



INTEGRATED REPORT | 2013

ACRONYMS

ARMCO	Audit and Risk Management Committee	INSCOM	Inspection Committee
APA	Auditing Profession Act, 2005 (Act No.26 of 2005)	IAESB	International Accounting Education Standards Board
APC	Assessment of Professional Competence	IAASB	International Auditing and Assurance Standards Board
AGSA	Auditor General South Africa	IESBA	International Ethics Standards Board for Accountants
BAC	B-BBEE Advisory Committee	IFAC	International Federation of Accountants
B-BBEE	Broad-Based Black Economic Empowerment	IFIAR	International Forum of Independent Audit Regulators
CA (SA)	Chartered Accountant (South Africa)	INVESCO	Investigating Committee
CFAS	Committee for Auditing Standards	ISA	International Standard on Auditing
CFAE	Committee for Auditor Ethics	ITSCOM	Information Technology Steering Committee
CIPC	Companies and Intellectual Properties Commission	PFMA	Public Finance Management Act
CAG	Consultative Advisory Group	PPE	Public Practice Examination
CPD	Continuing Professional Development	PSSC	Public Sector Standing Committee
DTI	Department of Trade and Industry	QE1	Qualifying Exam 1
DAC	Disciplinary Advisory Committee	RA	Registered Auditor
DISCO	Disciplinary Committee	RIRSC	Regulated Industries and Reports Standing Committee
EDCOM	Education, Training and Professional Development Committee	ROSC	Report on the Observance of Standards and Codes
EC	European Commission	SCWG	Standards Coordination Working Group
EU	European Union	SSC	Sustainability Standing Committee
FASSET	The Seta for finance, accounting, management consulting and other financial services	IRBA	Independent Regulatory Board for Auditors
FICA	Financial Intelligence Centre Act	SAICA	South African Institute of Chartered Accountants
FSB	Financial Services Board	WEF	World Economic Forum
ICT	Information and Communication Technology		

“The earth does not belong to man, man belongs to the earth. All things are connected like the blood that unites us all. Man did not weave the web of life, he is merely a strand in it. Whatever he does to the web, he does to himself.”

— Chief Seattle

SCOPE OF THE REPORT

The report covers only matters related to the Independent Regulatory Board for Auditors ("IRBA").

The IRBA is a statutory body established in terms of the Auditing Profession Act ("APA"), 2005 (Act 26 of 2005) and is also classified as a Schedule 3A Public Entity in terms of the Public Finance Management Act ("PFMA"), 1999 (Act 1 of 1999).

The period under review is 1 April 2012 to 31 March 2013, although the forward-looking information may cover significant events, if any, up to the date of publication of the report.

The summarised annual financial statements and significant features are presented in the Appendix.

STATEMENT FROM THE BOARD

The Board acknowledges its responsibility to ensure the integrity of the Integrated Report. It has accordingly applied its mind to the Integrated Report and in the opinion of the Board it addresses material issues, and presents fairly the integrated performance of the IRBA and the impacts of this performance.

The Integrated Report has been prepared in keeping with best practice, pursuant to the recommendations of the King III Report on Corporate Governance ("King III") and the principles prescribed by the International Integrated Reporting Council in its proposed framework.

Signed by the Chairman, duly authorised by the Board



Adv. WHG van der Linde, SC
Chairman



GOVERNANCE

18



RISK (OPPORTUNITIES AND THREATS) 31

FUTURE OUTLOOK

61

PERFORMANCE

51



13

STAKEHOLDERS



49

CAPITALS



36

STRATEGY AND
RESOURCE ALLOCATION

OVERVIEW OF THE IRBA

7

TABLE OF CONTENTS

Overview of the IRBA

7

What we do and why we do it

OUR BUSINESS AND THE MANDATE UNDER WHICH WE OPERATE	8
OUR OBJECTIVES, GOAL, VISION AND REGULATORY PHILOSOPHY	9
OUR MISSION AND ROLE IN THE GREATER ECONOMY	10
OUR VALUES AND CULTURE	11
OUR STAKEHOLDERS.....	13
OUR EXTERNAL ENVIRONMENT	16

Governance

18

How our governance structure supports our ability to create value

LEADERSHIP STRUCTURE	19
ASSURANCE AND RISK MANAGEMENT	25
HUMAN RESOURCE MANAGEMENT	26
STRATEGIC PLAN AND BUDGET	26
INTEGRATED REPORTING	26
CORPORATE GOVERNANCE OVERVIEW	27
IMPLEMENTING BEST PRACTICES BEYOND COMPLIANCE	29
REMUNERATION AND INCENTIVES.....	29
HOW OUR GOVERNANCE SUPPORTS VALUE CREATION	30

Risks (Opportunities and Threats)	31
What affects our ability to create value?	
RISK.....	32
OPPORTUNITIES	32
THREATS.....	32
SPECIFIC SOURCES OF RISK AND RESPONSES TO CREATE VALUE	33
Strategy and resource allocation	36
Where we are going and how we intend on getting there	
STRATEGIC FOCUS.....	37
STRATEGIC OBJECTIVES.....	37
RESOURCE ALLOCATION	46
Capitals	49
What is our capitals and to what extent does it relate to our outcomes?	
KEY INPUTS RELATING TO CAPITALS.....	50
KEY OUTCOMES.....	50

Performance 51

Did we achieve our strategic objectives by utilising our capitals?

THE IRBA'S PERFORMANCE AGAINST TARGETS 52

Future outlook 61

What challenges may we face and how can this affect our business model?

EXPECTATIONS ABOUT OUR EXTERNAL ENVIRONMENT..... 62

HOW THE FUTURE MAY AFFECT US..... 62

HOW WE ARE EQUIPPED TO RESPOND 62

Appendix 64

SUMMARISED FINANCIAL STATEMENTS AND SIGNIFICANT FEATURES SUMMARY 65

OVERVIEW OF THE IRBA

This section answers the question: What does the IRBA do and what is the mandate under which it operates? It identifies the IRBA's mission and vision, and provides essential context by identifying:

- Our legislative mandate, objectives and goal;
- Our mission and role in the greater economy;
- Our vision and regulatory philosophy;
- Our values, culture and ethics; and
- Funding.

“Pull a thread here and you’ll find it’s attached to the rest of the world.”

Nadeem Aslam

OUR BUSINESS AND THE MANDATE UNDER WHICH WE OPERATE

The IRBA was established on 1 April 2006. Our predecessor body was the Public Accountants' and Auditors' Board.

Legislative mandate

The IRBA is a Schedule 3A public entity under the PFMA. We are established in terms of section 3 of the APA. Our objects in terms of section 2 of the APA are to:

- Protect the public in South Africa by regulating audits performed by registered auditors;
- 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;
- Set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- Provide for procedures for disciplinary action in respect of improper conduct.

In keeping with our legislative mandate, we have the following strategic focus areas:

- Issuing standards;
- Education and training;
- Monitoring compliance;
- Registering, investigating and disciplining; and
- Corporate governance and stakeholder relationships.

We therefore operate through the following departments:

- Standards;
- Education, Training and Professional Development;
- Inspections;
- Legal; and
- Operations.

These departments operate under an Executive. The IRBA has a total staff complement of 69 employees, that serves as the secretariat to the Statutory Committees which support the Board in delivering on its mandate.

OUR OBJECTIVES, GOAL, VISION AND REGULATORY PHILOSOPHY

Objectives

In line with our legislative mandate, our objectives may be summarised as follows:

- To create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors
- To support registered auditors who carry out their duties competently, fearlessly and in good faith

Furthermore, we shall strive to create an enabling environment which allows suitably qualified auditors to perform high quality audits and in so doing contribute to the protection of the public.

Goal

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

Vision

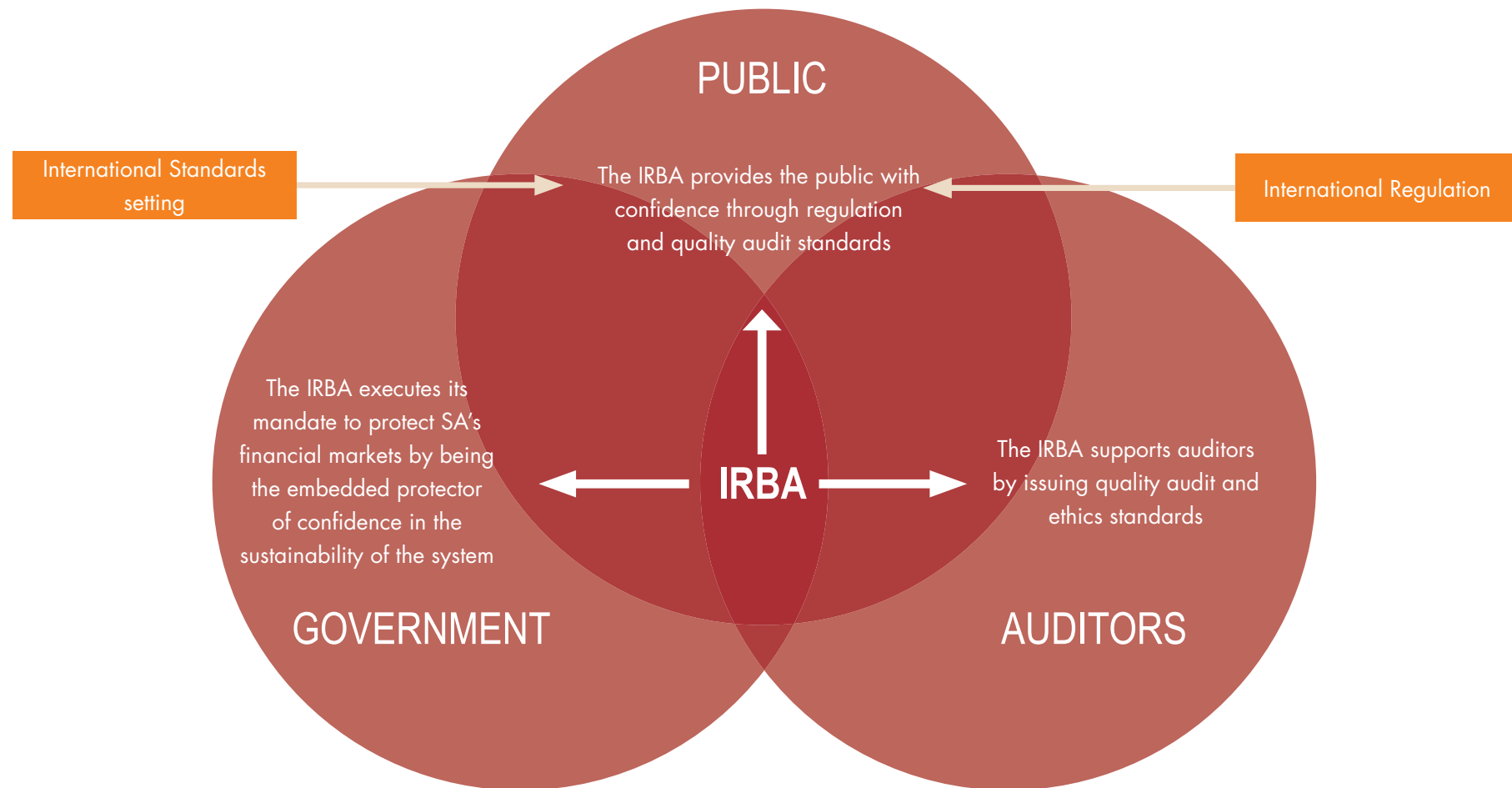
The IRBA's vision is evolving to be an internationally recognised regulator of the auditing profession and other assurance services relevant to the South African environment.

Regulatory philosophy

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

OUR MISSION AND ROLE IN THE GREATER ECONOMY

We create continuing value through our role as an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thereby contributing to the protection of the South African public.



OUR VALUES AND CULTURE

Values

As the overall custodian of the auditing profession in South Africa, we acknowledge the importance of our mandate assigned to us by Parliament. Our values are important in fulfilling our mandate as they give us direction and guide our behaviour and choices. Our values are the things that we believe in and are therefore the cornerstone of our culture.

When we are true to our values, **we know** what is the right thing to do and **what is expected from us**. By our staff living the following values, **the public also knows what to expect from us**:

Independence, integrity and objectivity

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

Commitment

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

Transparency and Accountability

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

Culture

Our culture is necessarily based on our mandate and accordingly the need to serve the public. Serving the public relies on effective partnerships and while the IRBA remains independent of the profession, the public protection is achieved through all stakeholders who are primarily concerned with audit quality. Audit quality extends beyond mere compliance with standards and codes of ethics, and the IRBA must also provide the required support to the profession in its endeavours to balance its mandate of protecting the public with creating an enabling environment for auditors.

In the bigger picture, more compliance rules can only take South Africa's business environment up to a certain point. There is therefore a need to foster an **honest business culture in order to support the rules of compliance**.

South Africa's business environment needs leaders of good judgement, openness and honesty – not a mere culture of compliance. We envisage people of sound business ethics who are accountable even in times of financial meltdowns, as currently being experienced globally and in our own country.

In recognising that our culture has a wider impact in the greater economy, at the IRBA, our corporate culture

is about encouraging a culture of honesty in South Africa...

aimed at restoring and maintaining public trust and confidence...

which leads in turn to sustainable success...

therefore we depend on high quality people and also ensure daily that we promote high quality corporate governance and reporting...

so that we set an exemplary norm...

with our habits and the way we do things.

cul·ture

/ˈkəlCHər/

Noun

The arts and other manifestations of human intellectual achievement regarded collectively; the characteristics of a particular group of people, defined by habits; people's 'way of life', meaning the way they do things.

Verb

Maintaining conditions suitable for growth

Synonyms

noun. cultivation - civilization

verb. cultivate - grow - raise

OUR STAKEHOLDERS

Stakeholder identification

We take cognisance that we function in an integrated society. We recognise that our actions directly or indirectly impact more stakeholders – and impact certain stakeholders more than the broad stakeholder groups in relation to our legislative mandate (i.e. **the public, auditors, and government**).

We have identified further – and specific – stakeholders whom we impact and for whom we create value. Below follows a summary of who our key stakeholders are and why we consider them to be specific stakeholders:

Who – key stakeholders

Why – reasons why they are considered key stakeholders

Investing public	<ul style="list-style-type: none"> ■ The IRBA must create confidence in the integrity of the financial markets.
Government	<ul style="list-style-type: none"> ■ The IRBA is accountable to government in delivering on its mandate.
Auditors	<ul style="list-style-type: none"> ■ The IRBA is mandated to regulate auditors in South Africa, and rely on auditors to achieve our common objective of protecting the public.
International standard-setting bodies	<ul style="list-style-type: none"> ■ By participating in international structures, we continue to influence the international standard-setting arena.
Regulators at international level	<ul style="list-style-type: none"> ■ We share best practice and common challenges and influence audit regulation globally.
Employees	<ul style="list-style-type: none"> ■ The IRBA's employees are a vital resource to deliver on its mandate.
Students	<ul style="list-style-type: none"> ■ Young people aspiring to be auditors – we cannot ignore the youth as they are tomorrow's auditors.
Other Local Regulators	<ul style="list-style-type: none"> ■ Information and Intelligence Sharing ■ We need to respond to their needs, where possible.

The values we create for our stakeholders

We understand that the legitimate interests of all our stakeholders must be taken into account to drive a sustainable future. Understanding the interests and expectations of our stakeholders therefore plays an important role in deepening those relationships to support the creation of a sustainable value proposition. Below follows a summary of the salient values we create for our stakeholders:

Who – key stakeholders

What – salient values we create for/from them

Investing public	<ul style="list-style-type: none"> ■ We provide the public with confidence through robust regulation and quality audit and ethics standards. ■ We protect SA's financial markets through the creation of confidence in the sustainability of the system.
Government	<ul style="list-style-type: none"> ■ We support government in the implementation of its National Development Plan by contributing to those objectives over which we can exercise influence.
Auditors	<ul style="list-style-type: none"> ■ As the custodian of the profession, we provide support to auditors in implementing audit and ethics standards.
International standard-setters	<ul style="list-style-type: none"> ■ As early adopters of international auditing standards, we continue to influence international standard setting to ensure that it remains relevant to the SA environment. ■ By participating in international structures, we ensure that our standards are world class and consistent with global developments.
Regulators at international level	<ul style="list-style-type: none"> ■ We ensure that we share best practice and learn from experience of others. ■ We remain at the forefront in the area of audit regulation.
Employees	<ul style="list-style-type: none"> ■ We uphold an environment for people to work for the IRBA as an employer of choice.
Students	<ul style="list-style-type: none"> ■ We promote the audit profession as a career of choice.

Communication with our stakeholders

Part of our business is to develop and maintain stakeholder relationships to enhance performance, accountability and public confidence. Stakeholder engagement and building stakeholder relationships have therefore always been integral to the way we operate.

We developed a stakeholder engagement framework which shifts our stakeholder engagement to a more inclusive model. This includes our Branding Strategy and Go-to-market plan, Stakeholder Relationship Plan and Communications Plan, aimed to develop strong relationships, to cultivate trust and enhance our reputation as the embedded protector of confidence in the sustainability of the system. Critical to this process is a common and shared understanding of the degree to which a particular stakeholder or grouping is impacted upon by our activities and the degree to which it can influence the outcome or success of our activities.

Below follows a summary of who our key stakeholders are and the key reasons why we communicate with them:

Who – key stakeholders Why – reasons for communication

Investing public	<ul style="list-style-type: none"> ■ Improve confidence in the system so that the investing public may rely on the financial results of entities. ■ Educate the public on the role of auditors and the IRBA.
Government	<ul style="list-style-type: none"> ■ Provide the assurance that we protect South Africa's financial markets and deliver our mandate within government's National Development Plan.
Auditors	<ul style="list-style-type: none"> ■ Ensure that there is an understanding that we have a common goal in the sustainability of the audit profession. ■ Keep auditors informed of new and relevant developments.
International standard-setters	<ul style="list-style-type: none"> ■ Because we create value for all our stakeholders by being involved in international standard-setting, our influence in the international standard-setting arena is achieved by communication and engagement with the relevant individuals within the relevant structures.
Regulators at international level	<ul style="list-style-type: none"> ■ Because we create value for all our stakeholders by influencing regulation globally, our influence is achieved by communication and providing inputs to relevant structures which can improve and strengthen independent regulation and standard-setting.
Employees	<ul style="list-style-type: none"> ■ Encourage adherence to our culture and values, and inspire them to focus on our value creation and work towards our common objectives.
Students	<ul style="list-style-type: none"> ■ Promote our profession as a career of choice through interventions which facilitate direct contact with students, and raise overall awareness of the auditing profession.

OUR EXTERNAL ENVIRONMENT

Various factors affect our external environment, including aspects of our legal, commercial, social, environmental and political context. These directly or indirectly affect our ability to create value in the short, medium and long term. They include mainly the following:

The legitimate needs, interests and expectations of our stakeholders

We are generally led by the legitimate needs, interests and expectations of our stakeholders, in the execution of our mandate. Changes in their legitimate needs, interests and expectations affect our ability to create value for them that is useful and relevant to them.

Scale of the profession, demographic shifts and local economy

The number of registered auditors and our country's demographics, size and local economic climate directly influences the magnitude of our value creation and, indirectly, our annual financial resources.

Government policy

Policy decisions like monetary and fiscal policy, national budgets, and development plans directly impact our annual financial resources but may also impact other external factors which have an indirect effect on our ability to create value. For example, the legitimate needs of our stakeholders may change due to new legislation which was originally prompted by a policy decision.

Global economy

Global economic crises often result in reporting and audit failures in both the public and private sector translating into new economic prerogatives for governments, which often include more regulation. The recent financial crisis again resulted in

regulators and oversight authorities responding by increasing regulation, specifically in areas which would strengthen auditor independence.

Resource pressures

Globally there is increasing demand for public sector service delivery, while resources become more under pressure. With increasing regulation in our profession, we are sensitive to utilising our limited resources optimally for our role in the public sector. Furthermore, as other stakeholders' confidence in the IRBA increases, we are more often approached to assist and support other structures and initiatives towards government's common objectives.

Technological changes

Technological changes like online bank confirmations and XBRL reporting prompts us to support the profession by issuing guidance to deal with these changes in technology. Digital technology today also impacts on our resource utilisation, communication and security. At the same time, we need to be aware that these changes also pose new risks to audits and that auditors should plan and perform their audits accordingly.

Knowledge

We recognise that, mainly due to the evolution of digital technology, our stakeholders are well-informed because information is readily available. We are therefore aware that the needs, interests and expectations of our stakeholders change rapidly due to the unrestricted availability of information today. This also means that we are expected to be at the forefront of new knowledge and be in a position to respond to requests for such information.

International trends in regulation of the profession

Because we adopt international standards, our activities are impacted by both international standard-setters and regulators. While our work programme is significantly influenced by international standard-setters and regulators, we also have to consider local conditions and circumstances. At the same time, we have a responsibility to influence the projects of these standard setters and regulators.

Legislative changes

There are increasing demands for assurance in various industries and such assurance need to be regulated for the protection of the public. These needs are often addressed by legislative changes which may have a material impact on the auditing profession. As the custodian of the profession, we are responsive to these legislative changes by engaging with the relevant stakeholders to facilitate processes to address these impacts.

Governance practices

We are responsive to initiatives such as the King III Report on Corporate Governance, the Companies Act, 2008, the Public Finance Management Act and the International Integrated Reporting Council's projects on Integrated Reporting. Our role is to contribute to the profession around these initiatives by developing further guidance, where needed and appropriate, and actively participate in projects of the relevant committees.

Political environment

South Africa has a volatile political environment, with fraud and corruption becoming increasingly evident in both the public and private sectors. We remain sensitive to involvement by others in the outcomes of audits as we seek to retain our independence from the profession. We need to continuously assess any contribution we can make to respond to identified shortcomings in the system, such as fraud and corruption, from both a guidance and regulatory perspective.

Regulation of related professions

As we are responsible for only regulating the audit profession, we need to be aware of the services provided by other accountants. We are also responsible to the public to influence recommendations which will ensure that any service offered in the public interest remains reliable and that the public's interests are protected at all times.

Transformation

Transformation remains a challenge in our profession. Our recently formed Transformation Committee considers and recommends initiatives that can positively influence transformation. We collaborate with stakeholders such as the audit profession, the Institute and the Auditor-General on projects where transformation can be addressed.

GOVERNANCE

This section answers the question: How does our governance structure support our ability to create value in the short, medium and long term?

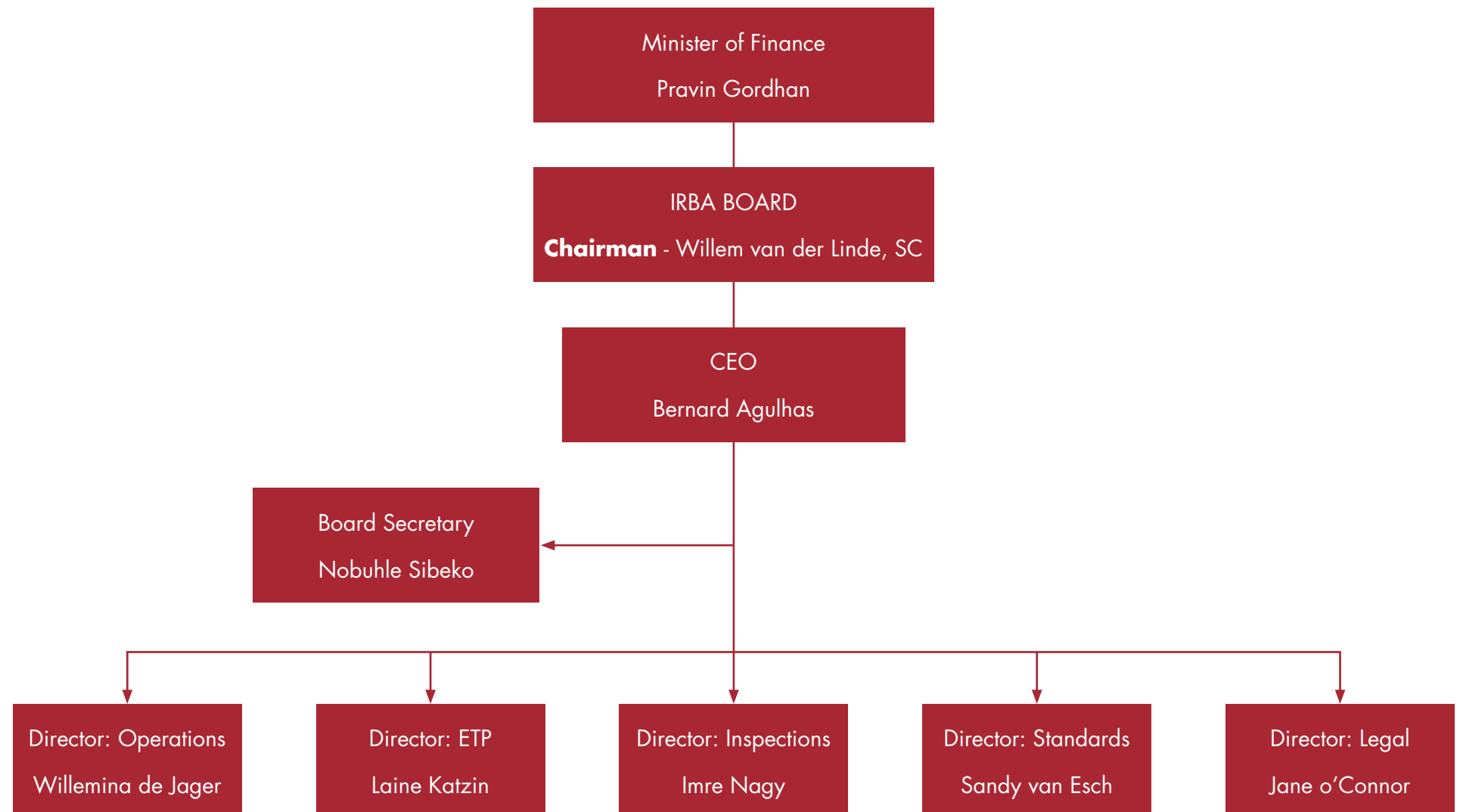
It explains our leadership structure, policies, practices and processes we have in place. It summarises appropriate actions taken during the period under review and how we ensure good corporate governance by directing our capitals towards our value creation, which is based on our legislative mandate and our goals.

We also briefly note where we lead by example by going beyond compliance and committing to being a good corporate citizen.



LEADERSHIP STRUCTURE

Our leadership structure is as follows:



Our Board

Our Board consists of not less than six but no more than ten non-executive members appointed by the Minister. The Minister appoints competent members based on their knowledge and experience. They include registered auditors, but not more than 40% of the members may be registered auditors. The maximum term for a member is two years where after a member may be reappointed, but members may not serve for more than two consecutive terms of office. The Board is supported by four sub-committees:

- Audit and Risk Management Committee
- Disciplinary Advisory Committee
- Operations Committee
- IT Steering Committee

The Role of the Board

The Board is the designated accounting authority and governs the IRBA in accordance with the provisions of the APA, the PFMA and good corporate governance principles.

We continuously conduct a self-assessment to assess the extent to which we apply the best practice recommendations of King III. No material issues were identified to suggest flaws in governance. The results of the self-assessment showed improvements where opportunities to improve were identified previously. We will continue to monitor and enhance current practices on an on-going basis.

Responsibility

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

Board meetings

The Board met 4 times during the period under review.

Composition of the Board

The members of the Board are all non-executive members appointed by the Minister.

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

During the period under review, the board members were as follows:

Title	Initials	Name	Surname	Qualifications	Designation	Date joined	Age	Directorships
Mr	WHG	Willem Hendrik Gabriel (Chairman)	van der Linde	B. Iuris LLB	Advocate	01 April 2011	57	None
Dr	SP	Suresh Parbhoo (Vice-chairman)	Kana	MCom BCompt (Hons)	CA (SA)	01 April 2009	57	PricewaterhouseCoopers Inc. Ministerial appointment on Board of FRSC SAICA
Prof	A	Amanda	Dempsey	MCom BCom Hons (Acc)	CA (SA)	01 April 2009	52	Accounting Education Board Ministerial appointment on FASSET's Board
Mr	H	Hussan	Goga	B Com, B Proc Aipsa Diploma in Insolvency Law and Practice Attorney, Notary and Conveyancer	Attorney Notary	May 2012	61	M A Goga Investments (Pty) Ltd Luriweb (Pty) Ltd MIMP Investments
Mr	MI	Mohamed Iqbal	Khan	B Compt (Hons)	CA (SA)	01 April 2011	47	House of Monatic Group Sea Harvest Incorporated
Prof	LY	Lindelwa Yvonne	Majova-Songca	Senior teacher's diploma BCompt (Hons) MBA	CA(SA)	01 April 2011	43	Capraway MasengViljoen Inc. Trustee: Jongilizwe Trust for Jongilizwe School of Traditional Leaders Board member: Nelson Mandela Museum SGB member: Hudson Park High School

Title	Initials	Name	Surname	Qualifications	Designation	Date joined	Age	Directorships
Ms	C	Cynthia	Mbili	MCOM Certificate in Investment Management Post Graduate Diploma in Accounting B Com (Accounting) Senior Secondary Teachers Diploma Certificate in Life Insurance and Retirement funds	CA(SA)	01 April 2011	41	Harith Fund Managers Johannesburg Water SizweNtsalubaGobodo
Ms	NNN	Nomzamo Nomfundo Nomkosi	Radebe	BCom PG Dip Acc Commercial Property Practitioners	CA (SA)	01 April 2009 <i>Resigned April 2012</i>	35	Munich Reinsurance Company of Africa Ltd & EsS Pareto Ltd
Mr	YGH	Yunus Goolam Hoosen	Suleman	B Com B Compt (Hons)	CA(SA)	01 April 2011	56	KPMG Africa
Mr	F	Francis	Timmins	B SC (Econ)(Hons) MA (Business Analysis)	CA(SA)	01 April 2011	55	Grant Thornton

Ministerial representative

Mr	F	Freeman	Nomvalo			01 April 2006		
----	---	---------	---------	--	--	---------------	--	--

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

Audit and Risk Management Committee

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

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

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

Disciplinary Advisory Committee

In terms of the APA, the Investigating Committee (INVESCO) investigates all complaints and then recommends to the Board whether or not to charge a practitioner with unprofessional conduct.

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

The DAC consists of four members of which two are Registered Auditors. The DAC functions independently from the INVESCO and the Disciplinary Committee and reports to the Board.

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

Operations Committee

The objective of the committee is to assist the Board with human resources, namely the annual review of the performance and remuneration of the CEO, recommendations on the performance bonus of the CEO and staff, assessing staff benefit plans and reviewing changes to the personnel policies of the Board, monitoring trends for remuneration for the CEO, senior management and staff, reviewing succession plans for senior management, and reviewing the overall results of staff performance appraisals.

Another function of this committee is the nominations process, that is, receiving nominations for appointments to all IRBA committees and the IRBA. After consideration, it makes recommendations to the Board or the Minister, as appropriate. The committee oversees the removal of committee members for non-performance or other good cause, as well as the filling of vacancies on any committee as they may arise.

On an operational level the committee is responsible for considering the operational requirements of the organisation, including IT, human resources, and cash resources. Lastly, on a functional level the committee is responsible for considering quarterly reports from departments and taking any measures they consider necessary for the proper performance and exercise of their functions or duties to achieve the objectives of the APA.

IT Steering Committee

During the year under review, the Board established an IT Steering Committee following the approval of our IT Strategy. The objective of the IT Steering Committee is to assist the Board with IT governance. The Board has entrusted the

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

The Committee was established in November 2012 and operated in accordance with the terms of reference approved by the Board.

Statutory Committees

The following statutory committees assist the Board in the performance of its functions:

- Education, Training and Professional Development Committee;
- Committee for Auditing Standards;
- Committee for Auditor Ethics;
- Inspection Committee; and
- Disciplinary Committee.

ASSURANCE AND RISK MANAGEMENT

Internal Audit

The IRBA appointed Business Innovation Group as internal auditors during the year under review. The Audit and Risk Management Committee (ARMCO) approved a four year rolling internal audit plan following the appointment. Internal audit therefore perform the activities as per the plan and table progress reports at ARMCO meetings. Significant risks identified are monitored on a continuous basis. The ARMCO also facilitated a risk workshop at which risk management best practice, processes and policies, and risk management frameworks were discussed.

External Audit

The Auditor General of South Africa (AGSA) is the external auditor of the IRBA. The AGSA provides an independent assessment of the IRBA's systems of internal financial control and expresses an independent opinion on the IRBA's financial statements, compliance with laws and regulations and its performance information. The AGSA's plan is reviewed by the ARMCO to ensure that significant areas of concern are covered, without infringing on the AGSA's independence and right to audit. The committee met with the AGSA to ensure that there are not any unresolved issues, and also met independently without management.

Internal Controls

In line with the PFMA and King III, the internal audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent. The ARMCO confirms this on an annual basis, and has again confirmed this for the year under review.

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance, as supported by the PFMA. The Board has delegated certain aspects of its authority as it pertains to risk management to the ARMCO. 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.

HUMAN RESOURCE MANAGEMENT

The IRBA ensures that it complies with employment legislation, i.e. the Labour Relations Act (Act 66 of 1995), the Basic Conditions of Employment Act (Act 75 of 1997), the Employment Equity Act (Act 55 of 1998), the Skills Development Act (Act 97 of 1998), the Occupational Health and Safety Act (Act 181 of 1993) and various human resources codes of best practice. To ensure on-going communication with staff members, the CEO holds monthly staff meetings to provide feedback to staff on relevant matters. The IRBA has a manual of human resource policies and practices that are reviewed on a regular basis, and presented to the Board at predetermined intervals.

STRATEGIC PLAN AND BUDGET

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

INTEGRATED REPORTING

The IRBA issued its first Integrated Report in March 2013, and continues to issue an Integrated Report annually. This report and last year's report were prepared in line with best practice, pursuant to the recommendations of King III and the principles prescribed by the International Integrated Reporting Council, including the Consultation Paper on the Integrated Reporting Framework.

CORPORATE GOVERNANCE OVERVIEW

The Following is a summary of actions taken in several governance areas, based on the recommendations in King III:

Governance Area	Current Status
Accounting Authority	The Board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct were approved by the Board in September 2011. The Board Charter is reviewed annually. The Minister of Finance appointed a new board with effect from 1 April 2013. The new board consists of members who continue into their second and last two year term and new members who have a term of two years renewable for a further term once only. The staggered approach to member appointments ensures that there is continuity and adequate succession planning within the Board.
Performance Assessment	The Board approved the Board Performance and Evaluation Policy Framework in January 2012. The performance evaluation of the Board for the financial year ended March 2012 was completed.
Company Secretary	The Board Secretary was appointed in September 2011 and is fully operational in handling the governance and compliance functions of the IRBA.
Board Committees	The Management and Board continue to endeavour to achieve the appropriate balance in the membership of its board and statutory committees, to reflect sufficient tension between the profession and the public interest.
Remuneration of Board members, directors and Senior Executives	Remuneration of Board Members, the CEO and directors are based on relevant guidelines and market information.
Audit Committee	The Terms of Reference of the Audit and Risk Management Committee were reviewed during the financial year, and approved by the Board.
Risk	The risk evaluations and monitoring is done by management and reviewed by the Board. The Risk Management Policy was approved by the Board on 26 January 2012 and a Risk Management Framework and Plan approved by the Board on 18 November 2013.

Governance Area

Current Status

IT Governance	The Board established an IT Committee to assist with IT Governance. An ICT strategy was approved by the Board in January 2012. The IT Committee consists of the ARMCO members and meets immediately after each ARMCO meeting. The IT Committee reports to the Board.
Compliance with laws, rules, codes and standards	The Regulatory Universe of the IRBA was completed and adopted by the Board in May 2012. The principal laws to comply with are the Auditing Profession Act and the PFMA and there was full compliance during the reporting period. Compliance monitoring is done by the Board Secretary, who also acts as the Compliance Officer. Reports on compliance with the PFMA are issued quarterly to National Treasury following approval by the Board.
Internal Audit	The internal audit function is outsourced. Internal audit follows a risk based approach and reports to the ARMCO on a quarterly basis. Internal Audit and External Audit engages on a formal basis to consider and discuss areas of reliance.
Governing Stakeholder relationships	The IRBA appointed a Public Relations Manager in September 2012. A Stakeholder Management Plan and Communications Plan were approved by the Board in May 2013.
Integrated reporting and disclosure	The IRBA published its first integrated report for the year ended March 2012 in March 2013.

IMPLEMENTING BEST PRACTICES BEYOND COMPLIANCE

Although the IRBA needs only to comply with its legislative mandate, it also implements practices beyond those required by law or regulation.

Our community

We continue with our formalised approach to corporate social responsibility and involvement with charitable organisations. The IRBA recently established a Social Responsibility Committee, which presents proposals to MANCO for projects which could benefit society, and result in general upliftment in the community. Such projects include The Thembalani Care Centre, the All Stars Child Welfare Project and the SPCA. Other local organisations also received donations from individual staff members.

Our environment

We participate in numerous recycling initiatives, including one for toner cartridges whereby all cash received for recycled cartridges is donated to Child Welfare South Africa.

The office park in which we are located also has a waste sorting facility so that all office waste, including light bulbs and tubes, are safely sorted and recycled. Investigations are underway by the body corporate to explore rainwater harvesting and solar energy alternatives for the future, which we will support wholeheartedly.

Broad-Based Black Economic Empowerment (B-BBEE)

We comply with preferential procurement requirements and we have also obtained our own B-BBEE verification certificate. Even though we are limited in contributing towards B-BBEE due to our government ownership and funding regulations under the PFMA, we have recently achieved a procurement recognition level of 100%. The IRBA continues to strive to improve its B-BBEE score and consider other areas which might assist us to achieve a better score.

Employment equity

We are committed to achieve our employment equity targets. This is being addressed by the premium approach incorporated into the recruitment and selection policy from November 2010, in pursuance of establishing an equitable staff composition for IRBA. The Employment Equity Forum, consisting of eight staff members representing all areas of employment equity, is also making every effort to become more involved in the recruitment process in order to ensure compliance with the policy as well as to ensure fairness and transparency throughout all recruitment drives within the organisation.

REMUNERATION AND INCENTIVES

We believe that market related remuneration and incentives keep staff motivated and productive.

Reward strategy

To ensure that competent employees are recruited and retained, a reward strategy has been put in place, including graded job profiles, which enables us to benchmark remuneration for all positions. By aligning remuneration rewards with the market, individuals are motivated to perform in line with our value creation, and sufficient levels of equity within the organisation are also ensured.

Performance management

We implemented a performance management system that links performance to rewards, and ensures that it is aligned with our strategic objectives. As key management members are instrumental in determining strategy in line with our value proposition, their remuneration may be influenced by the strategy.

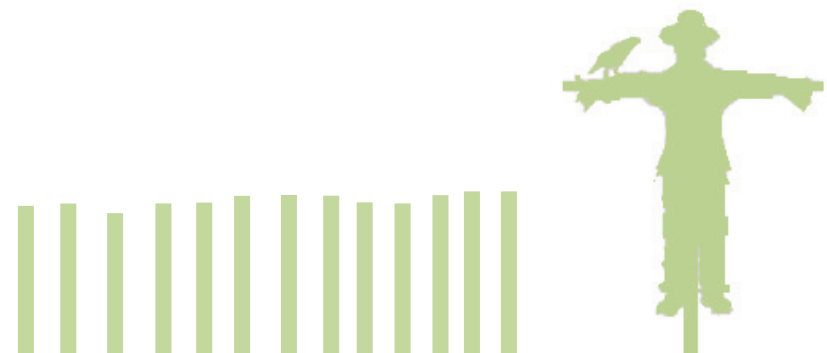
HOW OUR GOVERNANCE SUPPORTS VALUE CREATION

Governance area	Link to value creation
Our Board structure, board committees, role and composition	Our Board and statutory committees function in keeping with our legislative mandate and their diverse composition ensures the appropriate balance between the interests of the profession and the public
Policies, practices and other governance processes in place	Our strategic plan informs our policies and accordingly our philosophy in delivering on our mandate
Remuneration and incentives	Our reward strategy and performance management motivate our staff to perform in a manner which will achieve our goals and objectives

RISK (OPPORTUNITIES AND THREATS)

This section answers the question: What are the specific risks, opportunities and threats that affect our ability to create value over the short, medium and long term, and how are we dealing with them?

It identifies the key opportunities and threats that are specific to us, including those that relate to our effects on, and the continued availability, quality and affordability of our resources (capitals).



RISK

While there are many varied definitions of risk, it is generally accepted that risk consists of two elements: **uncertainty** of future events and **exposure** to the effect of those events. Risk encompasses uncertain threats and opportunities and the potential impact these may have on our ability to create value.

OPPORTUNITIES

The IRBA is the sole regulator in the auditing industry and has more than 60 years of experience in this field. It participates extensively and actively in international standard setting and regulatory activities which provides it with a world class edge on developments in the auditing and accounting profession. Its objective to influence international developments and its contributions made thus far earned SA the pole position for its auditing and reporting standards for the fourth consecutive year according to the World Economic Forum (WEF) Survey of 148 countries.

The above factors place the IRBA in an ideal position to offer support to other government bodies and organisations in the areas of standard setting and regulation. Its number 1 position from the WEF makes the IRBA a sought after organisation for international projects, and also assists in attracting the appropriate talent based on its reputation in excellence. Some examples of projects in which the IRBA participates include:

- Leading the development of an Assurance Framework on Integrated Reports, requested by the International Integrated Reporting Council.
- Participation in the task force of the International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) for the development of competencies for auditors.
- Participation and representing regulators on the project of the International Auditing and Assurance Standards Board (IAASB), the international auditing standard setter of IFAC, to develop an international framework on Audit Quality.

- Membership of the International Forum of Independent Audit Regulators (IFIAR), a global body which represents audit regulators of over 40 countries, which share best practices and challenges in audit inspections and regulation.
- Chairing the Standards Coordination Working Group (SCWG) of IFIAR, which discusses new international exposure drafts issued by IFAC, assists in forming a common view on these exposure drafts and engages directly with the chairmen of the IAASB and the International Ethics Standards Board for Accountants (IESBA) of IFAC to influence its standards.

THREATS

The sources of threats are linked to the IRBA's key performance areas. It is therefore necessarily closely related to delivery on the IRBA's mandate, the quality of its products and maintenance of a reputation fitting for a standard setter and regulator. Ultimately, the IRBA must be and be seen to be a protector of the public, through setting high standards, and carefully manage any perceptions which might impair this objective.

As the IRBA is also a public entity as defined in the PFMA, it must comply with legislation which pertains to such entities, but also any other laws and regulations which impact on its operations and mandate. Any non-compliance will pose a potential risk to the IRBA.

The IRBA's processes must be sufficiently robust to provide the assurance to government and the public that the outcomes of investigations and inspections are reliable and appropriate. It should also have policies and processes to ensure that a due process is followed when issuing standards (audit and ethics) and ensure that standards are enforceable. These processes require highly skilled staff and human resources and will present a threat if the right staff are not available or cannot be attracted due to insufficient incentives.

The APA provides for the establishment of various statutory committees which support the Board and the Board accordingly delegates some of its powers to such committees. It is important that committee members are not only adequately skilled and have the necessary competencies to discharge their statutory responsibilities, but they must also be sufficiently independent from the profession in mind and appearance to prevent regulatory capture. Independence is paramount for any regulator, and any perceptions of impairment of independence can have a huge impact on the IRBA's reputation and ability to instil the necessary confidence as a public protector.

Funding remains a challenge, both from an independence and sourcing perspective. Without the required resources, financial and human, the IRBA's ability to deliver on its mandate will become a threat. We also need to be sensitive to 'mandate creep', especially when there is no firm commitment to funding or resourcing.

SPECIFIC SOURCES OF RISK AND RESPONSES TO CREATE VALUE

Although both our business model and our external environment may change over the long term, possible opportunities and threats are those events which may bring about change, and although they may have little impact on our role, mandate and objectives which may change in the long term, opportunities and threats may have a significant impact on our strategy and resource allocation, which we need to manage and adjust in a proactive way.

Listed below are specific opportunities and threats, which we have identified from internal and external sources. Internal sources include those arising from our business model and external sources include those arising from our external environment. The list below also details our responses to create value from opportunities as well as our responses to mitigate threats in order to protect our organisation, our stakeholders and the value we create.

Risk type	Identified risk	Identified from which source	Our responses aimed at creating value
Opportunity	South Africa's number one rating for auditing standards	Regulation Standard-setting	<ul style="list-style-type: none"> Use as a marketing tool to attract talent to the auditing profession and promote auditing as a profession of choice Influence international and local standard-setting and regulation
Opportunity	Participation in many international standard setting and regulatory activities	Regulation Standard-setting	<ul style="list-style-type: none"> Continue to influence standards and regulation at a global level
Opportunity	World Bank ROSC – Accounting and Audit	External environment International trends in regulation of the profession	<ul style="list-style-type: none"> Opportunities to assist government to implement recommendations

Risk type	Identified risk	Identified from which source	Our responses aimed at creating value
Opportunity and threat	EU Green Paper	External environment Political environment	<ul style="list-style-type: none"> Opportunity to engage with local profession before implementation in South Africa, but Carefully balance the IRBA's international standing with local requirements
Opportunity and threat	Companies Act	External environment Legislative changes	<ul style="list-style-type: none"> Opportunity to engage with the CIPC to assist with monitoring of independent reviews Engage with the CIPC to ensure sustainability of auditing profession not negatively impacted Engage with profession to identify areas where guidance might be required
Opportunity and threat	Auditing Profession Act	External environment Legislative changes	<ul style="list-style-type: none"> Opportunities to improve legislation and incorporate additional mandate Need to manage risks of taking on too many additional responsibilities
Opportunity and threat	Global financial crisis	External environment Political environment	<ul style="list-style-type: none"> Opportunity to issue guidance to auditors, but Increased risks of audit failures and therefore closer monitoring required by the IRBA
Opportunity and threat	Current political environment in South Africa and trend of interference with auditors' independence	External environment Political environment	<ul style="list-style-type: none"> Opportunity to educate the public and users on independence of auditors, but Closer monitoring of auditors' independence required
Opportunity and threat	Transformation	External environment Transformation	<ul style="list-style-type: none"> Transformation Committee formed to influence projects that will impact on transformation in the profession, but Risk of not having resources to deliver on committee objectives.
Opportunity and threat	Regulation of accountants	External environment Regulation of related professions	<ul style="list-style-type: none"> Opportunities to support processes to facilitate the regulation of accountants, should this be required, but Need to manage risks of taking on too many additional responsibilities

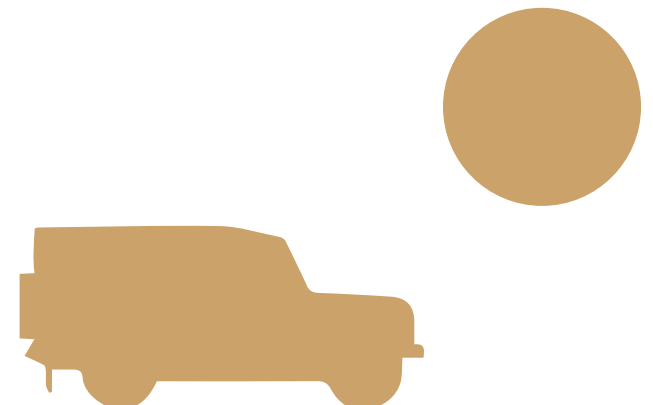
Risk type	Identified risk	Identified from which source	Our responses aimed at creating value
Opportunity and threat	Corruption and fraud in the private and public sectors	External environment Governance practices	<ul style="list-style-type: none"> ■ Opportunity to educate the public and other stakeholders on the benefits of an audit, but ■ Increased risk of audit failures will require increased monitoring by the IRBA
Opportunity and threat	Status of governance practices	External environment Corporate governance	<ul style="list-style-type: none"> ■ Opportunity to educate the public on the benefits of an audit, and to consider strategies whereby the profession can support those charged with governance, but ■ Increased risk of audit failures will require increased monitoring by the IRBA
Opportunity and threat	B-BBEE	Internal and external environment Operations, transformation and legislative changes	<ul style="list-style-type: none"> ■ Capacity created to manage preparation for, and implementation of the new processes ■ Opportunity to provide training to verification professionals ■ Risks involved in increasing mandate to be carefully monitored
Opportunity and threat	Contribution to skills development	Internal environment Operations	<ul style="list-style-type: none"> ■ Pilot project to identify areas which still need to be addressed ■ Emphasise the auditor as a highly-specialised accountant ■ Opportunity to influence international education standard through participation in relevant structures
Threat	Highly skilled staff requirement	External and internal environment	<ul style="list-style-type: none"> ■ Employee reward strategy to be continuously benchmarked ■ Performance management framework to be closely monitored
Threat	Competent Board and committee members requirement	External and internal environment governance	<ul style="list-style-type: none"> ■ Nominations process to guard against regulatory capture ■ Performance monitoring such as peer-evaluations and removal for non-performance ■ Recommendations for Ministerial appointments to be initiated
Threat	Funding	External environment Resource pressures and government policy	<ul style="list-style-type: none"> ■ Educate Treasury on IRBA's mandate ■ Research new funding models for recommendation to the Minister

STRATEGY AND RESOURCE ALLOCATION

This section answers the question: Where do we want to go and how do we intend to get there?

It identifies our short, medium and long term strategic objectives, our strategies, resource allocations, and how we measure achievements and target outcomes for the short, medium and long term.

It also describes the linkage between our strategy and resource allocation plans, and the information covered by sections on how we respond to our stakeholders' legitimate needs, our external environment and our opportunities and risks.



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.

STRATEGIC OBJECTIVES

In line with our legislative mandate, our overall objectives may be summarised as follows:

- To create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors;
- To support registered auditors who carry out their duties competently, fearlessly and in good faith; and
- Striving to create an enabling environment which allows audit firms to grow and contribute to the protection of the public.

Our strategic objectives are:

- Issuing standards;
- Educating and training;
- Registering, investigating and disciplining auditors;
- Maintaining corporate governance; and
- Building stakeholder relationships.

Our Strategic Objectives are achieved through the following departments, which are overseen by the Executive Department:

- Education and Training
- Standards
- Inspections
- Legal
- Operations

The departments are supported by statutory committees which have the following strategies:

Education, Training and Professional Development Committee

Strategy

Opportunities and threats addressed to create value

Transformation of the profession

Transformation of the profession is a priority for the IRBA. The IRBA Support Programme, a support programme for Black repeat candidates, has been presented on an annual basis for the past 11 years. In 2012, FASSET (the Seta for finance, accounting, management consulting and other financial services) provided the IRBA with funding for the Support Programme. Once again, the candidates who attended the Support Programme achieved better results on each question than repeat candidates who did not attend the IRBA's programme.

In 2013, in addition to applying to FASSET to fund the Support Programme for repeat students, the IRBA, on behalf of the Transformation Committee, also submitted a bid for funding to support third and final year university students with Life Skills Training. The project was aimed at addressing some of the challenges Black students face during their university studies, and during their training contracts, but the bid was, unfortunately, unsuccessful.

- Transformation
- Contribution to skills development

Monitoring of recognised programmes

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

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

In order to enable the IRBA to carry out its monitoring function effectively and efficiently, it requires certain information concerning the recognised programmes conducted by an accredited professional body. The South African Institute of Chartered Accountants (SAICA), currently the only accredited professional body, submitted its self-evaluation and regular formal reports for the Academic, Education, Training and Institutional requirements on 31 March 2013. The Core Assessment Report was submitted on 30 April 2013. Through its Monitoring sub-committee, EDCOM has confirmed the on-going accreditation of SAICA and recognition of its programmes for 2013.

It is important that the IRBA continues to consider accreditation of other professional bodies, which should create the necessary competition for the professional bodies to maintain the highest standards.

- The existence of a single accredited body
- The need to consider alternative strategies in the event of accreditation requirements not being met

Strategy

Opportunities and threats addressed to create value

Other strategic initiatives

The IRBA's new delivery model for RAs includes the development of a Competency framework, the development of an Audit Development Programme and changes to the Accreditation Model. Each aspect of the model has been exposed for comment and professional bodies, firms and universities have been consulted. The Board approved the documents for final consultation in January 2013.

The new delivery model will be phased in from 2014. This means that the Public Practice Examination (PPE) or Assessment of Professional Competence (APC), in its current form, will only be presented to first time candidates until 2013. In 2014 the PPE will only be available to repeat candidates. The Audit Development Programme will commence in 2015.

International liaison

We participated on the International Accounting Education Standards Board (IAESB) of IFAC by providing input on new guidance and initiatives on the IAESB's work programme, as well as participating on the task force which is revising competencies for auditors, which competencies are in addition to competencies expected for accountants. This is in line with the IRBA's view that auditors are specialist accountants.

- Providing public confidence through registering competent individuals
- Consistency with international best practice
- Influencing international practice
- Implementing the new Model
- Participation in international standard setting and regulatory activities
- Promoting auditors as specialist accountants

Committee for Auditing Standards

Strategy

CFAS Steering Committee

The CFAS Steering Committee guides the CFAS Agenda and priorities and considers proposals for new projects. CFAS's overall strategy is to develop:

- Guidance to meet the needs of South African regulators and government departments requiring audit and assurance opinions from auditors, and provision of comment on proposed legislation and regulations affecting auditors.
- Illustrative audit, review and other assurance reports and the identification of acceptable financial reporting frameworks that meet the requirements of the International Standards on Auditing (ISA) as well as corporate and public sector legislative requirements in South Africa.

CFAS's strategy also includes:

- Influencing international standard-setting activities, projects and debates of the International Audit and Assurance Board (IAASB) by participating in IAASB Task Forces and providing comments on international exposure drafts and discussion papers;
- Informing implementation issues pertaining to the clarified ISA by participation in the IAASB's Implementation Monitoring Project; and leading the International Integrated Reporting Council (IIRC)'s Technical Consultative Group (TCG): Assurance on Integrated Reporting <IR> to identify critical issues with respect to assurance matters related to <IR> and possible approaches to dealing with such issues.

CFAS Regulated Industries and Reports Standing Committee (RIRSC)

The RIRSC maintains liaison with industry regulators and government departments to provide guidance to auditors in implementing international standards on audit, review and other assurance engagements by developing illustrative auditor's reports for specific regulated industries. The CFAS approved the release of the Proposed Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts (proposed Guide) and also the Proposed South African Standard on Assurance Engagements 3501, *Assurance Engagements on eXtensible Business Reporting Language (XBRL)*, both for exposure for public comment. South African Auditing Practice Statement (SAAPS) 6, *External Confirmations from Financial Institutions* was also issued.

Opportunities and threats addressed to create value

- Providing public confidence through high quality auditing standards
 - Participation in international standard setting and regulatory activities
 - Influencing international standard-setting and regulations
 - Providing guidance to auditors, which could be requested by auditors or other regulators for audits performed in their industry
-
- Providing public confidence through high quality standards
 - South Africa's number one rating for auditing standards
 - Creating confidence with other regulators and government
 - Keeping abreast of legislative and other industry developments

Strategy

CFAS Public Sector Standing Committee (PSSC)

The PSSC develops guidance jointly with the Auditor General - South Africa, to assist registered auditors in understanding and meeting the additional requirements when performing audits in the public sector.

CFAS Sustainability Standing Committee (SSC)

The SSC develops guidance for auditors performing sustainability assurance engagements to enhance the quality of assurance reporting, contributes to thought leadership initiatives on integrated reporting, and conducts research into evolving demands for assurance on integrated reports.

CFAS B-BBEE Advisory Committee (BAC)

The BAC develops standards and guidance for B-BBEE approved registered auditors when providing assurance services and issuing B-BBEE verification certificates in compliance with the B-BBEE Act, the Generic B-BBEE Codes of Good Practice and relevant Sector Codes.

Participation in international standard-setting

We participated in International Audit and Assurance Standards Board (IAASB) projects by providing input on new guidance and initiatives on the IAASB's work programme, such as ISA 610 (Revised 2013), *Using the Work of Internal Auditors*. We also concluded roundtable discussions on the IAASB's Proposed New and Revised International Standards on Auditing set to transform the Auditor's Report and continue to provide comments on international exposure drafts.

Opportunities and threats addressed to create value

- Providing public confidence through high quality standards
- South Africa's number one rating for auditing standards
- Promoting liaison and consistency between the private and public sectors
- Providing guidance to auditors of Public Sector Entities
- Providing public confidence through high quality standards
- South Africa's number one rating for auditing standards
- Understanding complexities and risks associated with these engagements
- Strengthening our international standing
- Uncertainty in respect of the regulation of the B-BBEE Verification Industry
- Complexity of the industry
- Increased Risk resulting from undesirable practices
- Influencing international standard setting and regulatory activities
- Consulting with the profession to ensure balanced and informed comments to international bodies

Committee for Auditor Ethics

Strategy

CFAE Steering Committee

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

Code of Professional Conduct and Rules Regarding Improper Conduct

The committee continued to focus its activities on implementation of the Code and identification of trends in unethical behaviours identified by the Legal and Inspections Departments, requiring further research and guidance for auditors. In particular, the introduction of the regulation by the IRBA of B-BBEE Approved Registered Auditors who are permitted to issue B-BBEE Verification Certificates from 1 October 2011, has given rise to potential unethical trends. Further research was undertaken during 2013 to determine the most appropriate response by the CFAE, and possible amendments to the independence sections of the Code, or further guidance to be developed.

The CFAE also provided support to the Legal Department on the interpretation of relevant sections of the Code in investigations regarding alleged unethical behaviour by registered auditors.

Ethics Workshops

The Ethics Workshops were again presented in 2013 as a result of the demand and feedback from workshops held during the second half of 2012. Both years' workshops were well attended.

Broad-Based Black Economic Empowerment

The Committee for Auditing Standards (CFAS) issued the South African Standard on Assurance Engagements (SASAE) 3502, *Assurance Engagements On Broad-Based Black Economic Empowerment Verification Certificates* in November 2012 and as a consequence the CFAE initiated the B-BBEE Task Group which is developing additional guidance on ethics for B-BBEE Approved Registered Auditors undertaking such engagements. The SASAE 3502 requires all B-BBEE Approved Registered Auditors to comply, *inter alia*, with the Code and failure to do so may lead to investigation and disciplinary action being taken against any registered auditors providing such services.

Opportunities and threats addressed to create value

- Providing public confidence through high quality standards
- Identifying corruption and fraud in the private and public sectors
- Need to address current political environment in South Africa and trend of interference with auditors' independence
- Addressing the impact of the global financial crisis on auditor behaviour

- Providing support to the profession

- Providing support to the profession
- Managing uncertainties regarding the regulation of the industry

Public Interest Task Group

The Public Interest Task Group monitors global developments regarding auditor independence and its impact on the public interest. During the year the Task Group proposed amendments to the definition of public interest in the relevant sections of the Code to provide further guidance to auditors engaged in audits of regulated industries in South Africa. The CFAE requested the Task Group to engage with various regulators to discuss the implications prior to issuing any proposed amendments for public comment.

- Providing guidance on “Public Interest”

Second Opinions Task Group

This Task Group met to consider possible revision of the existing Second Opinions Circular intended to prevent unethical behaviour by auditors when entities’ management “shop around” for competing opinions on interpretations of financial reporting frameworks. The Task Group advised that regard be had to emerging trends faced by registered auditors when entities’ management “shop around” to obtain an improved B-BBEE Scorecard Rating by simply appointing a different B-BBEE Approved Registered Auditor to provide a new B-BBEE Verification Certificate.

- Providing support to the profession
- Addressing unethical and undesirable practices

B-BBEE Task Group

The Chairman of the B-BBEE Task Group participated proactively in the CFAS B-BBEE Advisory Committee, attending several of those meetings and guiding the development of the SASAE 3502 that was issued in November 2012. The B-BBEE Task Group will now turn its focus to research and development of further ethics guidance by the CFAE for B-BBEE Approved Registered Auditors undertaking such assurance engagements, including more detailed independence considerations. It is anticipated that the Task Group may propose possible amendments to the Code during 2013/14 relating to independence in the conduct of B-BBEE assurance engagements.

- Providing public confidence through high quality standards
- Addressing undesirable practices
- Providing guidance to B-BBEE approved auditors

Inspection Committee

Strategy

Risk-based approach to inspections

The risk-based approach focuses on two types of inspections, being firm inspections and engagement inspections.

The objective of a firm inspection is to monitor compliance by firms to current standards of quality control, while the objective of an engagement inspection is to monitor compliance by individual RAs with appropriate levels of professional standards in the performance of audits.

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

The risk-based approach to inspections involves research by gathering intelligence on high risk sectors, types of transactions and even individual firms to be identified as high risk.

The IRBA has also changed its basis of recovery fees for inspections to strengthen its Independence from the profession.

Opportunities and threats addressed to create value

- To protect the South African public by regulating audits performed by Registered Auditors
- To promote the integrity of the auditing profession through conducting inspections
- Highly skilled individuals are required to perform inspections
- Robust risk-based inspections approach requires resources
- Recognition that the IRBA is an independent audit regulator

Investigating Committee

Strategy

An investigation is initiated once a complaint is received, either from an external party, or from within the IRBA. Externally originated complaints could be lodged by a member of the public, or are matters referred by a court or other regulator. Internally originated complaints are raised by the IRBA itself, such as those arising out of the inspection process, or matters where investigations are initiated by the IRBA as a result of information which comes to its attention.

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

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

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

Disciplinary Committee

Outcomes of disciplinary hearings are reported to the Minister via the Board and to registrants and the public in the IRBA News.

Opportunities and threats addressed to create value

- Providing public confidence through robust regulation
- To protect the South African public by regulating audits performed by Registered Auditors
- To promote the integrity of the auditing profession through conducting investigations
- Highly skilled individuals are required to prepare charges and identify contraventions
- Public Interest must be protected through proper sanctioning and publication of names where required
- Committee members must be highly independent

- Ensures a robust process to address non-compliance by auditors
- Committee members must be independent of the profession to provide the necessary confidence in the system

RESOURCE ALLOCATION

Resources traded off

In order to achieve our above strategies to create value, the IRBA trades off financial resources for mainly two resources:

- Human resources; and
- Technology.

Financial resources

The IRBA is partly dependent on non-exchange revenue in the form of voted funds from National Treasury. Our revenue is supplemented by exchange revenue such as annual registration fees and inspection fees from registered auditors.

Human resources

The IRBA is a service entity and therefore its most valuable asset is its staff. The staff compliment, excluding contract workers, was 65 at 31 March 2013. Due to challenges in finding the right staff and uncertainty whether B-BBEE regulation would be transferred to the IRBA, the approved staff compliment of 72 was not achieved. The total staff expenditure was R39,2 million, which represents 50% of the total expenses of the IRBA.

Demographic Distribution

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

	2013	%	2012	%	2011	%	2010	%	2009	%
Black female	27	42	25	39	24	36	26	38	20	33
White female	19	29	20	31	19	29	16	24	15	25
Black male	12	18	11	17	15	23	16	24	14	23
White male	7	11	8	13	8	12	10	15	11	19
TOTAL STAFF	65	100	64	100	66	100	68	100	60	100

The total staff expenses consisted of the following:

R'000

	2012/13	2011/12
	R	R
Cost to employer (CTE)	35 860 112	33 013 762
Overtime and relief staff	591 903	447 400
Consultants	1 346 688	1 391 925
Staff training and seminars	366 986	728 018
Incentives	1 473 237	1 257 500
Total personnel costs	39 638 926	36 888 605
Total operating expense for the IRBA	81 775 158	71 639 181
Personnel expenditure as % of total expenditure	48%	51%
Number of employees	65	64
Average cost to employer cost per employee	551 694	515 840

Employment and vacancies

The staff employment and vacancies for the period under review was as follows:

	Approved Posts	No. of Employees	Vacancies
Top Management	1	1	0
Senior Management	5	5	0
Professional qualified	27	24	3
Skilled	12	8	4
Semi-skilled	22	22	0
Unskilled	5	5	0
TOTAL	72	65	7

Due to the scarce skills in the market in the senior management positions as well as for professionally qualified individuals, the recruitment process for each of these positions usually takes some time. Every effort is made to advertise and interview for these positions as soon as a vacancy is identified but, due to the competitive salaries that these individuals are receiving from the private sector, it is difficult to find suitable employment equity candidates for these positions. Three of the vacancies were due to the delay in the transfer of the regulation of the B-BBEE verification industry from the DTI, and accordingly in the appointment of the relevant employees.

Skills development

Training costs for the period under review were:

	Training Cost R	Bursary Costs R	Total Training Cost R
Management	50 932		50 932
Professional qualified	167 160		167 160
Skilled	15 333	6 650	21 983
Semi-skilled	101 598	177 984	279 582
Unskilled	2 639		2 639
TOTAL	337 662	184 634	522 296

We assisted nine employees with their studies at a university during the year.

Technology

During the year the Board constituted an Information Technology Steering Committee (ITSCOM). The terms of reference were approved by the Board, setting out the responsibility of the committee, and the committee approved an IT strategy for the IRBA. The committee ensures that its procedures and processes are compliant with the recommendations in the King III Report on Corporate Governance and that we make optimal use of our IT capital. The implementation of a new work process flow system (Flowcentric) presented some challenges which are usually experienced when there is a change in systems. Processes were put in place to address issues which arose with the changeover and most problems have been adequately resolved.

CAPITALS

This section answers the question: What are our capitals and to what extent does it relate to our outcomes?



KEY INPUTS RELATING TO CAPITALS

The IRBA's most important resource is human capital. It is therefore critical to ensure that staff of the right calibre is appointed. The IRBA follows a robust process to recruit employees, within the limitations referred to under the Human Resources section in the report.

In the last few years, we also improved the performance management system in consultation with staff, and although this remains an area where there will always be scope for further changes, it currently achieves the objectives of an incentive system.

Salaries are benchmarked against recognised surveys and a robust process is followed to approve all remuneration through the board, including the CEO's salary and bonus.

The IRBA is currently funded through government grants, auditors' registration fees and inspection fees. New models are under consideration for the IRBA to become self-funded, while strengthening its independence from the profession.

IT systems play a major role in supporting the organisation with the administrative process to deliver on its mandate. While some challenges were experienced in the past year, the establishment of the ICT and Steering Committee greatly supported the management of any potential risks related to IT systems.

The building, which is the subject of a 7 year lease, still proves sufficient to house the current staff, provided there will not be any major changes in the IRBA's mandate which could result from proposed amendments to the Auditing Profession Act and other interventions. The lease has 2 more years to run and the IRBA is considering other proposals should it decide not to renew the lease. Various external factors will influence the final decision and it is therefore important that options are researched timeously.

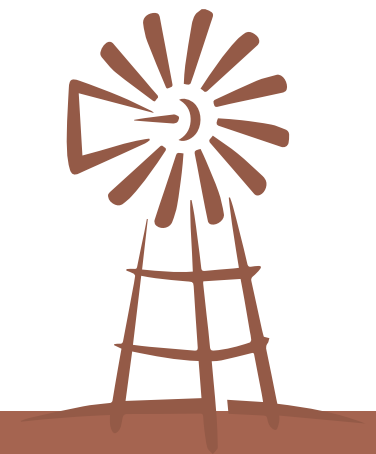
KEY OUTCOMES

The IRBA's key outcomes are:

- An audit profession which delivers high quality audits in terms of world class standards, complies with the IRBA's Code of Professional Conduct and acts in the public interest; and
- A public which has the necessary confidence in the IRBA to regulate the audit profession in terms of best practices in regulation, to enable it to rely on the services of an auditor.

PERFORMANCE

This part of our integrated report answers the question: To what extent have we achieved our strategic objectives and what are its outcomes in terms of effects on our capitals?



The IRBA's performance against targets for the 2013 financial year is summarised below:

Strategic focus area 1: Auditing and Ethics standards and Reportable Irregularities

STRATEGIC OBJECTIVE	Developing and maintaining auditing and ethics standards which are internationally comparable				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To develop and issue new audit guidance to ensure guidance remains relevant and actively addresses gaps	Issued auditing pronouncements	To provide auditors with guidance to perform high quality audits	Target dates for issuing audit pronouncements as per CFAS Project Timetable adjusted on a quarterly basis	80%	Achieved Achieved 82% by 31 March 2013 according to the CFAS Project plan for the year.
To develop and issue additional guidance on ethical issues from the Code of Professional Conduct	Issued additional guidance on ethical issues	To provide auditors with a Code consistent with International Codes and enables IRBA to take Disciplinary action where necessary	Target Dates for issuing additional guidance is as per CFAE work programme adjusted on a quarterly basis	80%	Achieved Achieved 90% by 31 March 2013 according to the CFAE Work Programme for the year.
To process reportable irregularities reports received from registered auditors timeously	Closed reportable irregularities files	To comply with the Auditing Profession Act.	Time taken to close reportable irregularities files	90% Adherence to targets – files closed within 40 days from receipt of initial reportable irregularities report.	Achieved 93% of a total of 676 reportable irregularities

Strategic focus area 2: Education, training and professional development

STRATEGIC OBJECTIVE	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	12 months ended 31 March 2013
To establish processes so that only competent candidates enter the audit profession	Assessment of professional competence	Competence is established at entry to the profession	Adherence to dates in assessment programme schedule	100% adherence to the work schedule	Achieved 100% of the work schedule to date.
To monitor the programmes and institutional requirements of accredited professional bodies	Monitoring reports	To ensure compliance with the Accreditation Model	Date of submission of final monitoring reports	Academic programme – 60 days after submission of the draft monitoring report by Accredited Entity	Achieved 100% SAICA submitted the Draft Monitoring report for the Academic Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Core Assessment programme – 60 days after submission of the draft monitoring report by Accredited Entity	Achieved 100% SAICA submitted the Draft Monitoring report for the Core assessment Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Education programme – 60 days after submission of the draft monitoring report by Accredited Entity	Achieved 100% SAICA submitted the Draft Monitoring report for the Education Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.

STRATEGIC OBJECTIVE	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	12 months ended 31 March 2013
				Training programme 60 days after submission of the draft monitoring report by Accredited Entity	Achieved 100% SAICA submitted the Draft Monitoring report for the Training Programme on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
				Institutional requirements 60 days after submission of the draft monitoring report by Accredited Entity	Achieved 100% SAICA submitted the Draft Monitoring report for the Institutional requirements on 04 September 2012. MCOM met on 12 October 2012 to consider the final reports. The final reports were submitted on 24 October 2012.
Present a Support Programme for Black repeat candidates who have been unsuccessful in previous attempts at the Public Practice Examination	To present a Support Programme that addresses the needs of black candidates	To Increase the number of potential Black RAs by offering educational support to repeat Black candidates	Provide a Support programme for Black repeat candidates on an annual basis in accordance with the Support Programme work schedule	80% compliance to the work schedule	Achieved 100% compliance with the work schedule.

Strategic focus area 3: Inspections

STRATEGIC OBJECTIVE	Monitor registered auditors' compliance with professional standards				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To inspect the assurance work of registered firms on a regular basis	Inspection reports	Firms (with their individually registered auditors) who comply with the auditing, and ethics standards	Number of inspections completed in accordance with the inspection plan	90% adherence to inspection plan	Achieved Firm inspections <ul style="list-style-type: none"> Planned 23 Actual 22 Achieved 96% File Inspections <ul style="list-style-type: none"> Planned 478 Actual 440 Achieved 92%
To determine through the registration process the number of Accountable Institutions (AIs)	List of AIs for Inspection	Inspections performed and reports handed to the FIC	Inspection plan developed and then number of FICA Inspections conducted of accountable institutions in accordance with the inspection plan	Inspection plan to be developed by 30 June 2012 and 85% adherence to inspection plan	Not achieved – MOU's with FSB and FIC were signed late in the financial year. FIC inspections will be planned, performed and measured as part of the normal inspections process going forward.

Strategic focus area 4: Registration and legal

STRATEGIC OBJECTIVE	To investigate and take appropriate action against registered auditors in respect of improper conduct				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To finalise all complaints received timeously	Closed case files	Fair and appropriate outcome of investigations	% of complaints closed within 18 months of receipt of complaint <i>(excluding matters referred to disciplinary hearings)</i>	80%	Achieved - 83% of complaints were closed within 18 months.
STRATEGIC OBJECTIVE	Registration of registered auditors (RA) who meet the registration requirements				
Adherence to individual registration policies and procedures	First and re-registration of individual RAs who meet registration requirements	To maintain the integrity of the register of RAs	Registration within one month from date of receipt of complete application, with the exception of applications received in terms of the "3 year-rule"	90%	Achieved 99% of the 282 new registrations were done within one month from date of receipt.
	Annual renewal of individual RAs who meet renewal requirements	To maintain the integrity of the register of RAs	By set renewal deadline date	90%	Achieved More than 95% achieved. Lapsing due to non-payment of fees has been done. Cancellation for failure to submit documentation has been done.

Strategic focus area 5: Corporate governance and stakeholder relationships

STRATEGIC OBJECTIVE	Developing and maintaining corporate and stakeholder relationships to enhance performance, accountability and public confidence				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To collaborate and build relationships with critical stakeholders	Approved Stakeholder relationship strategy and Communication Plan completed and implemented	Informed and improved cooperation with stakeholders	Date of approval and revision of Stakeholder relationship Strategy	July 2012	Not achieved. Public Relations manager was only appointed on 25 September 2012. The Strategy was presented to the Board at its meeting on 29 January 2013, at which further recommendations were made for the strategy to be approved at the next board meeting in May 2013.
			Date of approval of revised Communication plan	August 2012	Not achieved. Public Relations Manager was only appointed on 25 September 2012. The plan was presented to the board at its meeting on 29 January 2013, at which further recommendations were made for the plan to be approved at the next board meeting in May 2013.
				Implementation of activities as per milestones in plan	As explained above, the activities could not be implemented according to the milestones in the plan; however, activities did continue in the form of meetings with journalists, media statements and opinion pieces issued, interviews conducted and public presentations.

STRATEGIC OBJECTIVE	Developing and maintaining corporate and stakeholder relationships to enhance performance, accountability and public confidence				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
Compliance with legislation and governance	Approved compliance framework and the successful implementation thereof	The IRBA as a regulator be a compliant entity	Date of approval of revised compliance framework	Sept 2012	Achieved The Compliance Framework was approved on 01 November 2012. Implementation of the Framework is in progress
	Compliance to legislation and governance		Compliance as reported to Audit and Risk Management Committee	70% adherence to Compliance Reported	Achieved During the year zero non-compliance was reported.

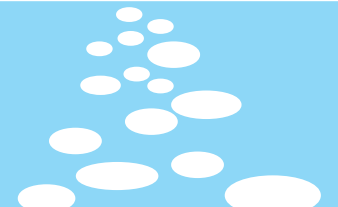
Strategic focus area 6: Operational effectiveness

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate	Funding/Income received to equal the expenses	Financial sustainability to deliver on mandate	Funding/income received to equal actual expenses excluding special reserve funds	10% deviation of funding/ income from actual expenses excluding special reserve funds	Achieved The total income received was 109% of total expenses
	Maximum utilisation of resources		% deviation on expenses from budget vs actual	15% deviation, up or down	Achieved Actual expenses was 3,5% less than budget
	Financial discipline adherence		Clean audit report	100% clean report	Achieved A clean audit report on all aspects reported by the Auditor General.
To maintain and align IT systems to support business needs and overall objectives of the IRBA by implementing the IT strategy and plans within specific time frames	The successful implementation of the approved IT strategy and plan	Enhanced internal effectiveness and service delivery	Progress against IT implementation plan within financial limited resources	90% achievement of milestones within the IT strategy and plan	Not achieved 55% of milestones achieved. A number of the milestones included depended on the outsourcing of the IT service provider. During the first round of the tender a suitable service provider could not be identified and a second split tender was completed. The service provider was appointed from 1 May 2013. From a risk point this was a safer option for the IRBA.

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2012/13	Status for the 12 months ended 31 March 2013
To transform the IRBA in line with employment equity legislative requirements by implementing employment equity plans and achieving targets within the plan	Approved employment equity plan and the Implementation thereof	Transformed organisation	Review employment equity plan	Aug 2012	Achieved Employment equity plan was approved by the Board in March 2013.
			% of employment equity targets achieved in total	90% of target achieved as indicated in employment equity plan	Achieved The actual black representation is 59% against a target of 62%. The actual female representation is 72% against a target of 62%.

FUTURE OUTLOOK

This section answers the question: What challenges and uncertainties are we likely to encounter in pursuing our strategy, and what are the potential implications for our business model and future performance?



EXPECTATIONS ABOUT OUR EXTERNAL ENVIRONMENT

Although there should be a balance between over-regulation and self-regulation, there seems to be a trend towards increased oversight and supervision. The most recent financial crisis has, as in the past, again focused attention on the role of the auditor. Similarly, there is increasing concern about other professionals who also provide similar services to those provided by auditors, such as taxation, accounting and financial services.

This trend is expected to continue in the current environment where corruption and poor governance require external intervention and drastic measures to combat undesirable practices.

Our perception is that finances will be further reigned in, and the IRBA will have to consider how else it could fund its activities to continue to deliver on its mandate. This will become more important as expectations for regulators to protect the public against unscrupulous professionals grow. Professionals are also affected by the financial crisis, and together with more regulation, might not find the environment to be sufficiently enabling to perform high quality audits which are more achievable without the current challenges.

The current education system, in general, might continue to place strain on our already limited resources, and the aforementioned challenges could make the auditing profession less attractive to new entrants.

HOW THE FUTURE MAY AFFECT US

While the IRBA might be expected to implement more robust oversight strategies, it might also be expected to become involved in oversight of other disciplines. Any potential increase in our mandate will need to be carefully considered, as more responsibilities require additional resources and capacity, and may be accompanied by additional risks.

While the current state of corruption and fraud exist in the country, the IRBA will also need to establish the appropriate space in which it can contribute to combatting these undesirable practices.

Any further responsibilities will place a strain on the current resources unless capacity is increased. The profession will also be expected to continue to support the economy; however it is important that the current challenges in the education system, in general, are addressed.

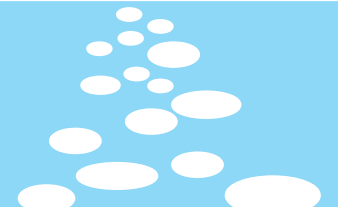
The IRBA therefore needs to carefully consider the balance between support to others and available capacity.

HOW WE ARE EQUIPPED TO RESPOND

The IRBA has in excess of 60 years' experience in the regulation of audits, as well as standard-setting. Furthermore, its participation on international structures ensures that it remains at the forefront of developments in standard-setting and audit regulation.

Having earned the number 1 position for its auditing and reporting standards for four consecutive years according to the World Economic Forum's annual ratings, it is also ideally placed to continue to instil the required confidence in investors that our financial markets are reliable.

However, government will need to support the IRBA in respect of capacity and resources, as the current capitals, even with the required experience and institutional intelligence, will not be able to be extended to accommodate any further expectations.



APPENDIX

SUMMARISED FINANCIAL STATEMENTS AND SIGNIFICANT FEATURES SUMMARY

STATEMENT OF FINANCIAL POSITION

Assets

Non-Current Assets

Current Assets

Non-Current assets held for sale

Total Assets

Net Assets and Liabilities

Net Assets

Liabilities

Non-Current Liabilities

Current Liabilities

Total Liabilities

Total Net Assets and Liabilities

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Non-Current Assets	16 492 421	17 702 145	18 722 014	17 432 901	9 675 229
Current Assets	37 769 314	28 518 852	18 334 754	9 789 046	7 826 680
Non-Current assets held for sale		-	69 927	-	3 640 839
Total Assets	54 261 735	46 220 997	37 126 695	27 221 947	21 142 748
Net Assets	46 539 115	36 791 239	28 881 115	19 775 900	11 144 085
Liabilities					
Non-Current Liabilities	2 545 307	3 074 883	3 214 164	3 646 221	3 043 227
Current Liabilities	5 177 313	6 354 875	5 031 416	3 799 826	6 955 436
Total Liabilities	7 722 620	9 429 758	8 245 580	7 446 047	9 998 663
Total Net Assets and Liabilities	54 261 735	46 220 997	37 126 695	27 221 947	21 142 748

STATEMENT OF FINANCIAL PERFORMANCE

Government grants & subsidies	32 208 000	34 724 000	29 296 000	22 018 000	20 258 000
Other Revenue	57 093 766	43 078 072	38 015 095	38 670 265	33 641 387
Operating expenses	(81 775 158)	(71 639 181)	(59 421 974)	(58 985 836)	(56 602 792)
Operating surplus	7 526 608	6 162 891	7 889 121	1 702 429	(2 703 405)
Investment revenue	2 221 268	1 771 258	1 309 499	714 546	353 658
Gain on non-current assets held for sale		-	-	6 359 162	-
Finance costs		(24 025)	(93 403)	(144 322)	(68 147)
Surplus for the period	9 747 876	7 910 124	9 105 217	8 631 815	(2 417 894)

ACCUMULATED RESERVES TRANSFER

Surplus/(Deficit)	9 747 876	7 910 124	9 105 217	8 631 815	(2 417 894)
Transferred to reserves	(3 046 261)	(7 090 695)	(1 760 365)	(10 772 228)	(454 899)
Surplus/(Deficit) after reserves	6 701 615	819 429	7 344 852	(2 140 413)	(2 872 793)

STATEMENT OF CHANGES IN NET ASSETS

Year Ending	Trust Fund	Education Fund	Contingency fund: Disciplinary cases	Contingency fund: Operational	Accumulated Surplus	Total Net Assets
31 March 2009	-	1 150 745	5 975 151	-	4 018 189	11 144 085
31 March 2010	10 000 000	1 157 973	6 740 151	-	1 877 776	19 775 900
31 March 2011	10 000 000	2 113 338	7 545 151	-	9 222 626	28 881 115
31 March 2012 (Restated)	10 000 000	2 280 565	14 468 619	-	10 042 055	36 791 239
31 March 2013	10 000 000	3 050 895	10 025 706	6 718 844	16 743 670	46 539 115

Significant features summary

	2013	2012	2011	2010	2009
Activity indicators (numbers)					
Registered Auditors at year-end	4306	4258	4375	4398	4373
New registrations for the period	306	296	229	370	286
Trainee Accountants registered for the period ²	4090	3677	3574	4124	3937
Entrants to Public Practice Examination (PPE)	2288	2054	1952	2798	2566
Reportable Irregularities (RIs) received					
■ Total RIs received (first reports)	710	814	806	1108	1125
■ Second reports - continuing	459	491	468	674	669
■ Second reports - not continuing	247	312	328	340	407
■ Second reports – did not exist	3	11	7	11	22
■ Second reports - overdue	1	0	3	83	27
Disciplinary matters					
■ Investigations initiated	85	87	94	84	108
■ Investigation committee matters disposed of	65	62	59	74	81
■ Disciplinary committee hearings	6	5	2	6	6
Inspections performed					
■ Firms	22	38	22	6	14
■ Engagements	440	625	640	654	1004

HOW TO CONTACT US

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

