



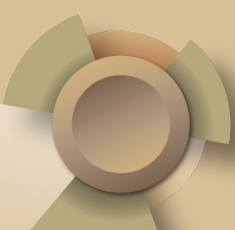
ANNUAL REPORT

**2021**



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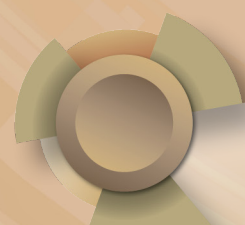
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# PART **A**

## GENERAL INFORMATION

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# PUBLIC ENTITY'S GENERAL INFORMATION

<b>Registered Name</b>	Independent Regulatory Board for Auditors
<b>Physical Address</b>	Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609
<b>Postal Address</b>	PO Box 8237, Greenstone 1616
<b>Telephone Number</b>	087 940 8800
<b>Fax Number</b>	087 940 8873
<b>Email Address</b>	board@irba.co.za
<b>Website Address</b>	<a href="http://www.irba.co.za">www.irba.co.za</a>
<b>External Auditors</b>	Auditor-General of South Africa
<b>Bankers</b>	Standard Bank of South Africa
<b>Board Secretary</b>	Ms Jill Levendal

# LIST OF ABBREVIATIONS

<b>ADP</b>	Audit Development Programme
<b>AGSA</b>	Auditor-General of South Africa
<b>APA</b>	Auditing Profession Act, 2005 (Act No. 26 of 2005), as amended
<b>ARMCO</b>	Audit and Risk Management Committee
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CFAE</b>	Committee for Auditor Ethics
<b>CFAS</b>	Committee for Auditing Standards
<b>CPD</b>	Continuing Professional Development
<b>DAC</b>	Disciplinary Advisory Committee
<b>DISCOM</b>	Disciplinary Committee
<b>EDCOM</b>	Education and Transformation Committee
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>INSCOM</b>	Inspections Committee
<b>INVESCO</b>	Investigating Committee
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>NT</b>	National Treasury
<b>PAO</b>	Professional Accountancy Organisation
<b>PFMA</b>	Public Finance Management Act, 1991 (Act No. 1 of 1991), as amended
<b>PIE</b>	Public Interest Entity
<b>RA</b>	Registered Auditor
<b>RCA</b>	Registered Candidate Auditor
<b>RI</b>	Reportable Irregularity
<b>SAICA</b>	South African Institute of Chartered Accountants



# HIGHLIGHTS

## OF THE YEAR

### 1. GOVERNANCE

- **Five-year Strategy:** A five-year refocused strategy was launched, and it is aimed at responding to changes in the market. Its key focus areas are audit quality; sustainability and relevance of the regulator and the profession; and comprehensive stakeholder engagement, with the view to promote broader reforms.
- **Auditing Profession Amendment Act:** This was enacted by the President to strengthen the IRBA with the necessary powers to deliver more effectively on its mandate to protect the public by strengthening its independence, investigative and disciplinary processes, and removing some of the former limitations of the Auditing Profession Act (APA).
- **International Forum of Independent Audit Regulators (IFIAR):** The IRBA was re-elected to serve for another four-year term on the board of IFIAR, which is made up of audit regulators from 54 countries. The IRBA was also re-elected to chair the Audit and Finance Committee of IFIAR for another two years, in addition to participating on a number of working groups.
- **Disciplinary Cases:** A new Disciplinary Committee strategy was adopted and it aims to actively address the growing caseload, while reducing the backlog.

### 2. AUDIT QUALITY

- **Mandatory Audit Firm Rotation (MAFR):** With two years remaining until the effective date of MAFR (1 April 2023), about 43% of the Johannesburg Stock Exchange (JSE) Ltd main board listed companies have already voluntarily rotated auditors, and 40% of them cited MAFR as the reason for appointing new auditors.
- **Quality Management Standards:** The IRBA published a suite of new Quality Management Standards for firms and audits, namely, the International Standard on Quality Management (ISQM) 1 and ISQM 2, and the Standard on Quality Management for an Audit of Financial Statements (ISA 220 (Revised)).

- **Audit Quality Indicators (AQIs):** We launched our second feedback report on AQIs, putting critical actionable information in the hands of those charged with governance, firms, the regulator and other stakeholders.
- **7<sup>th</sup> Inspections Cycle:** The IRBA has concluded its 7<sup>th</sup> inspections three-year cycle, which has had recurring deficiency themes being reported to a majority of firms and individual engagement partners inspected, despite following a formal remedial action process with them. The IRBA also introduced further enhancements for its new 8<sup>th</sup> Inspections Cycle; and the focus will remain on audit firm leadership and their responsibility towards audit quality, including closely monitoring firms' remedial action plans.
- **Joint Audit Guide:** A new Joint Audit Guide has been issued. The Guide is aimed at auditors that are involved in joint audit arrangements, those charged with governance and management of those audited entities. It may also be helpful to those parties that are considering joint audit arrangements.

### 3. EDUCATION AND TRANSFORMATION

- **Accreditation Committee:** This committee was established as an ad-hoc subcommittee of the Education and Transformation Committee to evaluate the Association of Chartered Certified Accountants' application for accreditation.

### 4. RESPONSE TO COVID-19

- **Work-from-home Protocol:** This protocol was adopted from March 2020, followed by strict guidelines for working at the office since the easing of lockdown restrictions. Enhancements in technology have enabled the IRBA functions to be successfully executed during lockdown.
- **COVID-19 Task Force:** A report of the multi-stakeholder task force, led by the IRBA, was issued and is available on the website. The task force recently re-grouped to strengthen its efforts to address the impact of the pandemic.

# SIGNIFICANT FEATURES SUMMARY

The information below reflects performance over a four-year period.

Registered Auditors		2021	2020	2019	2018
Registered auditors at year-end		<b>3 630</b>	3 914	4 076	4 152
New registrations at year-end		<b>98</b>	122	144	141
Audit Development Programme (ADP)		2021	2020	2019	2018
Registered candidate auditors at year-end		<b>464</b>	443	425	291
New ADP registrations at year-end		<b>82</b>	80	170	134
Registered candidate auditors who successfully completed the ADP		<b>73</b>	33	31	9
Number of firms monitored during the period		<b>44</b>	42	44	45
Training Contracts		2021	2020	2019	2018
Trainee accountants registered at year-end		<b>3 364</b>	4 655	2 481	3 840
Reportable Irregularities (RIs)		2021	2020	2019	2018
Total RIs received (first reports)		<b>938</b>	897	818	981
Second reports – continuing		<b>547</b>	559	483	596
Second reports – not continuing		<b>361</b>	281	351	330
Second reports – did not exist		<b>27</b>	29	13	55
Second reports – overdue		<b>3</b>	1	1	–
Enforcement Matters		2021	2020	2019	2018
Investigations initiated		<b>76</b>	82	139	122
Investigations in progress		<b>237</b>	227	221	152
Investigations finalised		<b>62</b>	56	65	66
Disciplinary Committee hearings		<b>6</b>	6	3	3
Inspections Performed		2021	2020	2019	2018
Firms		<b>7</b>	6	9	12
Engagements		<b>118</b>	130	103	176
Financial Indicators (R'000)		2021	2020	2019	2018
Government Grant		<b>44 187</b>	43 163	40 874	28 987
Transferred from/(to) reserves		<b>(7 328)</b>	(7 107)	(1 507)	(915)
Surplus after movement in reserves		<b>35 282</b>	-	1 043	14 537



# FOREWORD

BY THE MINISTER OF FINANCE



**ENOCH GODONGWANA**  
Minister of Finance

It has been an eventful year for our country and the world, at large, as we all had to deal with the economic and human impact of the global COVID-19 pandemic. Despite the challenges our country faces, it is encouraging that work is continuing to accelerate the vaccination programme, to save lives and restore livelihoods. Work is also continuing to place the economy on a path to reconstruction and recovery.

Like the country, the auditing profession and the Independent Regulatory Board for Auditors (IRBA), as its regulator, have had to deal with crises of their own beset by leadership and reputational challenges. Notwithstanding these challenges, I would like to commend the IRBA team, particularly its management and staff, for showing resilience throughout this period. Their commitment and professionalism give us hope that the plight of the auditing profession and the reputation it once enjoyed remain a top priority.

During the year under review, the former Minister of Finance moved swiftly to appoint a Caretaker Board that consisted of Nonkululeko Gobodo and Roy Andersen, to stabilise and oversee the governance mandate of the IRBA, following the disbandment of the Board. I am pleased that under their leadership a robust process was followed to nominate 10 new Board members, and by closely working with the management team, a refreshed five-year strategy was drawn up, and a number of operational backlogs were addressed.

Furthermore, the regulator and National Treasury worked together to ensure that the powers of the IRBA were strengthened through the Auditing Profession Amendment Act, which was assented to by the President. The amendments to this Act have been a long time coming and will make a significant difference in strengthening the IRBA's enforcement process and independence.

We are encouraged by the many companies that continue to adopt the Mandatory Audit Firm Rotation rule before its implementation date in 2023, as evidenced by the rotations undertaken by companies on the JSE's main board. It is important that as a country we start engaging on the necessary audit reforms that will help us restore confidence in the profession and the regulator, and to hold other role-players in the financial value chain accountable.

In this past year, the IRBA was able to successfully achieve the majority of its performance objectives, despite its constrained resources and leadership challenges. I would like to take this opportunity to thank the Caretaker Board and the Acting CEO for their leadership and commitment during this period.

For the incoming Board members, the repercussions of the recent business and audit failures still present major challenges. As such, the new Board's immediate task will be to initiate a process to appoint a new CEO and work with management to implement the refocused five-year strategy. I wish them well in their roles as they strive to restore the credibility of both the regulator and the auditing profession.

A new era of hope beckons for our country, but only by learning from past mistakes and carving out a new path will we achieve great gains for our country and the profession. Rebuilding and restoring confidence in the auditing profession will take great courage and commitment from all stakeholders.



**Enoch Godongwana**  
Minister of Finance



# FOREWORD

## BY THE CARETAKER BOARD

We are pleased to present our report as the IRBA's Caretaker Board, following our appointment by the former Minister of Finance to provide governance oversight of the IRBA until the appointment of a new Board.

Since our appointment, we have maintained that it is important to the country that the public and investors have faith in the IRBA's capability to adequately hold errant auditors to account. In the three months at the helm, we remained committed to steering the IRBA carefully through the transition period and we made a number of strides in this regard.

Our first task was to appoint an Acting CEO to give confidence to the market and allow the IRBA to, without delay, move forward positively and focus on rebuilding its reputation and maintain its status as one of the world's foremost audit regulators.

This was followed by a process to call for nominations to the Board and this commenced shortly after our appointment. The selection process of potential Board members was enhanced with the addition of an interview process for prospective candidates, to ensure the necessary independence and expertise, as well as the appropriate mix and diversity of skills.

We, at the same time, embarked on a strategy refresh with management, to align our plans with the new realities and expectations necessitated by not only the impact of COVID-19

**ROY ANDERSEN****NONKULULEKO GOBODO**

but also the negative public perception. The refocused strategy includes three strategic focus areas: sustainability and relevance; audit quality; and comprehensive stakeholder engagement to drive broader reforms. It envisages a review of the broader financial and governance ecosystem, including the audit sector, our processes, people, platforms and our stakeholder engagement model. Out of this process, an enhanced IRBA and a future-fit profession should emerge.

Our engagements with the IRBA executive and staff have revealed a team of individuals who are highly competent, experienced and dedicated to serving the public interest, and are working hard to restore confidence in the regulator and the profession in terms of the refocused strategy.

We are grateful to the Minister for having been given the opportunity to play a meaningful role in helping to restore the status of the regulator and the profession to its former glory. There is still a lot of work to be done, but we believe that we have laid a solid foundation for the incoming Board members and the executive team to advance the mandate of the IRBA and, in turn, protect the interests of the public.

We would like to thank the IRBA team for the secretariat role it played, and the support shown to the Caretakers during this period.

**Roy Andersen** and **Nonkululeko Gobodo**



# OVERVIEW

BY THE ACTING **CHIEF EXECUTIVE OFFICER**



**IMRE NAGY**

Acting Chief Executive Officer

I am pleased to present the IRBA's 15<sup>th</sup> Annual Report, in a challenging year for the regulator.

While the world faced a devastating COVID-19 pandemic that has changed the way we live and do business, as the IRBA we also went through our own internal changes and challenges during the year under review. By early 2021 this culminated in the IRBA going through significant leadership changes, with the former Minister of Finance appointing a Caretaker Board and an Acting CEO, following the resignation of a number of Board members and the CEO.

However, despite these challenges, I am pleased to note that the IRBA management and staff showed tremendous resilience during this turbulent year and a commitment to execute the IRBA mandate.

The appointment of the Caretaker Board, which comprised Mrs Nonkululeko Gobodo and Mr Roy Andersen, resulted in decisive action on a number of issues, including resolving the delays that had accumulated at the Board subcommittee and statutory committee levels. In the first few weeks of their mandate, both Roy and Nonkululeko availed themselves to every request for assistance, and we are grateful to them for this.

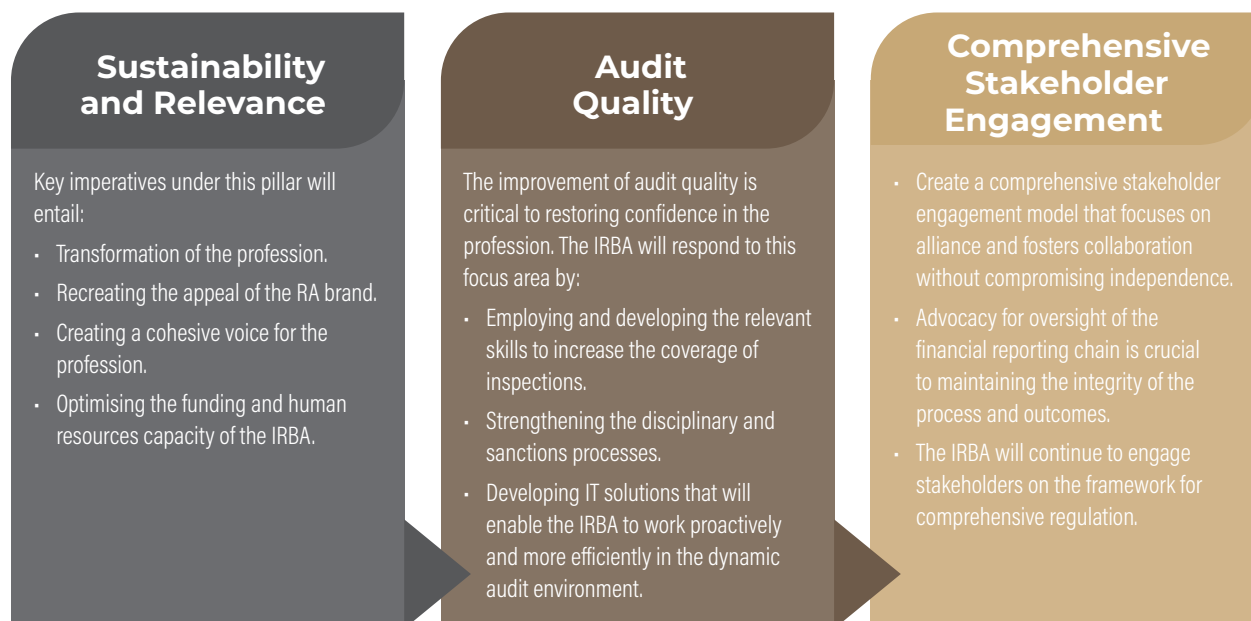
As a regulator with the public interest at heart, we have now turned our attention to the refocused five-year strategy, which was approved by the Caretaker Board and adopted by Parliament in March 2021.

## **REFOCUSED FIVE-YEAR STRATEGY**

The refocused strategy takes into account COVID-19 and identifies our focus areas, as depicted in the graphic below, for the next five years. The IRBA has committed to enhance audit quality and address gaps in the auditing profession and the broader financial reporting and governance ecosystem, with a specific focus on areas that affect audit quality.



Until there are improvements in audit quality and significant steps are taken to transform and innovate the financial reporting and governance environment, both the auditing profession and the audit regulator cannot rebuild trust in financial reporting and regain the confidence of the financial markets.



## AUDITING PROFESSION AMENDMENT ACT

We are pleased that the President signed into law the Auditing Profession Amendment Act. This legislation gives the IRBA the necessary powers to deliver more effectively on its mandate and also removes some of the limitations that have had an effect on enforcement actions.

The Act was amended following a three-year parliamentary process that began with the proposed amendments being included as part of the Financial Matters Amendment Bill. Ultimately, these amendments were re-introduced in Parliament through the Auditing Profession Amendment Bill in February 2020. We are truly grateful for the overwhelming support from the Minister of Finance, National Treasury, Parliament and the Honourable President, and for fast-tracking the promulgation of the amended Act.


In addition to strengthening the IRBA's independence, as well as the investigating and disciplinary processes, the amended Act also provides for:

- The power to enter and search premises for the purpose of seizing information relevant to an investigation;
- The power to subpoena persons with information that is required for an investigation;
- The power to refer non-audit complaints for investigation to accredited professional bodies; and
- Stricter monetary sanctions in relation to both investigation and disciplinary outcomes.

These amendments come at a critical time as we are working hard to restore confidence in the IRBA and the profession, and they will help bolster our role as the regulator. The amendments will also go a long way in rebuilding public trust.

## IMPACT OF COVID-19

In light of the pandemic and the restrictions arising from the lockdown, the IRBA brought all role-players in the financial reporting ecosystem together to collaborate and proactively identify challenges as well as debate solutions, guidance and appropriate measures through robust and transparent discussions. This was done through the formation of the COVID-19 Task Force that consisted of representatives from: the IRBA; the South African Reserve Bank's Prudential Authority; the JSE; the Companies and Intellectual Property Commission; the South African Institute of



Chartered Accountants; audit and assurance leaders of the firms; the King Committee; the IFRS Foundation; the Institute of Directors South Africa; the Audit Committee Forum; and the Chief Financial Officers Forum.

The Task Force identified and prioritised 32 issues affecting the various role-players in the financial reporting and regulatory ecosystem. This resulted in the creation of the following three work streams to address these various issues:

- Accounting work stream – responsible for the drafting of non-authoritative guidance to assist preparers of financial statements in their application of International Financial Reporting Standards, in light of the pandemic; and to address any regulatory issues and concerns that are relevant to preparers of financial statements.
- Auditing work stream – drafting of guidance to assist auditors in their application of International Standards on Auditing, in light of the pandemic; and to address any regulatory issues and concerns that are relevant to auditors.
- Governance work stream – to provide guidance and assistance to those charged with governance of an entity, such as the Boards of Directors and audit committees, on how to effectively exercise their oversight responsibilities, in light of the pandemic.

The Task Force was able to successfully respond to all 32 priority issues, resulting in the issuing of 15 accounting guidance documents, seven regulatory pronouncements, two governance guidance documents and five auditing guidance documents.

## AUDIT REFORMS

We acknowledge the need to focus, first and foremost, on identifying and addressing current challenges in the auditing profession. Therefore, we have taken stock of our restoring confidence projects as well as what we have achieved since early 2018 and what still needs to be done. Some significant projects that are well advanced are MAFR, Audit Quality Indicators and the recently promulgated Auditing Profession Amendment Act.

As already indicated, about 43% (2019: 21%) of the listed companies have already rotated auditors, since we started tracking audit firm rotations in January 2017.

We also launched our second AQI Report, which continues to break ground by placing the IRBA at the forefront of driving initiatives that are aimed at promoting improved audit quality and accountability. In addition, we published a suite of new Quality Management Standards for firms and audits, to strengthen and modernise the audit firms' approach to quality management.

## INTERNATIONAL PARTICIPATION

The IRBA continues to participate and influence standards and regulation through participation on various international auditing, ethics and standards boards.

In line with this, the IRBA was re-elected to serve for another four-year term on the board of the International Forum of Independent Audit Regulators. Not only does our involvement allow us to influence independent audit regulation at an international level, it also enables us to benchmark our regulatory activities against international counterparts.

The Director Standards is still serving as a public member of the International Auditing and Assurance Standards Board and served as the chairman of its ISQM 2 Task Force that developed the new Standard. Also, the Senior Professional Manager Standards was appointed as a public board member of the International Ethics Standards Board for Accountants.

## HUMAN RESOURCES, FINANCIAL MATTERS AND PERFORMANCE INFORMATION

In March 2020, we adopted a work-from-home policy. The policy has proven to be successful as staff have continued to work productively and adapted well to the new working practices.

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

We are pleased with the sound financial position and performance of the organisation, despite experiencing multiple challenges during the year.

## APPRECIATION

As we embark on a new financial year, with a refocused strategy, we have launched a robust Restoring Confidence 2.0 initiative, to rebuild trust in both the regulator and the profession, among other objectives.

I would like to thank the Caretaker Board for its guidance as well as management and staff for their resilience and commitment throughout this period. The Minister appointed a new Board on 14 June 2021. The IRBA looks forward to its leadership and guidance to move the profession and the regulator forward.

**Imre Nagy**

Acting Chief Executive Officer



# STATEMENT OF RESPONSIBILITY

## AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully,



**Imre Nagy** Acting Chief Executive Officer  
29 July 2021



**Fulvio Tonelli** Chairman of the Board  
29 July 2021

# STRATEGIC OVERVIEW

## THE IRBA STRATEGIC FOCUS

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

## THE IRBA VISION

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

## THE IRBA MISSION

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

## THE IRBA OBJECTIVES

In line with our legislative mandate, the IRBA's objectives are to:

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

## THE IRBA GOAL

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

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

## REGULATORY PHILOSOPHY

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

## VALUE PROPOSITION

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

## THE IRBA VALUES

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

### Independence, Integrity and Objectivity

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

### Commitment

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

## TRANSPARENCY AND ACCOUNTABILITY

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

## LEGISLATIVE MANDATE

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

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



# ORGANISATIONAL STRUCTURE

The organisation operates through an Executive, with a staff complement of 82 employees. The Executive reports to a Board that is appointed by the Minister of Finance.

## THE EXECUTIVE TEAM



**IMRE NAGY**  
Acting CEO



**IMRAN VANKER**  
Director: Standards



**JILLIAN BAILEY**  
Director: Investigations



**NADINE KATER**  
Director: Education  
and Transformation



**NITASHA NAICKER**  
Director: Operations



**REBECCA MOTSEPE**  
Director: Legal



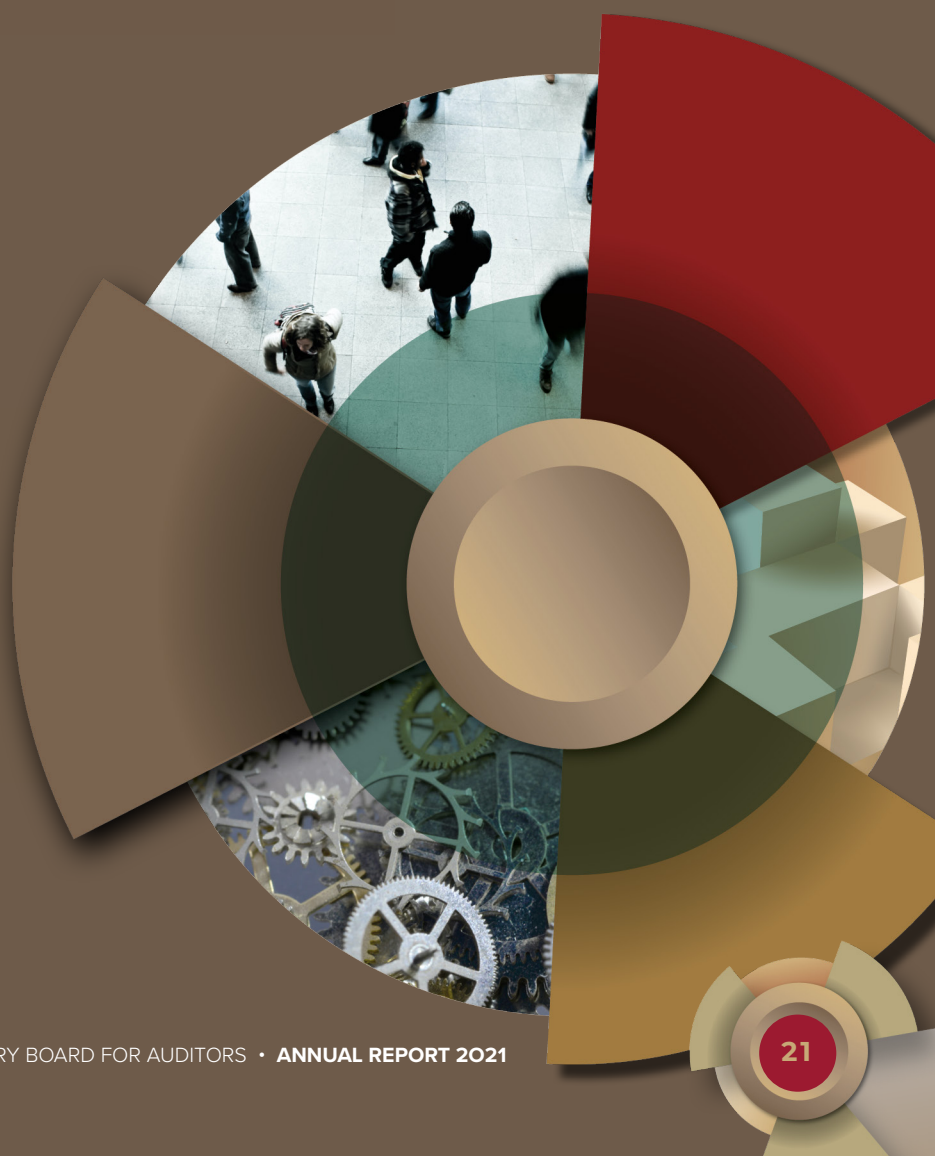
**NTLAMBI GULWA**  
Acting Director: Inspections

# PART **B**

## PERFORMANCE AGAINST MEASURABLE OBJECTIVES

Strategic Focus Areas  
2020/2021

22



## STRATEGIC FOCUS AREAS 2020/2021

### 1. PROGRAMME 1

#### STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS

STRATEGIC OBJECTIVE	TO DEVELOP AND MAINTAIN AUDITING AND ETHICAL STANDARDS WHICH ARE INTERNATIONALLY COMPARABLE				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Standards and Guidance issued.	Issued auditing pronouncements, auditor reports and comment letters.	High-quality audits.	Target dates met for issuing audit pronouncements, audit reports and comment letters.	85% of target dates met	100% of target dates achieved. Target: 10 Actual: 10 Achieved: Yes
To adopt and/or develop and issue additional guidance on ethical issues, based on the IRBA Code.	Issued additional guidance on ethical issues, comment letters and Code amendments.	To provide auditors with a Code that is consistent with International Codes and one that enables the IRBA to take disciplinary action, where necessary.	Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments.	85% of target dates met	100% of target dates achieved. Target: 6 Actual: 6 Achieved: Yes



## STRATEGIC FOCUS AREA 2: EDUCATION

STRATEGIC OBJECTIVE	TO PROVIDE AN APPROPRIATE FRAMEWORK FOR THE EDUCATION AND TRAINING OF PROPERLY QUALIFIED AUDITORS AND TO ESTABLISH PROCESSES SO THAT ONLY COMPETENT CANDIDATES ENTER THE AUDIT PROFESSION				
	Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets
					2020/2021 Status for the year ended 31 March 2021
To monitor the environment in which the Audit Development Programme is offered.	Monitoring reports.	To ensure that the environment is conducive to the development of audit competence.	The number of monitoring visits completed.	40 visits	Target: 40 Actual: 44 Achieved: Yes  <i>Explanation for the deviation:</i> The actual is above target. Due to working remotely, a prudent approach was taken to plan additional monitoring visits in the event of cancellations from firms. Furthermore, the remote monitoring process proved to be effective and efficient, thus resulting in more firms being inspected than initially planned.
To monitor the programmes and institutional requirements of accredited professional bodies.	Monitoring reports.	To ensure compliance with the Accreditation Model.	The number of final monitoring reports to be submitted to the accredited professional body within 10 working days after the Education and Transformation Committee's (EDCOM) third quarterly meeting.	1 report submitted within the target date	Target: Final Monitoring Reports (FMRs) submitted within 10 working days of EDCOM's Q3 meeting, which was on 19 November 2020, while the target date was 3 December 2020.  Actual: FMRs were submitted to the South African Institute of Chartered Accountants (SAICA) on 3 December 2020.  Achieved: Yes
To contribute to the transformation of the profession.	IRBA transformation initiatives.	Increased awareness of the RA profession among Black trainees.	The number of IRBA transformation initiatives held.	6 initiatives	Target: 6 Actual: 17 Achieved: Yes  <i>Explanation for the deviation:</i> Synergies created with the ADP Reloaded projects and greater engagement with transformation stakeholders presented opportunities for additional initiatives.
To monitor the Continuing Professional Development (CPD) compliance of RAs.	Monitoring reports.	To ensure that RAs are complying with the CPD Policy.	Analysis of the CPD monitoring results.	2 reports	Target: 2 Actual: 2 Achieved: Yes

### STRATEGIC FOCUS AREA 3: INSPECTIONS

STRATEGIC OBJECTIVE	TO MONITOR REGISTERED AUDITORS' COMPLIANCE WITH PROFESSIONAL STANDARDS				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Risk-based inspections performed.	Inspection reports.	Compliance of firms (including their individually registered auditors) with the auditing and ethics standards.	The number of planned inspections completed.	128 Inspections	<p>Target: 128 Inspections</p> <p>Actual: 125 Inspections performed</p> <p>Achieved: No</p> <p><i>Explanation for the deviation: The target was based on a pre-COVID-19 scenario. The national lockdown adversely affected the Inspections Department's capacity and timeframes during the first two quarters. It similarly had an adverse impact on the firms' ability to access and submit information, causing delays and rescheduling of a number of planned inspections.</i></p>

### STRATEGIC FOCUS AREA 4: INVESTIGATIONS

STRATEGIC OBJECTIVE	TO INVESTIGATE AND TAKE APPROPRIATE ACTION AGAINST REGISTERED AUDITORS IN RESPECT OF IMPROPER CONDUCT				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Completed investigations.	Closed matters.	Relevant findings and appropriate charges for improper conduct.	The number of investigations completed.	<p>91 completed investigations</p> <p>30 high-profile/public interest entity investigations and 61 other investigations</p>	<p>Target as per plan: 91</p> <p>Actual as per plan: 34 (9 high-profile/public interest matters and 25 other matters)</p> <p>Actual but not in plan: 28 (16 high-profile/public interest matters and 12 other matters)</p> <p>Achieved: No</p> <p><i>Explanation for the deviation: With respect to the plan, 34 matters were completed, 17 were not proceeded with, and 18 matters planned have been tabled before the Investigating Committee and will be completed in the next financial year. The remaining 22 planned matters were not addressed in this financial year due to insufficient available resources.</i></p> <p><i>Furthermore, 28 matters that were not in the plan were also completed in this financial year. Of these, 12 matters were from the previous financial year and were completed in the current year, and there were 16 additional matters allocated and completed in the current year due to a change in resource allocation.</i></p>

**STRATEGIC FOCUS AREA 5: DISCIPLINARY**

STRATEGIC OBJECTIVE	TO TAKE APPROPRIATE ACTION AGAINST REGISTERED AUDITORS IN RESPECT OF IMPROPER CONDUCT				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Disciplinary strategy and implementation plan.	A disciplinary strategy and an implementation plan developed and adopted.	Disciplinary processes designed to be more effective and efficient.	Approved disciplinary strategy and implementation plan.	Develop and adopt a disciplinary strategy and an implementation plan.	Target: Development and adoption of a disciplinary strategy and an implementation plan. Actual: A disciplinary strategy and an implementation plan developed. Achieved: Yes

**STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS**

STRATEGIC OBJECTIVE	STRENGTHENING THE IRBA'S ORGANISATIONAL CAPABILITY, CAPACITY AND PERFORMANCE TO DELIVER ON ITS MANDATE IN AN ECONOMICALLY, EFFICIENT AND EFFECTIVE MANNER, IN ACCORDANCE WITH THE RELEVANT REGULATORY FRAMEWORKS				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Reports from internal and external audits.	Systems, policies and processes that ensure compliance, accountability and sound management of the revenue, expenditure, assets and liabilities.	Financial sustainability to deliver on the mandate.	A clean audit report regarding financials, compliance and performance information.	Clean audit report	Target: Clean audit report Actual: Clean audit report Achieved: Yes
Promote transformation through targeted procurement policies.	Implementation of the preferential procurement policy framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of SMME payments effected within 30 days.	97%	Target: 97% Actual: 97% Achieved: Yes
Promote transformation through targeted procurement policies.	Implementation of the preferential procurement policy framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of contracts awarded to SMMEs and small businesses.	12%	Target: 12% Actual: 27% Achieved: Yes <i>Explanation for the deviation: During the year, Supply Chain Management implemented additional internal efficiencies to source goods and services from SMME service providers.</i>

## STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS

STRATEGIC OBJECTIVE	STRENGTHENING THE IRBA'S ORGANISATIONAL CAPABILITY, CAPACITY AND PERFORMANCE TO DELIVER ON ITS MANDATE IN AN ECONOMICALLY, EFFICIENT AND EFFECTIVE MANNER, IN ACCORDANCE WITH THE RELEVANT REGULATORY FRAMEWORKS				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2020/2021	Status for the year ended 31 March 2021
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation of management control achieved according to the relevant B-BBEE codes.	Achievement of the management control score calculated according to the B-BBEE scorecard. The maximum score attainable is 20.	16	Target: 16 Actual: 17 Achieved: Yes
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation of staff achieved according to the approved Employment Equity (EE) Plan.	Achievement of the employment equity target, according to the approved Employment Equity Plan.	73% Black 26% White 1% Other	Target: 73% Black 26% White 1% Other  Actual: 76% Black 22% White 2% Other  Achieved: Yes, as the higher actual is in line with the EE Plan that recommends having more Blacks.  Yes, if considering that the EE Plan stipulates that there should be less Whites.  No, as the actual is higher than what is the desired target, as further explained below.  <i>Explanation for the deviation: It has been challenging to identify suitable candidates for certain positions. Consequently, non-South African candidates were appointed after an exhaustive process was followed.</i>

The Auditor-General's report on page 64 indicates the procedures performed to determine whether the reported performance information was presented properly and performance was consistent with the approved performance planning documents.

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





## SITUATIONAL ANALYSIS

### Organisational environment

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

### Key policy developments and legislative changes

Over the past four years, the profession has been besieged by high-profile corporate collapses and state capture revelations that have implicated auditors and highlighted audit failure in some instances. As negative sentiment has increased, the IRBA recognised that it was necessary to improve its enforcement processes to ensure its effectiveness.

The IRBA approached National Treasury in 2017 with proposed amendments to the APA that would enable the regulator to address public concerns on the state of the profession and assist it in carrying out its mandate in a more effective and efficient way.

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

Given the IRBA's focus on public protection, and the fact that some of the investigations and matters referred to it are issues that do not relate to audits, the amendment to allow the IRBA to refer non-audit matters to accredited professional bodies will ensure that it can focus on audit matters. This will improve the utilisation of limited resources for audit matters.

# PART **C**

## **GOVERNANCE**

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# PART C: GOVERNANCE

## THE BOARD

In accordance with the provisions of the Auditing Profession Act 26 of 2005 (the Act), the Public Finance Management Act of 1999 (PFMA) and good corporate governance principles, the Board is the designated accounting authority that governs the IRBA.

In line with its policy to adhere to best practice, the IRBA considers and monitors relevant codes on governance and any further available guidance that will enhance current practices.

### COMPOSITION OF THE BOARD

Board members are all non-executive members appointed by the Minister of Finance. In terms of the Act, the Minister must appoint not less than six but not more than 10 persons as members of the Board.

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

During the year under review, the Board, whose term was extended by the Minister in 2019 for 12 months in accordance with Section 12(3) of the Act, wrapped up its activities on 9 May 2020.

The Minister then appointed eight Board members, with their term being effective from 24 June 2020 to 23 June 2022; and two other members who were registered auditors, with effect from 1 October 2020 to 30 September 2022. On 26 January 2021, after careful consideration and taking into account the resignation of a number of Board members and challenges in the functioning of the Board, the Minister dissolved the Board of Directors, in accordance with Section 12(5) of the Act.

Subsequently, and in accordance with Section 12(6)(a), the Minister appointed a Caretaker Board for the three-month period from 28 January 2021 to 27 April 2021.



## BOARD MEETINGS

The Board met 11 times during the year under review. Attendance at the Board (inclusive of special Board meetings) and subcommittee meetings for 2020/2021 is set out below.

Board Member	Board	Operations Committee (OPSCOM)	Audit and Risk Management Committee (ARMCO)	Disciplinary Advisory Committee (DAC)
<b>Total Number of Meetings</b>	<b>11</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>10 May 2019-9 May 2020</b>				
A Dlamini (Chairman)	3	N/A	N/A	N/A
N Mashile	-	N/A	N/A	N/A
Zuziwe Ntsalaze	3	N/A	1	N/A
<b>24 June 2020-26 January 2021</b>				
M Janse van Rensburg (Deputy Chairman – till 9 May 2020) Chairman – as from 24 June 2020 <sup>a, aa</sup>	9	N/A	1	N/A
N Gumata (Deputy Chairman)	8	N/A	3	N/A
M Motala <sup>a,b</sup>	8	3	N/A	N/A
M Petros	11	3	3	N/A
J Boggenpoel	8	N/A	N/A	4
T Semane	7	N/A	N/A	4
N Padia	8	3	N/A	N/A
P Speckmann <sup>c</sup>	2	N/A	N/A	N/A
C Barrett <sup>d</sup>	5	N/A	2	4
Z Vally <sup>d,e</sup>	2	N/A	1	N/A
<b>Caretaker Board – 28 January 2021-27 April 2021</b>				
N Gobodo	3	N/A	N/A	1
R Andersen	3	N/A	N/A	1

a Ms Janse van Rensburg, Mr Motala and Mr Madoda were re-appointed on 24 June 2020.

aa Ms Janse van Rensburg resigned with effect from 21 January 2021.

b Mr Motala resigned with effect from 26 January 2021.

c Mr Speckmann resigned with effect from 30 July 2020.

d Mr Barrett and Mr Vally were appointed as of 1 October 2020.

e Mr Vally resigned with effect from 23 November 2020.

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

Name	Qualifications	Designation	Date appointed	Position/Directorships
<b>Mr Zolile Abel Dlamini (Chairman)</b>	B Com (Acc) B Compt (Hons)	CA (SA)	15 April 2015	Executive Chairman at SekelaXabiso; SekelaXabiso CA Incorporated; SekelaXabiso Financial Services; Cross Border Life Cover; Alpha Conference Centre; SKX Foundation; Pazocap; Julosol; Sportsfam International
<b>Ms Nkabaneng Tebogo Mashile</b>	B Acc Sci M Com	CA (SA)	10 May 2017	Senior Lecturer at Wits University; Phenyo Entertainment Unlimited (Pty) Ltd; Phepo Holdings (Pty) Ltd; Potego Properties (Pty) Ltd
<b>Ms Zuziwe Ntsalaze</b>	B Com Acc Honours MBA (cum laude)	CA (SA)	10 May 2017	Operational Risk Manager at Investec; Drivers Licence Card Authority
<b>Ms Martie Jacoba Janse Van Rensburg (Deputy Chairman and Chairman of DAC)</b>	B Com B Compt Hons	CA (SA)	10 May 2017	Ivanhoe Mines; Etion Ltd; Sephaku Holdings Ltd; Development Bank of Southern Africa
<b>Mr Mohamad Iqbal Motala</b>	B Proc	Attorney	10 May 2017	Highveld Grand Prix Motors; Dressing Gown Investments; ZAT Investments; RMPM Investments; We Do It All Distributors
<b>Mr Madoda Alfred Petros</b>	B Com Advanced Tax Certificate	CA (SA)	10 May 2017	Retired as Deputy Registrar of Banks in October 2013; thereafter served as the Chief Risk Officer at one of SA's registered banks, Ubank Limited, from Dec 2013 to Feb 2020
<b>Ms Nombulelo Gumata</b>	BA B Com (Honours) M Com: Economics	Economist	24 June 2020	Author
<b>Ms Jesmane Boggenpoel</b>	B Com B Com Accounting	CA (SA)	24 June 2020	EOH Holdings Ltd; Murray and Roberts Holdings Ltd; Sybrin Systems (Pty) Ltd (EOH Subsidiary); Harvestfield (Pty) Ltd; AIH Capital (Pty) Ltd; AIH Fund 1 General Partner (Pty) Ltd; AWCA Investment Holdings (RF) (Pty) Ltd; BMF Investments Holdings; ETG Input Holdco Limited (Dubai company registration)
<b>Ms Thembeke Semane</b>	BA Postgrad Dip B Com Acc	Registered Business Accountant in Practice (SA)	24 June 2020	Managing Director, Linea Consulting; Sanparks; EAAB
<b>Ms Nirupa Padia</b>	B Com B Com Acc M Com	CA (SA)	24 June 2020	Head of School of Accountancy, University of Witwatersrand
<b>Mr Preston Speckmann</b>	B Compt B Com Acc (Honours)	CA (SA)	24 June 2020	Retired as Group Finance Director – MMI Holdings (Metropolitan); Santam Limited

Name	Qualifications	Designation	Date appointed	Position/Directorships
<b>Mr Craig Barrett</b>	B Compt CTA B Compt (Honours)	CA (SA) RA	1 October 2020	Director Finance, Aveng Manufacturing; Director Finance and Commercial, Aveng ACS (included since August 2018)
<b>Mr Zunaid Vally</b>	Diploma in Auditing Bachelor of Accountancy Honours B Compt	CA (SA) RA	1 October 2020	Group Finance Executive, Reunert Limited

On the Board, the Minister is represented by the Acting Accountant-General, Ms Karen Maree.

## RESPONSIBILITY

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information that is included in this Annual Report. It is also ultimately responsible for ensuring that adequate accounting records and effective systems of internal control are maintained. To enable it to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control, in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the Auditing Profession Act 26 of 2005. It is assisted by the committees briefly noted below in the execution of its duties.

### Audit and Risk Management Committee

The objective of this committee is to assist the Board with the responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information, overseeing the preparation of the annual financial statements as well as information and communication technology governance. The committee is also responsible for overseeing risk management. It ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee operates in accordance with terms of reference that are authorised by the Board and reviewed annually. The auditors have unrestricted access to the committee members.

During the period under review, the committee met four times to review matters arising from internal risk analysis, the external audit plan and the budget as well as matters arising from the completed audit, and for the fair presentation of the financial statements to the Board.

### Disciplinary Advisory Committee

In terms of the Auditing Profession Act 26 of 2005, INVESCO investigates all complaints and then recommends to the Board whether to charge a practitioner with improper conduct.

The Board has delegated to the DAC the function of considering the matters on which INVESCO has made a recommendation. The DAC consists exclusively of Board members; functions independently from INVESCO and the Disciplinary Committee; and reports to the Board.

There is currently a backlog of investigation matters. This is due to the complexity of the matters being investigated and a higher volume of complaints received for investigation. Criticism has been received regarding the length of time taken to finalise investigations into the alleged improper conduct of registered auditors. To address this, emphasis has been placed on filling vacancies and recruiting additional investigators to conduct investigations within a reasonable timeframe.

### Matters finalised

During this period, the DAC met five times (2019: 5) and finalised 61 (2019: 65) matters. The finalised matters comprised 24 public interest entity/high-profile matters and 37 other matters.

### Decisions not to charge

- One matter in terms of Disciplinary Rule 3.5.1.1 – the respondent was not guilty of improper conduct.
- One matter in terms of Disciplinary Rule 3.5.1.4 – there were no reasonable prospects of succeeding with charges of improper conduct against the respondent.





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

- 51 matters were finalised by consent orders, and the respondents were fined.

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

- Eight matters were referred to the Disciplinary Committee for a full hearing.

The quarterly IRBA newsletter, available on the IRBA website, contains a detailed report by the Director Investigations on the completed investigation matters.

## **Operations Committee**

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

The committee operates in accordance with the terms of reference that are authorised by the Board, and these are reviewed annually. During the financial year, it met three times to consider and recommend to the Board matters arising from human resources, nominations of members to other IRBA committees and operational issues.

## **Internal Auditors**

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

## **External Auditors**

The Auditor-General of South Africa is the IRBA's external auditor and it provides an independent assessment of the IRBA's systems of internal financial control and expresses an independent opinion on our financial statements. The external auditor's plan is reviewed by ARMCO to ensure that significant areas of concern are covered, and this is done without infringing on the external auditor's independence and right to audit.

## **Strategic Plan and Budget**

The IRBA management prepares the Annual Performance Plan, Strategic Plan and budget for Board consideration and approval. These are then duly submitted to National Treasury for consideration and approval. Quarterly reports – including management accounts, performance information and the PFMA compliance checklist – are also submitted to National Treasury, as per the requirements of the PFMA and Treasury Regulations.

## B-BBEE COMPLIANCE INFORMATION

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

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

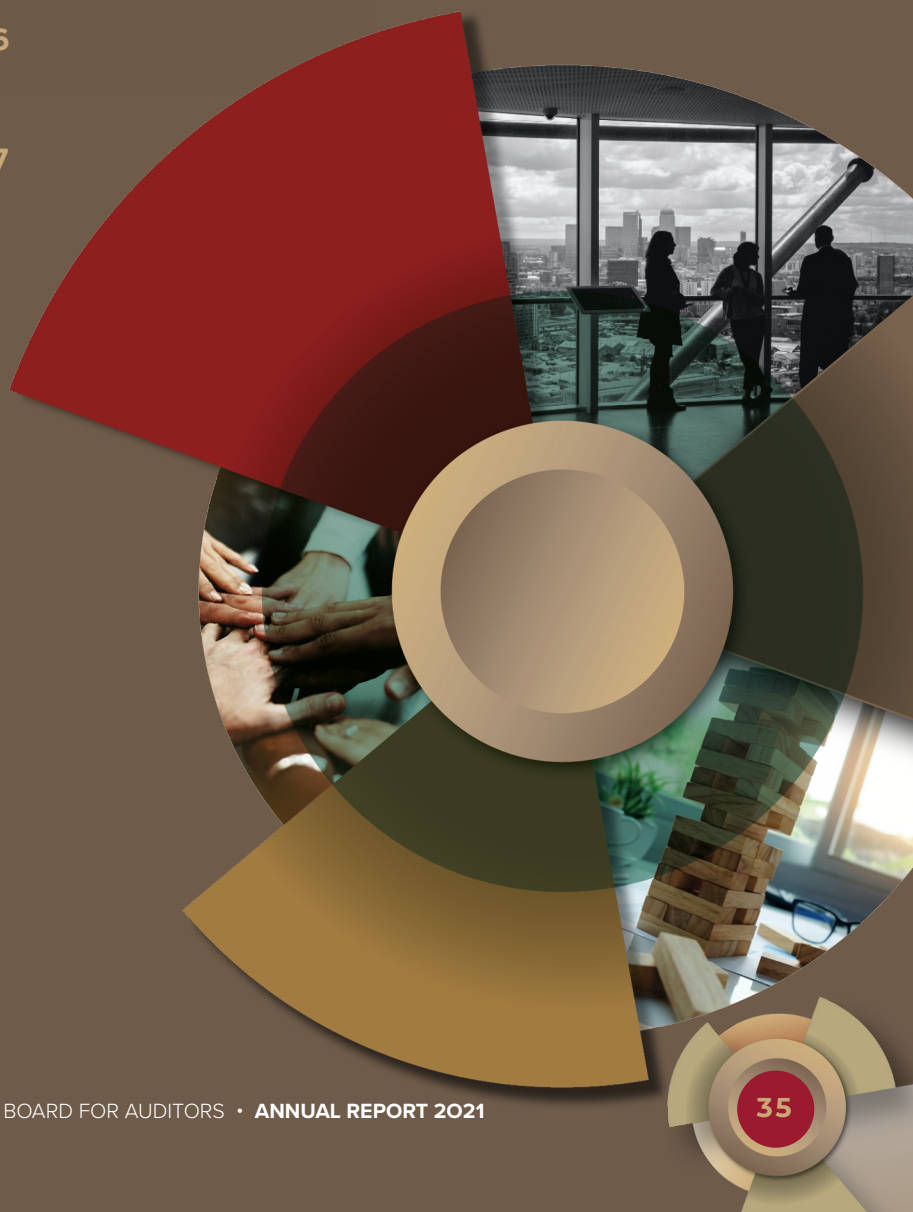
Criteria	Response Yes/No	Discussion
Determining the qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	We register individuals and firms in terms of the APA and determine the registration criteria. The requirements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

# PART **D**

## HUMAN RESOURCE MANAGEMENT

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# PART D: HUMAN RESOURCE MANAGEMENT

## THE VALUE OF HUMAN CAPITAL

The past year has showcased the importance of adaptable and responsive human capital practices, as the impact of the COVID-19 pandemic has been felt throughout the IRBA.

As a service entity, the IRBA's most valuable asset is its staff and the resultant challenges from the lockdown and adapting to remote working practices were focus areas during this financial year. To respond to the challenges, the IRBA implemented the following:

- A COVID-19 protocol, to provide direction and protect its employees during the lockdown.
- A technology response plan that included the issuing of laptops, data allowances and a migration to Office 365, to enable remote collaboration.
- An enhanced employee wellness programme, to provide employees with access to resources to maintain resilience and manage stress and anxiety.

However, it has been noted that the continuing remote working practices not only posed some challenges but also provided benefits for staff. The following benefits and challenges were observed:

- Staff did not need to travel and be exposed to congested traffic every day;
- Improved productivity, as can be seen by the performance targets;
- More time spent with family;
- Virtual meeting fatigue;
- An unsustainable pace of work, leading to a potential for burnout and emotional exhaustion;
- Blurring of boundaries between work and personal life, which has introduced the concept of "work without end", leading to increased stress for employees; and
- Decreased connectivity within teams and across the organisation because of the prolonged remote arrangements.

As a consequence, there will be more concerted efforts in the upcoming year to put more stress on the strategic focus areas depicted in the graphic on the next page.

The IRBA has successfully renegotiated its lease for office space; and plans are in place for a more collaborative workspace that supports a remote work philosophy that is balanced with fulfilling the IRBA's mandate.



Transformation targets for a diverse, skilled workforce



Refining the remote work protocol



Balancing the need for policies and procedures with flexibility to accommodate employee circumstances



Enhancing our culture to work on employee connectivity and engagement



Taking a holistic approach to employee wellbeing

## OVERVIEW OF HUMAN RESOURCE PRACTICES

The IRBA ensures that it complies with employment legislation, i.e. the Labour Relations Act (Act 66 of 1995); the Basic Conditions of Employment Act (Act 75 of 1997); the Employment Equity Act (Act 55 of 1998); the Skills Development Act (Act 97 of 1998); the Occupational Health and Safety Act (Act 181 of 1993); and various human resources codes of best practice.

To ensure ongoing communication with staff members, the Chief Executive Officer and/or senior management hold regular staff meetings.

The IRBA has a manual of human resource policies and practices that is reviewed regularly. During the year under review, the following policies were drafted, updated and/or approved by the Board:

- Employment Equity Policy;
- Disciplinary Policy;
- Reward Strategy & Remuneration and Reward Policy; and
- Performance Management Policy.

## EMPLOYEE REWARD AND PERFORMANCE MANAGEMENT FRAMEWORK

The IRBA recognises that reward is a business issue as it has a direct impact on operational expenditure, culture, employee behaviour and, ultimately, the sustainability of the organisation. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers.

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

- Compete for talent in an increasingly competitive labour market;
- Maintain a transformed workforce;
- Retain skilled employees who enhance business performance; and
- Motivate individual and team performance that drives stakeholder value for the IRBA.

Despite the economic context, the IRBA provided staff with an inflation linked salary increase and a limited 1% performance bonus to recognise the contributions of staff in challenging circumstances.

## HUMAN RESOURCES OVERSIGHT STATISTICS

### STAFF COMPLEMENT

#### Workforce Over the Past Five Years, as at 31 March 2021

(Excluding contract staff)

	2021	%	2020	%	2019	%	2018	%	2017	%
Black Female	42	51	35	44	32	40	33	40	33	41
White Female	12	15	14	18	15	19	16	19	16	20
Black Male	22	27	22	28	24	30	26	29	23	27
White Male	6	7	8	10	9	11	10	12	10	12
<b>Total Staff</b>	<b>82</b>	<b>100</b>	<b>79</b>	<b>100</b>	<b>80</b>	<b>100</b>	<b>85</b>	<b>100</b>	<b>82</b>	<b>100</b>

## Personnel Cost of Permanent Staff by Salary Band

	CTE	% of CTE	Number of Employees	Average Cost
Top Management*	7 308 763	8%	2	3 654 382
Senior Management	15 384 836	17%	6	2 564 139
Professional Qualified	56 898 638	62%	44	1 293 151
Skilled	5 833 300	6%	10	583 330
Semi-skilled	5 069 195	6%	17	298 188
Unskilled	718 102	1%	3	239 367
	<b>91 212 834</b>	<b>100%</b>	<b>82</b>	<b>1 112 352</b>

\* During the year under review, top management comprised of three individuals: Mr BP Agulhas (April 2020-May 2020); Mrs J John (June 2020-March 2021); and Mr I Nagy (Acting CEO, 16 February 2021 – March 2021). The Acting CEO position, however, is not reflected in the top management average total presented above.

## Training Cost

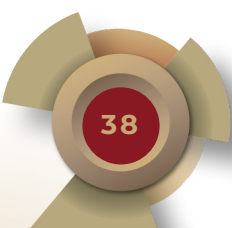
	CTE	Training	Training % of CTE	Number of Employees	Average Cost
Top Management	7 308 763	0	0.0%	0	0
Senior Management	15 384 836	0	0.0%	0	0
Professional Qualified	56 898 638	77 487	0.1%	28	2 767
Skilled	5 833 300	10 688	0.2%	3	3 563
Semi-skilled	5 069 195	0	0.0%	0	0
Unskilled	718 102	0	0.0%	0	0
	<b>91 212 834</b>	<b>88 175</b>	<b>0.3%</b>	<b>31</b>	<b>6 330</b>

## Performance Rewards

	Bonus	CTE	% of CTE
Top Management	0	7 308 763	0.00%
Senior Management	0	15 384 836	0.00%
Professional Qualified	467 770	56 898 638	0.82%
Skilled	57 760	5 833 300	0.98%
Semi-skilled	77 710	5 069 195	1.51%
Unskilled	14 880	718 102	2.03%
	<b>618 120</b>	<b>91 212 834</b>	<b>0.67%</b>

## Long Service Awards

	Bonus	CTE	% of CTE
Top Management	0	7 308 763	0.0%
Senior Management	0	15 384 836	0.0%
Professional Qualified	185 727	56 898 638	0.3%
Skilled	81 379	5 833 300	1.4%
Semi-skilled	0	5 069 195	0.0%
Unskilled	37 858	718 102	5.0%
	<b>304 965</b>	<b>91 212 834</b>	<b>0.333%</b>





## Employment and Vacancies

	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of Vacancies
Top Management	1	1	1	0	0%
Senior Management	6	6	6	0	0%
Professionally Qualified	39	51	45	6	12%
Skilled	11	11	10	1	9%
Semi-skilled	18	19	17	2	11%
Unskilled	4	3	3	0	0%
<b>Total</b>	<b>79</b>	<b>91</b>	<b>82</b>	<b>9</b>	<b>10%</b>

It has been challenging to recruit professionally qualified staff. This is due to the general slowdown in the employment market caused by the pandemic. The IRBA has also committed to achieving its transformation targets in filling these vacancies and this has contributed to vacancies taking longer to be filled.

## Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top Management	1	1	1	1
Senior Management	6	0	0	6
Professionally Qualified	39	10	4	45
Skilled	11	-	1	10
Semi-Skilled	18	-	1	17
Unskilled	4	-	1	3
<b>Total</b>	<b>79</b>	<b>11</b>	<b>8</b>	<b>82</b>

This table depicts the changes in employment over the financial year. The staff turnover rate during the year has decreased from the prior year, and that might be a sign of tough economic conditions in the country that are specifically driven by COVID-19.

## Reasons for Staff Leaving

Reason	Number
Resignation	5
Retirement	3
End of Contract	1
<b>Total</b>	<b>9</b>

## Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Written warning	-
Final written warning	1
Dismissal	-
Referral to the Commission for Conciliation, Mediation and Arbitration	-

## Equity Target and Employment Equity Status

TARGET 2021								
Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
88	32	56	37	9	19	21	2	2
100%	36%	64%	42%	10%	22%	24%	2%	2%

ACTUAL 2021								
Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
82	28	54	36	8	18	18	2	1
100%	34%	66%	44%	10%	22%	22%	2%	1%

The Employment Equity Forum (EEF), consisting of eight staff members who represent all employment equity categories, assists management to ensure compliance with the policy as well as fairness and transparency throughout all recruitment drives within the IRBA.

The Employment Equity Plan was revised, updated and approved by the Board in December 2020 for the five years from 2021-2025. The plan was drafted by the EEF, in consultation with all IRBA staff via an anonymous survey. The areas of concern were incorporated into the new EE Plan and a subcommittee has been formed to assist in ensuring that all employment equity barriers are addressed by the corresponding affirmative action measures listed in the plan. The plan also stipulates timeframes for these measures to be put in place.

## Employment Equity Status per Level

	2020/2021 No. of Employees	African	Indian	Coloured	White	Foreign
Top Management	1	-	1	-	-	-
Senior Management	6	1	2	1	2	-
Professionally Qualified	45	16	14	2	11	2
Skilled	10	5	1	2	2	-
Semi-skilled	17	11	-	3	3	-
Unskilled	3	3	-	-	-	-
<b>Total</b>	<b>82</b>	<b>36</b>	<b>18</b>	<b>8</b>	<b>18</b>	<b>2</b>



# PART **E**

## FEEDBACK FROM STATUTORY COMMITTEES

Education and Transformation Committee	42
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Committee for Auditing Standards	49
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Investigating Committee	56
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# PART E: FEEDBACK FROM STATUTORY COMMITTEES

## EDUCATION AND TRANSFORMATION COMMITTEE



**TARUNA NAIDOO**  
Chairman

Members	Number of Meetings Attended	Membership Status
Ms T Naidoo	4 of 4	Chairman
Mr U Mkiva	4 of 4	Deputy Chairman
Ms S Mokoena	4 of 4	Member
Mr V Pangwa	4 of 4	Member
Ms C Le Grange	2 of 4	Member
Mr F Kwahene	4 of 4	Member
Associate Prof G Modack (SAICA representative)	4 of 4	Member
Ms B Kola	1 of 4	Member
Ms M Louw	2 of 4	Member
Ms E Thobejane	2 of 4	Member
Ms D Singh	1 of 4	Member
Mr B Frey	2 of 4	Member
Associate Prof J Terblanche	1 of 4	Member

This committee assists the Board with education, training and the professional development of RAs; the accreditation and monitoring of professional bodies; and the prescription of competency requirements for the registration of auditors. Also, it is instrumental in assisting the Board with facilitating transformation in the profession.

It is with great pleasure that I present a summary of its work and that of the Education and Transformation (ET) Department (Secretariat) for the 2020/2021 financial year.



## ET VALUE PROPOSITION

### Responsibilities

- Accreditation of Professional Accountancy Organisations (PAOs): Currently, the only accredited professional body is SAICA. The accreditation of the Association of Chartered Certified Accountants (ACCA) is in progress.
- Monitoring of PAOs: SAICA is monitored on a regular basis.
- Audit Development Programme: This is now going through a refresh stage as the ADP Reloaded, following a review process.
- Competency Framework: It has been established that auditor competencies (knowledge, skills and abilities) need to be redefined for the changing environment.
- CPD Policy 2020: This entails an implementation process and an enhanced monitoring approach that have been introduced in 2021.
- Transformation: Focus areas are on facilitating the transformation of the RA profession through targeted initiatives.
- Stakeholder engagements: There are ongoing partnerships with a wide range of stakeholders, to reach students, trainees, universities and audit firm leadership.

### The RA Brand

Engagements with various stakeholders, along with the team's reflections on the RA register and the declining number of RAs, made it apparent that there was a need to understand the RA brand positioning within the market. These also highlighted the importance of getting a better understanding of our stakeholders' perceptions of the brand and the profession.

The Unlocking the Value Proposition of the RA Brand Project was collaborative, robust, well received and provided valuable insights into the current positioning of the brand and the IRBA. It also included recommendations on how the IRBA can reposition the RA and IRBA brands.

### Monitoring of Professional Bodies

SAICA is subject to ongoing monitoring by the IRBA. This includes an annual reporting process and external validation procedures that continue throughout the year, comprising observations on some of SAICA's committees as well as accreditation and monitoring visits at universities.

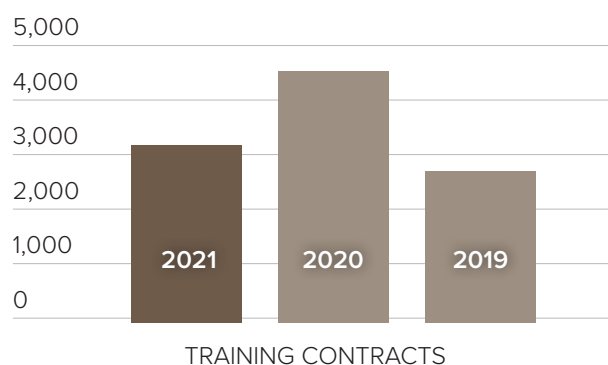
Its monitoring involves an intricate and iterative process. So, although certain standards were concluded to not have been met, and areas of improvement were identified, it was determined that SAICA and its programmes are of an appropriate standard to retain accreditation.

SAICA's commitment to transformation has an overall impact on the profession. However, during the year there was a further sharp decline in its examination pass rates. The IRBA then shared with SAICA its grave concerns about the decline in the pass rates of Black candidates, in particular, for the Initial Test of Competence and the Assessment of Professional Competence. If this continues, it will be catastrophic for the profession and the IRBA's pipeline of registered auditors.

SAICA will be developing a sound strategy that will include conducting an independent review of the root causes, to drive improvements across the pipeline. The IRBA will be monitoring all updates and details in this regard; and it is committed to facilitating and supporting any interventions by SAICA and other relevant stakeholders that will assist in overturning the trend of declining results.

### Training Contracts

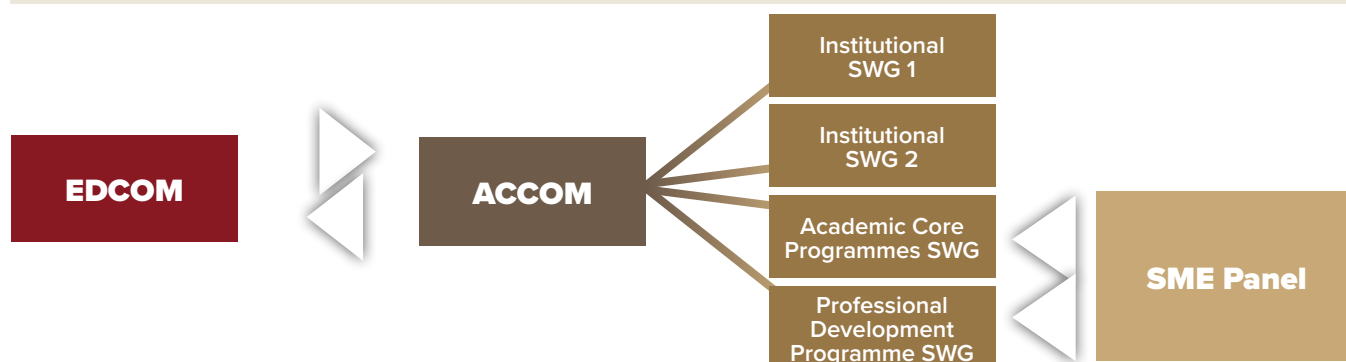
#### ASSURANCE TRAINING CONTRACTS INVOICED BY FINANCIAL YEAR



Training contracts registered under the assurance elective with SAICA must also be registered with the IRBA. As part of this process, these are invoiced to the firms and processed accordingly.

The annual fluctuation, 3 364 (2020: 4 665), as per the graphic, is because the months with the highest number of training contracts processed are usually February to April, which span across two reporting periods. The high number of contracts in the 2020 financial year was due to the timing of the contracts being at the beginning and the end of the financial year. COVID-19 also had an impact on the timing of the training contracts, but the total number of assurance training contracts is not expected to decline when analysed by calendar year.

## THE ACCOM REPORTING STRUCTURE



### Accreditation of Other Professional Bodies

The Accreditation Committee (ACCOM) was established as an ad-hoc EDCOM subcommittee to evaluate the ACCA application for accreditation. Its members have an extensive understanding of the profession and accreditation, as well as a mix of skills and qualifications that are expected to support a robust evaluation process, in line with the principles of the Accreditation Model.

The evaluation process is being implemented through the working structure reflected above, which includes the committee being split into specialist working groups (SWGs) that also get input from a task force of subject matter experts (SMEs).

The project plan includes inputs from the SMEs, the SWG and ACCOM, and also accommodates the required iterative engagements with the IRBA's MANCO, governance committees, the Board and ACCA as part of the process.

### Audit Development Programme

During the period under review, 82 (2020: 81) registered candidate auditors (RCAs) registered on the programme and there were no de-registrations. A total of 148 RCAs have successfully completed the programme since its inception, with 73 completing it during the period under review. The Secretariat has embarked on a rigorous campaign to provide additional support to RCAs in terms of the internal review of their Portfolios of Evidence (PoEs). The review process has also been improved by reducing the turnaround time for the PoE panel members to provide feedback. Also, the number of PoE panel members on the ADP database has been increased.

### ADP RCA Survey

In view of the extended COVID-19 lockdown circumstances, the Secretariat conducted a survey to determine the challenges that RCAs were experiencing on the ADP.

### Challenges RCAs are experiencing during the coronavirus pandemic

-  Worry about the impact of coronavirus personally and on the firm;
-  Physical workspaces, managing distractions and maintaining a schedule;
-  Taking care of mental health and wellbeing;
-  Not having the required tools and information to work effectively;
-  Childcare and taking care of others;
-  Social isolation;
-  Insufficient time to work on the ADP;
-  Not achieving technical and non-technical competencies;
-  Insufficient support from the firm and the ORA; and
-  Delays in feedback from the IRBA.

Following the results of the survey, the Secretariat:

- Published an article in *IRBA News* to raise awareness of the challenges that RCAs are facing; and to provide suggestions to auditing firms and oversight registered auditors on how to support RCAs during this time.
- Provided extensions to RCAs who requested more time.
- Conducted in-depth training workshops with RCAs to understand their challenges and ensure that they are familiar with the expectations of the ADP.

### ADP Reloaded

As already noted, the Secretariat performed an assessment on how ADP has been progressing over the years,

to explore ways to improve its efficiency and effectiveness. While the overall impact of the ADP Reloaded is dependent on the development of a Learner Management System, some administrative changes were made to the programme in the year under review. These included:

- A new and improved PoE structure and format – less cumbersome administration.
- A revised Recognition of Prior Learning Policy – to incorporate audit managers that had not registered on the programme at the onset.
- The development of an international secondment policy that allows candidates who are audit managers abroad to include the international experience gained as part of their PoEs for a period limited to 12 months.

These initiatives will remove some of the barriers to entry into the profession and subsequently increase the number of candidates enrolling on the ADP.

### ADP Monitoring

Monitoring activities are to ensure that RCAs work in environments that support the development of their audit competence. During the period under review, the Secretariat undertook 44 (2020: 44) ADP monitoring visits at different audit firms. Key findings were:

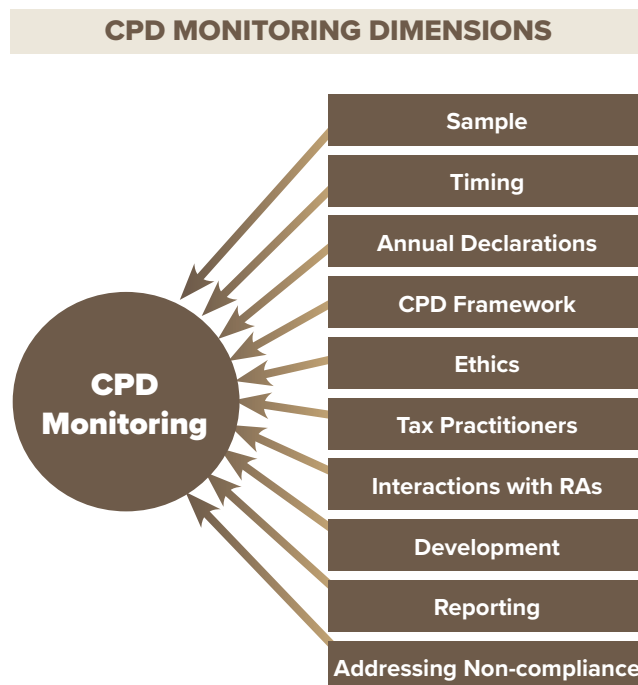
- Lack of firm policies and procedures on engagement file close-out and lock-down within 60 days of the audit report sign-off date, including the safe custody of signed-off manual files.
- Lack of formal, documented performance management processes for staff outside of training contracts.
- Digital signatures used to sign independence declarations do not have write-restrictions or access controls to ascertain that the individuals signed in their own capacity.
- Lack of documentation on the engagement files regarding the assessment for the need of an engagement quality control reviewer on the engagement, against firm policies and procedures and International Standard on Quality Control 1.
- Insufficient documentation regarding the risks of fraud and error on an engagement within the planning minutes.
- Firm quality control manuals not revised regularly to keep abreast with quality standards changes and updates.

All ADP monitoring inspections conducted are followed up with revisits within prescribed timeframes, to ensure that findings have been addressed adequately.

### Continuing Professional Development Policy

The committee approved the CPD monitoring approach relating to the new CPD Policy, which has been effective from 1 January 2020. Compliance with the policy is important; how-

ever, its envisaged developmental impact is dependent on the responsiveness of RAs to change their mindset from being compliance based to focusing on the development of their competence to fulfil their role in the public interest. In considering the IRBA's monitoring approach, several considerations are being taken into account, as reflected in the diagram below.



### Proficiency

The number of proficiency interviews, which are conducted to determine assurance competency, is affected by the number of registrations that meet the requirements for these interviews, and the timing in which these applications are processed by the Registry department. The outcome of each interview depends on the breadth, depth and relevance of the applicant's audit experience, as well as their CPD in preparation for their role as an RA.

### Outcome of Proficiency Interviews in 2019/2020

	Number of Applicants	% Total
Register as an RA	53	55%
Additional CPD Required	27	28%
Additional CPD and Audit Experience Required	17	17%
<b>Total</b>	<b>97</b>	<b>100%</b>

## Outcome of Interviews in 2020/2021

	Number of Applicants	% Total
Register as an RA	31	38%
Additional CPD Required	30	36%
Additional CPD and Audit Experience Required	21	26%
<b>Total</b>	<b>82</b>	<b>100%</b>

## Transformation Initiatives

The IRBA's strategic objective of facilitating the transformation of the auditing profession is a complex and challenging process that requires commitment, co-operation by and collaboration with all stakeholders. To this end, the IRBA has commenced engagements with various stakeholders to partner on transformation initiatives. Also, the Secretariat has implemented initiatives to facilitate transformation throughout the pipeline, as set out in the table below.

RECRUITMENT	PROGRESSION	CONVERSION
RA Brand Value Proposition Project	RCA survey related to COVID-19 challenges	Campaign to encourage RCAs that completed the ADP to convert and register as RAs
Engagement with stakeholders	ADP training sessions to explain the process to progress to completion	Research project to determine reasons for African, Coloured, Indian (ACI) candidates not registering as RAs
ADP Raising Awareness workshops		
Profiles of ACI candidates on the website		

## Stakeholder Engagements

The Secretariat has started work on resetting relationships with some of the IRBA's key stakeholders during the financial year, as briefly described below.

- **Fasset:** Input into the Sector Skills Plan; participation in the COVID-19 interventions project; submission of a proposal to establish a collaborative partnership to promote the ADP; and input into outreach on the impact of emerging technologies on skills development needs.

- **Quality Council for Trades and Occupations:** Engagement on the IRBA's quality assurance role in the development of the external auditor occupational qualification.
- **South African Qualifications Authority (SAQA):** Engagement on the revisions to the policy and criteria for the recognition of professional bodies; the IRBA's National Learner Records Database uploads, which are compliant; engagement on SAQA fees to be charged to professional bodies; and the IRBA's mid-term monitoring visit by SAQA.
- **AGSA:** Engagement on ADP registrations and completions.
- **Advancement of Black Accountants of Southern Africa (ABASA):** Engagement on transformation issues within the academic programme and the professional development programme; and contribution to ABASA's project that is aimed at Black audit firms.

## Appreciation

EDCOM is supported by the ADP Committee, the Monitoring Committee, ACCOM and the task forces set up to assist on specific projects. I wish to thank the members whose terms have ended, for their zealous contributions over the years. Their contributions to the ET Department's processes and projects have borne fruit and will continue to be carried forward.

I would also like to welcome the new members. Their diverse set of skills and wide-ranging experience will contribute to the department's success in meeting its mandate in the upcoming years, including successfully implementing the new projects that are underway.

My sincere gratitude to the committee members for bringing their expertise and experience, and engaging in constructive, challenging and open dialogues. Without their commitment, our achievements would not have been possible.

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

**T Naidoo**

Chairman



# COMMITTEE FOR AUDITOR ETHICS



**SHAUN DAVIES**  
Chairman

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

\*Ms F Jeeva's first term ended on 28 February 2021. She has been re-appointed for a second term of three years.

It gives me pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2020/2021 financial year. Further to recent audit failures, the COVID-19 pandemic has presented serious ethical challenges as disruptions, job losses and financial distress are being experienced in South Africa and across the globe. The CFAE reminds auditors to be on high alert for possible ethical challenges and reflect on the relevant provisions of the IRBA Code of Professional Conduct (Revised November 2018) (IRBA Code) in order to act in the public interest.

Despite the challenges created by the pandemic, the committee was able to continue with its work programme and attain its performance targets for the year. This was made possible through a smooth transition to a virtual environment, adaptability and support of committee members, as well as the recognition of the need for Code-related standard-setting projects in the current environment.

## Final Amendments to Subsection 115 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018): Electronic Signatures

While this project commenced before the pandemic, the need for formality and authority around the use of electronic signatures when signing reports became heightened. The CFAE considered and recommended revisions to Section 115, Professional Behaviour: Signing Conventions for Reports, of the IRBA Code. These amendments allow for the use of electronic signatures in an ethical, professional and responsible manner when signing any audit, review or other assurance report.

The use of ordinary electronic signatures and advanced electronic signatures by registered auditors to sign their audit, review or other assurance reports has become more widespread. This is due to more audited financial statements being made available electronically on company websites, fewer paper-based engagement files and remote working arrangements, accelerated by the pandemic.

The IRBA adopted these local amendments following their issue on exposure for public comment via Government Gazette No. 43632 on 21 August 2020 (Board Notice No. 96 of 2020).

These revisions will become effective on 15 December 2021. Early adoption is permitted.

## Revisions to the IRBA Code to Promote the Role and Mindset Expected of Registered Auditors

The CFAE considered and recommended revisions to the IRBA Code to promote the role and mindset expected of registered auditors. The IRBA adopted the amendments made to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), issued during 2020.

The main revisions:

- Reinforce aspects of the principles of integrity, objectivity and professional behaviour;
- Raise behavioural expectations of all professional accountants through requiring them to have an inquiring mind, as they undertake their professional activities;
- Emphasise the importance of accountants being aware of the potential influence of bias in their judgments and decisions; and
- Highlight the supportive role the right organisational culture can play in promoting ethical conduct and business.

The IRBA adopted these local amendments following their issue on exposure for public comment via Government Gazette No. 44455 on 16 April 2021 (Board Notice No. 25 of 2021).

These revisions will become effective on 31 December 2021. Early adoption is permitted.

### **Revisions to Part 4B of the IRBA Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised)**

The CFAE considered and recommended revisions to Part 4B, *Independence for Assurance Engagements other than Audit and Review Engagements*, of the IRBA Code. These reflect the terms and concepts used in International Standard on Assurance Engagements 3000 (Revised).

The IRBA adopted the amendments made to the IESBA Code, issued during 2020, following the issue of proposed amendments on exposure for public comment via Government Gazette No. 43962 in South Africa on 17 May 2019 (Board Notice 141 of 2020).

The main revisions include:

- Changes in key terminology, including a revised definition of the term “assurance client”;
- Amendments to certain independence requirements in light of the revised assurance client definition;
- Greater clarity as to the parties to an assurance engagement, their roles and responsibilities, and the related independence requirements that apply; and
- A clearer distinction between the types of assurance engagement covered in Parts 4A (addressing independence for audit and review engagements) and 4B of the Code.

Part 4B relates to independence for assurance engagements with respect to underlying subject matter covering periods beginning on or after 15 June 2021; otherwise, it will be effective as of 15 June 2021. Early adoption is permitted.

### **IESBA and National Standard-Setters’ Meeting**

The IRBA maintains contact with the IESBA by attending its meetings, providing written comments on its projects and meeting annually with other national standard setters (NSS) under the IESBA’s auspices. Ms Saadiya Adams, a Senior Professional Manager in the Standards Department, is an IESBA Board member.

### **IESBA NSS COVID-19 Working Group**

The IRBA Secretariat participated in the IESBA NSS COVID-19 Working Group that, together with the IESBA

staff, produced COVID-19 guidance material. The following guidance material has been published:

- Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes.
- COVID-19 and Evolving Risks for Money Laundering, Terrorist Financing and Cybercrime.
- Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic.
- Using Specialists in the COVID-19 Environment.
- Applying the Code’s Conceptual Framework in COVID-19 Circumstances.
- COVID-19: Ethics and Independence Considerations.

### **Comment Letters Provided on International Pronouncements**

During the year, comment letters were submitted to the IESBA on the following:

- The IESBA’s Exposure Draft: Proposed Revisions to the Fee-related Provisions of the Code.
- The IESBA’s Exposure Draft: Proposed Revisions to the Non-Assurance Services Provisions of the Code.
- The IESBA Consultation on Key Ethical Questions Arising from Technological Developments.

### **Outlook**

The CFAE has two priorities for the immediate future:

- Development of guidance relating to Long Association of Registered Auditors with their Audit Client (including rotation requirements).
- Responding appropriately in its work programme to emerging issues in South Africa, and any relevant outcomes of the IRBA’s other regulatory functions.

The IESBA issued the following final pronouncements in April 2021:

- Revisions to the Non-Assurance Services Provisions of the Code.
- Revisions to the Fee-related Provisions of the Code.

The CFAE will consider the abovementioned IESBA final pronouncements for recommendation to the IRBA Board for adoption in South Africa. The revisions to the non-assurance services and fee-related provisions strengthen the independence requirements for auditors, especially in relation to public interest entities. These revisions come at a pertinent time as we are restoring the reputation of the profession and rebuilding confidence.

### **Appreciation**

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

**S Davies**  
Chairman



# COMMITTEE FOR AUDITING STANDARDS



**ZINE MSHENGU**  
Chairman

Members	Number of Meetings Attended	Membership Status
Ms Z Mshengu <sup>1</sup>	4 of 4	Chairman – South African Reserve Bank Representative
Mr M du Toit <sup>2</sup>	3 of 3	Deputy Chairman – Financial Sector Conduct Authority Representative
Ms S Ronander <sup>3</sup>	3 of 4	Deputy Chairman – Registered Auditor
Ms J Christian	3 of 4	Member – Academic
Mr W Kinnear	3 of 4	Member – Registered Auditor
Ms N Terblanche	4 of 4	Member – Registered Auditor
Ms M Mogapi	4 of 4	Member – Registered Auditor
Mr P Hoogwerf	3 of 4	Member – Registered Auditor
Ms D Lawrence	4 of 4	Member – South African Revenue Service Representative
Mr Z Rashid	4 of 4	Member – JSE Regulator Representative
Ms L Le Roux <sup>4</sup>	2 of 4	Member – AGSA Representative
Ms B Tlhakung	4 of 4	Member – Attorney
Ms L Roeloffze <sup>5</sup>	2 of 2	Member – Registered Auditor
Ms T Zimondi <sup>5</sup>	2 of 2	Member – Registered Auditor
Mr S Tar-Mahomed <sup>5</sup>	2 of 2	Member – Registered Auditor
Mr B Topham <sup>6</sup>	1 of 1	Member - Financial Sector Conduct Authority Representative

- 1 Ms Z Mshengu was appointed as the Chairman effective from 1 April 2020.
- 2 Mr M du Toit retired from the committee as Deputy Chairman effective from 30 November 2020.
- 3 Ms S Ronander was appointed Deputy Chairman effective from 3 March 2021. She was on maternity leave for one of the four meetings.
- 4 Mr N Ngaka attended two meetings on behalf of Ms L Le Roux, as her alternate.
- 5 Ms Roeloffze, Ms T Zimondi and Mr S Tar-Mahomed were appointed to the committee as registered auditors effective from 1 November 2020.
- 6 Mr B Topham was appointed to the committee effective from 1 December 2020.

It gives me pleasure to present this report on the strategic and standard-setting activities of the CFAS for the 2020/2021 financial year.

As the country navigated through the pandemic, the CFAS changed its way of conducting business from physical meetings to virtual meetings. The IRBA went through significant leadership changes in the past year which resulted in some delays in the approval of pronouncements by the IRBA Board. Despite these challenges and changes, the CFAS successfully issued auditing pronouncements that were targeted for the 2020/2021 financial year, including a number of ground-breaking pronouncements, such as the new IRBA Guide on Joint Audit Engagements.

Standard setting is a proactive tool in addressing the need to restore the confidence of users in the value of audit. While the IRBA's important regulatory and enforcement functions execute their duties, standard setting (both auditing standards and ethics standards) must be responsive to the challenges posed by the environment. This response is evident in the work programme of the CFAS and in the outputs of its activities during this reporting period.

In addition to the normal work programme, the Secretariat considered the impact of the pandemic on the mandate of the CFAS and, in response, created a COVID-19 repository of supporting material to respond to the COVID-19 emerging issues that impacted auditors and audit engagements.

The CFAS maintains the following standing committees: the CFAS Steering Committee; the Regulated Industries and Reports Standing Committee; the Public Sector Standing Committee; and the Sustainability Standing Committee.

The CFAS issued its strategy for 2020-2024, titled *"Driving Audit Quality through Standard Setting"*. The strategy was informed in part by the IRBA strategy, the current operating environment and the need to restore confidence in the profession while also responding timely and appropriately to various issues as they arise. This culminated in four strategic pillars supporting the overall strategy, namely:

- Theme I: High-quality auditing standards and implementation guidance;
- Theme II: Focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance;
- Theme III: Deepening evidence-based research to support standard setting; and
- Theme IV: Integrated standard setting by keeping abreast of emerging issues and responding appropriately.

## International and Regional Liaison

The Secretariat liaises with relevant African and international bodies, while the Director Standards, Mr Imran Vanker, still serves as an IAASB board member. The IRBA continues to participate in the work of the IFIAR Standards Coordination Working Group.

CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY	
Project Outputs	
Local Auditing and Assurance Pronouncements and Guidance	
<p>IRBA Board adopts the Suite of Quality Management Standards:</p> <ul style="list-style-type: none"> <li>• International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (ISQM 1);</li> <li>• International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews (ISQM 2); and</li> <li>• International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements (ISA 220 (Revised)).</li> </ul>	<p>Issued in March 2021, with the following effective dates:</p> <ul style="list-style-type: none"> <li>• ISQM 1 <ul style="list-style-type: none"> <li>- Systems of quality management in compliance with this ISQM are required to be designed and implemented by 15 December 2022; and</li> <li>- The evaluation of the system of quality management required by paragraphs 53-54 of this ISQM is required to be performed within one year following 15 December 2022.</li> </ul> </li> <li>• ISQM 2 <ul style="list-style-type: none"> <li>- Audits and reviews of financial statements for periods beginning on or after 15 December 2022; and</li> <li>- Other assurance and related services engagements beginning on or after 15 December 2022.</li> </ul> </li> <li>• ISA 220 (Revised) <ul style="list-style-type: none"> <li>- Audits of financial statements for periods beginning on or after 15 December 2022.</li> <li>- Early adoption is permissible and encouraged by the IRBA.</li> </ul> </li> </ul>
<p>IRBA Board adopts International Standard on Related Services 4400 (Revised): <i>Agreed-Upon Procedures Engagements</i></p>	<p>Issued in November 2020, effective for engagements for which the terms of engagement are agreed on by or after 1 January 2022.</p>





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

## Project Outputs

## Local Auditing and Assurance Pronouncements and Guidance

IRBA Board adopts ISA 315 (Revised 2019): <i>Identifying and Assessing the Risks of Material Misstatement</i>	Issued in November 2020, effective for audits of financial statements for periods beginning on or after 15 December 2021.
IRBA Board adopts the IAASB's Conforming Amendments to the International Standards as a result of the Revised IESBA Code and the IRBA issues Updated Illustrative Auditor's Reports following these conforming amendments	Issued in November 2020, effective as at 16 November 2020.
Guide for Registered Auditors: Joint Audit Engagements	Issued in August 2020, effective for audits of financial statements for periods beginning on or after 31 December 2020.
Updated South African Assurance Engagements Practice Statement 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria	Issued in June 2020, effective for periods beginning on or after 15 December 2020.

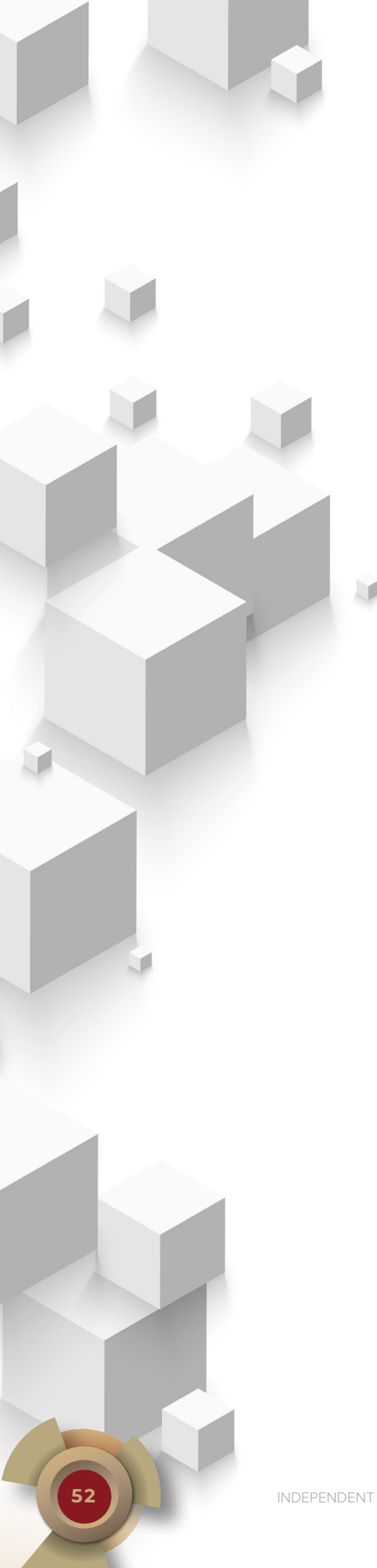
## International Standards

## Comment on International Consultation Papers and Exposure Drafts and Engagement with International Stakeholders

IAASB's Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions about the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit	The Secretariat submitted a comment letter to the IAASB on 3 February 2021.
IFRS Foundation's Consultation Paper on Sustainability Reporting	Comment letter submitted to the IFRS Foundation on 11 December 2020.
IAASB's Exposure Draft: Proposed ISA 600 (Revised) <i>Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)</i>	Comment letter submitted to the IAASB on 1 October 2020.

## Jurisdictional, Legislative and Regulatory Requirements

Guide for Registered Auditors: Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit (Revised March 2021)	Revised Guide issued in March 2021, effective from 6 April 2021.
Revised Illustrative Banks Act Regulatory Auditor's Reports	Issued in March 2021, effective for banks and affected entities with year-ends on or after 1 January 2021.
IRBA Staff Audit Practice Alert 5: The Auditor's Considerations with respect to Transactions that are not at Arm's Length	Issued in June 2020.
IRBA Staff Audit Practice Alert 4: A South African Perspective on the Auditor's Consideration Relating to Fraud	Issued in June 2020.



In line with the new strategy, the CFAS is working on new projects that are focused on supporting the IRBA strategy. The following is a list of the new projects:

- Protection and Retention of Client Data.
- Enhanced Auditor's Report Disclosures.
- ISA Plus.
- Conforming Amendments: ISRS 4400.
- Social and Ethics Committee Report – awaiting legislation (projects “awaiting legislation” are on the approved project listing to expedite their start, once the enabling legislation becomes available).
- Financial Conglomerates – awaiting legislation.
- Collective Investment Schemes Report – awaiting legislation.

The IAASB will be working on the following projects that will also form part of the CFAS work programme:

- ISA 600 (Revised).
- Audit of Less Complex Entities.
- Audit Evidence.
- Fraud.
- Going Concern.
- Conforming Amendments to Other Standards Arising from Quality Management Standards.

### **IAASB Quality Management Standards**

The Quality Management Standards have raised the bar for quality management. They will also strengthen and modernise the audit firms' approach to quality management. Through the standards, the IAASB is addressing an evolving and increasingly complex audit ecosystem, including growing stakeholder expectations and a need for quality management systems that are proactive and adaptable. This will result in significant changes in terms of how audit quality is managed, for both audit firms and audit engagements.

The CFAS has included three projects to support the Quality Management Standards implementation, namely:

- Quality Management Standards - Local Laws & Regulations.
- System of Quality Management Transitional Guidance.
- Quality Management Standards: Conforming Amendments to CFAS Pronouncements.

### **Appreciation**

I wish to express my appreciation to the members of the CFAS, its standing committees, the various task groups, SAICA, the AGSA, the Financial Sector Conduct Authority, the JSE, the South African Reserve Bank, the Prudential Authority, the South African Revenue Service, the audit firms that support the CFAS with resources as well as the staff of the Standards Department for their unwavering commitment and support.

**Z Mshengu**

Chairman

# INSPECTIONS COMMITTEE



**EVITA NYANDORO**  
Chairman

Members	Number of Meetings Attended	Membership Status
Ms E Nyandoro	4 of 4	Chairman – Tenure finished March 2021
Mr Z Rashid	4 of 4	Member
Mr N Ngaka	1 of 2	Member – Resigned August 2020
Mr G Mnguni	2 of 2	Member – Resigned August 2020
Ms E Goodchild	4 of 4	Member
Ms P van der Wouw	3 of 3	Member – Resigned November 2020
Mr L Coopasamy	4 of 4	Member
Mr R Sithubi	3 of 3	Member – Resigned November 2020
Ms N Mkunqwana	1 of 1	Member – Appointed March 2021
Mr B Stobie	1 of 1	Member – Appointed March 2021
Ms L Tsoku	1 of 1	Member – Appointed March 2021

It gives me great pleasure to report on the Inspections Committee's (INSCOM) current and strategic activities for the 2020/2021 financial year.

## INSPECTION OUTCOMES FOR 2020/2021

In the current year, the IRBA issued inspection reports on a total of 107 (2020: 157) inspections that were performed at 16 (2020: 27) firms. These reports include both firm-wide and individual engagement inspections.

### Inspections Process Seventh Inspections Cycle

Inspections are performed in three-year inspection cycles and the year under review represents the third year (and the final year) of the IRBA's Seventh Inspections Cycle.

In response to the current environment, the IRBA has performed firm-wide and individual assurance engagement file inspections at various firms during the year, to give effect to its mandate and strategy to promote audit quality and help restore confidence in the auditing profession.

The IRBA continued to focus on audits with a higher (systemic) public interest exposure and these included audits of listed entities, other PIEs and state-owned companies. The majority of the engagement file inspections were performed at firms that were accredited with the JSE. This re-

sulted in fewer inspections that took longer to complete, due to the broader scope of inspections to address potential systemic risks as well as navigating the constraints brought about by COVID-19.

Despite our focus on firms and audits with greater public interest exposure, our current mandate goes beyond listed entities and PIEs. Therefore, small to medium-sized practices and firms that audit non-PIEs cannot be overlooked. As such, during this year the IRBA selected some of these firms, following a risk-based approach, supplemented by the random selection.

As part of the actions to address the recurring findings and the negative trends on the inspection results, the Inspections Department continued to focus on the leadership of the audit firms. It is seen as critically important for the leadership of the audit firms to set the appropriate tone at the top, promote an internal culture that encourages and promotes audit quality, and one that is supported by prompt and effective remediation of identified root causes and deficiencies.

Inspection reports are being addressed to the audit firm's leadership, and the individual auditors responsible for an audit, to drive a firm-wide proactive response. For each inspection performed at a firm, an executive summary report is compiled and issued to firm leadership, which is an easy-to-read view of the themes identified at the firm. This also provides audit committees with a high-level overview of the deficiencies, trends and themes reported to firms,

enhancing robust dialogue on specific themes affecting a firm's audit quality.

The IRBA continued with its Remedial Action Process with the firms and their partners, aiming to promote prompt and effective improvement in audit quality across all audits of a firm where significant deficiencies were reported. A failure to remediate findings throughout the firm may indicate that the firm's system of quality improvement is ineffective. A number of firms were referred to the Investigations Department and are being closely monitored directly by the Board, due to ongoing recurring deficiencies being reported over multiple cycles or as a result of significant audit failures that have tainted the reputation of the profession.

### Firm-wide Inspections

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

In the current year, four (2020: eight) firm-wide inspections were reported to INSCOM. Of these inspections, two (50%) (2020: seven, 88%) required significant im-

provement; and two (50%) (2020: one, 12%) were referred for an investigation to the IRBA's Investigations Department.

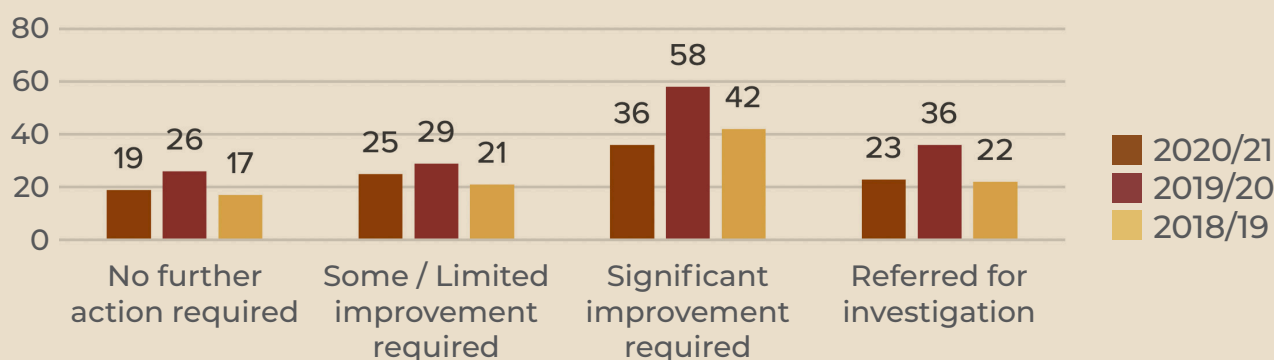
The committee's cause for concern remains high, and the 2020/2021 results continue to be indicative of systemic quality control deficiencies within some audit firms, which requires urgent attention. More details about firm-wide deficiency themes are reported in the IRBA's annual Public Inspections Reports.

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

### Individual Engagement Inspections

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

In the current year, 103 (2020: 149) individual audit inspections were reported to INSCOM. The results of the individual inspections were as depicted in the graph below, with further comparison to the first and second years of the 7<sup>th</sup> Inspections Cycle.





The continued frequency of findings as well as recurring findings noted in the current year remain a high concern for the committee. Also, the committee is concerned by the high number of files that are referred to the Investigations Department.

## Communication

The IRBA's latest Public Inspections Report highlights common firm-wide and engagement file deficiency themes reported to INSCOM during the 2019/2020 financial year. The objective of the report is to promote audit quality at a broader level by highlighting these significant themes.

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

## Proactive Approach

The IRBA introduced several enhancements in the 7<sup>th</sup> Inspections Cycle, to increase the robustness of its inspections. As part of the actions to address the trend of undesirable results, it has continued to focus on the leadership of audit firms. Inspection reports continue to be addressed to the audit firm's leadership, and not only to the individual auditors responsible for an audit, to drive a proactive firm-wide response that will impact all engagement partners (and their engagement teams) rather than the specific partners subjected to an inspection. Also, for each inspection performed at a firm, an executive summary report is compiled and issued to leadership, providing an easy-to-read overview of the themes. This also gives audit committees a high-level overview of the deficiency themes reported to firms, enhancing robust dialogue on specific themes affecting a particular firm's audit quality.

More details about some of the other proactive measures we have taken to address the negative inspection outcomes as well specific projects undertaken by the IRBA Board to help restore confidence in the profession are reported in the annual Public Inspections Reports. The committee is pleased with the continued proactive action taken

by the IRBA Board where there are systemic deficiencies reported at firms; its commitment to increasing the capacity of the Inspections Department; and the strategic focus on the effective use of technology and data analytics that will enable a more proactive approach.

The committee wishes to emphasise the further enhancements made by the IRBA in the 8<sup>th</sup> Inspections Cycle strategy that commences from the 1<sup>st</sup> of April 2021. It is our belief that these enhancements will increase the effectiveness and robustness of the inspection process, at both audit firm-wide level and the engagement file level, and ultimately address concerns regarding audit quality and good governance. In the 8<sup>th</sup> Inspections Cycle, the IRBA's focus will remain on the leadership of the audit firms and their responsibility towards audit quality, including a closer monitoring of the effectiveness of firms' remedial action plans.

## Appreciation

I wish to extend my sincere appreciation to the Inspections Department for its continued commitment to the monitoring of the audit firms and the auditors, and in doing so serving the public interest, especially during these trying times. The level of resilience displayed by the team has been admirable. The past year has been an extremely dynamic year, given the pandemic and its challenges.

Under challenging circumstances, the Inspections Department was able to continue performing inspections remotely, successfully completing 125 inspections out of a pre-COVID-19 target of 128. Although the productivity showed a decline in the first part of the year, due to the hard lockdown, it increased during the second half. I am grateful to the committee members for their continued time and dedication to the inspections process and for ensuring that inspection results are fair and consistent. I extend my appreciation to audit firms and engagement partners for their co-operation during the inspections process and emphasise the need for a stronger commitment to remedy reported deficiencies and restore confidence in the profession.

**E Nyandoro**  
Chairman

# INVESTIGATING COMMITTEE



**DES MAHONY**  
Chairman

Members	Number of Meetings Attended	Membership Status
Mr D Mahony	4 out of 5	Chairman
Mr S Masuku	4 out of 4	Chairman – Term ended on 18 February 2021
Mr M Gani	0 out of 2	Member – Resigned on 6 September 2020
Prof B Stobie	3 out of 3	Member – Term ended on 5 November 2020
Ms L Tromp	3 out of 4	Member – Term ended on 31 January 2021
Mr A Ndurunduru	4 out of 5	Member
Mr B Maasdorp	5 out of 5	Member
Ms C Schoeman	4 out of 5	Member
Mr K Mukova	1 out of 1	Member – Appointed on 20 November 2020
Ms M Naidoo	1 out of 1	Member – Appointed on 20 November 2020
Mr T Zikode	1 out of 1	Member – Appointed on 20 November 2020

It gives me great pleasure to report on the INVESCO activities for the 2020/2021 financial year. The committee comprises chartered accountants, previously registered auditors, legal practitioners and members with business qualifications.

An investigation starts either once a complaint is received from an external party or has been initiated from within the IRBA.

Externally originated complaints are lodged by members of the public or are matters referred by courts or other regulators. Internally originated complaints are raised by the IRBA itself, an example being those arising out of the inspections process, or matters where investigations are initiated by the IRBA as a result of information that comes to its attention, mostly through the media.

Complaints lodged with the IRBA are required by the Disciplinary Rules to be on an affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, this is essential when the information is solely within the knowledge of the complainant. The Disciplinary Rules also stipulate that the affidavit should set out clearly what is being complained of.

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

After a preliminary investigation has taken place, the Director Investigations must decide, in terms of Section 48 (1) of the Auditing Profession Act of 2005 (the Act), whether to refer the matter to INVESCO. Most matters will be referred and INVESCO must then investigate the matter in terms of Section 48 (3) of the Act. INVESCO deliberates on the matters and recommends to the DAC whether to (a) dismiss the matter; (b) impose a monetary and/or non-monetary sanction; or (c) refer it for a disciplinary hearing.

## Year under Review

During the year under review, 76 new investigations were initiated. This figure represents only matters where case files were opened, and excludes matters resolved on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned

registered auditors from audit firms across the spectrum, from the smallest to the largest firms, and covered various conduct issues.

### Investigations Concluded

The committee met five times during the year and 75 matters were referred to the DAC with recommendations.

The performance information in the Annual Report sets out the investigations completed in this financial year. An investigation is completed when the DAC has made a decision to either not proceed with charges on a matter or where a matter is referred for a disciplinary hearing, or a consent order on a matter has been imposed.

Despite the challenges of adapting to a changed work arrangement due to the pandemic, the achievement of 62 completed investigations in this financial year is to be commended.

### Appreciation

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

INVERSCO has seen a marked increase in the number of matters referred to it over time. These include a number of high-profile and complex matters, resulting in a strain on the directorate's capacity. Emphasis has been placed on the filling of vacancies and recruitment of additional investigators to address the backlog in investigations. The committee sincerely appreciates the level of commitment and dedication of the Director Investigations and her staff. They have done and continue to do a tremendous amount of work in compiling the matters for the committee's consideration and we would not be able to operate without their well-documented support.

#### D Mahony

Chairman

# DISCIPLINARY COMMITTEE



**ADV ANTHEA PLATT**  
Chairman

Members	Number of Days Attended	Membership Status
AC Dodson SC	5	Chairman
A Platt SC	26 (as Chairman)	Vice-chairman (resigned January 2021)
E Mokutu SC	0	Vice-chairman
I Akoodie	0	Member
M J Fouche	26	Member
LX Pierce	5	Member
E Volker	26	Member
E Raubenheimer	26	Member
S Sooklal	31	Member
S Vanker	26	Member
A Moosa	5	Member
R van Wyk	5	Member
H Griffiths	23	Member

At the commencement of the reporting period, the committee was partially constituted, with two vacancies (one for a vice-chairman and one for a registered auditor). The vacant position for the second vice-chairman was filled with the appointment of Adv Mokutu SC in November 2020, while the other vacant position was placed in abeyance, pending the enactment of the amendments to the Auditing Profession Act, which prohibits the appointment of registered auditors onto the committee.

The committee was chaired by Adv Dodson SC, assisted by one vice-chairman, Adv Platt SC. The registered auditors who served on the committee were Ms Fouche as well as Messrs Sooklal, Volker and Akoodie. The non-auditor members were two legal practitioners, Adv Raubenheimer and Mr Pierce; and one chartered accountant, Ms Vanker.

The table above reflects the number of hearing days attended by the committee members. It is important to note that Ms van Wyk and Messrs Griffiths and Moosa's terms of office lapsed prior to the commencement of the current reporting period. However, these members continued to sit, as reflected in the above table, on part-heard matters that were initiated during their membership.

Adv Dodson resigned as Chairman of this committee in January 2021, which position remains vacant.

New members were duly inducted and at year-end the

committee's performance was assessed, with outcomes being satisfactory.

## DISCIPLINARY HEARING MATTERS HEARD BY THE COMMITTEE

During the year under review, the committee heard six matters that were referred for the determination of charges of improper conduct preferred against various respondents, and it finalised four of the matters, with two remaining part-heard. Details of the matters and the committee's findings can be found in issues 50-53 of *IRBA News*, the quarterly newsletter that is available on the IRBA website.

Below is a tabulation of the matters heard.

PARTIES	STATUS	DATE OF ADJOURNMENT
IRBA vs TM Jordan	Finalised	9 December 2020
IRBA vs WM Dondashe	Finalised	29 September 2020
IRBA vs CJK	Finalised	13 October 2020
IRBA vs TG Ratau	Finalised	31 March 2020
IRBA vs PLG	Part-heard	16 November 2020
IRBA vs D D, JVDM & PB	Part-heard	17 February 2021



One of the finalised matters was what we could term the most complex matter in the history of the committee. This is the disciplinary hearing instituted against the then auditors of African Bank Investment Limited, which collapsed in 2014 and was placed under curatorship, leading to major losses for investors. The matter was finally brought to conclusion following 67 days of hearings, over a period of two-and-a-half years. In the end, the committee found the lead audit engagement partner guilty of five of the 10 charges of improper conduct preferred against him. It imposed a number of sanctions, including suspension from practice, mandatory training, a fine of R900 000 and a cost order of R31 176 618.30.

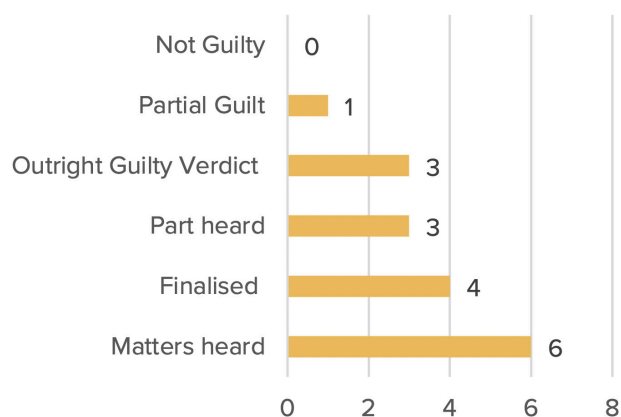
Undoubtedly, both the IRBA and the committee expended enormous resources and time to bring the matter to a just conclusion. All the efforts were not only to hold those who were in the wrong accountable, but also to restore public confidence in both the profession and the regulator, thus assuring investors that they can place reliance on assurances given by registered auditors; and where such assurance falls short, those in the wrong will be brought to book.

The graphics below are a summary of the committee's rulings and the sanctions imposed.

#### SANCTIONS IMPOSED



#### DISCIPLINARY OUTCOMES



#### Reviews

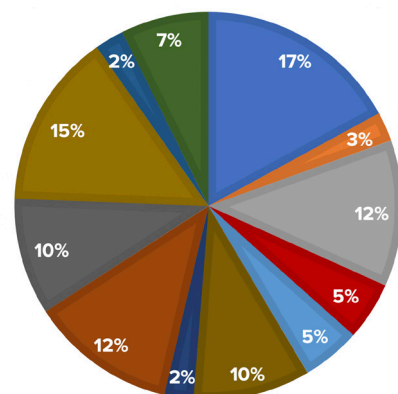
Previous attempts by a respondent, found guilty of improper conduct and sanctioned accordingly, to review the committee's ruling and subsequently appeal an unfavourable review judgement have all failed, following the dismissal of his leave to appeal directly to the Supreme Court of Appeal. The rulings affirmed the correctness of the committee's ruling and the absence of any grounds for review.

There are no other pending or new applications seeking to review any of the committee's rulings.

#### Pending Matters

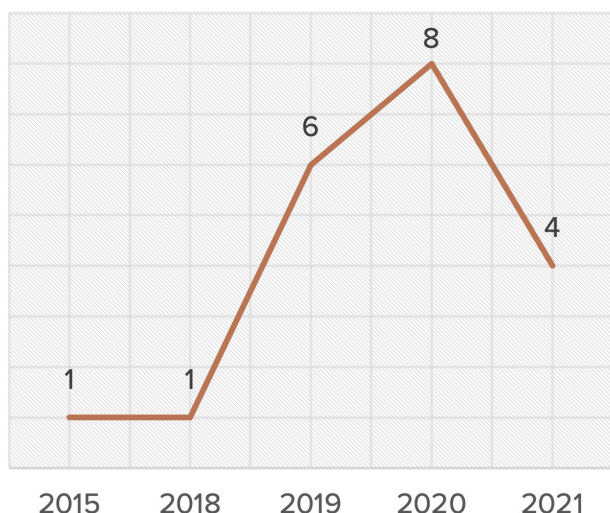
As at the end of the financial year, there were 20 other matters referred for disciplinary hearings and awaiting an allocation of dates. This is a 53% increase in comparison to the previous financial year, a clear indication of an increasing caseload, more so in light of the increase in the number of matters finalised, when compared against the same period last year. The graphs below provide an overview of the nature of the charges involved in the matters, as well as the age analysis of the matters.

#### NATURE OF CHARGES: MATTERS REFERRED FOR DISCIPLINARY ACTION



- Insufficient appropriate audit evidence
- Failure to declare assurance work
- Dishonesty/Integrity
- Accounting/Tax breach
- Failure to retain docs
- ISQC failures
- Independence
- Incorrect audit opinion
- PRECCA
- RIs
- Executor/Trustee duties
- Other

## DISCIPLINARY MATTERS: AGE ANALYSIS



**R970 000.00 worth of fines imposed**

**R32.4 million worth of cost orders**

**Four additional matters finalised through consent orders**

The Legal Department has adopted an annual plan and members have committed their availability in terms thereof. The plan aims to see at least 10 of the pending matters being considered in the upcoming financial year, thus actively addressing the growing caseload, while reducing the backlog.

### Farewell

At the end of this reporting period, we bid farewell to two committee members. Adv Dodson SC served as a member and later chairman of the committee for many years. His leadership and contribution have shaped the committee to its current state and cemented both its integrity and sense of justice.

We also bid farewell to Mr Akoodie, and his contribution to the operations of the committee will always be appreciated.

On behalf of the committee, I thank both members for their truly outstanding and invaluable service to the auditing profession and the committee, and wish them well. Their presence on the committee will be greatly missed.

### Appreciation

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

#### Adv A Platt SC

Chairman

# PART **F**

## FINANCIAL INFORMATION

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Risk Management Committee **62**

Report of the Auditor-General **64**

Annual Financial Statements **68**





# PART F: FINANCIAL INFORMATION

## REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2021.

### COMMITTEE RESPONSIBILITY

ARMCO reports that it has complied with its responsibilities, arising from Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. It has also adopted the appropriate formal terms of reference as its Audit and Risk Management Committee Charter; regulated its affairs in compliance with this charter; and discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

### COMMITTEE TENURE

During the period under review, ARMCO was comprised of the following members until **January 2021**:

- N Gumata;
- M Petros; and
- C Barrett.

From **February 2021 to April 2021**, the responsibilities of ARMCO were managed by the Caretaker Board, which was made up of:

- RC Andersen; and
- NN Gobodo.

**Subsequent to the year-end**, the following members were appointed to the committee:

- Z Mshengu;
- C Mjali; and
- P Phili.

### THE EFFECTIVENESS OF INTERNAL CONTROL

During the year under review, the following internal audit work was completed:

- Review of Annual Financial Statements;
- Review of Annual Performance Information;
- Review of supply chain management (SCM) processes;
- Review of Education and Transformation processes; and
- Disciplinary Process for RAs.

Findings reported have been discussed with management and corrective actions implemented.



## IN-YEAR MANAGEMENT AND QUARTERLY REPORTS

The public entity reported quarterly to National Treasury, as is required by the PFMA.

## EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements prepared by the public entity.

## AUDITOR'S REPORT

We have reviewed the entity's implementation plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved, except for the following:

- Compliance with SCM regulations.

We have engaged with management to ensure the implementation of effective controls, to strengthen compliance with supply chain management regulations.

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

**Z Mshengu**  
Chairman

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INDEPENDENT REGULATORY BOARD FOR AUDITORS

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

1. I have audited the financial statements of the Independent Regulatory Board for Auditors (IRBA) set out on pages 73 to 98, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the finan-

cial statements section of my report.

4. I am independent of the IRBA in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other matter

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

### Unaudited supplementary information

7. The supplementary information set out on page 98 does not form part of the financial statements and is presented as additional information. I have not audited this information and, accordingly, I do not express an opinion on it.

### Responsibilities of the accounting officer for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the

PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the IRBA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the IRBA or to cease operations, or has no realistic alternative but to do so.

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

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on IRBA's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the IRBA enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the

extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the IRBA's annual performance report for the year ended 31 March 2021:

Objective	Pages in the annual performance report
Strategic focus area 4: investigations	22 – 27

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:
  - Strategic focus area 4: investigations

### Other matter

17. I draw attention to the matter below.

### Achievement of planned targets

18. Refer to the annual performance report on pages 22 to 27 for information on the achievement of planned targets for the year and management explanations provided for the under achievement of targets.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the IRBA's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material finding on compliance with specific matters in key legislation is as follows:

## Expenditure management

21. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 962 869 as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA and treasury regulation (TR).

## Other information

22. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the board chairperson's foreword and the chief executive officer's overview. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

25. I have nothing to report in this regard.

## Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation, however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in my opinion and the finding on compliance with legislation included in this report.

27. The IRBA did not take effective and appropriate steps to prevent irregular expenditure. The irregular expenditure identified related to single source procurement of specialist investigators whereby competitive quotations were not obtained by management contrary to the supply chain management policy and the deviation was not approved in terms of the TR.

*Auditor General*



*Auditing to build public confidence*

31 July 2021



## ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

### Financial statements

29. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IRBA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's

use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the IRBA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause IRBA to cease operating as a going concern.

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

### Communication with those charged with governance

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

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

## CONTENTS

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

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

▪ Detailed Income statement	<b>98</b>
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## ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The PFMA requires the accounting authority to maintain adequate accounting records and be responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is also the accounting authority's responsibility to ensure that the annual financial statements fairly present the IRBA's state of affairs as at the end of the reporting period, as well as the results of its operations and cash flows for the year ended 31 March 2021. The external auditors are engaged to express an independent opinion on the annual financial statements and they were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, it is satisfied that the IRBA has adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the IRBA's audited annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 64-67.

The annual financial statements set out on pages 73-98, and which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2021 and were signed on its behalf by:



**Fulvio Tonelli** Chairman of the Board  
29 July 2021



**Imre Nagy** Acting CEO  
29 July 2021

## REPORT OF THE ACCOUNTING AUTHORITY

The accounting authority submits its report for the year ended 31 March 2021.

### 1. Introduction

The accounting authority presents its report, which forms part of the IRBA's Annual Financial Statements for the year ended 31 March 2021, to the Minister of Finance, the Executive Authority, in terms of Section 55 (l)(d) of the PFMA as amended.

### 2. Principle Activities of the IRBA

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

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

### 3. Analysis of Financial Statements

#### 3.1 High-level overview

The financial year was marked by the COVID-19 national lockdown and its impact on registered auditors and the operations of the IRBA.

The IRBA continued to work remotely for the financial year and this included conducting disciplinary hearings, inspections and investigations remotely. We are pleased to report that this transition has been successful, with the fulfilment of the mandate of the IRBA being largely unaffected.

As already mentioned, one of the finalised complex legal matters was the disciplinary hearing instituted against the then auditors of African Bank Investment

Limited. The matter was finally brought to a conclusion following 67 days of hearings, over a period of two-and-a-half years. The disciplinary committee found the lead audit engagement partner guilty of five of the 10 charges of improper conduct. It imposed a number of sanctions, including, a fine of R900 000 and a cost order of R31 176 618.30.

The recovery of costs and the fine have contributed to the surplus of R42.5 million at year-end. The cost recovery and fines will be utilised for current and future disciplinary hearings and other needs.

We have noted a decline in the assurance fees declared by registered auditors, and this has contributed to a R5 million under-recovery of budgeted assurance fees. We have also noted that the financial position of small and medium practitioners has resulted in a slower payment of assurance fees due. This will have an impact on the IRBA's ability to collect the fees due from the profession. This assumption has been considered in the calculation of the provision for doubtful debts.

In managing the overall allocation of funds from government, National Treasury has reduced the IRBA's grant allocation by R437 000. Additionally, the later registration of trainee contracts has resulted in an under-recovery of revenue of R837 000.

Management has responded by focusing on saving costs in other areas. A major contributor to the savings has been employment costs. This is due to the limited use of contract staff. Savings have been achieved by using internal resources to carry out projects that would have required contracted experts. Performance bonuses for staff, excluding the directors, have been paid at 1% of the salary, in line with the call from National Treasury to manage staff expenses conservatively.

Through engagement with the Office of the Chief Procurement Officer, the IRBA was advised that the method of procurement of specialist investigators that it followed did not comply with procurement regulations. The IRBA, for many years, has procured these services based on the specialist skills required for an investigation without obtaining three quotes. This is due to the confidential nature of these matters and the inability to determine the scope of an investigation upfront. The expenditure incurred to date has been disclosed as irregular expenditure and management is ad-



## Report of the Accounting Authority (continued)

dressings the method of procurement. An application has also been made to National Treasury for condonation.

The IRBA will apply to National Treasury to retain the current year surplus to fund future operations.

The revenue generated and the operating expenses incurred resulted in a surplus before the investment income of R40 million (2020: R2.6 million), compared to a budgeted break-even position (2019: R14 million).

### 3.2 Revenue

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

#### Revenue from exchange transactions

Revenue from exchange transactions primarily comprises registration, license and training contract fees. This revenue decreased to R47.5 million from R48.5 million. Income from training contracts decreased to R9.7 million from R12.4 million, as the registration of training contracts was delayed by firms until April 2021. The annual license fees payable by registered auditors increased to R34.6 million from R33.3 million.

#### Revenue from non-exchange transactions

During the year under review, the IRBA received government grants amounting to R44.2 million (2020: R43.2 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

Assurance fees decreased to R58.4 million from R59.1 million primarily due to the reduction in assurance work fees declared by the audit firms.

### 3.3 Expenses

Operating expenses decreased to R149.9 million from R152.4 million. This was mainly due to the decrease in expenses as explained below.

- Disciplinary and investigation expenses decreased by R9 million due to the high-profile case being finalised.
- Committee expenses increased by R1.2 million due to more disciplinary hearing days.

### 3.4 Assets

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

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

The cash balance increased to R74.5 million from R27.7 million. An amount of R35.4 million of the cash is required to fund the reserves needed to safeguard the IRBA's ability to continue as a going concern. Restricted cash remained constant at R10 million.

### 3.5 Liabilities

Trade and other payables consist of trade payables of R3.6 million, accruals of R8.1 million and an accrual for leave pay of R4.2 million.

### 3.6 Surplus

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

The IRBA at year-end reflected a surplus of R42.6 million (2020: R6.1 million).

### 3.7 Reserves

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

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

## Report of the Accounting Authority (continued)

### 3.8 Budget

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

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

The final budget for 2020/2021 was a breakeven budget and it was approved by the Board and National Treasury in January 2020.

The IRBA had no accumulated surplus as at 31 March 2020.

## 4. Accounting Authority

	Board Members' Current Term	
A Dlamini	May 2019 – May 2020	Term ended
M Janse van Rensburg (Chairman)	May 2019 – January 2021	Resigned
NT Mashile	May 2019 – May 2020	Term ended
MI Motala	May 2019 – January 2021	Resigned
MA Petros	May 2019 – January 2021	Minister dissolved the Board
Z Ntsalaze	May 2019 – May 2020	Term ended
N Gumata (Deputy Chairman)	June 2020 – January 2021	Minister dissolved the Board
T Semane	June 2020 – January 2021	Minister dissolved the Board
J Boggenpoel	June 2020 – January 2021	Minister dissolved the Board
N Padia	June 2020 – January 2021	Minister dissolved the Board
C Barrett	October 2020 – January 2021	Minister dissolved the Board
Z Vally	October 2020 – November 2020	Resigned
RC Andersen	February 2021 – April 2021	Caretaker appointed for three months
NN Gobodo	February 2021 – April 2021	Caretaker appointed for three months

### 5. Ministerial Representative

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

### 7. Bank

Standard Bank of South Africa

### 6. Business and Registered Address

**Physical address:** Building 2 • Greenstone Hill Office Park • Emerald Boulevard • Modderfontein • 1609

**Postal address:** PO Box 8237 • Greenstone • 1616

### 8. Auditors

Auditor-General of South Africa

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021**

Figures in Rand	Notes	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Inventories		206 910	219 071
Loans receivable	5	305 018	381 205
Receivables from exchange transactions	8	1 622 123	2 656 188
Receivables from non-exchange transactions	9	5 536 652	2 550 841
Cash and cash equivalents	10	74 471 835	27 710 243
		<b>82 142 538</b>	<b>33 517 548</b>
<b>Non-Current Assets</b>			
Plant and equipment	3	2 693 041	3 785 893
Intangible assets	4	1 734 009	2 003 911
Restricted cash	7	10 000 000	10 000 000
		<b>14 427 050</b>	<b>15 789 804</b>
<b>Total Assets</b>		<b>96 569 588</b>	<b>49 307 352</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	-	250 000
Payables from exchange transactions	11	15 924 887	10 438 569
		<b>15 924 887</b>	<b>10 688 569</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	6	-	583 947
<b>Total Liabilities</b>		<b>15 924 887</b>	<b>11 272 516</b>
<b>Net Assets</b>		<b>80 644 701</b>	<b>38 034 836</b>
<b>Reserves</b>			
Trust Fund		10 000 000	10 000 000
Contingency Fund - Disciplinary Cases		27 509 664	20 469 065
Contingency Fund - Operational		7 853 399	7 565 771
Accumulated surplus		35 281 638	-
<b>Total Net Assets</b>		<b>80 644 701</b>	<b>38 034 836</b>

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Notes	2021	2020
Revenue	13	190 076 615	155 086 144
Operating expenses		(149 869 512)	(152 438 568)
<b>Operating surplus</b>	14	<b>40 207 103</b>	<b>2 647 576</b>
Investment revenue		2 402 762	3 416 434
<b>Surplus for the year</b>		<b>42 609 865</b>	<b>6 064 010</b>



## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Trust Fund	Contingency Fund - Disciplinary Cases	Contingency Fund - Operational	Total reserves	Accumulated surplus	Total net assets
<b>Balance at 01 April 2019</b>	<b>10 000 000</b>	<b>14 499 554</b>	<b>6 427 949</b>	<b>30 927 503</b>	<b>1 043 323</b>	<b>31 970 826</b>
Changes in net assets						
Surplus for the year	-	-	-	-	6 064 010	6 064 010
Transfer to contingency fund: Disciplinary cases	-	5 969 511	-	5 969 511	(5 969 511)	-
Transfer to contingency fund: Operational	-	-	1 137 822	1 137 822	(1 137 822)	-
Total changes	-	5 969 511	1 137 822	7 107 333	(1 043 323)	6 064 010
<b>Balance at 01 April 2020</b>	<b>10 000 000</b>	<b>20 469 065</b>	<b>7 565 771</b>	<b>38 034 836</b>	<b>-</b>	<b>38 034 836</b>
Changes in net assets						
Surplus for the year	-	-	-	-	42 609 865	42 609 865
Transfer to contingency fund: Disciplinary cases	-	7 040 599	-	7 040 599	(7 040 599)	-
Transfer to contingency fund: Operational	-	-	287 628	287 628	(287 628)	-
Total changes	-	7 040 599	287 628	7 328 227	35 281 638	42 609 865
<b>Balance at 31 March 2021</b>	<b>10 000 000</b>	<b>27 509 664</b>	<b>7 853 399</b>	<b>45 363 063</b>	<b>35 281 638</b>	<b>80 644 701</b>

## CASH FLOW STATEMENT

Figures in Rand	Notes	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from registered auditors and other sources		188 385 434	154 983 717
Interest income		2 402 762	3 416 434
		<b>190 788 196</b>	<b>158 400 151</b>
<b>Payments</b>			
Cash paid to suppliers and employees		(143 613 188)	(146 800 181)
<b>Net cash flows generated from operating activities</b>	17	<b>47 175 008</b>	<b>11 599 970</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	3	(362 757)	(778 196)
Proceeds from sale of plant and equipment	3	15 749	24 552
Purchase of other intangible assets	4	(142 595)	(717 883)
Movement in loans receivable		76 187	(105 545)
<b>Net cash flows utilised by investing activities</b>		<b>(413 416)</b>	<b>(1 577 072)</b>
<b>Net increase in cash and cash equivalents</b>		<b>46 761 592</b>	<b>10 022 898</b>
Cash and cash equivalents at the beginning of the year		27 710 243	17 687 345
<b>Cash and cash equivalents at the end of the year</b>	10	<b>74 471 835</b>	<b>27 710 243</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual
<b>Statement of Financial Performance</b>			
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Revenue from regulatory functions	47 707 790	47 494 073	(213 717)
Other income	87 064	326 298	239 234
Interest received	2 769 889	2 402 762	(367 127)
<b>Total revenue from exchange transactions</b>	<b>50 564 743</b>	<b>50 223 133</b>	<b>(341 610)</b>
<b>Revenue from non-exchange transactions</b>			
Government grant	44 624 000	44 187 000	(437 000)
Revenue from regulatory functions	79 015 854	98 069 244	19 053 390
<b>Total revenue from non-exchange transactions</b>	<b>123 639 854</b>	<b>142 256 244</b>	<b>18 616 390</b>
<b>Total revenue</b>	<b>174 204 597</b>	<b>192 479 377</b>	<b>18 274 780</b>
<b>Expenditure</b>			
Personnel	(112 586 885)	(99 857 916)	12 728 969
Depreciation and amortisation	(2 050 890)	(1 851 806)	199 084
Lease of building	(6 232 884)	(5 981 235)	251 649
Debt impairment	-	(68 034)	(68 034)
Committee expenses	(4 878 895)	(7 563 190)	(2 684 295)
General expenses	(10 257 041)	(7 276 662)	2 980 379
Direct expenses	(28 418 096)	(19 139 941)	9 278 155
Departmental expenses	(9 779 906)	(8 130 177)	1 649 729
<b>Total expenditure</b>	<b>(174 204 597)</b>	<b>(149 868 961)</b>	<b>24 335 636</b>
<b>Operating surplus</b>	<b>-</b>	<b>42 610 416</b>	<b>42 610 416</b>
Gain on disposal of assets	-	(551)	(551)
<b>Actual Surplus on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>42 609 865</b>	<b>42 609 865</b>
	<b>-</b>	<b>42 609 865</b>	<b>42 609 865</b>

## ACCOUNTING POLICIES

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

##### Forecasts and budgets

As part of the budgeting process, the IRBA has prepared a budget that coincides with the MTEF, as set by National Treasury for the next three years. Based on the current budget assumptions, the IRBA will have a positive cash flow balance as at 31 March 2022.

The IRBA has considered the impact of the COVID-19 lockdown on its income and expenses for the year ended 31 March 2022. Revisions have been made to revenue to indicate the significant uncertainty presented by the economic context on RAs and their ability to operate. This, in turn, affects the ability of the RAs to pay fees due to the IRBA. So, management has implemented the deferral of projects and related expenses to later in the year or the next financial year. This will assist with maintaining positive cash flow balances.

##### Environment impact

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

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

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

##### Contingency Funds

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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



## ACCOUNTING POLICIES (CONTINUED)

### Loans and receivables

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

### Impairment testing

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

### Determination of useful lives for plant and equipment

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

### Effective interest rate

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

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

### Adequacy of the leave pay provision

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

## 1.3 Plant and equipment

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

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

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

Plant and equipment are initially measured at cost.

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

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

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

## ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

### 1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software and development cost	Straight line	3-5 years

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

## ACCOUNTING POLICIES (CONTINUED)

### 1.5 Financial instruments

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

### Classification

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

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

## ACCOUNTING POLICIES (CONTINUED)

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

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

### Initial recognition

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

The IRBA recognises financial assets using trade date accounting.

### Derecognition

#### Financial assets

The IRBA derecognises financial assets using trade date accounting, and this is only when:

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

#### Financial liabilities

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

### Presentation

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

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

## 1.6 Leases

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

### Operating leases - lessee

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



## ACCOUNTING POLICIES (CONTINUED)

### 1.7 Inventories

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

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

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

### 1.8 Employee benefits

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

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

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

### 1.9 Revenue from exchange transactions

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

#### Measurement

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

#### Revenue from regulatory functions

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

#### Revenue from non-exchange transactions

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

#### Government grants

Government grants are recognised as revenue when:

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

### 1.10 Investment income

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

## ACCOUNTING POLICIES (CONTINUED)

### 1.11 Irregular expenditure

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

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

National Treasury practice note No. 4 of 2008/2009, which was issued in terms of Sections 76(1) to 76(4) of the PFMA, requires the following:

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

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

### 1.12 Budget information

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

### 1.13 Related parties

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

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

### 1.14 Reserves

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

## ACCOUNTING POLICIES (CONTINUED)

### Contingency Fund - Disciplinary Cases

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

### Contingency Fund - Operational

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

### Trust Fund

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. NEW STANDARDS AND INTERPRETATIONS

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

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2021 or later periods as determined by the Minister of Finance:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
▪ GRAP 1 Presentation of Financial Statements	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted.
▪ GRAP 25 Employee Benefits	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted.
▪ Improvements to Standards of GRAP (2020)	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Improvements are adopted, as it has been used to inform current disclosures.
▪ GRAP 104 (amended): Financial Instruments	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 3. PLANT AND EQUIPMENT

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	3 063 871	(2 609 623)	454 248	3 036 793	(2 499 509)	537 284
Motor vehicles	315 783	(202 101)	113 682	315 783	(164 207)	151 576
Computer equipment	6 626 768	(4 681 081)	1 945 687	6 347 442	(4 147 530)	2 199 912
Leasehold improvements	6 596 492	(6 417 068)	179 424	6 596 492	(5 699 371)	897 121
<b>Total</b>	<b>16 602 914</b>	<b>(13 909 873)</b>	<b>2 693 041</b>	<b>16 296 510</b>	<b>(12 510 617)</b>	<b>3 785 893</b>

## Reconciliation of plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimates	Total
Furniture and fixtures	537 284	27 079	-	(110 115)	454 248
Motor vehicles	151 576	-	-	(37 894)	113 682
Computer equipment	2 199 912	335 678	(16 300)	(573 603)	1 945 687
Leasehold improvements	897 121	-	-	(717 697)	179 424
	<b>3 785 893</b>	<b>362 757</b>	<b>(16 300)</b>	<b>(1 439 309)</b>	<b>2 693 041</b>

## Reconciliation of plant and equipment - 2020

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 4. INTANGIBLE ASSETS

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software and development costs	6 881 110	(5 147 101)	1 734 009	6 738 515	(4 734 604)	2 003 911

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation/ changes in accounting estimates	Total
Computer software and development costs	2 003 911	142 595	(412 497)	1 734 009

#### Reconciliation of intangible assets - 2020

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

### 5. LOANS RECEIVABLE

	2021	2020
Study loans and travel advances	305 018	381 205

Loans receivable consists of study loans and travel advances made to staff members. The loans are interest free and the effect of discounting is not material.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 6. OPERATING LEASE

	2021	2020
Non-current liabilities	-	(583 947)
Current liabilities	-	(250 000)
	-	<b>(833 947)</b>
Total lessor incentive	-	(333 333)
Less: Current liabilities	-	250 000
Lessor incentive	-	(83 333)
Operating lease accrual	-	(500 614)
	-	<b>(583 947)</b>

Management negotiated an early termination of the lease on 31 March 2021 with the landlord and renegotiated terms from 1 April 2021. The terms include a reduction in the monthly lease rental and an annual escalation of 6% (2020: 8%).

### 7. RESTRICTED CASH

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

### 8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	1 251 672	2 300 890
Prepaid expenses	370 920	434 327
Less: Impairment provision	(469)	(79 029)
	<b>1 622 123</b>	<b>2 656 188</b>

#### Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

#### Trade and other receivables past due but not impaired

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

1 month past due	1 121 922	1 814 090
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

Opening balance  
Provision for impairment

2021	2020
(79 029)	(2 611)
78 560	(76 418)
<b>(469)</b>	<b>(79 029)</b>

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

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

## 9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Fines, penalties and legal cost recoveries outstanding  
Assurance fees debtors  
Less: Impairment provision

5 932 232	2 527 616
1 161 049	1 453 259
(1 556 629)	(1 430 034)
<b>5 536 652</b>	<b>2 550 841</b>

### Receivables from non-exchange transactions pledged as security

Trade and other receivables are not pledged as security.

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

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

1 month past due

1 755 224	47 030
(1 430 034)	(1 553 148)
(126 595)	123 114
<b>(1 556 629)</b>	<b>(1 430 034)</b>

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

Opening balance  
Provision for impairment

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	3 213	5 139
Bank balances	73 583 846	26 820 328
12-Month Term Deposit	884 776	884 776
	<b>74 471 835</b>	<b>27 710 243</b>

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

#### Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Contingency Fund - Disciplinary Cases, R27 509 664 (2020: R20 469 065); and Contingency Fund - Operational, R7 853 399 (2020: R7 565 771). The shortage in cash resources to fund these reserves will be funded from working capital.

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

#### 12-month term deposit

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

### 11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3 553 204	5 066 570
Accrued leave pay	4 230 327	1 770 200
Other accruals	7 090 426	3 017 294
Registration application fees	1 050 930	584 505
	<b>15 924 887</b>	<b>10 438 569</b>

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 12. FINANCIAL INSTRUMENTS

#### Financial assets at amortised cost

Trade and other receivables from exchange transactions	1 251 203	2 221 861
Trade and other receivables from non-exchange transactions	5 536 652	2 550 842
Cash and cash equivalents	74 471 835	27 710 243
	<b>81 259 690</b>	<b>32 482 946</b>

#### Financial liabilities at amortised cost

Trade and other payables from exchange transactions	15 924 887	10 438 569
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### 13. REVENUE

Government grants	44 187 000	43 163 000
Revenue from regulatory functions - exchange	47 494 073	48 466 912
Revenue from regulatory functions - non-exchange	98 069 244	63 238 543
Other income	326 298	217 689
	<b>190 076 615</b>	<b>155 086 144</b>

License fees	34 632 440	33 335 451
Monitoring fees	1 142 195	707 510
Proficiency test fees	178 870	174 600
Registration fees	1 828 707	1 832 511
Training contracts and levies	9 711 860	12 416 840
	<b>47 494 072</b>	<b>48 466 912</b>

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

Contributions to disciplinary and investigation expenses	31 626 618	512 603
Sanctions for improper conduct	8 014 999	3 615 000
Assurance Fees	58 427 627	59 110 940
	<b>98 069 244</b>	<b>63 238 543</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 14. OPERATING SURPLUS

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

### Operating lease charges

Building	5 981 235	6 232 887
▪ Lease rentals on operating lease		
Net loss on sale of plant and equipment	(551)	(47 170)
Amortisation of intangible assets	412 497	361 721
Depreciation on plant and equipment	1 439 309	1 473 261
Employee costs	99 857 916	90 445 091

## 15. BAD DEBTS

Bad debts	20 000	-
Increase/(reduction) to debt impairment provision	48 034	(46 795)
	<b>68 034</b>	<b>(46 795)</b>

## 16. AUDITORS' REMUNERATION

Auditors' remuneration - external	645 197	780 400
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 17. CASH GENERATED FROM OPERATIONS

	2021	2020
Surplus	42 609 865	6 064 010
<b>Adjustments for:</b>		
Depreciation and amortisation	1 851 806	1 834 982
Net loss on sale of assets	551	47 170
Debt impairment	68 034	(46 795)
Movements in operating lease	(583 947)	(77 340)
<b>Changes in working capital:</b>		
Inventories	12 161	(86 731)
Receivables from exchange transactions	1 034 065	(328 282)
Impairment provision	(68 034)	46 795
Other receivables from non-exchange transactions	(2 985 811)	(45 982)
Payables from exchange transactions	5 236 318	4 192 143
	<b>47 175 008</b>	<b>11 599 970</b>

### 18. COMMITMENTS

<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>	460 939	-
▪ Plant and equipment		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	3 545 657	7 051 197
- in second to fifth year inclusive	23 928 075	2 997 989
- later than five years	5 633 748	-
	<b>33 107 479</b>	<b>10 049 186</b>

Operating lease payments represent rentals payable by the IRBA for its office properties and multi-functional printers. Leases are negotiated for an average term of three years and office property rentals escalate by 8% per annum. Management negotiated an early termination of the lease on 31 March 2021 with the landlord and renegotiated terms from 1 April 2021.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 19. CONTINGENCIES

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

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

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

### 20. RELATED PARTIES

#### Relationships

Members of key management

Refer to note 21 for the disclosure of key management and Board members' remuneration

### 21. KEY MANAGEMENT AND BOARD MEMBERS' REMUNERATION

#### Key management 2021

	Annual remuneration	Contributions to retirement fund	Telephone allowance	Termination benefit	Total
J John, CEO (Appointed June 2020)	2 916 667	-	16 000	3 500 000	6 432 667
BP Agulhas, CEO (Contract ended May 2020)	600 077	55 746	3 200	-	659 023
I Nagy, Director: Inspections (1 April 2020-15 February 2021)	2 435 917	187 717	13 379	-	2 637 013
I Vanker, Director: Standards	2 651 221	184 154	14 520	-	2 849 895
J Bailey, Director: Investigations	2 347 707	217 937	14 520	-	2 580 164
N Naicker, Director: Operations	2 227 796	206 798	14 520	-	2 449 114
RN Motsepe, Director: Legal	2 453 739	170 425	14 520	-	2 638 684
NA Kater, Director: Education and Transformation	2 051 306	142 450	14 520	-	2 208 276
I Nagy, Acting CEO (Appointed 16 February 2021)	275 283	20 066	1 600	-	296 949
N Gulwa, Acting Director: Inspections (Appointed 8 March 2021)	155 444	9 235	1 005	-	165 684
	<b>18 115 157</b>	<b>1 194 528</b>	<b>107 784</b>	<b>3 500 000</b>	<b>22 917 469</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2020

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

Board members' fees	2021	2020
A Dlamini	42 910	31 680
M Janse van Rensburg	80 215	91 057
MI Motala	87 005	97 710
NT Mashile	-	13 290
MA Petros	110 360	62 020
Z Ntsalaze	39 480	53 780
N Gumata	64 185	-
T Semane	61 630	-
J Boggenpoel	64 235	-
N Padia	50 945	-
C Barrett	48 730	-
RC Andersen	23 140	-
NN Gobodo	17 720	-
	<b>690 555</b>	<b>349 537</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021

2020

### 22. RISK MANAGEMENT

#### Financial risk management

The IRBA's activities expose it to a variety of financial risks.

#### Liquidity risk

The IRBA's liquidity risk arises from the funds that are available to cover future commitments. It then manages liquidity risk through an ongoing review of future commitments, timely invoicing and collections.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The IRBA only deposits cash with major banks that have a high-quality credit standing, and limits exposure to any single counter-party.

#### Interest rate risk

The IRBA is exposed to interest rate risk as it places funds in the money market with the Reserve Bank. A significant balance of the cash is invested with the Reserve Bank, as instructed by National Treasury.

### 23. 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.

### 24. EVENTS AFTER THE REPORTING DATE

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

### 25. IRREGULAR EXPENDITURE

Opening balance as previously reported	335 570	-
Add: Irregular Expenditure - current	1 962 869	335 570
Add: Irregular Expenditure - prior periods	8 468 502	-
<b>Closing balance</b>	<b>10 766 941</b>	<b>335 570</b>

During the financial year, management made the determination that expenditure from previous financial years was irregular expenditure. This is disclosed in the current year as Irregular Expenditure – prior periods.

#### Cases under investigation

The irregular expenditure identified above relates to single source procurement whereby competitive quotations were not obtained by management. This is due to the specialist nature of the specific service providers required. An application has been made to National Treasury for the condonation of the expenditure.

National Treasury Practice Note 8 of 2007/2008: Paragraph 3.3.3

10 766 941	335 570
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### 26. SERVICES RECEIVED IN-KIND

The IRBA received services in-kind from National Treasury for the shared internal audit activity; and similar services were also received in the prior year.

## DETAILED INCOME STATEMENT

Figures in Rand	Notes	2021	2020
<b>Revenue</b>			
Government grants		44 187 000	43 163 000
Other income		326 298	217 689
Revenue from regulatory functions - exchange		47 494 073	48 466 912
Revenue from regulatory functions - non-exchange		98 069 244	63 238 543
		<b>190 076 615</b>	<b>155 086 144</b>
<b>Other income</b>			
Interest received		2 402 762	3 416 434
<b>Operating expenses</b>			
Audit Development Programme assessments		(389 358)	(177 189)
Auditors' remuneration	16	(645 197)	(780 400)
Bad debt	15	(68 034)	46 795
Building operating expenses		(1 824 617)	(2 322 228)
Committee expenses		(7 563 190)	(6 340 324)
Computer expenses		(3 474 349)	(2 938 686)
Consulting and professional fees		(661 950)	(919 277)
Depreciation, amortisation and impairments		(1 851 806)	(1 834 982)
Disciplinary and investigation expenses		(22 627 637)	(31 632 080)
Employee costs		(99 857 916)	(90 445 091)
Insurance		(284 804)	(231 170)
Lease of building		(5 981 235)	(6 232 887)
Loss on disposal of assets		(551)	(47 170)
Other expenses		(1 402 729)	(1 803 423)
Placement fees		(1 835 716)	(1 891 781)
Printing and stationery		(353 721)	(496 116)
Proficiency tests		(97 200)	(93 420)
Public relations		(119 985)	(213 381)
Publications		(77 148)	(256 878)
Raising awareness and branding		(236 183)	(402 392)
Staff welfare		(485 946)	(954 687)
Travel - local		(7 541)	(1 309 527)
Travel - overseas		10 357	(1 127 059)
Workman's compensation		(33 056)	(35 215)
		<b>(149 869 512)</b>	<b>(152 438 568)</b>
<b>Surplus for the year</b>		<b>42 609 865</b>	<b>6 064 010</b>

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





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