

ANNUAL
REPORT

2022



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ANNUAL REPORT 2022

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PART **A**

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION



Registered Name	Independent Regulatory Board for Auditors
Physical Address	Building 2 Greenstone Hill Office Park Emerald Boulevard Modderfontein, 1609
Postal Address	PO Box 8237, Greenstone 1616
Telephone Number	010 496 0600
Fax Number	086 482 3250
Email Address	board@irba.co.za
Website Address	www.irba.co.za
External Auditors	Auditor-General South Africa
Bankers	Standard Bank of South Africa
Board Secretary	Ms Jill Levendal

LIST OF ABBREVIATIONS

ACCOM	Accreditation Committee
ABASA	Association for the Advancement of Black Accountants of Southern Africa
ADP	Audit Development Programme
AGSA	Auditor-General South Africa
APA	Auditing Profession Act No. 26 of 2005, as amended
APC	Assessment of Professional Competence
ARMCO	Audit and Risk Management Committee
B-BBEE	Broad-Based Black Economic Empowerment
CFAE	Committee for Auditor Ethics
CFAS	Committee for Auditing Standards
CPD	Continuing Professional Development
EDCOM	Education and Transformation Committee
ENCOM	Enforcement Committee
FASSET	Finance and Accounting Services Sector Education and Training Authority
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board

IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspections Committee
INVESCO	Investigating Committee
IRBA	Independent Regulatory Board for Auditors
ITC	Initial Test of Competence
PAO	Professional Accountancy Organisation
PFMA	Public Finance Management Act No. 1 of 1999, as amended
PIE	Public Interest Entity
RA	Registered Auditor
RCA	Registered Candidate Auditor
RI	Reportable Irregularity
SAICA	South African Institute of Chartered Accountants
SAQA	South African Qualifications Authority

HIGHLIGHTS OF THE YEAR



1. Governance

- Auditing Profession Amendment Act: The amendments came into effect on 26 April 2021; and the related implementation plan consisted of 11 projects, 10 of which have been concluded.
- Appointment of the IRBA Board: The Minister of Finance appointed a 10-member Board to provide governance oversight.
- Five-year Strategy: The IRBA adopted the refocused five-year strategy 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.
- International Forum of Independent Audit Regulators (IFIAR): A number of IRBA staff members serve on various IFIAR structures, as further detailed under the Acting CEO's Overview.

2. Audit Quality

- Audit Quality Focus Area: The IRBA is committed to improving audit quality as a critical success factor in rebuilding confidence; and to engaging with the profession, locally and internationally, to promote audit quality.
- Mandatory Audit Firm Rotation (MAFR): The 1st of April 2022 marks exactly one year before the MAFR rule becomes effective.
- Quality Management Standards: Our Board approved the International Auditing and Assurance Standards Board (IAASB) suite of Quality Management (QM) standards for use by registered auditors (auditors) in South Africa.

- Audit Quality Indicators (AQIs): The IRBA published its third annual AQI report. AQI reporting continues to make headway by placing actionable information in the hands of stakeholders. While the report is compiled by the IRBA, the data belongs to the firms that provide it, and the value of the report is to be extracted and understood by those charged with governance and the firms that provided the data. Therefore, this third year of reporting places a meaningful quantity of data in the hands of users and starts to show trends in audit quality.
- Public Inspections Report: We issued the 2021 Public Inspections Report which highlights areas of audit quality that were identified as being deficient during the firm-wide and individual assurance engagement inspections.
- 8th Inspections Cycle: As part of the 8th Inspections Cycle and following the identification of concerning trends of recurring deficiencies, the IRBA introduced additional initiatives that include theme-based inspections and a guided proactive monitoring process with audit firms, as part of this cycle's remediation initiatives.

3. Education and Transformation

- ACCA Accreditation Application: The process to evaluate the accreditation application lodged by the Association of Chartered Certified Accountants reached a milestone with the review of the draft evaluation reports from the specialist working groups.
- Engagement with Accredited Universities: During the year, the IRBA interacted with auditing academic representatives from 23 accredited

HIGHLIGHTS OF THE YEAR CONT...

universities, to work together on initiatives that seek to increase awareness of the registered auditor (RA) designation and the Audit Development Programme (ADP). This was also to strengthen the supportive structure for auditing lecturers and students.

- **ADP Reloaded:** Through this project, the IRBA focused on offering customised support and training initiatives for registered candidate auditors (RCAs) and oversight RAs (ORAs), to ensure that candidates receive better assistance as they work towards completing the programme.
- **Monitoring of the Professional Body:** The IRBA has embarked on a more integrated external validation approach for the monitoring of the South African Institute of Chartered Accountants (SAICA), to respond to areas of higher risk and endeavour to add value in the profession through the monitoring process.

4. Response to COVID-19

- **Work-from-home Protocol:** Since we instituted the remote work practice early in 2020, we continue to strengthen our technological infrastructure, to ensure that it supports our day-to-day operations in an effective way.

5. Communication and Outreach

- **Webinars:** The IRBA hosted a number of webinars and outreach events in an effort to keep its stakeholders informed. These webinars were attended by various speakers and panel members and featured guests such as the IAASB Chairperson and its Technical Director as speakers. The various webinar events covered topics such as the countdown to the launch of the ISQMs, the launch of the Public Inspections Report, Audit in an Uncertain Environment and Unpacking Possible Enhanced Disclosures in the Auditor's Report in South Africa. The recordings of the various webinars can be found on the IRBA website.

SIGNIFICANT FEATURES SUMMARY

The table below gives a four-year comparative overview of performance and registrations.

Registered Auditors	2022	2021	2020	2019
Total number of RAs	3 634	3 630	3 903	4 079
*Assurance RAs at year-end	2 770	2 746	2 844	2 889
**Non-assurance RAs at year-end	864	884	1 059	1 190
New registrations	125	98	122	144
ADP	2022	2021	2020	2019
RCAs at year-end	482	464	443	425
New ADP registrations	104	82	80	170
RCAs who successfully completed the ADP	86	73	33	31
Number of firms monitored during the period	46	44	42	44
Training Contracts	2022	2021	2020	2019
Trainee accountants registered at year-end	3 241	3 364	4 655	2 481
Reportable Irregularities (RIs)	2022	2021	2020	2019
Total RIs received (first reports)	702	938	897	818
Second reports – continuing	411	547	559	483
Second reports – not continuing	275	361	281	351
Second reports – did not exist	16	27	29	13
Second reports – overdue	0	3	1	1

* Assurance: RAs who perform an audit and express an opinion on the degree of confidence of the intended users about the outcome of the evaluation or measurement of financial statements against criteria.

** Non-assurance: RAs who are not in public practice, such as academics and financial staff of corporates.

SIGNIFICANT FEATURES SUMMARY CONT...

The table below gives a four-year comparative overview of performance and registration.

Enforcement Matters	2022	2021	2020	2019
Investigations initiated	64	76	82	139
Investigations in progress	221	237	227	221
Investigations finalised	79	62	56	65
Disciplinary Committee hearings	1	6	3	3
***Matters finalised following referral for a disciplinary hearing	7	8	2	1
Inspections Performed	2022	2021	2020	2019
Firms	10	7	6	9
Engagements	111	118	130	103
Financial indicators (R'000)	2022	2021	2020	2019
Government Grant	44 609	44 187	43 163	40 874
Transferred from/(to) reserves	7 799	(7 328)	(7 107)	(1 507)
Surplus after movement in reserves	24 820	35 282	-	-

*** Matters finalised following a referral for a disciplinary hearing include matters finalised through an admission of guilt or a consent order and matters finalised following a disciplinary hearing.



MESSAGE

FROM THE
MINISTER OF FINANCE

“

As the country's economic recovery continues to face challenges, the role of entities such as the IRBA and their responsibility to protect the interests of the public cannot be overemphasised. It is through the work of such organisations that we can secure investments to grow our economy and create a better livelihood for our people. Only through sustained economic growth can South Africa generate enough jobs to reduce poverty and inequality, enabling us to reach the government's goal of a better life for all.

”

MESSAGE FROM THE MINISTER OF FINANCE CONT...

The IRBA has turned a corner and is making steady progress in implementing its new strategy, which is supported by the strengthened Auditing Profession Act. The amendments should make a significant difference by bolstering the IRBA's independence and enforcement process, in addition to positioning it as a regulator that is fit for purpose.

We expect to see the IRBA continue helping to take action against auditors who have been and are aiding state capture, as noted at the Judicial Commission on State Capture. Taking the necessary actions against such professionals is important because corruption is causing major damage to our country and continues to hamper our economic growth, making all sectors of the economy vulnerable.

The Act amendments are backed by a regulatory strategy that I signed and published in October last year. This strategy outlines the IRBA's key priorities and strategic outcomes; details the guiding principles when performing regulatory activities; and includes a framework for the regulator's engagement with stakeholders.

The coming years will present significant challenges for the country and state entities, as we find ourselves in a challenging economic environment that requires us to do

more for our people with severely constrained resources. To address these challenges, the coordinated efforts of all stakeholders will become more critical in the effort to build trust and confidence in the IRBA and the auditing profession.

In this past year, the IRBA was able to successfully achieve most of its performance objectives, despite its constrained resources and leadership challenges. I would like to take this opportunity to thank the new Board and leadership team for the stability they have brought to the organisation, and for leading a committed and focused team.

I wish the IRBA well as it continues on a path to restore the credibility of both the regulator and the auditing profession.



Minister of Finance



FOREWORD

BY THE CHAIRPERSON

“ I am pleased to present my first report as the Chairperson of the IRBA Board. The 10-member Board was appointed by the Minister of Finance in June 2021. Our role is to bring stability, provide oversight and ensure that the IRBA delivers on its mandate, in line with the amended Auditing Profession Act. ”

We, however, must acknowledge that assuming Board responsibilities, after the difficult period that the organisation had gone through, was not without its challenges. We had to instantly deal with a backlog of key matters and decisions that needed to be implemented to move the organisation forward.

The promulgation of the Auditing Profession Act amendments in April 2021 further strengthened the IRBA's independence and powers to deliver more effectively on its mandate. The Board has supported the management team through the implementation of several projects that are linked to the Act amendments. This included developing a regulatory strategy that defines the IRBA's regulatory philosophy and actions, to enhance its effectiveness as an internationally recognised audit regulator that is best positioned to fulfil its mandate of serving the interests of the investing public. This strategy, read together with the revised five-year strategy, is the cornerstone of the Board's oversight responsibilities.

FOREWORD BY THE CHAIRPERSON CONT...

One of our immediate tasks, as instructed by the Minister of Finance, was to start the rigorous process of appointing a suitable candidate to take over as the Chief Executive Officer. While the process has taken longer than initially envisaged, we have had to acknowledge that we cannot overlook the importance of ensuring that we avoid past mistakes with this appointment.

With regard to the financial reporting ecosystem, the lack of regulation over other role-players is still a challenge that sometimes leads to risks that remain unaddressed. As part of our efforts to address this and other related issues, the IRBA has embarked on a comprehensive stakeholder engagement initiative to identify areas of improvement and address the expectation gap together with our key stakeholders. We cannot deny that gaps in the financial reporting ecosystem can easily lead to corruption, which has become problematic in the country and continues to impede our economic growth. In the recent reports issued by the Commission on State Capture, several auditors were alleged to have aided state capture and are accordingly being investigated by the IRBA.

The IRBA is in the process of benchmarking its current funding model to ensure its sustainability to execute our core mandate and fund the necessary growth.

I am happy to announce that the IRBA has stayed on track to achieve its annual performance targets, as set out in the Annual Performance Plan. We have also put in place measures and controls to strengthen our supply chain management processes, following the irregular expenditure noted in the previous financial year.

I wish to thank my fellow Board members for their support and commitment during this year, as well as the IRBA management team and staff for their tenacity and dedication. I have to extend a special word of gratitude to the Acting CEO for his leadership during this transitional period and for ensuring stability within the organisation.

As the Board, and with the support of the entire organisation, we have laid a solid foundation on which to re-establish confidence in the regulator. We will build on this in the upcoming year, as our collective efforts to strengthen this organisation start to yield results.



Fulvio Tonelli

Chairperson



OVERVIEW

BY THE ACTING
CHIEF EXECUTIVE OFFICER



*It is with pleasure
that I present to you
the IRBA's 16th Annual
Report, for what has
been a year of significant
strides towards
stability, progress
and repositioning our
organisation.*



Following the impact of the pandemic across the globe over the past two years, the world has started to operate under a new sense of normal. The country has opened for active economic participation and more industries are almost back to their pre-COVID-19 productivity levels. During the period under review, the IRBA also experienced a sense of returning to stability by taking significant steps towards reinforcing its governance structures and moving its strategic initiatives forward.

Importantly, the Minister of Finance appointed the current 10-member Board in June 2021, and this was a major step in our renewed focus to bolster our governance structures. Our new Board members have paid particular attention, during the period under review, on addressing backlogs and any governance matters that have surfaced. We are grateful for their resilience and commitment, and will continue to work with them in achieving the IRBA's goals.

Our focus over the past year continued to be on our refocused five-year strategy and restoring confidence and trust in the regulator and the auditing profession. To that end, we have finalised our roadmap and project charter to guide the related activities, which

OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER CONT...

include strengthening capacity. Three workstreams have also been established, and research and consultations are underway to identify key reforms and improvements in each of the focus areas identified in our strategy.

Act Amendments

The Auditing Profession Amendment Act was signed into law by the President of the Republic on 26 April 2021, strengthening the governance, independence and enforcement powers of the IRBA. To give effect to the provisions of the Act, the IRBA embarked on an implementation plan that comprised key projects such as:

- Developing a regulatory strategy;
- Referral of non-audit complaints to accredited professional bodies;
- Development of subpoena as well as search and seizure guidelines;
- Amended Disciplinary Rules; and
- Proposed maximum monetary sanctions for improper conduct by registered auditors (RAs) to the Minister of Finance.

Of the 11 planned projects, 10 were completed by the end of the financial year. As the period under review ended, one outstanding matter - the upper limits for fines - still had to be recommended to the Minister; and the Board has since made that recommendation.

Audit Reforms

Mandatory Audit Firm Rotation

The IRBA's MAFR rule was gazetted on 5 June 2017, and 2022 marks exactly one year before the effective date of 1 April 2023. In February of this year, the IRBA undertook a proactive exercise to monitor the compliance of listed

companies and their registered audit firms with the MAFR rule, and to determine what percentage of these companies and audit firms are at risk of being in breach of the rule.


The result of our exercise revealed that almost two-thirds of all listed companies in SA are already in compliance; and we also received confirmation from the firms auditing public interest entities (PIEs) that rotations are in progress to ensure compliance come the 1st of April 2023.

We have also observed some positive signs of mid-tier firms acquiring a greater portion of the listed company client base through the introduction of the MAFR rule. The IRBA continues to create awareness and update stakeholders on the status of the rule through formal communiques and a series of media messaging campaigns.

8th Inspections Cycle

The period under review marked the first year of the 8th Inspections Cycle, which continues to focus on audits with a higher public interest exposure. Despite the constraints of working remotely, the IRBA was able to sustain the number of inspections performed by following the work classification guidelines and transition plan. This cycle has also led to initiatives to proactively address recurring inspection findings, resulting in the introduction of the following key enhancements:

- Comprehensive stakeholder engagement;
- Guided proactive monitoring of remediation initiatives;
- Theme-based inspections;
- An enhanced business intelligence process; and
- Enhanced reporting.



Our annual Public Inspections Report, which we issued and socialised during the year, indicated inconsistencies and significant deficiencies in relation to audit quality (especially, regarding independence and ethics) and its management within the majority of audit firms and assurance engagements inspected. These negative trends, which are well below par when compared internationally, seem to continue unabated at most firms. Despite the inspection outcomes, improvement has been observed at some of the audit firms, where considerable investments were made into real-time quality management and capacity.

International Standard on Quality Management

The IRBA Board adopted the suite of Quality Management standards – International Standard on Quality Management (ISQM) 1, ISQM 2 and International Standard on Auditing (ISA) 220 (Revised) – which prescribe a framework for audit quality at audit firms and on engagements. The standards have raised the bar for quality management and will also strengthen and modernise the firms' approach to quality management.

We also hosted a webinar to mark the nine-months countdown to the effective date (15 December 2022) of these standards. This brought together international experts and local specialists, who shared some resources and insights with audit firms to ensure a smooth implementation.

Education and Transformation

We are very excited by the developments in our education and transformation space, as this is the function that focuses on our developmental mandate as a regulator. During the period under review, the evaluation of the accreditation application of the Association of Chartered Certified Accountants (ACCA) reached an important milestone with the review of the draft evaluation reports from the specialist

working groups. The accreditation of another professional accountancy body will help us increase the pipeline of potential RAs and meet the required number of auditors for our economy.

The Audit Development Programme Reloaded Project has also shown significant growth by producing the highest number of candidates completing the programme in a single financial year. Since the implementation of the ADP Reloaded initiatives, there has also been a steady increase in the number of registrations and completions.

Comprehensive Stakeholder Engagement

The IRBA continues to engage with the various stakeholders in our quest to implement our mandate and create awareness about our strategy and various programmes. We are grateful to all our stakeholders, including the registered auditors, professional accountancy bodies, universities, the Senior Partners Forum, the Assurance Leaders Forum, the Audit Committee Forum, the Chief Financial Officers Forum, the Association for the Advancement of Black Accountants of Southern Africa (ABASA), the Association of Certified Fraud Examiners, the Finance and Accounting Services Sector Education and Training Authority (FASSET) and many more that continuously engage with us.

International and Regional Participation

We have continued to participate, contribute and influence standards and regulation through taking part on various international auditing, ethics and standards boards. As envisaged in our Act and per our vision, we must remain an internationally recognised independent audit regulator, with globally comparable ethical standards. The IRBA is represented on the international boards briefly highlighted below, and further details on our actions are covered in the reports from our various committees.

- International Forum of Independent Regulators (IFIAR):

OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER CONT...

The IRBA was re-elected as an IFIAR board member, and the Acting CEO serves as the Chairperson of the Audit and Finance Committee and is a non-executive director of the IFIAR Association. Several IRBA staff members also serve on the various IFIAR working groups, including the Inspection Working Group, the Investor and Other Stakeholders Working Group, the Technology Task Force, the Standards Coordination Working Group and the Enforcement Working Group.

- The African Forum of Independent Accounting and Auditing Regulators: The IRBA is a founding member and currently holds the position of deputy Chairperson.
- The International Ethics Standards Board for Accountants (IESBA): The IRBA's senior manager, Ms Saadiya Adam, was appointed to serve as a board member from 1 January 2022.
- The International Auditing and Assurance Standards Board (IAASB): The Director Standards served as a board member until December 2021.
- The IFAC International Panel on Accountancy Education (IPAE - the Panel): The Director Education and Transformation is an IPAE member and participates specifically on the Future of Learning and ESG/ Sustainability innovation teams.

Current Issues and Future Outlook

Management has started a research project to review the current funding model, in order to sustain the organisation in the future. The IRBA also continues to defend current litigations pertaining to the fees challenge and MAFR.

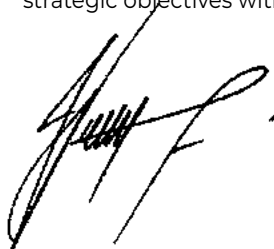
Appreciation

This has been another fruitful year for the IRBA team, despite the challenges that we had to face as a profession. As we continue to restore confidence and rebuild trust in the

profession and the regulator, we need to keep reminding ourselves that it takes a collective effort to bring about the necessary changes. With all the work done by the various stakeholders over the past few years, it is time for us to start seeing the results of all those efforts.

I believe that all role-players, within and outside the profession, want to see strong ethical principles being implemented by our professionals; and this includes having consistent and sustainable high-quality audits that are anchored by strong governance and regulation. They also want to ensure that auditors take their rightful place as respected professionals that promote the sustainability and growth of the economy through the work that they do. If we work together and collectively focus on rebuilding our profession, we can then reclaim the trust that has been lost and re-establish the value of the audit.

I would like to thank the Board, its committees and statutory committee members for their guidance and leadership. A word of thanks also goes to management and staff for their resilience and commitment throughout this period; and I also commend them for continuing to pursue the IRBA's strategic objectives with great professionalism.



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 this 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 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, this 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 2022.

Yours faithfully,

Acting Chief Executive Officer

Name: Imre Nagy

Chairperson of the Board

Name: Fulvio Tonelli

STRATEGIC OVERVIEW

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.

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.

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.

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.

Goal

The IRBA's 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

We create continuing value through our role as an embedded protector of confidence in the sustainability of the system, while building an enabling environment for auditors, thereby contributing to the protection of the public's financial interests.



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 core values that are highlighted below.

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. Consequently, 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 No. 26 of 2005, as amended (APA). 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

IRBA BOARD

The 10-member Board is appointed by the Minister of Finance.



Fulvio Tonelli
Chairperson



Naidene Ford-Hoon
Deputy Chair



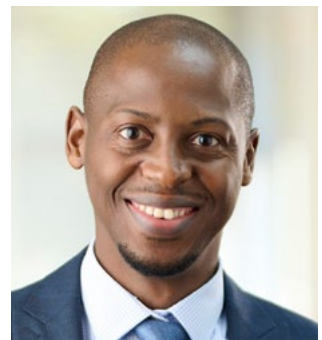
Ruth Benjamin-Swales



Thabiso Kutumela



Nalini Maharaj



Protas Phili



Zine Mshengu



Chuma Mjali



Sir Richard Hawkins



Eugene Zungu

(Resigned on 31 March 2022)

EXECUTIVE

The Executive reports to a non-executive Board; and the organisation operates with a staff complement of 87 employees.



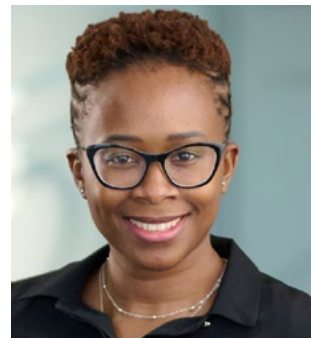
Imre Nagy
Acting CEO



Imran Vanker
Director: Standards



Jillian Bailey
Director: Investigations



Rebecca Motsepe
Director: Legal



Nadine Kater
*Director: Education
and Transformation*



Ntlambi Gulwa
Acting Director: Inspections



Marius Fourie
Acting Director: Operations



PART **B**

PERFORMANCE
AGAINST MEASURABLE
OBJECTIVES

STRATEGIC FOCUS AREAS 2021/2022



STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS

Activities

The focus in the upcoming year will be on restoring confidence in the auditing profession projects through standards-related activities. We will also continue to support our statutory committees to ensure that we develop and issue high-quality international and local ethics and auditing and assurance pronouncements

STRATEGIC OBJECTIVE					
To develop and maintain auditing and ethical standards which are internationally comparable <i>Responsibility: Director Standards</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
Standards and Guidance issued	Issued auditing pronouncements, illustrative audit reports and comment letters.	High-quality audits.	Target dates met for issuing audit pronouncements, illustrative audit reports and comment letters.	85% of target dates met.	Target: 17 Actual: 17 Achieved: Yes (100%)
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.	Target: 5 Actual: 5 Achieved: Yes (100%)


STRATEGIC FOCUS AREAS 2021/2022 CONT...

STRATEGIC FOCUS AREA 2: EDUCATION

Activities

Education and Transformation continues to strive towards increasing both the number of candidates registering on the Audit Development Programme as well as those successfully completing the programme. It is also imperative to continue to improve the quality of the programme, with an increased focus on the transformation of candidates that are on it. As part of the initiatives to restore confidence in the profession, the 2020 CPD monitoring process has been implemented and a project to ensure that the RA brand is repositioned commenced in the 2021/2022 financial year.

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 <i>Responsibility: Director Education and Transformation</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
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 per annum.	42 visits	Target: 42 Actual: 46 Achieved: Yes <i>Explanation for the deviation/ overachievement: The actual is above target due to additional visits performed to finalise Portfolios of Evidence (PoEs) for Recognised Prior Learning candidates who submitted PoEs and includes revisits which had to be conducted based on the monitoring intensity outcomes for firms already inspected.</i>



Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
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) approval.	1 report submitted within the target date.	<p>Target: Submit the Final Monitoring Reports (FMRs) to SAICA by 9 December 2021, after EDCOM's approval, which was on 25 November 2021.</p> <p>Actual: FMRs were submitted to SAICA on 8 December 2021.</p> <p>Achieved: Yes</p>
To contribute to the transformation of the profession	IRBA transformation initiatives.	To facilitate the transformation of the RA profession through targeted initiatives aimed at identifying and addressing barriers to transformation.	The number of IRBA transformation initiatives completed per annum.	8	<p>Target: 8</p> <p>Actual: 12</p> <p>Achieved: Yes</p> <p><i>Explanation for the deviation/ overachievement: The actual is above target due to additional stakeholder engagements.</i></p>
To monitor the Continuing Professional Development (CPD) compliance of RAs and tax practitioners	Monitoring reports.	To ensure that RAs and tax practitioners are complying with the CPD Policy.	The number of the CPD monitoring reports analysed per annum.	2	<p>Target: 2</p> <p>Actual: 2</p> <p>Achieved: Yes</p>

STRATEGIC FOCUS AREA 3: INSPECTIONS

Activities

Key focus areas include:

- Embarking on a business process review, i.e. an as-is and needs analysis of technology, IT workflow and data collection/analysis, to enhance effective operations that respond to the public expectation. This includes an optimal allocation of the Inspections Department capacity and a focus on an enhanced risk-based scope/coverage and reach in the new 8th Inspections Cycle.
- Enhanced stakeholder awareness and targeted socialising of inspection outcomes and reports, e.g. concurrent publication and awareness of enhanced AQI and Public Inspection Reports; sharing of reports; and liaising with the Audit Committee Forum to assist in its oversight over external auditors.
- Effective/productive remote inspections/remedial action, due to COVID-19, including stakeholder interaction using virtual platforms.
- Effective succession planning within the department, whereby the Inspections Department makes lower position appointments in lieu of vacant higher positions, in order to promote succession, retention, training and sustainable quality without negatively affecting the approved annual CTE budget and headcount of the department.
- Design and implement ISQM 1 and ISQM 2 firm inspection procedures.

STRATEGIC OBJECTIVE					
To monitor registered auditors' compliance with professional standards <i>Responsibility: Director Inspections</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
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 per annum.	121 inspections	Target: 121 Actual: 121 Achieved: Yes

STRATEGIC FOCUS AREA 4: INVESTIGATIONS

Activities

It is expected that investigations into some high-profile/public interest entity matters will be finalised in the upcoming year, in line with the Board's strategic intent.

In accordance with the IRBA's five-year Strategic Plan, the Investigations Department continued to participate in relevant international initiatives and network with structures from other audit regulators to continuously develop and implement new mechanisms of investigating and adjudicating alleged auditor improper conduct, in tandem with global initiatives.

STRATEGIC OBJECTIVE					
To investigate and take appropriate action against registered auditors in respect of improper conduct <i>Responsibility: Director Investigations</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
Completed investigations	Closed matters.	Taking appropriate action against registered auditors in respect of improper conduct.	The number of investigations completed per annum.	64 completed investigations	Target: 64 Actual: 79 Achieved: Yes <i>Explanation for the deviation/ overachievement: We were successful in recruiting additional investigators, which has resulted in more investigations being completed than originally planned.</i>

STRATEGIC FOCUS AREA 5: DISCIPLINARY

Activities

Finalisation of Disciplinary Matters

The finalisation and the outcomes of the disciplinary matters are a positive indication that we are actively endeavouring to restore confidence in the auditing profession by taking appropriate action against registered auditors for improper conduct. We are confident that the outcomes will serve as a deterrent to RAs from neglecting their duties to protect the financial interests of investors and the public at large; and they will ultimately improve audit quality, while restoring confidence in both the profession and the regulator.

Development and Implementation of the Disciplinary Processes Strategy

The IRBA has successfully benchmarked its disciplinary processes against those of local and international regulators in a bid to ensure that its processes are aligned to best industry practices. To this end, a holistic review of current processes was undertaken and a disciplinary process strategy and implementation plan developed to aid the redesign of current processes.

The implementation of the disciplinary strategy was a focus area for the current financial year, which saw the delivery of a number of projects aimed at ensuring the efficiency and effectiveness of disciplinary processes.

STRATEGIC OBJECTIVE					
To take appropriate action against registered auditors in respect of improper conduct <i>Responsibility: Director Legal</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
Disciplinary strategy and implementation plan	The disciplinary strategy implementation plan implemented.	Disciplinary processes designed to be more effective and efficient.	Implemented the disciplinary strategy.	Disciplinary strategy implemented in line with the plan.	Target: Disciplinary strategy implemented in line with the plan. Actual: Disciplinary strategy implemented in line with the plan. Achieved: Yes ¹

¹ The approved 2021/2022 implementation plan considered the items that were relevant to redefining processes, the capacitation of staff members and committee members, compliance with the APA amendments, as well as cost savings. Of the 26 planned deliverables, 25 were successfully delivered, while the remaining one has not been delivered on, as the opportunity to do so did not arise in the current financial year.

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS


STRATEGIC OBJECTIVE To strengthen the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically efficient and effective manner, in accordance with the relevant regulatory frameworks. <i>Responsibility: Director Operations</i>					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
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: Non-compliance finding on Supply Chain Management (SCM) Achieved: No <i>Explanation for the deviation:</i> <i>A material finding was raised on the non-compliance by management to prevent the reoccurrence of irregular expenditure.</i>
Promote transformation through targeted procurement policies	Implementation of the preferential procurement policy framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of small, medium and micro enterprises (SMME) payments effected within 30 days.	100%	Target: 100% Actual: 97.12% Achieved: No <i>Explanation for the deviation:</i> <i>Some invoices were not processed for payment within 30 days due to a temporary breakdown in workflow management controls. Controls have been enhanced to ensure a timely processing of payments.</i>

² The findings related to non-compliance with laws and regulation, and the annual financial statements were unqualified.

STRATEGIC FOCUS AREAS 2021/2022 CONT...

Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
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.	14%	<p>Target: 14%</p> <p>Actual: 26.05%</p> <p>Achieved: Yes</p> <p><i>Explanation for the deviation/ overachievement: During the first quarter, SCM implemented additional internal efficiencies to source goods and services from SMME service providers.</i></p>
Promote transformation through targeted employment policies	Transformed workforce.	Transformation of management control achieved according to the relevant Broad-based Black Economic Empowerment (B-BBEE) codes.	<p>Achievement of the management control score calculated according to the B-BBEE scorecard.</p> <p>The maximum score attainable is 20.</p>	17	<p>Target: 17</p> <p>Actual: 14.79</p> <p>Achieved: No</p> <p><i>Explanation for the deviation: The target was not met mainly due to the CEO and Director Operations vacancies.³</i></p>

³ The target relates to the management control section off the BEE scorecard, whereby only by appointing an Employment Equity candidate onto the positions of CEO and Director Operations can the target be met.



Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2021/2022	Status for the year ended 31 March 2022
Promote transformation through targeted employment policies	Transformed workforce.	Transformation of staff achieved according to the approved Employment Equity Plan.	Achievement of the employment equity target according to the approved Employment Equity Plan.	76% Black 23% White 1% Other	Target: 76% Black 23% White 1% Other Actual: 78% 21% 1% Achieved: Yes (Expected outcome is 76% or more) Yes (Expected outcome is 23% or less) Yes
Align employees with goals and values of the IRBA	Engaged employees.	Engagement of employees in line with predetermined targets.	Achievement of the employee engagement index.	70%	Target: 70% Actual: 0% Achieved: No <i>Explanation for the deviation: The indicator was deferred due to the CEO and Director Operations vacancies during the year. Recognising the importance of these positions in driving the organisation's culture and values, the survey would yield a more meaningful result if conducted at least six months after the vacancies are filled.</i>

The Report of the Auditor-General on page 86 indicates the procedures performed to determine whether the reported performance information was presented properly, and performance was consistent with the approved performance planning documents.

Moreover, the Auditor-General 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 its validity, accuracy and completeness.

Situational Analysis

Organisational Environment

During the period under review, the newly appointed IRBA Board, management and employees continued to execute the mandate unabated and with commitment, demonstrating a resilient spirit and willingness to rebuild trust in the auditing profession and the regulator. Restoring confidence and trust in the profession and the regulator is a critical success factor of the IRBA's five-year strategy. The IRBA's specific focus continues to be on implementing the refocused five-year strategy, through the Restoring Confidence 2.0 projects identified by the three workstreams that are led by directors.

Key Policy Developments and Legislative Changes

As noted before, the latest Act amendments led to the adoption of an implementation plan, to guide the application of the various legislative changes. The plan had the following 11 projects:

- Developing a regulatory strategy;
- Reconstituting the Board to strengthen the IRBA's governance processes and independence;
- Reconstituting the Enforcement Committee, Investigating Committee and Disciplinary Committee so as to strengthen the IRBA's independence and Enforcement functions;
- Revision of the Board standing resolutions to address the delegation of the new powers of the IRBA;

- Revision of the registration requirements so as to ensure that all Registered Auditors are members of an IRBA accredited professional body;
- Updating reportable irregularities guidelines;
- Formulating the rules or procedures relating to the referral of non-audit complaints to accredited professional bodies;
- Formulating the rules or procedure relating to the conduct of search and seizure guidelines;
- Amending the Disciplinary Rules;
- Implementing the Protection of Personal Information Act requirements; and
- Proposing to the Minister maximum monetary sanctions for improper conduct by RAs.

Budget Differences

Explanations for the significant variances from the publicly available budget are as follows:

- a. Investment income is higher than budgeted for, and this is because of the higher levels of unused funds that are due to reduced spending and authorised retained reserves. The unused funds were invested in the Reserve Bank CPD Investment Account.
- b. Depreciation and amortisation are lower than the budget, as the building renovation project started later than scheduled, due to pandemic-related construction challenges.
- c. Direct expenses and committee expenses are lower than budgeted for, owing to fewer disciplinary hearings taking place than what was expected and due to the correction of the transitional provisions in the Auditing Profession Amendment Act.
- d. General expenditure is lower than the budget, due to savings in running costs for the building, as staff are working remotely; and savings in computer-related costs, with some projects only set to start in the next financial year.
- e. Departmental expenses relate to savings in travel, as almost no travel was embarked upon while COVID-19 restrictions were in place; and the full budget for legal fees has not been used.



PART C

GOVERNANCE

THE BOARD

In accordance with the provisions of the APA, the Public Finance Management Act of 1999 (PFMA) and good corporate governance principles, the Board is the designated accounting authority that governs the IRBA and reports to the executive authority.

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. In view of that, no material issues were identified to suggest shortcomings in governance.

Composition of the Board and Board Subcommittees

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

The roles of the Chairperson 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 Chairperson has no executive functions.

In accordance with Section 12(6)(a), Nonkululeko Gobodo and Roy Andersen were appointed as the Caretaker Board for the three-month period from 28 January to 27 April 2021.

Subsequently the Minister appointed 10 Board members, with their term being effective from 8 June 2021 to 8 June 2024.

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 internal control, in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the APA, as amended. It is assisted by the subcommittees briefly noted below in the execution of its duties.

Operations Committee (OPSCOM)

The objective of the committee is to assist the Board with human resources, including the annual review of the CEO's performance and remuneration; regularly assessing staff benefits and trends; and reviewing changes to the Board's personnel policies. The committee also assists with nominations for all appointments to the IRBA statutory 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 approved by the Board and reviewed annually. During the period under review, the committee met 17 times to consider and recommend to the Board matters arising from human resources, operational matters and the nomination of members to the IRBA statutory committees.

Audit and Risk Management Committee (ARMCO)

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 approved by the Board and reviewed annually. The auditors have unrestricted access to the committee members.

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

Enforcement Committee (ENCOM)

In terms of the APA, the Investigating Committee (INVESCO) investigates all complaints and then recommends to the ENCOM whether to charge a registered auditor with improper conduct.

The ENCOM consists exclusively of Board members. It functions independently from INVESCO and the Disciplinary Committee, and it reports to the Board.

There has been a backlog of investigation matters. To address this, additional investigators have been employed to clear the backlog, and this will then enable the Investigations Department to attend to investigations as and when they are received.

Matters finalised: During the 12 months under review, the ENCOM met seven times (2021: 5) and finalised 58 (2021: 61) matters.

Decisions not to charge	15 matters – the respondents were not guilty of improper conduct
Decisions to charge and matters finalised by monetary fines	36 matters were finalised by monetary fines
Decisions to charge and matters referred for a disciplinary hearing	Seven matters were referred to the Disciplinary Committee for a full hearing

Reconciliation of Finalised Matters to Completed Matters Reported in the Performance Information

There is a timing difference between when a plea is received and the sanction determined by ENCOM is imposed versus when the imposition issued is noted by ENCOM.

The reconciliation for the current year is as follows:

Finalised matters (final tabling of a matter at ENCOM)	58
Prior-year impositions noted at ENCOM in the current year	-5
Current year impositions noted at the April 2022 ENCOM meeting	+26
Completed matters (as per performance information measure)	79

THE BOARD CONT...

Board and Board Subcommittee Meetings

Attendance at the Board and subcommittee meetings (inclusive of special meetings) for 2021/2022 is set out below.

Board Member	Board	OPSCOM	ARMCO	ENCOM
Caretaker Board: 1 April 2021-27 April 2021				
Total Number of Meetings	1	N/A	N/A	1
N Gobodo	1	N/A	N/A	1
R Andersen	1	N/A	N/A	1
Board: 7 June 2021-31 March 2022				
Total Number of Meetings	9	17*	5	7
F Tonelli (Chairperson) ^a	8	13	4	3
N Ford-Hoon (Deputy Chair)	9	16	N/A	N/A
R Hawkins	9	17	N/A	N/A
T Kutumela	9	16	N/A	N/A
Z Mshengu	8	N/A	5	N/A
C Mjali	7	N/A	5	N/A
P Phili	8	N/A	4	N/A
N Maharaj	9	N/A	N/A	7
R Benjamin-Swales	8	N/A	N/A	6
E Zungu ^b	7	N/A	N/A	7

^a Mr Tonelli attends the meetings of the Board subcommittees as an observer in his capacity as the Chairperson of the Board. As from 27 October 2021, he was appointed as an alternate member on ENCOM.

^b Mr Zungu resigned with effect from 31 March 2022.

* OPSCOM meetings include the CEO recruitment special meetings.

Board Member Information

Name	Qualifications	Designation	Directorships
F Tonelli	• B Com • B Compt Hons	• CA (SA)	ABSA Group
N Ford-Hoon	• B Com • B Compt Hons	• CA (SA)	• SA Corporate Real Estate • Knysna Initiative for Learning and Teaching (KILT) • Swiftnet SOC Ltd
R Hawkins	• B Com • B Compt Hons	• CA (SA)	• Not Applicable



Name	Qualifications	Designation	Directorships
T Kutumela	<ul style="list-style-type: none"> • B Com • LLB • M Laws 	<ul style="list-style-type: none"> • Attorney 	<ul style="list-style-type: none"> • Gauteng Growth and Development Agency • Shekinah Consulting (Pty) Ltd
Z Mshengu	<ul style="list-style-type: none"> • B Com • B Compt Hons • M Science (Finance) in Financial Sector Management 	<ul style="list-style-type: none"> • CA (SA) • CISA 	<ul style="list-style-type: none"> • Not Applicable
C Mjali	<ul style="list-style-type: none"> • Business Science Degree (Finance and Accounting) • M Com (Accounting) 	<ul style="list-style-type: none"> • CA (SA) • ACMA • CGMA 	<ul style="list-style-type: none"> • Elangeni Foundation
P Phili	<ul style="list-style-type: none"> • B Com • B Compt Hons • M Com (Taxation) 	<ul style="list-style-type: none"> • CA (SA) 	<ul style="list-style-type: none"> • Khwezela Investment Group • Vuka Sakhe Holdings • Khwezela Nathi Holding • Resilient Reit • Anchor Park Investments 107 • Rand Water • Rand Water Medical Scheme • National Nuclear Regulator
N Maharaj	<ul style="list-style-type: none"> • B Proc • LLB 	<ul style="list-style-type: none"> • Attorney 	<ul style="list-style-type: none"> • South Rand Hospital • Goldfields TVET College • South African Nursing Council • University of Venda • Agricultural Research Council • Mental Health Review Board
R Benjamin-Swales	<ul style="list-style-type: none"> • B Com • PG Diploma in Accounting 	<ul style="list-style-type: none"> • CA (SA) 	<ul style="list-style-type: none"> • Equites Limited • Cape Peninsula University of Technology • George Whitefield Theological Training College • ASISA Foundation Trust • ASISA Enterprise Development Trust • ASISA Supplier Development Trust • ASISA Enterprise & Supplier Development (Pty) Ltd
E Zungu	<ul style="list-style-type: none"> • B Com • B Compt Hons 	<ul style="list-style-type: none"> • CA (SA) 	<ul style="list-style-type: none"> • Zungu Investments Company

THE BOARD CONT...

In addition to the abovementioned Board members, the Minister has appointed the Acting Accountant-General, Karen Maree, as his representative on the Board.

Internal Auditors

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

External Auditors

The Auditor-General South Africa (AGSA) 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 the 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

THE VALUE OF HUMAN CAPITAL



The past two years have highlighted the importance of adaptable and responsive human capital practices, as the impact of COVID-19 continued to be felt throughout the world and, consequently, within the IRBA.

As an independent regulator of the auditing profession, the IRBA's most valuable asset is its staff. Consequently, for the past two years, the resultant challenges from the lockdown and having to adapt to remote work practices were the main focus areas.

The IRBA adopted a work classification and transition guideline that details the plan to be followed going forward with regard to a hybrid work approach. Following the decision to remain in the current building and the office renovations that were recently completed, the hybrid work strategy focused on adapting to the post-pandemic world of work, while promoting some element of physical staff engagement and interaction. The primary intention is to keep employees safe, productive and being able to collaborate to fulfil the IRBA's mandate.

During this transition, the guideline also sets out guidance to assist with the classification of IRBA jobs. The guiding principles of fairness and consistency are key elements in this plan.

New developments are being addressed on an ongoing basis and the working practices are constantly adapted, to ensure the organisation has the most productive and engaged team.

The IRBA's strategic focus areas for the upcoming year will continue to be as highlighted in the graphic below.

Transformation targets for a diverse, skilled workforce

Refining the remote work protocol

Balance 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

THE VALUE OF HUMAN CAPITAL CONT...

Having successfully renegotiated its lease for the current office space, plans were put in place for a more collaborative workspace that supports a remote work philosophy balanced with fulfilling the IRBA's mandate. The renovations were completed at the end of the financial year and include hot desk spaces, collaborative meeting rooms and a media room aimed at promoting more effective teamwork and outreach. The renovations also included the installation of a lift, which ensures that the new office space is more accessible to people with disabilities.

Overview of Human Resources (HR) 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 HR 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 approved by the Board:

- Occupational Health and Safety Policy.
- Substance Use at Work Policy.
- Recruitment & Selection Policy.
- Code of Conduct Policy.
- Grievance Policy.
- Leave Policy.

The IRBA has, in an attempt to stay up to date with the latest HR and payroll technology, upgraded its payroll and leave system to a more integrated HR system called SAGE 300 People. This system allows all HR elements to become electronic, including payroll, leave, performance management, skills development and personnel management.

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.
- Motivate individual and team performance that drives stakeholder value for the IRBA.

In the current economic context, the IRBA has provided staff (excluding Directors) with an inflation-linked salary increase, a group incentive and a 1% group bonus to recognise their contributions.

Linked to this is the review of all job grades within the organisation in the next financial year. All job descriptions were updated based on changes over the past five years, to ensure accurate grades and competitive remuneration per position.

Human Resources Oversight Statistics

Staff Complement

The workforce (excluding contract staff) over the past five years, as at 31 March, was as follows (Top management only includes the CEO):

	2022	%	2021	%	2020	%	2019	%	2018	%
Black Female	44	51	42	51	35	44	32	40	33	40
White Female	12	14	12	15	14	18	15	19	16	19
Black Male	25	28	22	27	22	28	24	30	26	29
White Male	6	7	6	7	8	10	9	11	10	12
Total Staff	87	100	82	100	79	100	80	100	85	100

Personnel Cost of Permanent Staff by Salary Band

Level	Personnel Expenditure R	% of Personnel Expenditure to Total Expenditure	Number of Employees	Average Personnel Cost per Employee R
Top management*	583 333	1%	0	0
Senior management	13 663 778	15%	5	2 732 756
Professionally qualified	64 605 938	69%	49	1 318 489
Skilled	7 117 361	8%	12	593 113
Semi-skilled	5 480 103	6%	18	304 450
Unskilled	603 336	1%	3	201 112
Total	92 053 849	100%	87	1 058 090

* Amount includes payments to the previous CEO.

THE VALUE OF HUMAN CAPITAL CONT...

Human Resources Oversight Statistics cont...

Training Costs

Level	Personnel Expenditure R	Training Expenditure R	Training Costs as % of Personnel Costs	Number of Employees Trained	Average Training Cost per Employee R
Top management	583 333	0	0.0%	0	0
Senior management	13 663 778	27 006	0.2%	5	5 401
Professionally qualified	64 605 938	385 306	0.6%	50	7 706
Skilled	7 117 361	51 330	0.7%	12	4 278
Semi-skilled	5 480 103	13 444	0.2%	8	1 681
Unskilled	603 336	750	0.1%	3	250
Total	92 053 849	477 836	1.9%	78	19 316

Performance Rewards

Level	Bonus R	CTE R	% of CTE
Top management	0	583 333	0.00%
Senior management*	132 250	13 663 778	0.96%
Professionally qualified	2 332 560	64 605 938	3.48%
Skilled	168 540	7 117 361	2.31%
Semi-skilled	231 980	5 480 103	4.06%
Unskilled	32 630	603 336	5.13%
Total	2 897 960	92 053 849	3.05%

* Executive remuneration was limited to the IRBA Group Bonus.

Long-Service Awards

Level	Rewards R	Personnel Expenditure R	% of Rewards to Personnel Expenditure
Top management	0	583 333	0.0%
Senior management	0	13 663 778	0.0%
Professionally qualified	83 398	64 605 938	0.1%
Skilled	0	7 117 361	0.0%
Semi-skilled	12 651	5 480 103	0.2%
Unskilled	0	603 336	0.0%
Total	96 049	92 053 849	0.10%

Employment and Vacancies

	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Vacancies	2020/2021 No. of Employees	% of Vacancies
Top management	0	1	1	1	100%
Senior management	5	6	1	6	17%
Professionally qualified	49	54	5	45	9%
Skilled	12	14	2	10	14%
Semi-skilled	18	19	1	17	5%
Unskilled	3	3	0	3	0%
Total	87	97	10	82	10%

It continues to be challenging to recruit professionally qualified staff. This is due to the general slowdown in the employment market caused by the pandemic as well as the competitive bonus structures and promotions that private organisations offer their staff. 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.

THE VALUE OF HUMAN CAPITAL CONT...

Human Resources Oversight Statistics cont...

Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top management	1	0	1	0
Senior management	6	0	1	5
Professionally qualified	45	9	5	49
Skilled	10	2	0	12
Semi-Skilled	17	2	1	18
Unskilled	3	0	0	3
Total	82	13	8	87

The staff turnover rate has remained relatively low at 4% during the year.

Reasons for Staff Leaving

Reason	Number
Resignation	8
Retirement	0
End of Contract	0
Total	8

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Written warning	1
Final written warning	0
Dismissal	0
Referral to the Commission for Conciliation, Mediation and Arbitration	0

Equity Target and Employment Equity Status

Actual 2022

Males				Female				Foreign National		Total	Disabled
African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
13	3	8	6	28	8	7	12	1	1	87	1
15%	3%	10%	7%	32%	9%	8%	14%	1%	1%	100%	1%

Target 2022

Males				Female				Foreign National		Total	Disabled
African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
14	2	9	7	26	7	11	13	1	1	91	2
15%	2%	10%	8%	29%	8%	12%	14%	1%	1%	100%	2%

The total target for black employees is 74%, against the actual of 76%. The IRBA made every effort to achieve its employment equity targets for the period.

The Employment Equity Forum (EEF), consisting of eight staff members representing 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 to 2025. The plan was drafted by the EE Forum in consultation with all IRBA staff using an anonymous survey. The areas of concern were incorporated into the new Employment Equity Plan; and a subcommittee was formed to assist with ensuring that all identified barriers are addressed through the corresponding measures listed in the plan. The plan also stipulates timeframes for these measures to be put in place.

THE VALUE OF HUMAN CAPITAL CONT...

The employment equity status per level is as follows:

	2021/2022 No. of Employees	African	Indian	Coloured	White	Foreign
Top management	0	0	0	0	0	0
Senior management	5	1	1	1	2	0
Professionally qualified	49	19	13	4	11	2
Skilled	12	7	1	2	2	0
Semi-skilled	18	11	0	4	3	0
Unskilled	3	3	0	0	0	0
Total	87	41	15	11	18	2



PART E

FEEDBACK FROM STATUTORY COMMITTEES



EDUCATION AND TRANSFORMATION COMMITTEE

F Kwahene
Chairperson

Members	Number of Meetings Attended	Membership Status
Mr F Kwahene	3 of 4	Chairperson
Ms C Le Grange	4 of 4	Deputy Chairperson
Associate Prof G Modack	4 of 4	Member (SAICA representative)
Ms B Kola	4 of 4	Member
Ms M Louw	4 of 4	Member
Ms D Singh	4 of 4	Member
Mr B Frey	4 of 4	Member
Associate Prof J Terblanche	3 of 4	Member

The IRBA Board delegates specific functions to the EDCOM. These functions include education and training; the professional development of RAs; the accreditation and monitoring of professional bodies; and the prescription of competency requirements for the registration of auditors. In addition, the committee plays a critical role in assisting the Board with implementing and facilitating sustainable transformation in the profession, within the context of its responsibilities.

Therefore, it is with pleasure that I present a summary of the EDCOM's work and that of the Education and Transformation (ET) Department (Secretariat) for the 2021/2022 financial year.

MONITORING OF THE PROFESSIONAL BODY

In terms of the IRBA Accreditation Model, SAICA, as an accredited professional body, is subject to ongoing monitoring by the IRBA. This includes an annual monitoring and reporting process.

Monitoring involves an elaborate and interactive process that includes external validation procedures. The process is designed to objectively evaluate the extent to which

a professional body complies with the objectives of the Accreditation Model.

Areas of Improvement

Challenges and areas of improvement, in which SAICA did not fully meet the IRBA Accreditation Standards, were identified in relation to the following:

- The investigation and disciplinary processes;
- The register of members, incorporating RA information;
- The development of core and professional competence;
- The assessment of core and professional competence;
- The ongoing institutional self-study and the responsiveness to areas that require institutional renewal; and
- Commitment to enhancing access and transformation in the auditing profession.

Assessment of Professional Competence (APC)

Exam 2021

The IRBA noted with concern the events that took place during the sitting of the APC exam on 1 December 2021, as a result of technical difficulties that compromised the exam process and the chances of some candidates to display



competence. We also closely observed SAICA's resolution process of the matter, and the specific measures put in place to prevent similar breakdowns in governance and controls in the future. The evaluation thereof will be part of the 2022/2023 monitoring cycle.

Partnership and Collaboration

The accreditation relationship includes a partnership and collaboration; therefore, the IRBA endeavours to engage and work with SAICA in the public interest. This engagement approach ensures that complex matters that affect the auditing profession are addressed urgently and timeously.

Training Contracts

These contracts, which are registered under the assurance elective with SAICA, must also be registered with the IRBA. They are invoiced to the firms and processed accordingly. During the period under review, 3 241 (2021: 3 364) training contracts were invoiced, and this was a 4% decrease from the prior year. However, this difference is not necessarily indicative of a total decline in assurance training contracts, as there is a timing difference between trainees starting their training period and the processing of their contracts.

Furthermore, variances may arise, depending on firms that may process their contracts on either side of the financial year-end.

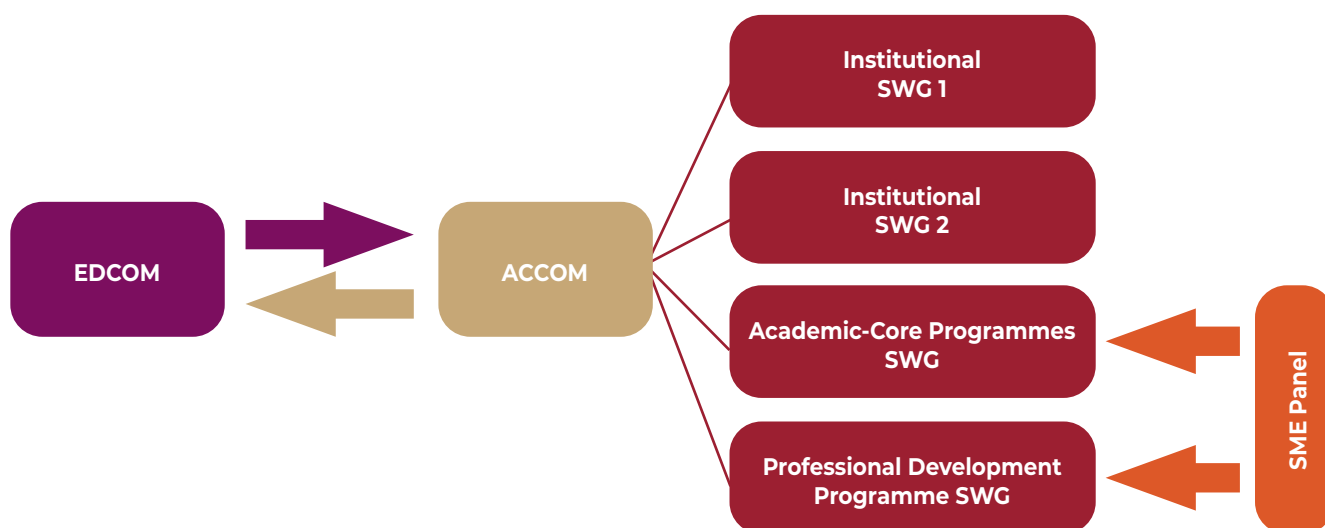
ACCREDITATION OF ANOTHER PROFESSIONAL BODY

To evaluate the accreditation application from the Association of Chartered Certified Accountants, the Accreditation Committee (ACCOM) was established as an ad-hoc EDCOM subcommittee. ACCOM members have an extensive understanding of the profession and accreditation, in addition to a mix of skills and qualifications.

The evaluation process has been implemented through the working structure depicted in the graphic below. The structure is designed to efficiently focus the committee by splitting it into specialist working groups (SWGs) that are supported by regular input from a task force of subject matter experts (SMEs).

ACCOM Reporting Structure

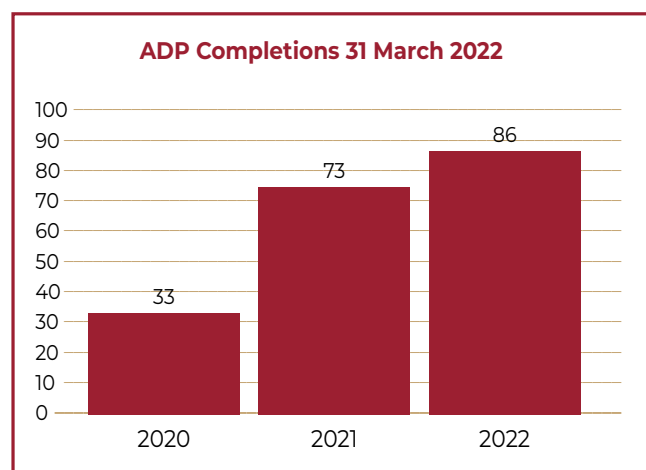
At the end of the financial year, the project reached a milestone, as it reviewed the draft evaluation reports from each SWG. This is a layered process that is scheduled to be concluded in the next financial year (2022/2023).



EDUCATION AND TRANSFORMATION COMMITTEE CONT...

AUDIT DEVELOPMENT PROGRAMME RELOADED

For this reporting period, 104 (2021: 82) RCAs registered on the programme and no de-registrations were noted. A total of 234 RCAs have successfully completed the ADP since its inception, with 86 candidates completing it during the period under review. This is the highest rate of completions in a single financial year. Furthermore, this is particularly encouraging, as there seems to be a steady upward trajectory in the ADP completion and retention statistics.



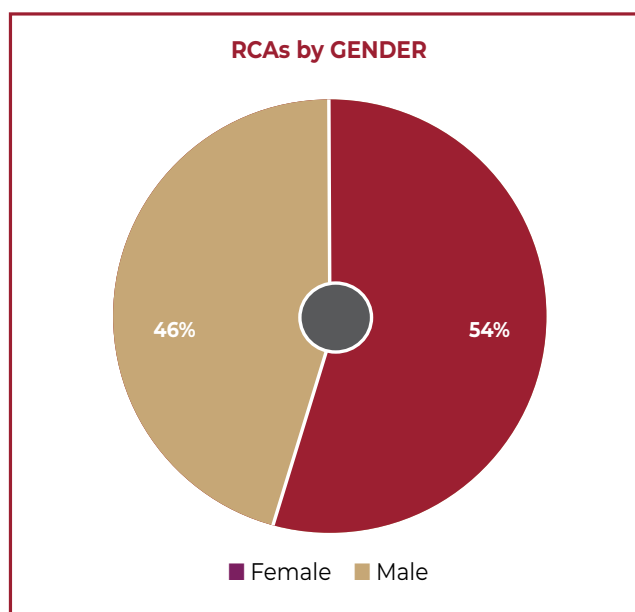
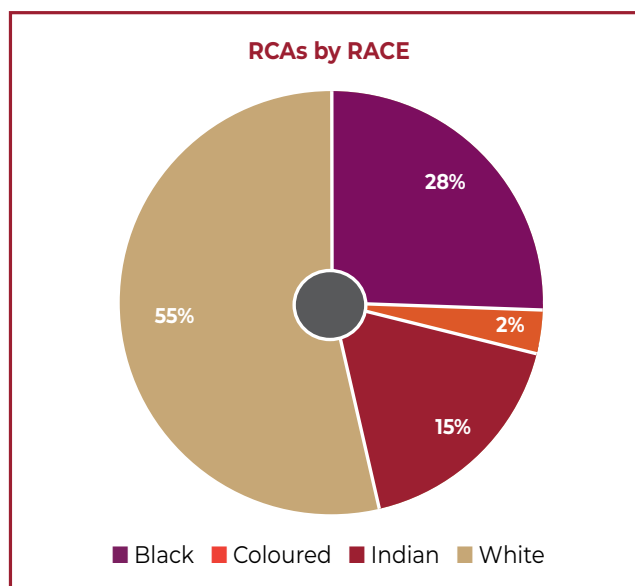
The diagrams on the right reflect the race and gender split among RCAs, as at 31 March 2022. Through analysing these statistics, the ET has noted that there is a need to amplify the transformation initiatives, to obtain a racial balance that supports growth in the profession and reflects the true demographics of our country.


The balance between males and females, though, is encouraging and we see it as a step in the right direction towards transforming the auditing profession and bridging the gender gap that exists in our RA register.

Since the implementation of the ADP Reloaded initiatives, the programme has noted successes in the form of an increased rate of registrations and completions. There also has been a significant increase in the registration of RCAs, as this jumped by an impressive 28%; while the completion

rate improved by more than 100% for FY 2020 when compared to FY 2022.

The various ADP Reloaded initiatives, which were a direct response to the initial challenges identified, were carefully phased in during the year. Some of the initial challenges are listed in the table on the next page, together with the actions initiated to respond to them.





Challenges identified on the ADP	Solutions implemented by the IRBA
The RCAs do not have enough guidance on the requirements of the ADP and the PoE.	Customised support to the RCAs on the internal review of their PoEs.
The reports on the ADP are time consuming, highly administrative and encourage repetition.	The new progress reports and PoE template launched were streamlined to be less repetitive and less administrative.
The old APD PoE format increased the workload of managers.	The new PoE format is updated throughout the ADP and not at the end of the period. RCAs thus take less time to finalise after the completion of the 18 months required on the ADP.
Delayed feedback from the IRBA on the reports submitted.	Turnaround time from the PoE panel members reviewing the PoEs is quicker than with the previous PoE templates.
Some managers requested recognition of prior learning and experience obtained post articles but prior to registering on the ADP.	Recognition of prior learning policy allows for managers to take into account the experience they gained before they were registered on the ADP.

The ADP Reloaded project will be completed in the next financial year, with the introduction of digital content as well as increased brand and awareness campaigns, among others.

ADP Monitoring

To ensure that RCAs work in environments that support the development of their audit competence, monitoring

activities are conducted. In this reporting period, the Secretariat undertook 46 (2021: 44) ADP monitoring visits at different audit firms. Similar themes to those identified in the previous financial year were still prevalent in the current financial year. To ensure that findings are timeously and adequately addressed, all ADP monitoring inspections conducted are followed up with revisits within prescribed timeframes.

EDUCATION AND TRANSFORMATION COMMITTEE CONT...

CONTINUING PROFESSIONAL DEVELOPMENT MONITORING

The 2020 CPD monitoring process was finalised in line with the new and output-based CPD Policy. During 2021, the CPD monitoring process was applied to the CPD records for the 2020 (calendar) year, and the outcome was as follows:

	Compliant	Non-compliant	Non-responders	Other
Assurance	42	2	2	
Assurance 2019*	8	2	4	
Total Assurance	50	4	6	0
Non-assurance	16	0	0	
Non-assurance 2019	3	0	3	
Total non-assurance	19	0	3	0
Tax	12	2	0	
Tax 2019	3	3	3	1
Total Tax	15	5	3	1
OVERALL TOTAL	84	9	12	1

*The non-compliant RAs from the 2019 period were re-selected.

The majority of the RAs were compliant with the new CPD Policy; and it was encouraging to see that firms have put measures in place to ensure that there is compliance through updated CPD templates and training, to support their RAs. Given the changes that have been introduced through the new policy, the compliance rate of 78% is commendable. Non-responders are considered to have been non-compliant; therefore, they will be subjected to IRBA rules and regulations that seek to encourage compliance.

Proficiency

The number of proficiency interviews that 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 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%
Total	82	100%

Outcome of Proficiency Interviews in 2021/2022

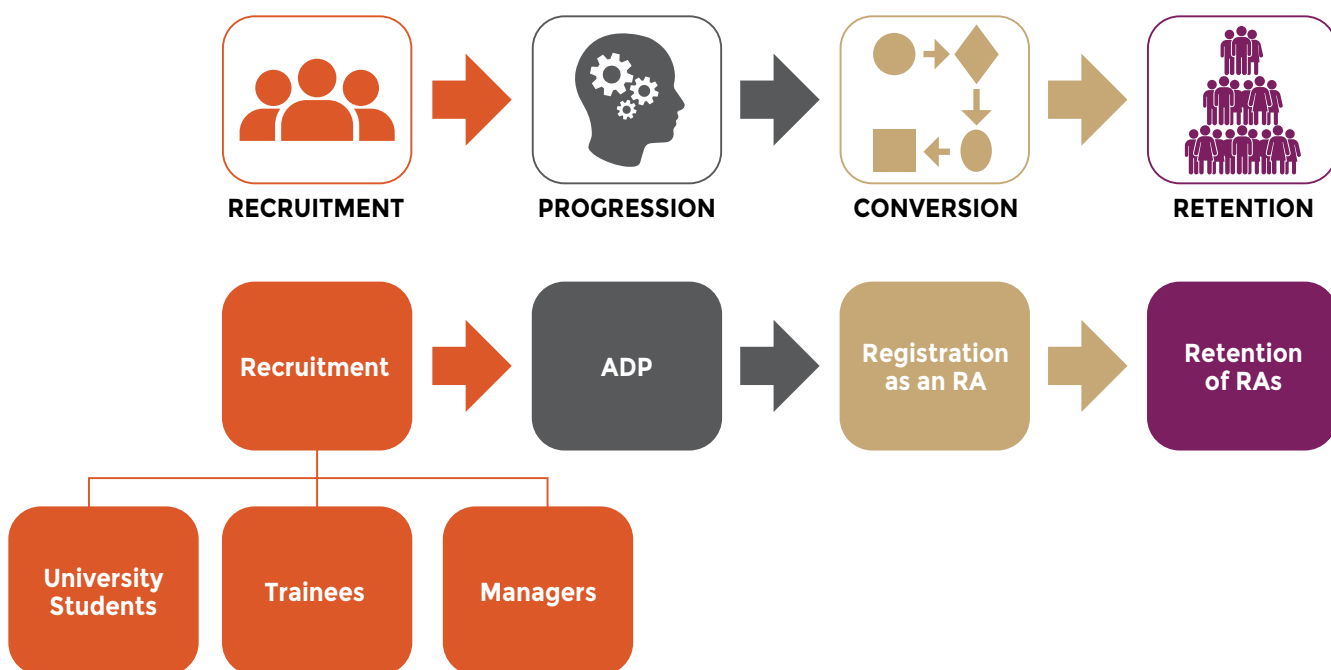
	Number of Applicants	% Total
Register as an RA	39	43%
Additional CPD Required	38	42%
Additional CPD and Audit Experience Required	13	15%
Total	90	100%

TRANSFORMATION INITIATIVES

Contributing to the transformation of the auditing profession is one of the IRBA's strategic objectives. In fact, the IRBA is uniquely positioned to facilitate transformation in the auditing profession through its mandate and stakeholder relationships.

During the period under review the ET team set out to achieve its objective through targeted initiatives that are aimed at identifying and addressing barriers to transformation.

RA Pipeline



FY 2021/2022 Initiatives

The IRBA has implemented initiatives to facilitate transformation across the pipeline; and the highlights of these are set out below.

The ADP illustrates that the current pipeline of RCAs is

more representative demographically than the current RA register, as 45% of the RCAs are African, Coloured and Indian, while 54% are female; and 74% are White males. These demographics will change overtime as the RCA pipeline is transforming.

EDUCATION AND TRANSFORMATION COMMITTEE CONT...

Recruitment - University Students

Initiative	Overview of the Initiative	Outcome of the Initiative
Engagements with accredited universities' auditing academics.	<ul style="list-style-type: none"> Workshops with academics to engage on issues affecting auditing students and lecturers; identify areas where the IRBA can support auditing academics; increase awareness of the work of the ET; and engage on the ADP. One-on-one sessions with auditing academics at the historically disadvantaged universities (HDIs), to understand the specific challenges impacting students and academics at these institutions. 	<ul style="list-style-type: none"> Increased awareness of the RA profession and the ADP. Deeper understanding of the challenges faced by auditing students and academics that serve as input into the monitoring process of the accredited professional body, further stakeholder engagements and initiatives. Sharing of teaching and learning methods that have worked in auditing classrooms between lecturers. Increased awareness of IRBA initiatives, opportunities and resources by auditing academics.
ADP workshops: Auditing students.	Hosted workshops at universities with students to promote the ADP and the RA designation.	
Sanction undertaking.	In 2021, following the IRBA's sanction ruling on the conclusion of a disciplinary hearing, the auditing firm undertook to conduct workshops at both the University of Fort Hare and the University of Limpopo. These workshops focused on the public interest role that auditors play in the economy, to assist students in preparing for the rigours of the profession and share lessons learnt from the audit of the client and the disciplinary hearing process.	
Career fairs.	Attended university career fairs to promote the RA designation and the path to become an RA.	
Monitoring of the accredited professional body.	Through the monitoring of the accredited professional body, a key focus area was on transformation within the recognised academic and core assessment programmes.	

Recruitment - Trainees and Managers

Initiative	Overview of the Initiative	Outcome of the Initiative
ABASA collaboration and engagement.	<ul style="list-style-type: none"> Engagement and collaboration on the trends in the throughput differential between Black and White candidates in the ITC and APC assessments. Attendance at ABASA forums and townhalls. 	<ul style="list-style-type: none"> Increased number of ACI RCAs registering on the ADP. Increased awareness by stakeholders of the challenges faced by women in the auditing profession. Deeper understanding of the challenges faced by trainees that serve as input into the monitoring process of the accredited professional body, further stakeholder engagements and initiatives. Collaboration on ITC and APC throughput differential.
ADP workshop: Trainees.	Hosted workshops at auditing firms with trainees and managers to promote the ADP and the RA designation.	
ADP RCA profiles.	ADP website updated to profile additional RCAs who completed the programme.	
ADP monitoring.	During ADP monitoring visits, ET engaged with trainees and managers to encourage them to register on the ADP.	
IRBA News: Women's month.	To raise awareness of the challenges facing women in the auditing profession, ET conducted a literature review on the factors that cause women to voluntarily leave the profession, and then published these in the IRBA News Issue 55 (July/September 2021).	
Monitoring of the accredited professional body.	Through the monitoring of the accredited professional body, a key focus area was on transformation issues within the recognised professional development programme, including the root causes for the throughput differential between Black and White candidates on the ITC and APC assessments.	

EDUCATION AND TRANSFORMATION COMMITTEE CONT...

Progression - ADP

Initiative	Overview of the Initiative	Outcome of the Initiative
Customised support for RCAs.	ET provided customised support to RCAs towards facilitating their completion of the ADP.	<ul style="list-style-type: none"> • Outcome of initiatives: • Increased number of ACI RCAs completing the ADP. • Increased support for RCAs by ORAs and by the IRBA.
ADP support material.	Published additional support material on the ADP website, to assist RCAs with the documentation of their evidence and completion of the programme.	
ADP training sessions.	Hosted training sessions across the country with ORAs and RCAs on the ADP and the new PoE reporting format.	

Facilitating the transformation of the auditing profession is a complex and challenging process that requires commitment, co-operation by and collaboration with all stakeholders across the RA pipeline.

STAKEHOLDER ENGAGEMENTS

Work on resetting relationships with some of the IRBA's key stakeholders has continued during this financial year, as briefly highlighted below.


- Fasset: Activities have included input into the Sector Skills Plan; engagements to establish a collaborative partnership to promote the ADP; evaluating the impact of emerging technologies on skills development needs; and marketing the RA designation.
- ABASA: Interactions have entailed engagements on transformation issues within the academic programme and the professional development programme; the trend in the ITC and APC throughput differential between Black and White candidates; and the trainee perception survey. Director ET and Acting Director Inspections are members of the ABASA National Council.

SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA)

The IRBA is recognised by SAQA as the statutory body responsible for the regulation of the RA designation (SAQA ID:875). SAQA has a statutory responsibility to administer and conduct a monitoring and evaluation process, as indicated in the Policy and Criteria for Recognising a Professional Body and Registering a Professional Designation for the Purposes of the National Qualifications Framework Act 67 of 2008 (as amended, March 2018). Consequently, following the mid-term monitoring of the IRBA in December 2021, the regulator was evaluated as being compliant with the abovementioned SAQA Policy and Criteria. As such, it retains its recognition status with SAQA.

APPRECIATION

The EDCOM performs a critical function in the RA ecosystem and is aptly supported by the ADP Committee, the



Monitoring Committee and the Accreditation Committee in executing its core mandate.

I would like to express my gratitude to all committee members, those whose terms have ended as well as the current and new members, for bringing their expertise and experience, and always engaging in constructive, challenging and open dialogues. Without their commitment, our achievements would not have been possible.

Lastly, I wish to thank the staff of the ET Department for their meticulous efforts and passion for education and transformation, all of which resulted in the above-noted accomplishments.

F Kwahene

Chairperson



COMMITTEE FOR AUDITOR ETHICS

S Davies
Chairperson

Members	Number of Meetings Attended	Membership Status
Mr S Davies	4 of 4	Chairperson
Ms M Bezuidenhout ¹	1 of 1	Member
Mr A Bulbulia	3 of 4	Member
Ms F Jeeva	4 of 4	Member
Mr R Mahabeer ¹	1 of 1	Member
Mr F Mitchell	4 of 4	Member
Ms D Coopasamy	3 of 4	Member
Mr H Snoyman	3 of 4	Member
Prof J Winfield	4 of 4	Member
Mr T Khangale ²	2 of 3	Member

¹ Ms Bezuidenhout and Mr Mahabeer's respective second and final terms ended on 31 May 2021.

² Mr Khangale was appointed as a legal representative on 1 June 2021.

It is my pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2021/2022 financial year. The profession continues to encounter audit and ethics challenges. Local events may exasperate challenges for some practitioners. These events have led to low economic growth, job losses and financial distress. The CFAE reminds auditors to be on high alert for possible ethical challenges, and to reflect on the relevant provisions of the IRBA Code of Professional Conduct (Revised November 2018) (IRBA Code) as a reminder to act in the public interest.

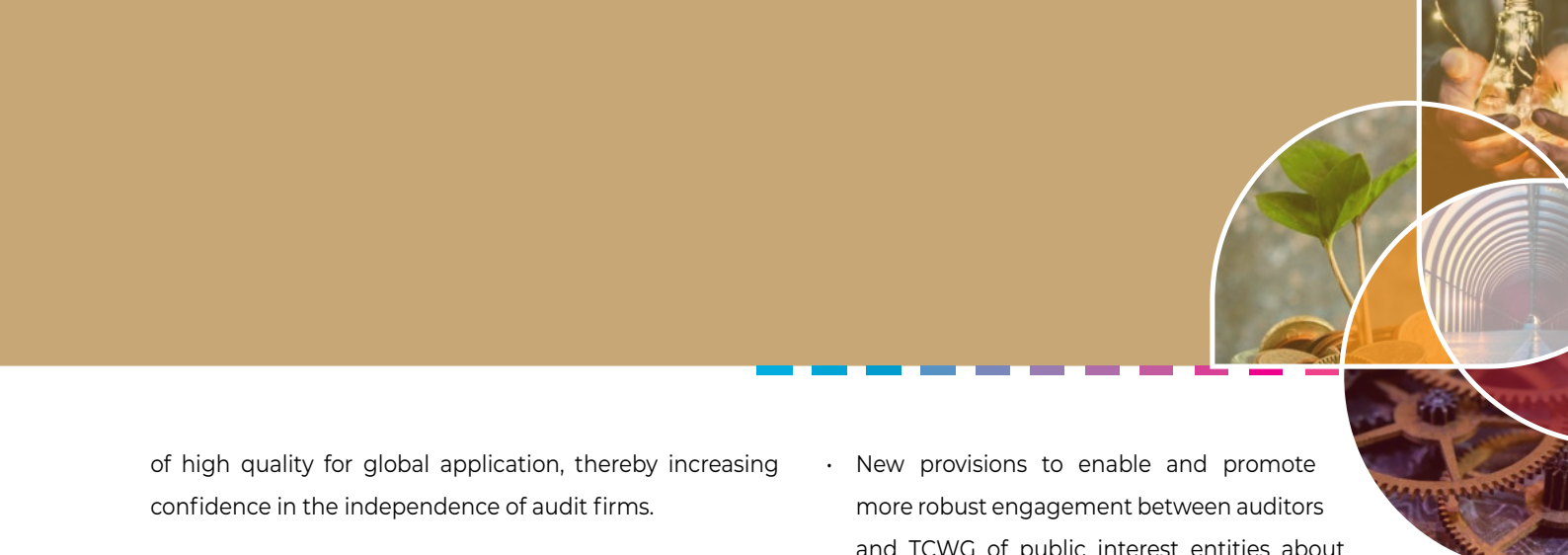
The committee continued with a busy work programme during the year, focusing on restoring confidence in the profession and tackling matters of high public interest.

AN OVERVIEW OF AMENDMENTS

Revisions to the IRBA Code Non-Assurance Services (NAS) Provisions

The CFAE recommended the adoption of the International Ethics Standards Board for Accountants' amendments relating to the NAS provisions. Further, the IRBA Board adopted the amendments made to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), issued in April 2021.

Through the amendments to the NAS provisions, the IESBA responded to the interests of regulatory stakeholders and the Public Interest Oversight Board's broad concerns about auditor independence when a NAS is provided to an audit client. The objective of the project was to ensure that all NAS provisions in the Independence Standards are robust and



of high quality for global application, thereby increasing confidence in the independence of audit firms.

The revised NAS provisions replace Section 600 of the IRBA Code and include conforming and consequential amendments to Sections 400, 525, 900 and 950. The most substantive changes to the NAS provisions include:

- The introduction of a prohibition on audit firms providing NAS to public interest entity audit clients, if that might create a self-review threat.
- New provisions to enable and promote more robust engagement about independence matters relating to NAS between auditors and those charged with governance (TCWG) of public interest entity audit clients.
- Comprehensive guidance to steer auditors' threat assessments and actions in relation to NAS.

Revisions to the IRBA Code Fee-related Provisions

The CFAE recommended the adoption of the IESBA's amendments relating to the Fee-related Provisions of the Code. In addition, the IRBA Board adopted the amendments made to the IESBA Code.

Through the fee-related provisions amendments, the IESBA responded to stakeholder calls for it to enhance guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee.

The revised fee-related provisions replace Section 410 of the IRBA Code and include consequential and conforming amendments to Sections 120, 270, 320, 330, 400 and 905. The most substantive changes to the fee-related provisions include:

- New provisions to enable and promote more robust engagement between auditors and TCWG of public interest entities about independence matters relating to fees.
- Strengthened provisions to address undue fee dependency on audit clients.
- Provisions to stimulate greater public transparency about fees paid by audit clients that are public interest entities, to assist stakeholder judgements about auditor independence.
- Comprehensive guidance to steer auditors' threat assessments and actions in relation to fees.

Effective Dates for the NAS and Fee Provisions

The IRBA adopted these local amendments, following their issue on exposure for public comment via Government Gazette No. 43015 on 14 February 2020 (Board Notice No. 9 of 2020).

The effective dates of the revisions are as follows:

- For the revised Section 410 and consequential amendments to Part 4A, effective for audits of financial statements for periods beginning on or after 15 December 2022.
- For the revised Section 905, in relation to assurance engagements with respect to underlying subject matters covering periods of time, effective for periods beginning on or after 15 December 2022; otherwise effective as of 15 December 2022.
- For conforming and consequential amendments to other Sections of the Code, effective as of 15 December 2022.

Early adoption is permitted.

Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer (EQR) and Other Appropriate Reviewers

The CFAE recommended the adoption of the IESBA's amendments relating to Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers. Then, the IRBA Board adopted the amendments made to the IESBA Code, issued in October 2020.

The revisions provide guidance that supports ISQM 2, Engagement Quality Reviews, in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity. Among other matters, the guidance:

- Elaborates on the need to identify, evaluate and address threats to compliance, with the fundamental principle of objectivity that might arise in the appointment of an individual as an EQR for a given engagement;
- Explicitly refers to and supports the requirement in ISQM 2 for a firm to establish, as a condition for eligibility, a cooling-off period of two years before an engagement partner can assume the EQR role on the same engagement; and
- Emphasises that this cooling-off requirement in ISQM 2 serves the dual objective of supporting compliance with the fundamental principle of objectivity and the high quality of engagements.

The guidance may also apply in situations where, as a safeguard to address identified threats to compliance with the fundamental ethics principles, an individual is appointed as an appropriate reviewer for work performed.

The IRBA adopted these local amendments, following their issue on exposure for public comment via Government Gazette No. 43015 on 14 February 2020 (Board Notice No. 9 of 2020).

The effective dates of the revisions are as follows:

- Part 4A: Audits and reviews of financial statements for periods beginning on or after 15 December 2022.
- Part 4B: Assurance engagements beginning on or after 15 December 2022.
- For all other engagements within the scope of Part 3: Engagements beginning on or after 15 December 2022.

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 under the IESBA's auspices. Ms Saadiya Adam, a Senior Professional Manager in the Standards Department, is an IESBA board member. The CFAE is provided with regular updates on the work of the IESBA.

COMMENT LETTERS PROVIDED ON INTERNATIONAL PRONOUNCEMENTS

In the year under review, comment letters were submitted to the IESBA on the following:

- The IESBA's Exposure Draft: Proposed Quality Management-Related Conforming Amendments to the Code.
- The IESBA's Long Association Post-Implementation Review Questionnaire.
- The IESBA's Exposure Draft: Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.



OUTLOOK

The CFAE has the following two priorities for the immediate future:

- Development of guidance relating to Long Association of Registered Auditors with their Audit Client (including partner rotation requirements).
- Executing its work programme, which primarily includes projects that align with the IESBA agenda, but also reserves the capacity to enable the committee to respond to emerging issues in South Africa, and any relevant outcomes of the IRBA's other regulatory functions.

The IESBA issued the following final pronouncements early in 2022:

- Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the Code.
- Quality Management-Related Conforming Amendments to the Code.

The CFAE will consider the Quality Management-Related Conforming Amendments to the Code for recommendation to the IRBA Board for adoption in South Africa.

In considering the Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, the committee will take into account that the PIE definition is localised in the IRBA Code. The CFAE will therefore consider what revisions need to be made to the localised PIE definition before recommending the revisions to the IRBA Board for adoption in South Africa. The local revisions will be issued on exposure for public comment and follow the normal due process before adoption.

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

Chairperson



COMMITTEE FOR AUDITING STANDARDS

S Ronander
Acting Chairperson

Members	Number of Meetings Attended	Membership Status
Ms Z Mshengu ¹	1 of 1	Chairperson – South African Reserve Bank (SARB) Representative
Ms S Ronander	4 of 4	Deputy Chairperson and Acting Chairperson – RA
Ms J Christian ²	2 of 4	Member – Academic
Mr W Kinnear ³	3 of 4	Member – RA
Ms N Terblanche	4 of 4	Member – RA
Ms M Mogapi	4 of 4	Member – RA
Mr P Hoogwerf	4 of 4	Member – RA
Ms D Lawrence	4 of 4	Member – South African Revenue Service Representative
Mr Z Rashid	3 of 4	Member – Johannesburg Stock Exchange Representative
Ms L Le Roux	4 of 4	Member – AGSA Representative
Adv. B Tlhakung	3 of 4	Member – Attorney
Ms L Roeloffze	2 of 4	Member – RA
Ms T Zimondi	4 of 4	Member – RA
Mr S Tar-Mahomed	3 of 4	Member – RA
Mr B Topham	2 of 4	Member – Financial Sector Conduct Authority Representative
Ms I Peter ⁴	1 of 1	Member – SARB Representative

¹ Ms Mshengu's term as the Chairperson ended on 31 May 2021, as she was appointed to the IRBA Board effective 8 June 2021.

² Ms Christian was on maternity leave for two of the four meetings. Her second and final term ended on 31 March 2022.

³ Mr Kinnear's second and final term ended on 31 March 2022.

⁴ Ms Peter was appointed to the committee as the SARB representative on 1 March 2022.

It is with pleasure that I present this report on the strategic and standard-setting activities of the Committee for Auditing Standards (CFAS) for the 2021/2022 financial year.

Audit quality is affected, directly or indirectly, by auditing standards and the standard-setting process. Therefore, it is vital that standard setters identify and address the right issues, at the right time. For these standards to be

fit for purpose, they need to be clear, understandable and responsive to the changes in the environment. Furthermore, to meet the desired objectives, it is critical that relevant stakeholders are engaged throughout the standard-setting process. So, while the committee continued to conduct business in a virtual environment, this did not prevent it from undertaking multiple projects to achieve these objectives.

In addition to the normal work programme, the Secretariat continues to consider recent developments in the profession and the environment, and their impact on the mandate of the CFAS. This has resulted in several well-attended outreach events in the form of webinars, with presenters being drawn from the CFAS membership and other experts.

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

The CFAS continues to carry out its 2020-2024 strategy, “Driving Audit Quality through Standard Setting”, which includes the following four-strategic pillars depicted in the graph on the right.

CFAS: Four Strategic Pillars

01	02	03	04
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 standards setting	Theme IV: Integrated standard setting by keeping abreast of emerging issues and responding appropriately

INTERNATIONAL AND REGIONAL LIAISONS

The Secretariat liaises with relevant African and international bodies. The Director Standards, Mr Imran Vanker, served as an IAASB board member until December 2021. Furthermore, the IRBA continues to participate in the work of the Standards Coordination Working Group of the IFIAR (represented by Professional Manager Mr Ian Mtegha) and the National Standard Setters Forum.

CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY

Project Outputs

Local Auditing and Assurance Pronouncements and Guidance

Adoption of the IAASB's Conforming and Consequential Amendments to the Other International Standards as a Result of the New and Revised Quality Management Standards	Recommended by CFAS in March 2022 and issued in May 2022 following Board approval. Effective from 15 December 2022.
Adoption of the IAASB's 2020 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements	Issued in November 2021.
Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised August 2021)	Issued in August 2021 and effective from 1 September 2021.

COMMITTEE FOR AUDITING STANDARDS CONT...

International Standards	
Comments on International Consultation Papers and Exposure Drafts, and Engagements with International Stakeholders	
Comments on the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities	The Secretariat submitted a comment letter to the IAASB on 7 February 2022.
Comments on the Exposure Draft ED/20215 Proposed Targeted Amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board to set IFRS Sustainability Standards	The Secretariat submitted a comment letter to the IFRS Foundation on 30 July 2021.
Comments on the Proposed Amendments to the IAASB's International Standards – Conforming and Consequential Amendments to the IAASB's Other Standards as a result of the New and Revised Quality Management Standards	The Secretariat submitted a comment letter to the IAASB on 24 May 2021.
Jurisdictional, Legislative and Regulatory Requirements	
Alignment of Existing IRBA Pronouncements to New and Revised Quality Management Standards issued by the IAASB following the issue of the Conforming Amendments	Approved by CFAS in November 2021 and issued in May 2022, together with the alignment to the international standards. Effective from 15 December 2022
IRBA Staff Audit Practice Alert 7: Transparency Report	Recommended by CFAS in March 2022, being finalised for publication.
Revised Illustrative Section 15 Auditor's Reports – Retirement Funds Regulatory Auditor's Reports	Approved by CFAS in March 2022, issued by the Financial Sector Conduct Authority (FSCA) in April 2022. Effective for engagements for which the terms of engagement are agreed on or after 1 January 2022. This is consistent with the effective date of ISRS 4400 (Revised). Accordingly, engagement teams should consider updating previously signed engagement letters.

Jurisdictional, Legislative and Regulatory Requirements cont...

Revised Illustrative Banks Act Regulatory Auditor's Reports	Issued on 18 March 2022 and effective for engagements for which the terms of engagement are agreed on or after 1 January 2022, and this is consistent with the effective date of International Standard on Related Services (ISRS) 4400 (Revised). Accordingly, engagement teams should consider updating previously signed engagement letters.
Revised Illustrative Section 12I Tax Allowance Incentive Programme Agreed-upon Procedures Report	Issued on 17 March 2022 and effective for engagements for which the terms of engagement are agreed on or after 1 January 2022, and this is consistent with the effective date of ISRS 4400 (Revised). Accordingly, engagement teams should consider updating previously signed engagement letters.
Revised Illustrative Annual Stockbroker's Reports Submitted to the JSE Limited in terms of the Financial Markets Act and JSE Directive DG 1.7 – Illustrative Reports 2B and 3	Issued on 20 November 2021 and effective for engagements for which the terms of engagement are agreed on or after 1 January 2022.
IRBA Staff Audit Practice Alert 6: Protection and Retention of Client Data	Issued in September 2021.

Comment on Local Consultation Papers and Exposure Drafts

Comments on the JSE's Proposed Amendments to Its Listings Requirements Resulting from the JSE's Consultation Paper on Cutting Red Tape Aimed at Effective and Appropriate Regulation.	The Secretariat submitted a comment letter to the JSE on 13 September 2021.
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Engagement with Local Stakeholders

Call for New Projects for the CFAS Work Programme	Issued on 1 March 2022, with a deadline of 1 April 2022.
IRBA Webinar to launch the New Quality Management Standards – Towards Restoring Confidence and Enhancing Audit Quality	Webinar held on 15 February 2022.
IRBA/CFAS Webinar on Audit in an Uncertain Environment	Webinar held on 13 October 2021.

COMMITTEE FOR AUDITING STANDARDS CONT...

Engagement with Local Stakeholders cont...	
IRBA Webcast: Unpacking possible enhanced disclosures in the auditor's report in South Africa	Webcast held on 30 August 2021.
Consultation Paper – Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements	Issued on 17 June 2021, with a public consultation deadline of 15 September 2021.
Consultation on Proposed Conforming and Consequential Amendments to IRBA Pronouncements Arising from the IAASB's Quality Management Standards	Issued on 4 June 2021, with a public consultation deadline of 4 August 2021.
Consultation on the Proposed Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised May 2021)	Issued on 24 May 2021, with a public consultation deadline of 8 July 2021.

In line with the CFAS strategy, the committee worked on projects that are focused on supporting the IRBA strategy.

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

- Audit of Less Complex Entities.
- Audit Evidence.
- Fraud.
- Going Concern.
- Technology.
- Listed Entity and Public Interest Entity.
- Assurance on Sustainability/Environmental, Social and Governance Reporting.

IAASB QUALITY MANAGEMENT STANDARDS

The Quality Management standards have raised the bar for quality management. They 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 IRBA Board adopted the following Suite of Quality Management Standards on 12 March 2021:

- ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
- ISQM 2, Engagement Quality Reviews; and
- International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements.

APPRECIATION

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



In addition, many CFAS members are supported by technical advisors, whose insights are valued. Furthermore, CFAS meetings are well attended by local and regional observers, and their presence is always welcomed and appreciated.

S Ronander

Acting Chairperson

The CFAS and the Secretariat would like to thank the outgoing Chairperson, Ms Mshengu, and the Acting Chair, Ms Ronander, during this transitional period, for their outstanding contributions to standards-setting initiatives and leadership.



INSPECTIONS COMMITTEE

Mr Z Rashid
Chairperson

Members	Number of Meetings Attended	Membership Status
Mr Z Rashid	3 out of 4	Tenure ended March 2022
Ms E Goodchild	4 out of 4	Appointed as Chairperson from March 2022
Mr L Coopasamy	4 out of 4	Re-appointed for a 2 nd term in April 2022
Ms N Mkunqwana	3 out of 4	Member
Mr B Stobie	4 out of 4	Member
Ms L Tsoku	4 out of 4	Member

It is with pleasure that I present this report on the Inspections Committee's (INSCOM) current and strategic activities for the 2021/2022 financial year.

INSPECTION OUTCOMES FOR 2021/2022

The IRBA issued 142 (2021: 107) inspection reports for inspections that were performed at 21 (2021: 16) audit firms. These reports include 11 firm-wide inspections and 131 individual assurance engagement inspections, covering 122 RAs.

In addition to the 142 inspection reports, the IRBA issued 10 (2021: 10) updated firm-wide outcome reports during the period, where firm-wide inspections were not performed but firm-wide issues were identified during individual assurance engagement inspections. The deficiencies identified, however, on individual assurance engagements inspected were escalated to International Standard on Quality Control (ISQC) 1 elements at firm level.

AN OVERVIEW OF THE INSPECTIONS PROCESS

8th Inspections Cycle

The 2021/2022 financial year was the first year of the cycle. The Inspections Department continued to fulfil its mandate by performing firm-wide and individual

assurance engagement inspections at various audit firms during the year and contributing to restoring confidence in the auditing profession. The focus of the inspections continued to be on audits with a higher public interest exposure, and these included audits of listed entities and other PIEs, including state-owned companies. Most of the firm-assurance engagement inspections were performed at firms that were accredited with the Johannesburg Stock Exchange.

The IRBA was able to increase the number of inspections performed and continue with inspections, despite the constraints brought about by COVID-19. This was achieved by continuing with our remote work model, according to the Work Classification Guidelines and Transition Plan that was approved by management in the prior year.

As the IRBA recognises that its current mandate extends beyond listed entities and PIEs, our selection included a sample of small to medium-sized practices that do not audit these types of entities.

Consistent with the principles of the new and revised Quality Management standards, the IRBA is cognisant of the fundamental role played by governance and leadership of the firm in demonstrating a commitment to



quality. Therefore, inspections continued to focus on the responsibility of the firms' leadership to deliver high-quality audits. All inspection reports were required to be signed by firm leadership, to aid in the awareness and prompt remediation of findings. Inspection reports at a firm level are also addressed directly to the leadership of the firm.

During this 8th Inspections Cycle, all inspection reports are enhanced to include a graphical analysis of current and prior inspection results. These reports provide firm leadership and their stakeholders (including audit committees) with an easy-to-read understanding of results, which helps with the identification of relevant themes and trends.

The IRBA continued with its Remedial Action Process with firms and their partners, through interactive discussions, aiming to promote the prompt and effective remediation of reportable deficiencies. A failure to remediate findings throughout the firm may indicate that its system of quality improvement is ineffective. Consistent with the previous year, several firms that were referred to the IRBA's Investigations Department in the prior and current years are being closely monitored directly by the Board. This is due to ongoing recurring deficiencies being reported over multiple cycles or because of significant audit failures that have tainted the reputation of the profession.

The 8th Inspections Cycle has also led to the introduction of further initiatives to proactively address recurring inspection findings. These include a guided proactive remediation process to enable the remediation of IRBA-identified deficiencies at an earlier stage in the inspections process and to address the concerning trend of recurring deficiency themes. A further initiative is the theme-based inspection that measures the extent to which audit firms or auditors implement appropriate remediation to address reported deficiencies (themes). The theme-based

inspections supplement our inspection of assurance engagements and focus on the selected themes through a narrower scope and in more depth.

The committee is pleased with the continued focus on audit firm leadership and the proactive action taken by the IRBA Board, where there are systemic deficiencies reported at firms; the regulator's 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.

Firm-wide Inspections

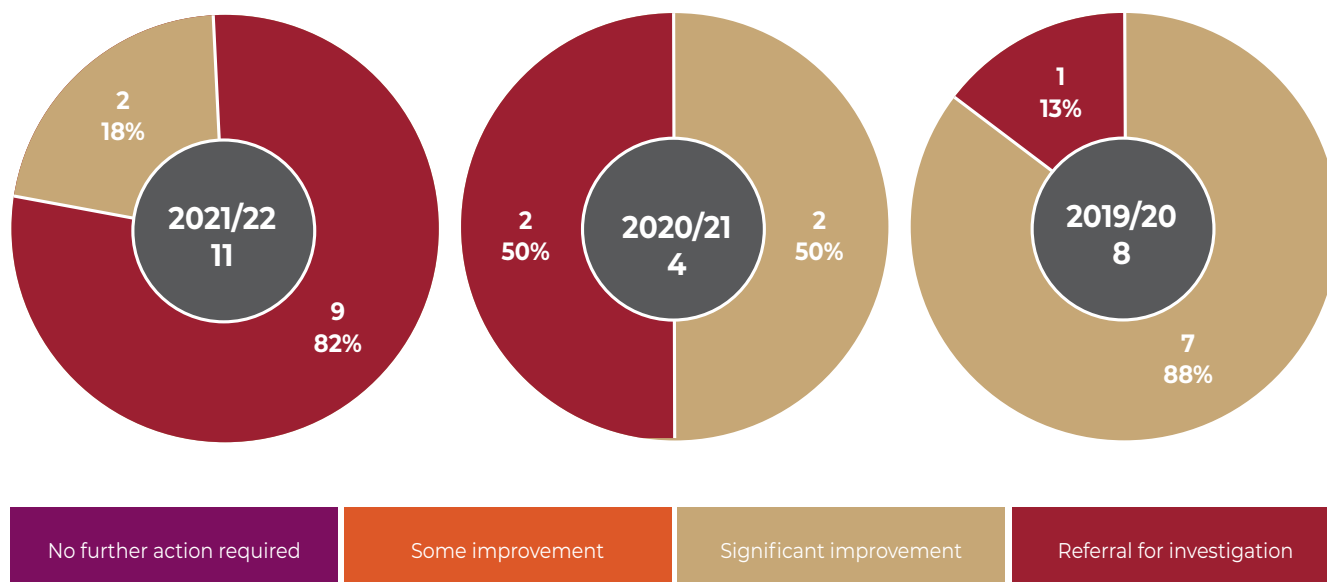
The objective of a firm-wide inspection is to inspect the design and implementation of a firm's system of quality control, in accordance with ISQC 1; and to prompt appropriate and immediate remedial action by the firm and registered auditor to address the deficiencies in audit quality that were identified.

A full scope ISQC1 inspection is performed for larger network firms, where all six elements of ISQC 1 are inspected. For small and medium-sized audit firms, the scope of the inspection is confined to selected elements of ISQC 1. The classification of the firm is done based on its size and the extent of public interest audit clients in its assurance client portfolio.

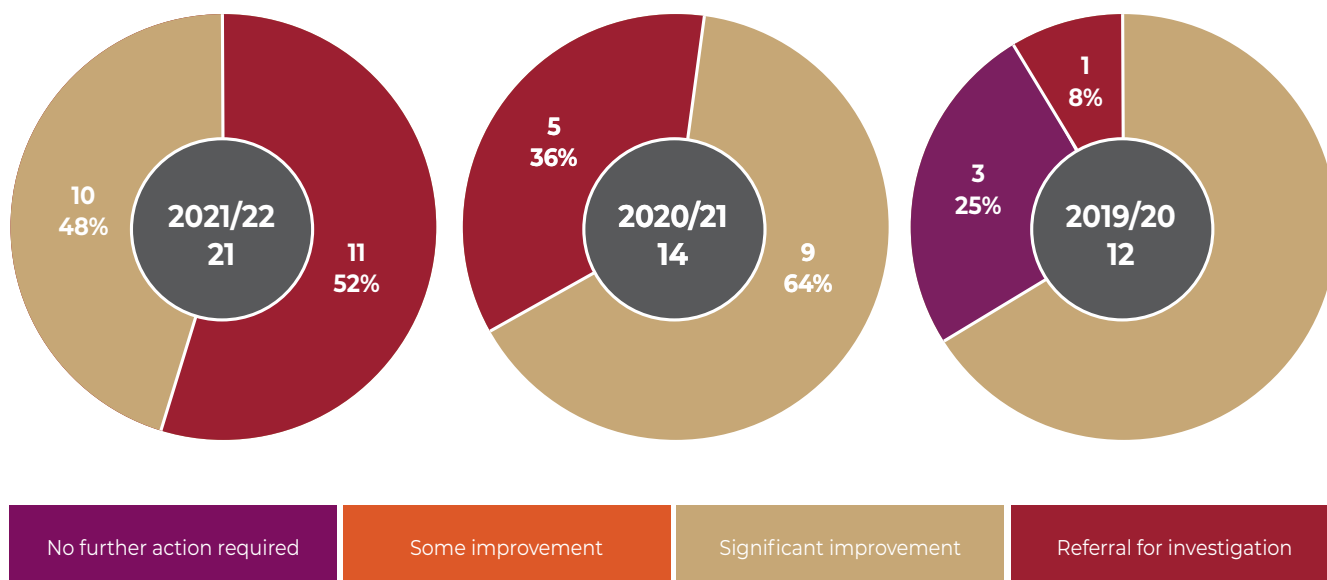
Full Scope ISQC 1 Results

In the current year, 11 (2021: four) firm-wide inspections were reported to INSCOM. Of these inspections, two (18%) (2021: 2, 50%) required significant improvement; and nine (82%) (2021: 2, 50%) were referred for investigation to the IRBA's Investigations Department. Of the nine referrals for investigation outcomes, five firms were referred on an overall basis and four on specific matters.

INSPECTIONS COMMITTEE CONT...



The inspection outcomes for the 10 (2021: 10) updated firm-wide outcome reports were eight (2021: 7) for significant improvement and two (2021: 3) for referral for investigation. The combined outcomes are presented as follows:



The committee acknowledges the continued commitment by firm leadership in addressing reportable deficiencies. However, it is deeply concerned by the high number of

negative inspection outcomes and the extent of firms that have been referred for investigation to the Investigations Department.

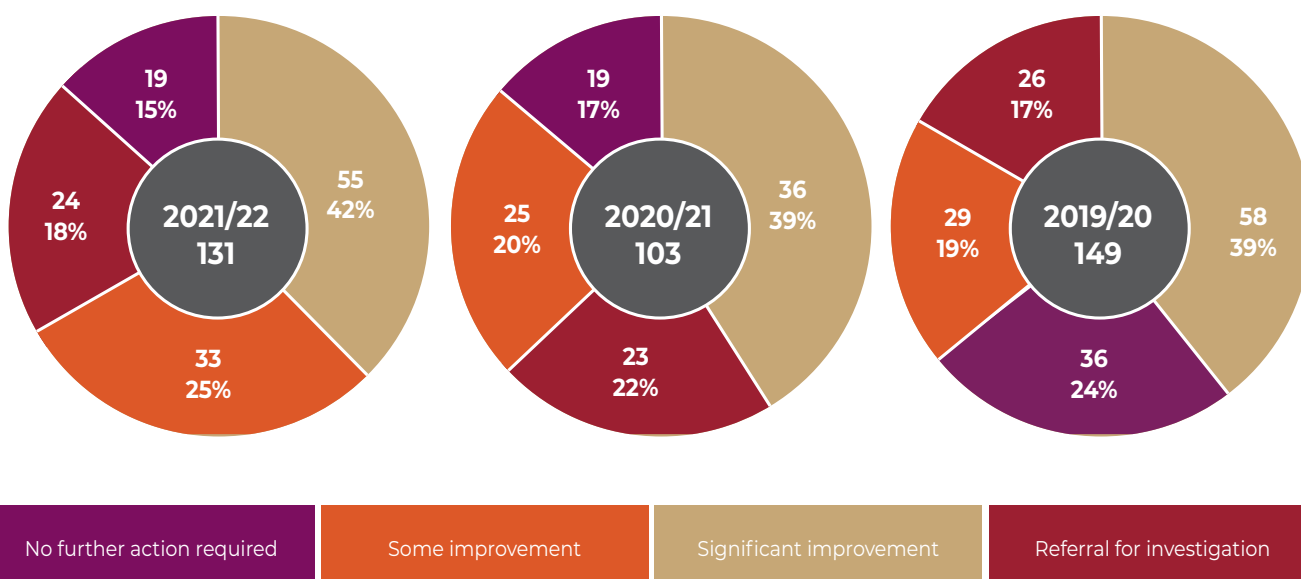
Individual Engagement Inspections

The objective of an assurance engagement inspection is to inspect the individual auditor's compliance with relevant auditing standards, the IRBA's Code of Ethics and relevant legislation in performing audit work.

In the current year, 131 (2021: 103) individual assurance engagement inspections were reported to INSCOM. The results of the individual inspections are as depicted in the graph below, with a further comparison to the second and

third years of the 7th Inspections Cycle.

The continued frequency of findings and the recurring findings noted in the current year remain a high concern for the committee. Also, the committee is concerned by the high number of assurance engagements that are referred for investigation. Of the 24 (2021: 23) referrals to investigation outcomes, nine assurance engagements have been referred on specific matters and 15 on an overall basis.



COMMUNICATION

- The IRBA's latest Public Inspections Report highlights common firm-wide and assurance engagement deficiency themes reported to INSCOM. The 2021 report does not only include an analysis of inspection results reported to the committee for the period ended 31 March 2021, but it also represents the completion of the 7th Inspections Cycle (including the inspections reported to INSCOM in June 2021 and August 2021, respectively). This was presented to provide users with a review and

analysis of inspection outcomes, based on our 7th cycle strategy and approach.

- As the period under review drew to a close, the IRBA published the third edition of the annual Survey Report: Audit Quality Indicators (AQIs). The report is beginning to show useful trends, for stakeholders and interested parties, on quantitative measures about key matters that may contribute to the quality of an audit (both at audit firm and audit engagement levels) and puts actionable information in the hands of these stakeholders. The

INSPECTIONS COMMITTEE CONT...

information is also to the benefit of those charged with governance in discharging their oversight responsibilities over financial and other reporting, including the appointment or re-appointment of external auditors.

- The IFIAR released its 2021 annual survey of inspection findings arising from its member regulators' individual inspections of audit firms that are affiliated with the six largest global audit firm networks. Though not directly comparable, the frequency of the IRBA's findings continues to remain higher in comparison to the latest IFIAR inspections survey results. Further, the committee is still concerned about the high level of reportable deficiencies identified on firm-wide and assurance engagement levels.
- Comprehensive stakeholder engagement is one of the strategic initiatives of the IRBA's refocused five-year strategy, which includes:
 - o Engaging with firms on a proactive basis, while maintaining independence;
 - o Assessing the need to engage with audit committees of listed entities and other public interest entities; and
 - o Collaborating with other regulators and institutions.

Therefore, as we forge ahead on this journey towards enhanced audit quality and financial reporting, the Inspections Department continues to encourage open dialogue with all stakeholders in the financial reporting ecosystem. This has to be reflected in their interactions on the impact, understanding and use of the reports issued to the audit firms and individual auditors, the Public Inspections Report and the IRBA's AQI report.

APPRECIATION

I wish to extend my deep appreciation to the Inspections Department for its continued commitment to the monitoring of the audit firms and the auditors, especially during these challenging times. The department has been steadfast in recognising the pivotal role it plays in protecting the public interest and safeguarding the integrity of the financial markets.

This was the second year in which all the inspections were performed remotely. Despite the difficult circumstances, the department was able to successfully complete the number of inspections required to achieve the performance target of 121 inspections for the year.

Furthermore, I would like to offer my gratitude to the committee members for their support, commitment and dedication to the inspections process and for ensuring that the outcomes are fair and consistent. My thanks also go to the audit firms and engagement partners for their co-operation during the inspections process; and I further emphasise the need for a stronger commitment to address the reported deficiencies in audit quality and restore confidence in our profession.

Mr Z Rashid

Chairperson



INVESTIGATING COMMITTEE

D Mahony
Chairperson

Members	Number of Meetings Attended	Membership Status
Mr D Mahony	5 out of 5	Chairperson
Mr A Ndurunduru	3 out of 5	Member – term ended on 31 March 2022
Mr B Maasdorp	4 out of 5	Member – term ended on 31 March 2022
Ms C Schoeman	N/A	Member – resigned on 31 May 2021
Mr K Mukova	4 out of 5	Member
Ms M Naidoo	5 out of 5	Member
Mr T Zikode	3 out of 5	Member – resigned on 31 March 2022
Ms B Ntutela	5 out of 5	Member – appointed on 1 August 2021
Mr G Krog	5 out of 5	Member – appointed on 1 August 2021
Mr F Scheepers	5 out of 5	Member – appointed on 1 August 2021

I am pleased to report on the INVESCO activities for the 2021/2022 financial year. This committee is made up of chartered accountants, legal practitioners and members with business qualifications.

Our investigations are initiated either due to a complaint from an external party or 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, and examples would be 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.

Once a complaint is received and it is verified that the respondent, at the date of the alleged transgression, was an RA with the IRBA, the complaint is then perused by the Investigations Department's Professional Manager to

ascertain whether further information is needed from the complainant, or specific information is needed from the respondent.

Following a preliminary assessment, the Director Investigations must then decide, in terms of Section 48(1) of the APA, whether to refer the matter to INVESCO. Most matters are referred, and INVESCO must then investigate each one in terms of Section 48(3). INVESCO deliberates on a matter before it recommends to the Enforcement Committee whether to dismiss the matter, impose a monetary and/or non-monetary sanction, or refer the matter for a disciplinary hearing.

INVESTIGATIONS CONCLUDED

The committee met five times during the year under review and 116 matters were referred to the Enforcement Committee with recommendations.

INVESTIGATING COMMITTEE CONT...

The performance information in the annual report sets out the investigations completed in this financial year. An investigation is completed when the Enforcement Committee has made a decision to either not proceed with charges on a matter or a matter is referred for a disciplinary hearing, or a monetary fine on a matter has been imposed.

With the increased number of investigators, the achievement of 79 completed investigations in this financial year is to be commended.

APPRECIATION

My gratitude goes to the committee members for their dedication, professional input and support over the past

year. Also, 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. Without their well-documented support, we would not be able to operate effectively.

D Mahony
Chairperson



DISCIPLINARY COMMITTEE

Adv A Platt SC
Acting Chairperson

CONSTITUTION, MEMBERSHIP AND MEETINGS

On the 26th of April 2021, the amendments to the APA came into effect. These amendments were partly aimed at strengthening the independence of the Disciplinary Committee, while improving its effectiveness and efficiency through the:

- Prohibition of the appointment of registered auditors or persons with certain interests in registered auditors or related persons as members of the committee;
- Introduction of a pool of committee members and the disciplinary hearing panel that would be constituted by three members of the Disciplinary Committee for the purpose of each hearing, thus enabling the scheduling of multiple hearings; and
- Prescription of certain qualification and experience requirements for committee members and the Chairperson, specifically requiring the committee to be

chaired by a senior advocate or a retired judge, and to be constituted by a third of experienced former RAs, a third of experienced legal practitioners and a third of other suitably qualified persons.

In view of the above, most of the 2021/2022 financial year was dedicated to implementing the Act amendments, which necessitated reconstituting the Disciplinary Committee to ensure compliance. Accordingly, and following the Board's determination of the total number of committee members as 15, the then committee membership was reviewed for compliance, calls for the nomination of committee members were published, and several appointments were made in an effort to reconstitute the Disciplinary Committee.

Following the abovementioned processes, the committee membership is as shown in the table below.

Members	Number of Meetings Attended
Adv A Platt SC	Chairperson
Adv E Mokutu SC	Member – Legal Practitioner
Adv E Raubenheimer	Member – Legal Practitioner
Adv R Mossop	Member – Legal Practitioner
Adv T Madonsela	Member – Legal Practitioner
Mr S Sooklal	Member – Former RA
Ms L Hetcher	Member – Former RA
Ms D Lamprecht	Member – Former RA
Ms S Vanker	Member – Suitably qualified person
Ms M J Fouche	Member – Suitably qualified person
Mr E Volker	Member – Suitably qualified person
Ms NB Kader	Member – Suitably qualified person

DISCIPLINARY COMMITTEE CONT...

As at year-end, the committee had four vacancies that require the appointment of two former RAs, one legal practitioner and one other suitably qualified person. Recruitment processes are underway in respect of these vacancies.

DISCIPLINARY HEARING MATTERS

During the financial year under review, and in light of its reconstitution, the committee was able to hear only one matter referred for the determination of charges of improper conduct preferred prior to the Act amendments. Below is a tabulated summary of the matter heard and finalised.

Party	Charges	Outcome
IRBA vs Mr P Le Grange	<p>The charges preferred against Mr Le Grange arose from his conduct in relation to audit work performed on an attorney's trust account, specifically:</p> <ul style="list-style-type: none"> a) Failure to retain and/or produce audit files; b) Failure to modify the audit opinions issued in respect of attorneys' trust accounts for two financial years, notwithstanding trust account shortages; payment transfers from a trust account to a business account not supported by valid trust expenditure; and the issuing of uncrossed trust cheques in contravention of the Law Society Rules; c) Failure to report reportable irregularities to the IRBA in respect of the client's non-compliance with the Attorneys Act and Law Society Rules; and d) Failure to declare to the IRBA assurance work done on an attorney's trust account. 	<p>Mr Le Grange was found guilty of all four charges preferred, with the committee imposing the following sanction:</p> <ul style="list-style-type: none"> a) Permanent removal of Mr Le Grange's name from the register of auditors; b) A total fine of R800 000, being the maximum R200 000 fine in respect of each charge; c) Payment of R400 000 towards the costs incurred by the IRBA; and d) Publication in IRBA News and the media of his full names, the name of his firm, the charges levelled against him, as well as the committee's decision and the sanction imposed.



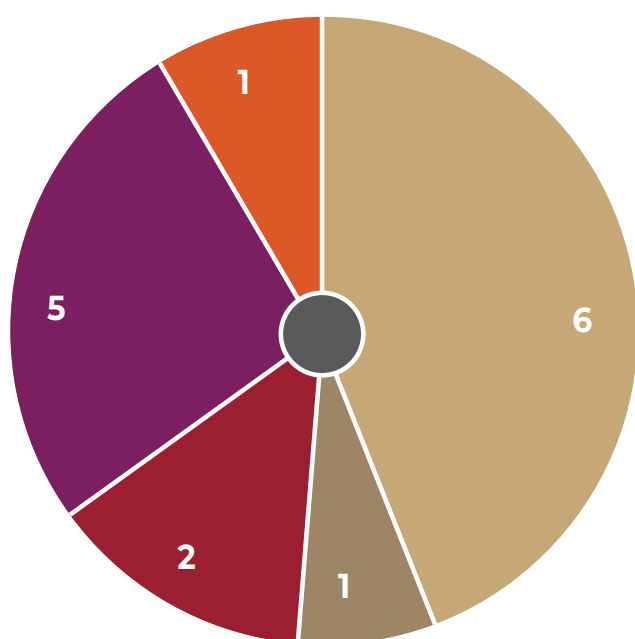
In concluding the matter as per the above, it was the committee's finding that Mr Le Grange's breach of the Auditing Standards in conducting the impugned audits amounted to gross negligence and dishonesty on his part. In determining the appropriate sanction, the committee took into account Mr Le Grange's failure to exercise professional competence and scepticism when conducting the audit on the attorneys' trust accounts, which placed the public in harm's way.

The committee also considered the fact that the public holds auditors in high regard; thus, great trust is placed on the opinions they express. Specifically, as it relates to the matter at hand, the committee considered the fact that the Legal Practice Council and the Fidelity Fund rely on audit reports to identify attorneys who fail to comply with the Legal Practice Act, and then accordingly remove such attorneys from handling public funds. Also considered was

the fact that Mr Le Grange was aware that the relevant attorney was defrauding the public and the legal profession, yet he submitted audit reports that concealed the fraud committed by the attorney, which factors aggravated the misconduct he committed. The committee's ruling in this regard sought to vindicate public interest, while reminding auditors of the position of trust they occupy in the public realm and the resultant obligations.

In addition to the above matter, six matters previously referred for disciplinary hearings were finalised through consent order or admission of guilt processes, with respondents having admitted guilt in respect of the charges preferred and appropriate sanctions imposed. Below is an overview of the sanctions imposed in relation to matters finalised through consent order or admission of guilt processes.

Sanctions Imposed



■ Fines
 ■ Non-monetary sanctions
 ■ Costs
 ■ General publications
 ■ Specification publications



DISCIPLINARY COMMITTEE CONT...

Reviews

One review application was filed with the High Court, seeking an order reviewing and setting aside the committee's ruling dismissing the applicant's application for the recusal of two of the committee members as part of the panel constituted to determine the charges of improper conduct preferred against them.

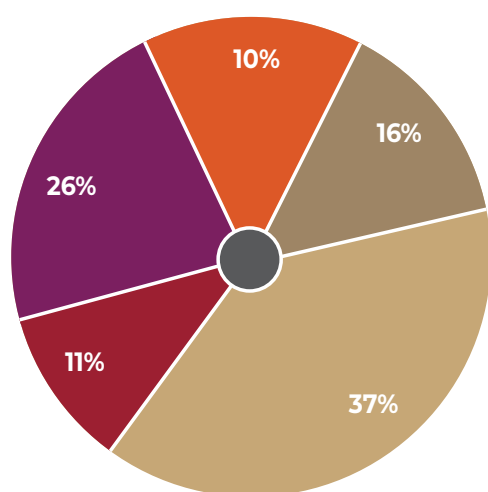
The committee has filed the relevant records and a notice of intention to abide by the decision of the Court, while the IRBA has opposed the application in its capacity as the pro-forma complainant.

The hearing proceedings forming the basis of the review application have accordingly been held in abeyance, pending the determination of the review.

Pending Matters

Following the finalisation of the six matters referenced above, there are 19 pending matters referred for disciplinary hearings, five of which were referred during the reporting period. These matters involve varying charges of improper conduct and are at different stages of the disciplinary process. The graphs below provide an overview of the nature of the charges involved in respect of the matters, as well as the status of the matters.

Status of Pending Disciplinary Matters



- Plea
- Engagements on AOG
- Pending litigation
- Hearing preparations
- Merits analysis

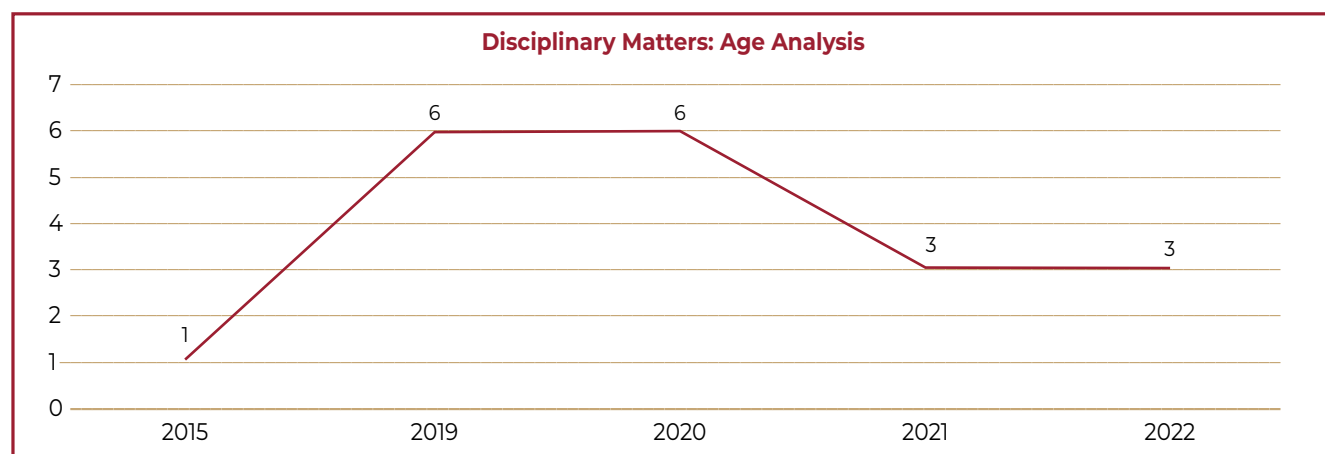
Nature of the Charges



- Incorrect audit opinion
- Insufficient appr audit evidence
- Dishonesty/Integrity
- Accounting/Tax breach
- Failure to retain docs
- ISQC failures
- Independence
- Other
- Precca
- RIs
- Failure to exercise due care and skill

Open disciplinary matters have an aging between seven years and one month, with 63% of the matters having an aging of less than 18 months. The graph below indicates

matters referred for a disciplinary hearing per year, giving an indication of the aging thereof.



CONCLUSION

While the initially planned number of hearings for the 2021/2022 financial year could not proceed due to the need to reconstitute the committee and realign disciplinary processes, to ensure compliance with the amendments to the Act, the IRBA has achieved several milestones in respect of disciplinary processes. At the centre of these milestones is the promulgation of the amendments, which led to the constitution of an independent and qualified Disciplinary Committee, which will now be able to convene multiple disciplinary hearings, ensuring that disciplinary matters are finalised without delay.

Ancillary to the amendments was the revision and prescription of Disciplinary Rules, which not only support the amendments but also introduce various processes to aid the efficiency and effectiveness of the committee's work. The finalisation of the six matters reported above, without the need to convene disciplinary hearings, is also a milestone worth noting. It is through such proactive engagement processes that the committee can achieve the speedy finalisation of matters with minimal costs,

allowing resources to be dedicated to high-risk and public interest matters.

In appreciation of the minimal number of hearings convened in the financial year under review, the committee has adopted a hearing plan that aims to have at least 11 of the 19 pending matters considered in the upcoming financial year, thus, actively addressing the accumulated caseload.

APPRECIATION

My sincere gratitude to the committee members, the Secretariat and the Legal Department staff for the exceptionally efficient and effective manner in which they convene, administer and support the committee's proceedings.

Adv A Platt SC
Acting Chairperson



PART

F

**FINANCIAL
INFORMATION**

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE



Statement of Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. This includes ensuring that adequate accounting records and effective systems of risk management and 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 No. 26 of 2005.

Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2022.

ARMCO is a subcommittee of the Board and it consists of independent, non-executive Board members. Its overall objectives are to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded; assessing the going concern status; reviewing the financial information; and overseeing the preparation of the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies and addresses significant risks affecting its strategic objectives, and those associated with the environment within which the IRBA operates.

The committee meets at least four times a year, as per its approved terms of reference. Management, internal auditors and external auditors attend these meetings by invitation.

During this reporting year, five meetings were held. Meeting attendance appears on page 36.

Committee Responsibility

The committee has complied with its responsibilities, as set out in Section 51(1)(a)(ii) and 76(4) of the PFMA and Treasury Regulation 27.1.

It has also operated within the terms of reference of the committee, regulated its affairs in compliance with the terms of reference and discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are adequately designed and operating effectively. The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the Auditor-General South Africa's (AGSA) independent audit report on the annual financial statements as well as its management report, it was noted that no significant non-compliance with prescribed policies and procedures had been reported.



REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE CONT...

The committee is satisfied with the expertise within the Finance and IT Department, which is responsible for the finance function of the IRBA. Based on our oversight activities, including reliance on the reports obtained from management, the internal auditors and the external auditors, we can report that the system of internal control for the period under review was adequate and effective.

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance. It has delegated certain aspects of its authority that pertain to risk management to ARMCO.

The risk management policy ensures that the IRBA identifies and manages strategic, operational and, where relevant, project risks. In terms of the risk management policy, a risk plan must be prepared and linked to the risk register, as well as the objectives of the IRBA. The Risk Governance Framework is based on the IRBA's risk maturity profile.

The policy has been prepared in terms of the principles prescribed by the King IV Report on Corporate Governance, the PFMA and National Treasury Regulations.

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

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

Information and Communication Technology (ICT)

The committee is also responsible for the governance of information and communication technology. Its mandate is to ensure proper and appropriate governance of ICT within the IRBA through the creation and implementation of a suitable governance framework, in line with the principles and practices of corporate governance put forward in the ICT Policy.

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

- Business value: Ensuring that ICT assists and enables the achievement of business objectives and meets the business needs of the IRBA.
- Resource optimisation: Providing relevant ICT resources (people, processes and technology), organisational structure, capacity and capability to enable ICT service delivery.
- Risk management: Ensuring that ICT risk is managed and ICT service delivery, performance and conformance to relevant internal and external policies are monitored.
- Transparency to stakeholders: Ensuring that there is transparency to relevant stakeholders regarding ICT performance and plans.

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



Quarterly Reports

The IRBA, as a public entity, reported quarterly to National Treasury, as required. The committee is satisfied with the content and quality of quarterly reports prepared by management and issued by the Acting Chief Executive Officer during the year under review.

Evaluation of Financial Statements

The committee has:

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

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

Internal Audit

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

The following internal audit work was completed during the year under review:

- Review of Annual Financial Statements;
- Review of Annual Performance Information;
- Review of Supply Chain Management Processes; and
- Review of the Human Resource Management Processes.

External Audit

The committee met with the Auditor-General to ensure that there were no unresolved issues.

Going Concern

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

Appreciation

I wish to express my appreciation to the members of the committee and management for their commitment and support throughout this financial year.

Z Mshengu

Chairperson



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 set out on pages 98-127, which comprise the statement of financial position as at 31 March 2022, the 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 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 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of 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 financial statements section of my report.
4. I am independent of the public entity 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.

Emphasis of matter

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

Uncertainty relating to the future outcome of the prescribed fees litigation

7. With reference to note 16 to the financial statements, the Independent Regulatory Board for Auditors is currently appealing a high court judgement relating to prescribing fees as well as the rationalisation of the amendments and/or other related decisions in terms of the Auditing Profession Act 26 of 2005. Management has estimated that should the review process not be successful, an estimated R73 million will have to be passed as credits.



Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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 public entity'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 public entity 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 the public entity'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 public entity 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.



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

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 public entity's annual performance report for the year ended 31 March 2022:

Objectives	Page in the annual performance report
Strategic Focus Area 4: Investigations – To investigate and take appropriate action against registered auditors in respect of improper conduct	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 – to investigate and take appropriate action against registered auditors in respect of improper conduct.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 23 to 32 for information on the achievement of planned targets for the year and management's explanations provided for the under/over 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 public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
22. 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 on it.
23. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. 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. I have nothing to report in this regard.

Internal control deficiencies

25. 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.
26. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
31 July 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



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

Annexure – Auditor-General’s Responsibility for the Audit

1. 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 public entity’s compliance with respect to the selected subject matters.

Financial statements

2. 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 public entity’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 accounting authority 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 Independent Regulatory Board for Auditors 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 the public entity 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

3. 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.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



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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 2022. 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 ending 31 March 2023 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 reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 86 - 91.

The annual financial statements set out on pages 98 - 127, and which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2022 and were signed on its behalf by:

Chairperson of the Board



REPORT OF THE ACCOUNTING AUTHORITY

The accounting authority submits this report for the year ended 31 March 2022.

1. Introduction

The accounting authority presents its report, which forms part of the IRBA's Annual Financial Statements for the year ended 31 March 2022, to the Minister of Finance (Executive Authority) and Parliament, in terms of Section 55 (1)(d) of the PFMA as amended.

2. Principle Activities of the IRBA

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

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

3. Analysis of Financial Statements

3.1 High-level overview

The revenue generated and the operating expenses incurred resulted in a surplus before the investment income of R12,7 million (2021: R40,2 million), compared to a budgeted break-even position.

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, licence and training contract fees. This revenue increased to R48,8 million from R47,5 million due to more registration fees.

Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises of contributions to disciplinary and investigation expenses, sanctions for improper conduct, assurance fees and government grants. The revenue decreased to R65,0 million from R98,1 million primarily due to higher contributions to disciplinary expenses received in the previous year.



3.3 Expenses

Operating expenses decreased to R145,9 million from R149,9 million. This was mainly due to the decrease in expenses as explained below.

- Disciplinary and investigation expenses decreased by R11,7 million as certain hearings did not take place due to the correction of the transitional provision of the APA amendments.
- Committee expenses decreased by R5 million as certain hearings did not take place due to the correction of the transitional provision of the APA amendments.
- Lease of building rental decreased by R1,6 million due to the lease rental being renegotiated.
- Employee costs increased by R10,7 million due to fewer vacancies, CPI increases and a performance incentive paid to staff.
- Placement fees increased by R1,8 million due to vacancies filled during the year.

3.4 Assets

The procurement of assets includes the building refurbishment of R7,9 million and 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 was collected subsequent to the year-end.

The cash balance increased to R85,8 million from R74,5 million. An amount of R27,6 million (2021: R35,3 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 R6,8 million (2021: R3,6 million), accruals of R3,8 million (2021: R7,1 million) and an accrual for leave pay of R3,7 million (2021: R4,2 million).

3.6 Surplus

The IRBA at year-end reflected a surplus of R16,8 million (2021: R42,6 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.

REPORT OF THE ACCOUNTING AUTHORITY CONT...

- 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.

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 budget for 2021/2022 was a breakeven budget and it was approved by the Board and National Treasury in January 2021.

4. Accounting Authority

The membership of the IRBA Board during the year and to the date of this report was as follows:

Board Members' Current Term

RC Andersen		26 Jan 2021 - 27 April 2021	Caretaker appointed for three months
NN Gobodo		26 Jan 2021 - 27 April 2021	Caretaker appointed for three months
F Tonelli	(Chairperson)	8 June 2021 - 7 June 2024	
N Ford-Hoon	(Deputy Chairperson)	8 June 2021 - 7 June 2024	
R Benjamin-Swales		8 June 2021 - 7 June 2024	
P Phili		8 June 2021 - 7 June 2024	
E Zungu		8 June 2021 - 31 March 2022	Resigned, 31 March 2022
R Hawkins		8 June 2021 - 7 June 2024	
T Kutumela		8 June 2021 - 7 June 2024	
N Maharaj		8 June 2021 - 7 June 2024	
C Mjali		8 June 2021 - 7 June 2024	
Z Mshengu		8 June 2021 - 7 June 2024	

5. Ministerial Representative

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



6. Business and Registered Address

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

Postal address PO Box 8237
Greenstone 1616

7. Bank

Standard Bank of South Africa

8. Auditors

Auditor-General South Africa

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand	Notes	2022	2021
ASSETS			
Current Assets			
Inventories		172 877	206 910
Loans receivable	2	386 613	305 018
Receivables from exchange transactions	3	2 379 722	1 622 123
Receivables from non-exchange transactions	4	5 741 861	5 536 652
Cash and cash equivalents	5	85 758 379	74 471 835
		94 439 452	82 142 538
Non-Current Assets			
Plant and equipment	6	11 780 260	2 693 041
Intangible assets	7	2 328 607	1 734 009
Restricted cash	8	10 000 000	10 000 000
		24 108 867	14 427 050
Total Assets		118 548 319	96 569 588
LIABILITIES			
Current Liabilities			
Operating lease liability	9	394 286	-
Payables from exchange transactions	10	17 399 944	15 924 887
		17 794 230	15 924 887
Non-Current Liabilities			
Operating lease liability	9	3 329 613	-
Total Liabilities		21 123 843	15 924 887
Net Assets		97 424 476	80 644 701
Reserves			
Trust Fund		10 000 000	10 000 000
Contingency Fund - Disciplinary Cases		21 571 184	27 509 664
Contingency Fund - Operational		6 060 094	7 853 399
Accumulated surplus		59 793 198	35 281 638
Total Net Assets		97 424 476	80 644 701

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2022



Figures in Rand	Notes	2022	2021
Revenue	11	158 575 463	190 076 615
Operating expenses		(145 852 912)	(149 869 512)
Operating surplus	12	12 722 551	40 207 103
Investment revenue		4 057 224	2 402 762
Surplus for the year		16 779 775	42 609 865

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand	Contingency		Contingency	Total	Accumulated	Total net
	Trust	Fund -	Fund -			
	Fund	Disciplinary	Operational	reserves	surplus	assets
		Cases				
Balance at 01 April 2020	10 000 000	20 469 065	7 565 771	38 034 836	-	38 034 836
Changes in net assets						
Surplus for the year	-	-	-	-	42 609 865	42 609 865
Transfer to contingency fund:	-	7 040 599	-	7 040 599	(7 040 599)	-
Disciplinary cases						
Transfer to contingency fund:	-	-	287 628	287 628	(287 628)	-
Operational						
Total changes	-	7 040 599	287 628	7 328 227	35 281 638	42 609 865
Balance at 01 April 2021	10 000 000	27 509 664	7 853 399	45 363 063	35 281 638	80 644 701
Changes in net assets						
Surplus for the year	-	-	-	-	16 779 775	16 779 775
Transfer from contingency fund:	-	(5 938 480)	-	(5 938 480)	5 938 480	-
Disciplinary cases						
Transfer from contingency fund:	-	-	(1 793 305)	(1 793 305)	1 793 305	-
Operational						
Total changes	-	(5 938 480)	(1 793 305)	(7 731 785)	24 511 560	16 779 775
Balance at 31 March 2022	10 000 000	21 571 184	6 060 094	37 631 278	59 793 198	97 424 476

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022



Figures in Rand	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		157 955 793	188 385 434
Investment revenue		4 057 224	2 402 762
		162 013 017	190 788 196
Payments			
Employee costs		(139 405 976)	(143 613 188)
Net cash flows from operating activities	13	22 607 041	47 175 008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	6	(10 294 488)	(362 757)
Proceeds from sale of plant and equipment	6	47 489	15 749
Purchase of other intangible assets	7	(991 903)	(142 595)
Loans receivable		(81 595)	76 187
Net cash flows from investing activities		(11 320 497)	(413 416)
Net increase in cash and cash equivalents		11 286 544	46 761 592
Cash and cash equivalents at the beginning of the year		74 471 835	27 710 243
Cash and cash equivalents at the end of the year	5	85 758 379	74 471 835

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual
STATEMENT OF FINANCIAL PERFORMANCE			
Revenue			
Revenue from exchange transactions			
Revenue from regulatory functions	47 759 140	48 831 787	1 072 647
Other income	64 745	183 045	118 300
Total revenue from exchange transactions	47 823 885	49 014 832	1 190 947
Revenue from non-exchange transactions			
Government grant	44 609 000	44 609 000	-
Revenue from regulatory functions	69 590 400	64 951 631	(4 638 769)
Total revenue from non-exchange transactions	114 199 400	109 560 631	(4 638 769)
Total revenue	162 023 285	158 575 463	(3 447 822)
Expenditure			
Personnel	(109 226 002)	(110 580 534)	(1 354 532)
Depreciation and amortisation	(2 834 224)	(1 516 810)	1 317 414
Lease of building	(4 134 072)	(4 283 433)	(149 361)
Debt impairment	-	(1 303 301)	(1 303 301)
Committee expenses	(4 703 584)	(2 480 303)	2 223 281
General expenses	(11 121 341)	(6 855 379)	4 265 962
Direct expenses	(23 521 599)	(11 624 446)	11 897 153
Departmental expenses	(8 347 178)	(7 168 431)	1 178 747
Total expenditure	(163 888 000)	(145 812 637)	18 075 363
Operating surplus	(1 864 715)	12 762 826	14 627 541
Gain on disposal of assets	-	(40 275)	(40 275)
Investment revenue	1 864 715	4 057 224	2 192 509
Actual Surplus on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	16 779 775	16 779 775

Refer to page 30 of the annual report for the explanations of budget vs actual.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2022



1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the 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.

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 2023.

Environment Impact

It is anticipated that the challenging economic environment may have an impact on the IRBA's ability to collect fee income from 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 presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:



ACCOUNTING POLICIES CONT... FOR THE YEAR ENDED 31 MARCH 2022

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.

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.

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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.

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 equipment	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.



ACCOUNTING POLICIES CONT... FOR THE YEAR ENDED 31 MARCH 2022

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.

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 CONT... FOR THE YEAR ENDED 31 MARCH 2022

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.

The IRBA derecognises a financial asset 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.

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, is 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 Contingencies

Contingent liabilities are recorded in the notes to the financial statements, when there is a possible obligation that arises from past events; and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the IRBA or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured reliably.



ACCOUNTING POLICIES CONT... FOR THE YEAR ENDED 31 MARCH 2022

1.10 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.

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.

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.

1.11 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.

Measurement and recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the IRBA.

1.12 Investment income

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

1.13 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."

1.14 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.

1.15 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.



ACCOUNTING POLICIES CONT... FOR THE YEAR ENDED 31 MARCH 2022

1.16 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.

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

FOR THE YEAR ENDED 31 MARCH 2022



Figures in Rand

2022

2021

2. LOANS RECEIVABLE

Study loans and travel advances

386 613

305 018

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.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors

1 710 870

1 251 672

Prepaid expenses

678 537

370 920

Less: Impairment provision

(9 685)

(469)

2 379 722

1 622 123

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

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour.

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

1 month past due

60 600

52 020

2 months past due

32 800

11 560

more than two months past due

102 025

34 560

Reconciliation of provision for impairment of trade and other receivables

Opening balance

(469)

(79 029)

Provision for impairment

(9 216)

78 560

(9 685)

(469)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand

	2022	2021
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Fines, penalties and legal cost recoveries outstanding	6 871 636	5 932 232
Assurance fees debtors	1 720 939	1 161 049
Less: Impairment provision	(2 850 714)	(1 556 629)
	5 741 861	5 536 652
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		
Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	345 833	780 497
2 months past due	829 333	2 072 682
more than two months past due	5 072 406	1 363 689
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(1 556 629)	(1 430 034)
Provision for impairment	(1 294 085)	(126 595)
	(2 850 714)	(1 556 629)

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.



Figures in Rand

2022

2021

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand

4 070

3 213

Bank balances

84 869 533

73 583 846

12-Month Term Deposit

884 776

884 776

85 758 379

74 471 835

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, R21 571 184 (2021: R27 509 664); and Contingency Fund - Operational, R6 060 094 (2021: R7 853 399). 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 (2021: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
6. PLANT AND EQUIPMENT						
Furniture and fixtures	3 981 558	(2 733 374)	1 248 184	3 063 871	(2 609 623)	454 248
Motor vehicles	315 783	(239 995)	75 788	315 783	(202 101)	113 682
IT equipment	8 002 388	(5 446 100)	2 556 288	6 626 768	(4 681 081)	1 945 687
Leasehold improvements	7 900 000	-	7 900 000	6 596 492	(6 417 068)	179 424
Total	20 199 729	(8 419 469)	11 780 260	16 602 914	(13 909 873)	2 693 041

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimates	Total
Reconciliation of plant and equipment - 2022					
Furniture and fixtures	454 248	917 687	-	(123 751)	1 248 184
Motor vehicles	113 682	-	-	(37 894)	75 788
IT equipment	1 945 687	1 476 801	(63 847)	(802 353)	2 556 288
Leasehold improvements	179 424	7 900 000	(23 917)	(155 507)	7 900 000
	2 693 041	10 294 488	(87 764)	(1 119 505)	11 780 260

Reconciliation of plant and equipment - 2021					
Furniture and fixtures	537 284	27 079	-	(110 115)	454 248
Motor vehicles	151 576	-	-	(37 894)	113 682
IT equipment	2 199 912	335 678	(16 300)	(573 603)	1 945 687
Leasehold improvements	897 121	-	-	(717 697)	179 424
	3 785 893	362 757	(16 300)	(1 439 309)	2 693 041



	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
7. INTANGIBLE ASSETS						
Computer software, internally generated	7 873 012	(5 544 405)	2 328 607	6 881 110	(5 147 101)	1 734 009

	Opening balance	Additions	Depreciation/ changes in accounting estimates	Total
Reconciliation of intangible assets - 2022				
Computer software, internally generated	1 734 009	991 903	(397 305)	2 328 607
Reconciliation of intangible assets - 2021				
Computer software, internally generated	2 003 911	142 595	(412 497)	1 734 009

8. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand

	2022	2021
9. OPERATING LEASE ASSET (LIABILITY)		
Non-current liabilities	(3 329 613)	-
Current liabilities	(394 286)	-
	(3 723 899)	-
Total lessor incentive	(1 971 428)	-
Less: Current liabilities	(394 286)	-
Lessor incentive	(2 365 714)	-
Operating lease accrual	(1 358 185)	-
	(3 723 899)	-
The lessor gave an incentive on the extension of the lease.		
The incentive is set off against the rent payable over the term of the lease.		
The lease payment has an annual escalation of 6%.		
10. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	6 820 103	3 553 204
Other accruals	3 841 240	7 090 426
Registration application fees	1 246 762	1 050 930
Accrued leave pay	3 688 837	4 230 327
Late administration fees - credits	1 803 002	-
	17 399 944	15 924 887

Payables from exchange transactions principally comprise amounts outstanding for trade purchases and ongoing costs. The average payment period for payables is 30 days or less. 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.



Figures in Rand

2022

2021

11. REVENUE

Government grants	44 609 000	44 187 000
Revenue from regulatory functions - exchange	48 831 787	47 494 073
Revenue from regulatory functions - non-exchange	64 951 631	98 069 244
Other income	183 045	326 298
	158 575 463	190 076 615

The amounts included in revenue from regulatory functions (exchange transactions) are as follows:

Licence fees	34 984 636	34 632 440
Monitoring fees	1 059 684	1 142 195
Proficiency test fees	204 514	178 870
Registration fees	2 762 163	1 828 707
Training contracts and levies	9 820 790	9 711 860
	48 831 787	47 494 072

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

Contributions to disciplinary and investigation expenses	1 271 652	31 626 618
Sanctions for improper conduct	5 927 500	8 014 999
Assurance Fees	57 752 479	58 427 627
	64 951 631	98 069 244

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand

	2022	2021
12. OPERATING SURPLUS		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Building		
- Lease rentals on operating lease	4 283 433	5 981 235
Loss on sale of plant and equipment	40 275	551
Amortisation on intangible assets	397 305	412 497
Depreciation on plant and equipment	1 119 505	1 439 309
Employee costs	110 580 534	99 857 916
13. CASH GENERATED FROM OPERATIONS		
Surplus/(deficit)	16 779 775	42 609 865
Adjustments for:		
Depreciation and amortisation	1 516 810	1 851 806
Net loss on sale of assets	40 275	551
Debt impairment	1 303 301	68 034
Movements in operating lease	3 329 613	(583 947)
Changes in working capital:		
Inventories	34 033	12 161
Receivables from exchange transactions	(757 599)	1 034 065
Impairment provision	(1 303 301)	(68 034)
Other receivables from non-exchange transactions	(205 209)	(2 985 811)
Payables from exchange transactions	1 869 343	5 236 318
	22 607 041	47 175 008
14. FINANCIAL INSTRUMENTS		
Financial assets at amortised cost		
Trade and other receivables from exchange transactions	2 379 722	1 622 123
Trade and other receivables from non-exchange transactions	5 741 861	5 536 652
Cash and cash equivalents	85 758 379	74 471 835
	93 879 962	81 630 610



Figures in Rand

2022

2021

14. FINANCIAL INSTRUMENTS CONT...

Financial liabilities at amortised cost

Trade and other payables from exchange transactions

17 399 944

15 924 887

15. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

- Plant and equipment

676 044

460 939

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year

4 445 879

3 545 657

- in second to fifth year inclusive

19 718 210

23 928 075

- later than five years

5 633 748

5 633 748

29 797 838

33 107 480

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 6% per annum. The current property lease term ends on 31 March 2028.

16. CONTINGENCIES

Accumulated Surplus

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.

Litigation

The IRBA is involved in a litigation in relation to its prescription of 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 Board has taken a decision to appeal the judgement on the basis that the judge may have erred in her findings and order in a number of respects. Management has estimated that should the appeal process not be successful, an estimated amount of R73 million will have to be passed as credits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand

	2022	2021
17. BAD DEBTS		
Bad debts - written off	-	20 000
Increase to debt impairment provision	1 303 301	48 034
	1 303 301	68 034
18. AUDITORS' REMUNERATION		
Auditors' remuneration - external	1 033 094	645 197

Current year fees include billings for completion of the 2021 financial year audit and billings for the interim 2022 financial year audit.

19. RELATED PARTIES

Relationships

Members of key management Refer to note 20



20. KEY MANAGEMENT'S AND BOARD MEMBERS' REMUNERATION

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
I Nagy, Acting CEO	3 303 398	27 910	241 020	9 200	3 591 528
J John, CEO	583 333	-	-	3 200	586 533
I Vanker, Director: Standards	2 651 221	27 910	184 309	14 520	2 877 960
J Bailey, Director: Investigations	2 347 707	27 910	218 092	14 520	2 608 229
N Naicker, Director: Operations	928 248	-	86 230	6 050	1 020 528
RN Motsepe, Director: Legal	2 453 739	24 260	170 581	14 520	2 663 100
NA Kater, Director: Education and Transformation	2 051 306	24 260	142 605	14 520	2 232 691
G Gulwa, Acting Director: Inspections	2 071 315	17 590	118 762	14 520	2 222 187
M Fourie, Acting Director: Operations	1 439 997	20 340	83 045	8 470	1 551 852
	17 830 264	170 180	1 244 644	109 520	19 354 608

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

	Annual remuneration	Contributions to retirement fund	Telephone allowance	Termination benefit	Total
Key management - 2021					
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
	18 115 157	1 194 528	107 784	3 500 000	22 917 469



Figures in Rand

2022

2021

20. KEY MANAGEMENT'S AND BOARD MEMBERS' REMUNERATION CONT...

Board members' fees

F Tonelli	183 772	-
N Ford-Hoon	186 165	-
C Mjali	57 590	-
E Zungu	66 450	-
N Maharaj	98 187	-
P Phili	52 717	-
R Benjamin-Swales	66 450	-
R Hawkins	173 730	-
T Kutumela	155 050	-
Z Mshengu	65 360	-
NN Gobodo	44 300	17 720
RC Andersen	50 340	23 140
A Dlamini	-	42 910
C Barrett	-	48 730
J Boggenpoel	-	64 235
M Janse van Rensburg	-	80 215
MA Petros	-	110 360
MI Motala	5 440	87 005
N Gumata	-	64 185
N Padia	-	50 945
T Semane	-	61 630
Z Ntsalaze	-	39 480
	1 205 551	690 555

21. RISK MANAGEMENT

Financial risk management

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

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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONT... FOR THE YEAR ENDED 31 MARCH 2022

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.

22. 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 the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The IRBA has strategies in place relating to ensure that it continues as a going concern.

23. EVENTS AFTER THE REPORTING DATE

The Accounting Authority is not aware of any matter or circumstances arising, other than the legal judgement as described in note 16, 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.



Figures in Rand

2022

2021

24. IRREGULAR EXPENDITURE

Opening balance as previously reported	10 766 941	335 570
Opening balance as restated	10 766 941	335 570
Add: Irregular Expenditure - current	19 414	1 962 869
Add: Irregular Expenditure - prior period	-	8 468 502
Less: Amount removed - current	(10 766 941)	-
Closing balance	19 414	10 766 941

During the previous 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.

Amount removed

During the financial year, an application was made to National Treasury for the condonement of the Irregular Expenditure. However, it was not approved by National Treasury, but it was indicated that the institution may consider addressing the Irregular Expenditure in accordance with the provisions of paragraphs 57, 58 and 59 of the Irregular Expenditure Framework issued in terms of Treasury Instruction 02 of 2019/2020. The Board subsequently considered the recommendation made by management to remove the Irregular Expenditure after due consideration of the following:

- The matter is free of fraudulent, corrupt or other criminal conduct;
- The IRBA did not suffer any loss;
- The non-compliance that led to the irregular expenditure has been addressed to ensure that such expenditure does not recur under similar circumstances; and
- Transactions of a similar nature are regularly reviewed to ensure compliance with the relevant prescripts.

Cases under investigation

Three quotations not obtained	19 414
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25. 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

FOR THE YEAR ENDED 31 MARCH 2022

Figures in Rand	Notes	2022	2021
REVENUE			
Government grants		44 609 000	44 187 000
Other income		183 045	326 298
Revenue from regulatory functions - exchange		48 831 787	47 494 073
Revenue from regulatory functions - non-exchange		64 951 631	98 069 244
		158 575 463	190 076 615
OTHER INCOME			
Investment income		4 057 224	2 402 762
OPERATING EXPENSES			
Audit Development Programme assessments		(1 173 183)	(389 358)
Auditors' remuneration	18	(1 033 094)	(645 197)
Bad debt	17	(1 303 301)	(68 034)
Building operating expenses		(1 735 757)	(1 824 617)
Committee expenses		(2 480 303)	(7 563 190)
Computer expenses		(3 119 416)	(3 474 349)
Consulting and professional fees		(300 218)	(661 950)
Depreciation, amortisation and impairments		(1 516 810)	(1 851 806)
Disciplinary and investigation expenses		(10 857 110)	(22 627 637)
Employee costs		(110 580 534)	(99 857 916)
Insurance		(201 947)	(284 804)
Lease of building		(4 283 433)	(5 981 235)
Loss on disposal of assets		(40 275)	(551)
Other expenses		(1 938 373)	(1 402 729)
Placement fees		(3 754 428)	(1 835 716)
Printing and stationery		(321 357)	(353 721)
Proficiency tests		(97 403)	(97 200)
Public relations		(230 000)	(119 985)
Publications		(29 457)	(77 148)
Raising awareness and branding		(9 558)	(236 183)
Staff welfare		(762 042)	(485 946)
Travel - local		(9 643)	(7 541)
Travel - overseas		(21 681)	10 357*
Workman's compensation		(53 589)	(33 056)
		(145 852 912)	(149 869 512)
Surplus for the year		16 779 775	42 609 865

*Refund received for prior year expenditure



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