to the practice review process. I also thank the practitioners and firms who were subject to review, for their co-operation.



Chairperson, **Kishore Kooverjee**

Members

Members	Meetings attended
KN Kooverjee (Chairperson)	5 of 6
AR de Valence	6 of 6
IJ de Villiers	5 of 6
EH du Plooy	6 of 6
MI Khan	4 of 6
R Morar	5 of 6
CM Read	5 of 6
M Sindane	3 of 6
BW Smith	4 of 6
TP van der Mescht	6 of 6
H Wadiwala	6 of 6

An investigation is initiated once a complaint is received from an external party, or from within the Independent Regulatory Board for Auditors (IRBA).

Complaints lodged with the IRBA are required to be on an affidavit (as required by the disciplinary rules). 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 an affidavit.

Once a complaint is received, it is confirmed that the respondent is a Registered Auditor and the complaint is then perused by the department's forensic investigator to ascertain if further information is needed from the complainant, or specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director: Legal must decide in terms of S48(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 S48(3) of the Auditing Profession Act.

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Committee for Auditing Standards

Committee for Auditor Ethics

Inspections Committee

Investigating Committee

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Period under review

During the course of the 12 months under review, 120 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 was 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.

Invesco met on six occasions to consider complaints brought forward from the previous year, as well as new complaints.

Investigations concluded

123 investigations were finalised during the period. Of these, 38 were disposed of as follows:

1	did not comply with the requirements for the formulation of a proper complaint
21	were conciliated by the directorate (after opening a case file, but before the matter was tabled before the committee)
2	there was insufficiency of evidence
2	postponed until the finalisation of concurrent litigation
8	complaints were withdrawn
1	discharged under the old dispensation (in terms of the transitional arrangements) in terms of (old) Rule 3.9.3 (the committee being satisfied that there was no reasonable prospect of proving the practitioner guilty of the conduct imputed)
1	discharged under the old dispensation (in terms of the transitional arrangements) in terms of Rule 3.5.1.2 (the respondent having provided a reasonable explanation for the conduct imputed)
2	practitioners were removed from the register as a result of criminal convictions and it was accordingly not necessary to continue with the disciplinary investigation

The balance of 85 matters were referred to the Disciplinary Advisory Committee (DAC) with recommendations.

Appreciation

The case load of the Investigating Committee requires a significant contribution by members of the committee.

I record my appreciation to all the committee members for their commitment and their willingness to contribute many hours of preparation before each meeting.

Finally, I wish to record my sincere gratitude to the IRBA staff in the legal department, without whose able assistance and support the committee would be unable to function effectively.



Chairperson, **Wynand du Plessis**

Members

	Meetings attended
WP du Plessis (Chairperson)	7/7
CR Emslie	7/7
DCM Gihwala	5/7

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Committees of the Board

Executive staff of the Board

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Report of the chief executive officer

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In terms of the Act, the Investigating Committee (Invesco) investigates all complaints and then recommends to the Board whether or not to charge the practitioner.

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

DAC meets three weeks after each Invesco meeting and considers all matters where Invesco has made a recommendation upon finalisation of its investigation. DAC may not act contrary to a recommendation but may refer matters back to Invesco if it does not agree with the recommendation. DAC will therefore either not charge, charge by consent order or refer the case to the Disciplinary Committee for a full hearing in line with

Invesco's recommendations, or refer it back to Invesco for re-consideration.

During the 12 months under review, there was an increase in the number of matters considered by the committee. This is indicative of the growth in awareness regarding the disciplinary processes amongst users of services provided by registered auditors. Furthermore, I believe, it is an indication of trust in the new Act and the ability of the Board to discipline its members effectively.

DAC met seven times during the reporting period. During this period 92 matters were finalised. Of these matters, 50 were not prosecuted, 39 were fined by consent and three were cautioned. In addition, eight matters were referred to the Disciplinary Committee. Some of these have been heard and are reported on in the report of the chairperson of the Disciplinary Committee, and others still await set down.

Matters	Not prosecuted in terms of the old disciplinary rules
5	Rule 3.9.1: Practitioner having given a reasonable explanation for the conduct.
5	Rule 3.9.2: The conduct in question – even if proved – not constituting unprofessional conduct.
5	Rule 3.9.3: There being no reasonable prospect of proving the practitioner guilty of the conduct in question.
Matters	Not prosecuted in terms of the new disciplinary rules
9	Rule 3.5.1.1: The practitioner is not guilty of unprofessional conduct.
16	Rule 3.5.1.2: The practitioner having given a reasonable explanation for the conduct.
3	Rule 3.5.1.3: The conduct of which the practitioner might be guilty being of negligible nature or consequence.
7	Rule 3.5.1.4: There being no reasonable prospect of proving the practitioner guilty of the conduct in question.
Matters	Practitioners found guilty by consent
3	Practitioners cautioned
39	Practitioners fined
Matters	Referred to the Disciplinary Committee
8	Referrals

Appreciation

The disciplinary process is complicated but very effective; the time and effort put into it by the staff of the legal department is invaluable. I record my appreciation to them and to my fellow committee members.



Chairperson, **Willem van der Linde SC**

<i>Members</i>	<i>Number of hearings attended</i>
W van der Linde SC (Chairperson)	3
A Dodson (Vice-chairperson)	3 (2 as chairman)
T Bruinders SC (Vice-chairperson)	0
<i>RA members</i>	
H Griffiths	0
A Jagga	2
S Naidoo	3
C R Qually	2
C F Reid	4
J Rhynes	3
<i>Non-RA members</i>	
AJ de Wet CA(SA)	3
H Goga	4
LJ Lekale	5
ID Patel (<i>ad hoc</i>)	1

At a general level, the disciplinary committee is attempting to attain two objectives. The first is to dispose of matters *ex tempore*, ie on the very day on which the evidence is led and the arguments are put forward. This has the advantage of speedy justice since to delay justice is often to deny it. We have experienced that parties prefer to know as soon as possible what the outcome is of the considerations of the disciplinary committee.

This approach has the added advantage of dealing with the matter while it is still fresh in the minds of the committee members, and additionally involves a cost saving since it is unnecessary to gather again later for the purposes of handing down the finding and dealing with sentence.

This way of dealing with disciplinary hearings does, however, place considerable reliance on the experience and forensic ability of the chairperson of the hearing. *Ex tempore* judgments are not easy to give, particularly since they involve on the spot articulation of the facts and the findings

in regard to those, as well as dealing with the arguments put up and articulating reasons for either rejecting those arguments or accepting them. Fortunately, the committee has, during the period under review, had the benefit of Alan Dodson who is a retired judge of the Land Claims Court, and Timothy Bruinders who is a practising Silk at the Johannesburg Bar. Their contribution has made it possible for the committee to dispose of the hearings without having to reserve judgment.

The second general objective of the Disciplinary Committee is to strive for parity in sentencing. In our view, it is destructive of the faith which the profession reposes in its disciplinary system, if the sentences that come out of the hearings appear to be disparate and irrational. Of course, each case must be decided on its own facts but, by and large, in our view it serves the interests of the profession if practitioners know that certain groupings of conduct deserve certain groupings of sentence.

Matters dealt with by the Disciplinary Committee

During the period under review five hearings were conducted. Four of them were finalised on the day on which they were called. A fifth was part heard, postponed to 7 April 2008, and thereafter again to 17 June 2008.

The first matter was called on 2 April 2007. The defendant, Mr PH Ferreira, was not present and was no longer registered as an auditor and chartered accountant at the time of the hearing. The improper conduct alleged against the defendant concerned him not responding to correspondence, and him facilitating an investment by a member of the public through the vehicle of a company which, it turned out, never existed. After evidence was led the defendant was found guilty of two charges of improper conduct, both under Rule 2.1.21, as well as a third charge of improper conduct under Rule 2.1.14. The committee considered the facts that served as aggravation and those that served as extenuation. What particularly weighed against the committee was the fact that the defendant did not appear to assist the committee in arriving at a just conclusion. The defendant's own cancellation of his registration disabled the committee also from properly performing its task. In the end, the committee imposed a fine of R100 000 and publication of the defendant's name as well as the name of his firm, plus an appropriate summary of this judgment, in IRBA News.

The second matter was disposed of on 7 May 2007. The defendant had pleaded guilty on five charges of improper conduct. The charges concerned the audit of an attorney's trust account and whether the defendant had properly reported shortfalls in it. The committee found that there had been no proven dishonesty, but having regard to the severity of the offences the public ought not to be exposed to a person who carries out audits in this fashion. The committee considered that it would be appropriate that any punishment that it imposes would have to remove the defendant effectively from his practice for a period of time. The committee referred to two judgments in the Supreme

Court of Appeal dealing with attorneys who had been found guilty of misconduct concerning their trust accounts. In both instances, the attorney had been suspended for practice for a particular period, but was not struck from the roll. In the result, the committee suspended the defendant's right to practise for two years, directed that publication of the facts and conclusions of the matter took place in IRBA News, and that the defendant makes a contribution towards the costs of R45 000.

The third matter was disposed of on 2 November 2007. Again the charge was one of unprofessional conduct as envisaged in Rule 2.1.21 of the disciplinary rules. The defendant pleaded guilty. The facts concerned a certificate furnished by the defendant to the Cape Law Society to the effect that he had performed an audit on an attorney's trust account at a time when he was not entitled to perform the attest function. In considering sentence, the committee viewed the misrepresentation to the Law Society in a serious light, but remarked positively on the fact that the defendant had pleaded guilty and was a first offender. On the other hand, the defendant was not prepared to submit himself to cross-examination and had merely put up an affidavit. In the affidavit itself there were four difficulties which the defendant chose not to resolve by submitting himself to cross-examination, even after the difficulties in the affidavit had been illustrated. In the result, the defendant was fined in the amount of R50 000, was directed to contribute to the costs of the proceedings in the amount of R24 000, and it was ordered that particulars about the charge and the sentence be published in IRBA News.

The fourth matter was disposed of on 26 February 2008. There were two charges against the defendant arising from his practice review. The first charge involved improper conduct in the context of the audit of an attorney's trust account, and the second charge concerned an estate agent's trust account report which the defendant had to prepare.

Regarding the first charge, failure to keep adequate audit working papers, the committee evaluated the detail in respect of which it was asserted that no audit evidence was either obtained or kept. However, it came to the conclusion that it had been shown that the defendant did not obtain and keep proper working papers and he was found guilty on the first charge.

The evidence on the second charge focused on the failure to keep adequate audit working papers and the failure to obtain adequate evidence in relation to the preparation of the estate agent's trust account report. It appeared that a significant proportion of the work was done after the issuing of the report, and the documentation that was produced, accordingly, was only produced after the date of the report. The defendant was, in the light of this evidence, found guilty of the second charge.

In the context of sentencing, the committee considered the charges, the public interest as represented by the professional committee of auditors, and the defendant's personal circumstances. It considered that the defendant's view that some of the auditing standards were not relevant, was not correct. Ultimately it imposed a fine of R30 000, of which R15 000 would be suspended for a period of three years; the defendant was called upon to contribute R13 000 towards the costs, and it was directed that publication should in general terms be made in IRBA News.

The fifth matter is still pending.

Appreciation

Finally, as always, the workings of the Disciplinary Committee are entirely dependent upon the usual and proven efficiency of the staff in the legal department. To them we express our gratitude.

Trust

Ethics

Integrity

Knowledge

“Sure I am this day we are masters of our fate, that the task that has been set before us is not above our strengths; that its pangs and toils are not beyond my endurance. As long as we have faith in our own cause and an unconquerable will to win, victory will not be denied us.”

– Winston Churchill



We are pleased to present our report for the financial year ended 31 March 2008.

The Audit and Risk Committee met three times during the year under review as per its approved terms of reference.

<i>Members</i>	<i>Meetings attended</i>
HG Motau (Chairperson appointed 7 June 2007)	4 of 4
N Anderson	3 of 4
T Matshazi (resigned 12 March 2008)	4 of 4
CR Qually (Chairperson until 7 June 2007)	3 of 4

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 3.1.13.

The committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

Internal controls

A risk assessment was performed and the significant risks have been identified and reviewed by Internal Audit. A three-year rolling audit plan was developed, approved and implemented. The control system in place provides reasonable, but not absolute, assurance that the organisation's assets are safeguarded, that transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected in time.

In line with the PFMA and the King II Report on Corporate Governance, 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 management letter of the Auditor-General,

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.

Financial statements

The Audit 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 and reviewed the Auditor-General's management letter and management's responses thereto. The committee concurs with, and accepts the Auditor-General's conclusions on the annual financial statements which are included in the annual report.

Grathel Motau

Chairperson

Governance structures

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, Act No. 26 of 2005 (the Act), the Public Finance Management Act, 1999 (PFMA) and good corporate governance principles. The Board met six times during the year to review the operations and performance of the IRBA and to approve strategies, policies, budgets, major contracts and commitments.

A materiality framework is in place. No instances occurred during the year that needed the required disclosure in terms of the PFMA and Treasury Regulations to the National Treasury of certain defined transactions, losses through criminal conduct, or irregular, fruitless or wasteful expenditure.

The Minister appointed a new Board on 1 April 2007. In terms of the Act, the composition of the Board was changed to comprise 60 percent non auditors and 40 percent auditors. In terms of the transitional arrangements in the Act, the previous Board continued until the new Board was appointed.

Audit and Risk Committee

The objective of the committee is to assist the Board with its 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 the auditors have unrestricted access to the committee members. The committee is also responsible for risk management. The committee ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee met four times during the period to review the matters arising from the 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.

Human Resources and Remuneration Committee

The objective of the committee is to assist the Board with its responsibility regarding the following:

- the annual review of the performance and remuneration of the CEO;
- annually make recommendations on the performance bonus of the CEO and senior staff;

- regularly assess staff benefit plans, including trends, and review changes to personnel policies of the Board;
- monitor trends for remuneration and benefits for senior management and staff;
- review succession plans for senior management; and
- review the overall results of staff performance appraisals.

The Human Resources and Remuneration Committee met three times in respect of the period under review.

Nominations Committee

The Nominations Committee receives nominations for appointments to all IRBA committees. After consideration it makes the appropriate recommendations to the Board.

Internal Audit

Internal Audit performed the activities as per the three year rolling audit plan. The risk assessment was reviewed and updated and new significant risks have been identified and will be reviewed by Internal Audit in the subsequent year. A new three-year rolling audit plan has been developed.

Responsibility

The Board members are responsible for 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 adequately trained and skilled personnel to implement and maintain the accounting records and systems of control.

Strategic plan and budget

Management of the IRBA prepares the business plan, strategic plan and budget of the IRBA for Board consideration and approval. The strategic plan and budget are duly submitted to National Treasury for consideration and approval. Quarterly reports are submitted to National Treasury as per the requirements of the PFMA and Treasury Regulations.

report of the auditor-general to parliament on the financial statements and performance information of the independent regulatory board for auditors for the year ended 31 march 2008

Report on the financial statements

Introduction

I have audited the accompanying financial statements of the Independent Regulatory Board for Auditors which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting authority's report as set out on pages 51 to 72.

Responsibility of the accounting authority for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act).

This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

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
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

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

Basis of accounting

The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the PFMA.

Other matters

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
Audit committee		
• The public entity had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8	X	
Internal audit		
• The public entity had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	X	
Other matters of governance		
• The annual financial statements were submitted for auditing as per section 55 of the PFMA.	X	
• The financial statements submitted for auditing were not subject to any material amendments resulting from the audit.	X	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.	X	

**report of the auditor-general to parliament on the
financial statements and performance information of the
independent regulatory board for auditors
for the year ended 31 march 2008 (continued)**

Other reporting responsibilities

Report on performance information

I have reviewed the performance information as set out on pages 10 to 15.

Responsibility of the accounting authority for the performance information

The accounting authority has additional responsibilities as required by S55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

The assistance rendered by the staff of the Independent Regulatory Board for Auditors during the audit is sincerely appreciated.

Auditor - General

Pretoria

30 July 2008





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The Accounting Authority is responsible for the preparation of the annual financial statements of the Independent Regulatory Board for Auditors (IRBA). The annual financial statements comprise the statement of financial position at 31 March 2008, the statement of financial performance, the statement of changes in net assets, and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. These statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) issued by the Accounting Practices Board, and the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board.

Management's responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with sound business practices.

The Accounting Authority has the ultimate responsibility for this system of internal controls and reviews the effectiveness of its operation primarily through the Audit Committee.

The Accounting Authority made an assessment of the IRBA's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

Approval of financial statements

The annual financial statements of the IRBA set out on pages 53 to 72, were approved by the Accounting Authority on 27 May 2008 and signed on its behalf by:



DCM Gihwala (Chairperson)

Introduction

The Accounting Authority presents its report, which forms part of the annual financial statements of the Independent Regulatory Board for Auditors (IRBA) for the year ended 31 March 2008, to the Minister of Finance, the executive authority in terms of S55(1)(d) of the Public Finance Management Act (Act No. 1 of 1999) as amended (PFMA).

Principal activities of the IRBA

The IRBA is established in terms of S3 of the Auditing Profession Act (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 ethical standards and auditing standards for auditors that promote investment and, as a consequence, employment in South Africa;
- to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- to provide for procedures for disciplinary action in respect of improper conduct.

Analysis of financial statements

Revenue

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

Revenue from exchange transactions

Revenue from exchange transactions primarily comprise annual licence fees, examination fees, practice review fees, registration fees and revenue derived from the administration of training contracts. During the year under review, practice review fees increased from R9 023 972 to R11 323 326 as a result of the increase in the number of engagement reviews and the commencement of firm reviews. Registration fees decreased from R1 269 342 to R769 560 due to the

decrease in the number of auditors registering with the IRBA. Revenue from training contracts increased from R1 176 640 to R5 875 436 because of the change in the IRBA's billing policy for new trainees (ie up front for the three or five year period as opposed to billing trainees over the period of the contract).

Government grants

During the year, the IRBA received government grants amounting to R17 095 000 (2007: R10 881 000). The funding from National Treasury was primarily used to continue with the implementation of the Act.

Expenses

Operating expenses increased from R34 034 293 to R45 387 992. The increase was generally as a result of the implementation of the Act and a consequent increase in operational activity undertaken. Furthermore, the staff complement nearly doubled in size, causing employment cost to increase from R17 926 530 to R24 766 279. The employment costs of management are separately disclosed in note 16.

Examination expenses increased from R1 730 386 to R2 262 057 as a result of the increase in the number of marking centres and consequently the increase in the number of markers.

Assets

A major portion of assets comprise trade receivables and cash. The trade receivables which consists largely of practice review debtors, increased substantially as a result of fees charged for firm reviews in addition to fees charged for individual reviews. R4 649 804 was still outstanding at the year end. A major part of the outstanding balance was collected subsequent to year end. The classification and recoverability of debtors are detailed in note 14.

Liabilities

Trade and other payables consist primarily of trade payables, fees received in advance and accruals, including accrual for leave pay.

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Surplus

The surplus of R3 338 417 (2007: R2 852 882) arose from exchange transactions. This was primarily made up as follows:

Increase

Income from training contracts and levies billed up front according to the IRBA's revised policy as opposed to being billed annually as was previously the case, fewer investigations and disciplinary hearings conducted than anticipated, and rental for new building and relocation costs not incurred as budgeted.

Decrease

Actual accreditation fees billed to recover actual costs were fewer than expected (first accreditation exercise). Also, actual income from performance of practice reviews was lower than budgeted due to initial investment in new staff in the form of training and consequent loss of income during these periods.

Reserves

Reserves include two funds, the disciplinary fund and education fund. The disciplinary fund 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 activities of registered auditors and students.

Business and registered address during the reporting period

Physical address:

Maneo
 7 Ernest Oppenheimer Avenue
 Bruma
 Johannesburg
 2198

Postal address:

IRBA
 PO Box 751595
 Garden View
 2047

Board members

The Board members and alternate members of the IRBA appointed for the term 1 April 2007 to 31 March 2009, are as follows:

Member	Alternate Member
DCM Gihwala (Chairperson)	
LER de Vries (Deputy chairperson)	
WP du Plessis	SP Claassen
CR Emslie	
G Marcus	C Koornhof
JRD Modise	RC Andersen
HG Motau	N Anderson
DD Nagar	T Kentane
SE Sono	SD Msomi
T Zakuza	L de Koker

Ministerial representative

SF Nomvalo

<i>at 31 March 2008</i>	Notes	2008 R	2007 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	5 733 704	5 915 783
Current assets			
Trade receivables	6	4 835 804	2 081 301
Other receivables	7	884 671	426 002
Loans receivable	8	130 567	61 900
Cash	9	5 443 345	4 870 474
Total current assets		11 294 387	7 439 677
Total assets		17 028 091	13 355 460
NET ASSETS AND LIABILITIES			
Net assets			
Reserves		6 670 997	6 348 158
Accumulated surplus		6 158 922	3 143 344
Net assets		12 829 919	9 491 502
LIABILITIES			
Non-current liabilities			
Finance lease obligation	10	392 255	695 227
Current liabilities			
Finance lease obligation	10	302 972	285 677
Trade and other payables	11	3 502 945	2 883 054
Total current liabilities		3 805 917	3 168 731
Total liabilities		4 198 172	3 863 958
Net assets and liabilities		17 028 091	13 355 460

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<i>for the financial year ended 31 March 2008</i>	Notes	2008 R	2007 R
Revenue	2	31 311 904	25 584 332
Government grants		17 095 000	10 881 000
Other income		36 125	10 208
Operating expenditure	3	(45 387 992)	(34 034 293)
Operating surplus		3 055 037	2 441 247
Interest income		394 846	555 263
Finance costs		(111 466)	(143 628)
Surplus for the year		3 338 417	2 852 882

<i>for the year ended 31 March 2008</i>	Education fund R	Disciplinary fund R	Total reserves R	Accumulated surplus R	Net assets R
Balance transferred from	2 355 725	3 485 080	5 840 805	797 815	6 638 620
PAAB 01 April 2006					
Transfer from education fund	(420 147)	—	(420 147)	420 147	—
Transfer to disciplinary fund	—	927 500	927 500	(927 500)	—
Surplus for the year	—	—	—	2 852 882	2 852 882
Balance at 31 March 2007	1 935 578	4 412 580	6 348 158	3 143 344	9 491 502
Transfer to disciplinary fund	—	728 000	728 000	(728 000)	—
Transfer from education fund	(405 161)	—	(405 161)	405 161	—
Surplus for the year	—	—	—	3 338 417	3 338 417
Balance at 31 March 2008	1 530 417	5 140 580	6 670 997	6 158 922	12 829 919

<i>for the year ended 31 March 2008</i>	Notes	2008 R	2007 R
Cash flows from operating activities			
Cash receipts from contributors and other sources		44 917 346	37 961 245
Cash paid to suppliers and employees		(43 823 846)	(39 001 560)
Cash generated from/(used in) operations	12	1 093 500	(1 040 315)
Interest income		394 846	555 263
Net cash generated from/(used in) operating activities		1 488 346	(485 052)
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(518 332)	(1 933 636)
Balances brought forward from PAAB	13	—	7 649 984
Net cash (used in)/generated from investing activities		(518 332)	5 716 348
Cash flows from financing activities			
Finance lease payments		(397 143)	(360 822)
Net increase in cash		572 871	4 870 474
Cash at the beginning of the year		4 870 474	—
Total cash at end of the year	9	5 443 345	4 870 474

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1. Basis of preparation

The annual financial statements are presented in South African rand. They are prepared on the historical cost basis.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flow of the entity in the annual financial statements and are consistent with the prior financial year.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board and the Act with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, replacing the equivalent SA GAAP Statements as follows:

Standard of GRAP	Replaced statement of SA GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and SA GAAP statements do not differ or result in material differences in items presented and disclosed in the annual financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

Terminology differences:

Standard of GRAP	Replaced statement of SA GAAP
Statement of financial position	Balance sheet
Statement of financial performance	Income statement
Statement of changes in net assets	Statements of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

The cash flow statement can only be prepared in accordance with the direct method.

Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
 - (b) taxes and transfers payable; and
 - (c) trade and other payables from non-exchange transactions;
- must be presented separately in the statement of financial position.

The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 to 15 of GRAP 1 has not been implemented as International Public Sector Accounting Standard (IPSAS) 24, *Presentation of Budget Information in Financial Statements*, has been issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) but is not yet effective. Although the inclusion of an explanation of the reasons for material differences between budget and actual amounts would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

1.1 Property, plant and equipment

Property, plant and equipment, excluding land, are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost.

The following rates were used for depreciation of property, plant and equipment on the straight-line basis.

Item	Years
Buildings	30 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Computer equipment	3 years

The IRBA has reviewed the residual values and useful lives used for the purpose of depreciation calculations in light of the amended definition of residual value. The review highlighted a need for an adjustment to the residual values and useful lives of property, plant and equipment during the current period. Residual values and useful lives are reviewed annually.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (ie impairment losses are recognised).

The depreciation charge for each period is recognised in operating surplus or deficit.

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

1.2 Financial assets, investments and liabilities

1.2.1 Initial recognition

The IRBA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised in the IRBA's statement of financial position when the IRBA becomes party to the contractual provisions of the instrument.

1.2.2 Trade receivables

Trade receivables are measured at initial recognition, at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.2.3 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.2.4 Cash

Cash comprises cash on hand and at bank.

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1. Basis of preparation (continued)

1.3 Leases

Finance leases

Finance leases, consistent with the definition set out in the Treasury Regulations, refer to a contract that transfers substantially all the risks and rewards incidental to ownership.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.4 Employee benefits

1.4.1 Defined contribution plans

The Independent Regulatory Board for Auditors Retirement Fund is registered in terms of the Pension Fund Act, 1956 (Act No 24 of 1956), as amended. The fund is a defined contribution plan. The IRBA, therefore, has no commitment, formal or otherwise, to meet unfunded benefits. It is a condition of employment that any person who is permanently appointed in the service of the IRBA will become a member of the fund.

Payments to defined contribution retirement plans are charged as an expense as they accrue.

1.5 Reserves

1.5.1 Disciplinary fund

This is a fund established to protect the operating capacity of the IRBA against the impact of unforeseen exceptional disciplinary costs which may result in the future. Disciplinary fines levied during the year are transferred to the disciplinary fund at the end of each financial year.

1.5.2 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 financial year.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received or receivable. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and that these benefits can be measured reliably.

1.7 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the IRBA will comply with the conditions associated with the grant. The grant is recognised as operating income in the statement of financial performance in the same period in which the IRBA qualifies to receive it and is excluded from revenue from exchange transactions.

1.8 Interest income

Interest income is accrued on a time-proportioned basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.9 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. In accordance with the requirements of the PFMA, the details are included in a note to the financial statements. Any irregular, fruitless and wasteful expenditure is charged against the respective class of expenses in the period in which it occurred.

1.10 Related parties

The IRBA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in context of IAS 24 (AC 126)

– *Related Parties*, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

1.11 Significant judgements, estimates and assumptions

The preparation of annual financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision on future periods if the revision affects both current and future periods.

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for the year ended 31 March 2008		2008 R	2007 R
2. Revenue			
Licence fees	8 455 705	9 327 159	
Disciplinary expense contributions	117 000	249 800	
Disciplinary fines	728 000	927 500	
Examination fees	3 305 175	2 851 478	
Monitoring fees	250 000	200 000	
Practice review fees	11 323 326	9 023 972	
Registration fees	769 560	1 269 342	
Sundry income	43 520	281 632	
Support programme	444 182	276 809	
Training contracts and levies	5 875 436	1 176 640	
	31 311 904	25 584 332	
Classes of revenue stated above constitute revenue from exchange transactions and exclude government grants.			
3. Operating expenditure			
Auditors' remuneration – external audit	415 436	144 411	
Auditors' remuneration – internal audit	388 713	153 551	
Bad debts	65 862	192 707	
Building operating expenses	416 844	511 881	
Committee expenses	2 264 998	2 013 969	
Consulting fees	1 313 312	527 569	
Depreciation	700 411	721 015	
Employment cost – refer to note 16.2	24 766 279	17 926 530	
Examination expenses	2 262 057	1 730 386	
Information technology	835 050	210 082	
Legal expenses – general	266 130	394 128	
Legal expenses – investigations and disciplinary	1 531 501	1 578 032	
Other expenses	2 011 608	1 437 485	
Placement fees	1 240 629	914 308	
Printing and stationery	1 335 128	946 898	
Publications	501 068	396 680	
Public relations and advertising	1 213 542	1 536 875	
Staff welfare and training	627 337	305 847	
Support programme costs	849 343	696 956	
Travel and accommodation – overseas	917 535	669 487	
Travel – local	1 465 209	1 025 496	
	45 387 992	34 034 293	
4. Taxation			
No provision has been made for taxation as the IRBA is exempt from income tax in terms of section 10(1)(cA) of the Income Tax Act, 1962 (Act No 58 of 1962).			

	2008			2007		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
<i>for the year ended 31 March 2008</i>						
5. Property, plant and equipment						
Land	990 000	—	990 000	990 000	—	990 000
Buildings	2 945 375	(146 995)	2 798 380	2 945 375	(146 995)	2 798 380
Furniture and fixtures	321 088	(43 247)	277 841	249 353	(16 173)	233 180
Motor vehicles	204 762	(43 822)	160 940	204 762	(9 997)	194 765
Equipment held under finance lease	1 050 963	(555 412)	495 551	1 050 963	(277 706)	773 257
Computer equipment	1 642 943	(631 951)	1 010 992	1 196 345	(270 144)	926 201
Total	7 155 131	(1 421 427)	5 733 704	6 636 798	(721 015)	5 915 783

Reconciliation of property, plant and equipment – 2008

	Opening balance R	Additions R	Depreciation R	Total R
Land	990 000	—	—	990 000
Buildings	2 798 380	—	—	2 798 380
Furniture and fixtures	233 180	71 735	(27 074)	277 841
Motor vehicles	194 765	—	(33 825)	160 940
Equipment held under finance lease	773 257	—	(277 706)	495 551
Computer equipment	926 201	446 597	(361 806)	1 010 992
	5 915 783	518 332	(700 411)	5 733 704

Reconciliation of property, plant and equipment – 2007

	Amounts transferred R	Additions R	Depreciation R	Total R
Land	990 000	—	—	990 000
Buildings	2 945 376	—	(146 996)	2 798 380
Furniture and fixtures	104 280	145 072	(16 172)	233 180
Motor vehicles	12 000	192 762	(9 997)	194 765
Equipment held under finance lease	—	1 050 963	(277 706)	773 257
Computer equipment	651 506	544 839	(270 144)	926 201
	4 703 162	1 933 636	(721 015)	5 915 783

The land and building are situated at stand 201 Bruma Township. On 31 March 2008, the value was R12 000 000, as determined through the directors' valuation based on reigning property market conditions. Subsequent to the year end the value decreased to approximately R9 000 000.

Equipment held under finance lease is encumbered by the finance leases in terms of which it is leased. Please refer to note 10 in this regard.

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	2008 R	2007 R
<i>for the year ended 31 March 2008</i>		
6. Trade receivables		
Gross trade receivables	5 183 804	2 306 966
Fines, penalties and legal cost recoveries outstanding	534 000	530 526
Practice review	4 649 804	1 776 440
VAT receivable from SARS	—	56 473
Less provision for impairment of doubtful debts	(348 000)	(282 138)
	4 835 804	2 081 301
Credit quality of trade and other receivables		
None of the financial assets that are fully performing has been renegotiated in the current financial year.		
Fair value of trade and other receivables		
The fair value of trade and other receivables (at initial recognition) is equal to the invoice amounts related to these receivables.		
Trade receivables		
The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date (2007: nil).		
Reconciliation of provision for doubtful debt		
Opening balance	(282 138)	—
Additional provision for impairment made	(65 862)	(282 138)
	(348 000)	(282 138)
7. Other receivables		
Prepaid expenses and deposits	219 099	118 676
Sundry	665 572	307 326
	884 671	426 002
8. Loans receivable		
Staff loans	54 967	24 100
Travel advances	75 600	37 800
	130 567	61 900
Loans receivable consist of staff loans and travel advances paid to staff members. The staff loans are not interest bearing. The effect of discounting the staff loans is not material.		
9. Cash		
Cash consists of:		
Cash on hand	4 000	2 000
Cash at bank	5 439 345	4 868 474
	5 443 345	4 870 474
The effective interest rate on deposits in call accounts was 9,25% (2007: 7,25%) per annum for the year and these deposits have an average maturity of 32 days. Furthermore, the carrying amount of these assets approximates their fair values. An amount of R898 466 has been pledged as a guarantee for the lease of the new premises.		

for the year ended 31 March 2008	2008 R	2007 R
10. Finance lease obligation		
Minimum lease payments due		
– not later than one year	373 972	397 143
– later than one year and not later than five years	429 879	803 851
– later than five years	—	—
	803 851	1 200 994
Less: future finance charges	(108 624)	(220 090)
Present value of minimum lease payments	695 227	980 904
Non-current liabilities	392 255	695 227
Current liabilities	302 972	285 677
	695 227	980 904
<p>It is IRBA's policy to lease certain office equipment under finance leases.</p> <p>The average lease term is five years and the average effective borrowing rate is 13,0% (2007: 13,0%).</p> <p>Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The fair value of the IRBA's lease obligations approximates their carrying amount.</p> <p>The IRBA's obligations under finance leases are secured by the lessor's charge over the leased assets. (Refer to note 5.)</p>		
11. Trade and other payables		
Trade payables	616 537	714 822
Fees received in advance	749 720	624 857
VAT payable to SARS	126 100	—
Accrual for leave pay	775 770	486 070
Other accruals	1 234 818	1 057 305
	3 502 945	2 883 054
<p>Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.</p> <p>The average credit period taken is less than 30 days. The IRBA considers that the carrying amount of trade and other payables approximates their fair value.</p> <p>Included in creditors and accruals is an accrual for leave pay. Employees' entitlement to annual leave is recognised when it accrues to the employee. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to the reporting date.</p> <p>Revenue received in advance consists of membership fees.</p> <p>There was no foreign currency exposure at the reporting date. Interest rate risk is detailed in note 14.</p>		

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<i>for the year ended 31 March 2008</i>	2008 R	2007 R
12. Cash generated from/(used in) operations		
Surplus for the year	3 338 417	2 852 882
Adjustments for:		
Depreciation	700 411	721 015
Interest income	(394 846)	(555 263)
Finance costs	111 466	143 628
Changes in working capital:		
Trade and other receivables	(3 281 839)	873 948
Trade and other payables	619 891	(5 076 525)
	1 093 500	(1 040 315)
13. Balances brought forward from PAAB		
Current assets		
Accounts receivable	—	(3 367 220)
Prepayments	—	(75 932)
Non-current assets		
Property, plant and equipment	—	(4 703 162)
Current liabilities		
Accounts payable	—	1 675 842
Fees received in advance	—	7 481 836
Reserve and funds		
Disciplinary reserve	—	3 485 080
Education fund	—	2 355 725
Accumulated funds	—	797 815
Represented by cash	—	7 649 984

14. Risk management

General

In the course of the IRBA's operations it is exposed to credit liquidity and market risk. The IRBA has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit reports quarterly to the Audit and Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Operational risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The IRBA cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the IRBA is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes.

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14. Risk management (continued)

Categories of financial instruments

Financial assets

Trade receivables

4 835 804

2 081 301

Other receivables

884 671

426 002

Loans receivable

130 567

61 900

Cash

5 443 345

4 870 474

Financial liabilities

Finance lease obligation

695 227

980 904

Trade and other payables

3 502 945

2 883 054

Price 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.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year R	Due in 2 to 5 years R
Trade and other receivables – interest bearing	14,50%	4 649 804	—
Trade and other receivables – non-interest bearing	—%	1 549 238	—
Trade and other payables – normal credit terms and non-interest bearing	—%	(3 502 945)	—
Cash	9,25%	5 443 345	—
Finance lease obligations	13,00%	(302 972)	(392 255)

Interest rate risk

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of receivables and bank balances. Nominal interest rate risk can be split into real interest rate risk and inflation risk. Interest rate risk is managed by investing funds in highly liquid call accounts, at reputable financial institutions, earning market-related interest.

Market risk

No significant fluctuations in the market occurred during the year that affected the IRBA.

Credit risk

Financial assets, which potentially subject the IRBA to the risk of non-performance by counter parties consist mainly of cash and accounts receivable.

The IRBA limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by the National Treasury.

Trade receivables consist of registered auditors spread over a wide geographical area. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk with respect to registered auditors paying annual licence fees is limited due to the nature of the income received. The IRBA's concentration of credit risk is limited to the audit profession in which the IRBA operates. No events occurred in the profession during the financial year that may have an impact on accounts receivable that have not yet been adequately provided for.

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<i>for the year ended 31 March 2008</i>		
14. Risk management (continued)		
Ageing of trade receivables at the reporting date was:		
Not past due	2 448 493	1 403 559
60 days	1 011 505	178 075
Gross receivable	1 011 505	178 075
90 Days	1 375 806	499 667
Gross receivable	1 723 806	781 805
Provision for impairment of doubtful debts	(348 000)	(282 138)
Total	4 835 804	2 081 301

Liquidity risk

The IRBA manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

15. Contingencies

In terms of the PFMA, all surplus funds as at the reporting date may be forfeited to National Treasury. Approval has been obtained from National Treasury to retain prior year surplus funds. A request for the retention of surplus funds resulting from operations during the financial year ended 31 March 2008 to National Treasury will be made.

16. Emoluments**16.1 Senior management salaries**

	Salary R	Medical aid R	Pension fund R	Bonus R	Travel R	Total R
2008						
K Hoosain	1 516 967	55 236	—	250 000	48 000	1 870 203
B Agulhas	681 100	11 730	73 970	—	60 000	826 800
R Ally	671 593	4 588	71 819	—	48 000	796 000
J Bailey	701 794	—	113 481	—	24 725	840 000
J O'Connor	620 396	31 845	103 759	—	44 000	800 000
U Naidoo	651 557	26 628	69 815	—	48 000	796 000
	4 843 407	130 027	432 844	250 000	272 725	5 929 003
2007						
K Hoosain	1 314 376	50 124	—	150 000	48 000	1 562 500
B Agulhas	620 916	10 905	68 092	—	60 000	759 913
R Ally	563 789	25 044	65 333	—	64 497	718 663
J Bailey	665 579	—	105 878	—	24 000	795 457
J O'Connor	594 727	29 632	96 072	—	48 000	768 431
U Naidoo	588 252	17 472	63 514	—	48 000	717 238
	4 347 639	133 177	398 889	150 000	292 497	5 322 202

for the year ended 31 March 2008	2008 R	2007 R
16. Emoluments (continued)		
16.2 Employment cost		
Salaries and wages	20 039 478	15 840 660
Medical aid contribution	953 604	419 675
Pension fund contribution	3 357 413	1 453 973
Performance bonus	250 000	150 000
Social contributions: UIF	165 784	62 222
	24 766 279	17 926 530
The CEO's performance bonus was payable in terms of his contract of employment and was awarded after consideration of his performance by the Board. There is currently no performance bonus policy in place for the rest of the senior management and staff.		
Average number of employees	61	56
At 31 March 2008 the number of employees was 71		
17. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure		
To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2008.		
18. Related parties		
Related-party balances		
Amounts included in trade payables regarding related parties		
City of Johannesburg Metropolitan Municipality	8 313	26 098
South African Revenue Services	126 100	—
Telkom	—	6 042
Amounts included in trade receivables regarding related parties		
Auditor-General	554 725	—
South African Revenue Services	—	56 473
Related-party transactions		
The following transactions pertaining to the major related parties to the IRBA are disclosed:		
The following transactions were carried out with related parties:		
Services provided to related parties		
Auditor-General	557 005	644 010

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for the year ended 31 March 2008	2008 R	2007 R
18. Related parties (continued)		
Services provided by related parties		
Auditor-General	415 436	189 657
City of Johannesburg Metropolitan Municipality	165 500	192 815
Government Printing	365 062	4 963
National Treasury	17 095 000	10 881 000
South African Revenue Services	1 833 236	5 303 726
South African Broadcasting Corporation	225	225
Telkom	281 636	85 742
	20 156 095	16 658 128
The following were due to members of the Board for attendance at meetings:		
DCM Gihwala	63 750	—
LER de Vries	37 500	—
TC Barnes	—	8 250
WP du Plessis*	71 400	23 000
CR Emslie*	37 250	—
G Everingham	—	2 750
C Koornhof	—	5 500
G Marcus	12 000	—
JRD Modise	9 500	—
HG Motau	30 500	—
DD Nagar*	36 750	30 000
SE Sono*	20 750	—
T Zakuza	42 250	—
	361 650	69 500

* Fees paid for the attendance of meetings were paid to the employers of these members.

Please refer to note 16 (Emoluments) for details regarding amounts paid to members of key management.

19. Statements and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 32 – *Financial Instruments: Presentation Amendments*

20. 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.

21. Events after the reporting date

The Accounting Authority is not aware of any matter or circumstance, 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.

for the year ended 31 March 2008		2008 R	2007 R
22. Prior period errors			
The prior period error relates to leases of equipment that was classified and accounted for as operating leases. During the current year the accounting for these leases was corrected and, as a result, these leases were accounted for as finance leases in accordance with IAS 17 – <i>Leases</i> . The effect of the restatement is summarised below:			
Statement of financial position			
(Increase)/decrease in finance lease obligation	—	(980 904)	
(Increase)/decrease in deferred lease payments	—	20 289	
Increase/(decrease) in property, plant and equipment cost	—	1 050 963	
(Increase)/decrease in accumulated depreciation	—	(277 706)	
Increase/(decrease) VAT receivable	—	56 473	
(Increase)/decrease in VAT payable	—	26 061	
Total	—	(104 824)	
Statement of financial performance			
Increase/(decrease) in operating lease expense	—	(316 510)	
Increase/(decrease) in finance charges on finance leases	—	143 628	
Increase/(decrease) in depreciation charge	—	277 706	
Total	—	104 824	

23. Change in estimate

Property, plant and equipment

During the current financial year, the residual values and useful lives of property, plant and equipment (excluding land) were reassessed. As a result of this revision the total depreciation charge for the current financial year decreased by R503 941. This net decrease can be attributed to the following:

1. The residual value of the building increased to R12 million at the reporting date with the effect that the building was not depreciated during the current financial year.
2. The residual values of furniture and fixtures were increased by nominal amounts resulting in a nominal decrease in the depreciation charge for these items. Also, the useful lives of furniture and fixtures increased in the current financial year which further attributed to the decrease noted in the depreciation charge on furniture and fixtures.
3. The residual value of motor vehicles decreased from R40 404 to R34 439 during the current year, resulting in an increase in the depreciation on motor vehicles.
4. The residual values of computer equipment were increased by nominal amounts resulting in a nominal decrease in the depreciation charge for these items. Also, the useful lives of computer equipment increased in the current financial year, which further attributed to the decrease noted in the depreciation charge on computer equipment.

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23. Change in estimate (continued)**Property, plant and equipment** (continued)

The net decrease in the depreciation charge for the year can be reconciled as follows:

	Old useful lives and residual values R	New useful lives and residual values R	Adjustment R
Buildings	146 995	—	(146 995)
Furniture and fixtures	71 644	27 074	(44 570)
Motor vehicles	32 548	33 825	1 277
Computer equipment	675 459	361 806	(313 653)
Total	926 646	422 705	(503 941)

