



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

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NEWS



IRBA CEO Bernard Agulhas with successful candidates at the release of the 2009 PPE results in February this year. (See p.3 for more info).

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MESSAGE FROM THE

CEO

As we find ourselves on the eve of issuing a new Code of Professional Ethics for Registered Auditors, I am reminded of a presentation by Pat Dickson, former professor and Head of School at WITS University, made at the 2010 prize-giving to honour our future leaders. An excerpt from this presentation appears at the end of my message. Poised to enter a profession still held in the highest regard despite attacks on its reputation in the last few years, their excitement to finally put into practice the theory accumulated

over many years was unmistakable, and they themselves appeared unaware of the ethical dilemmas with which they may be faced in their professional careers. And although the solutions may not always appear as black and white, finding their way through that grey area in between is thankfully informed by good old principles.

The drafting of the new Code was, to say the least, 'revealing'. As the committee tasked to redraft the old Public Accountants' and Auditors' Board Code interrogated every provision and paragraph for relevance in the current environment, it became apparent that, while some provisions had been superseded by other pieces of legislation or some of the circumstances envisaged in the PAAB Code simply no longer existed in the current day and age, the principles of ethics remain eternal.

Based on the IFAC Code of Ethics, the IRBA Code is driven by principles, but contains sufficient requirements to make it enforceable. It must be appreciated, however, that enforcing a Code of Ethics, presents an anomaly in itself, for ethics is hardly something that can be taught and tested – it really goes to the very core of the individual, from where it has to be 'lived'. The Code gives expression to how this may be done, but needs to be supported by something more, which can only come from within. In the end, we need to be true to ourselves, which is the conclusion arrived at in the presentation. The relevant extract is quoted below.

"Before going on to the final part of my message, let me tell you a story about business ethics. You and your partner own a shop. A customer comes in to pay his account and hands you a fifty rand note in settlement. As the customer is going out of the door you realise that he has given you two fifty rand notes by mistake. Now we come to the ethical dilemma: do you tell your partner or don't you!

A very appropriate quotation comes from Sir Walter Scott.

'O what a tangled web we weave
When first we practise to deceive.'

Integrity and ethical behaviour has always been at the very heart of the accounting profession in South Africa and here I should like to get serious.

The Shorter Oxford English Dictionary defines Integrity as:

'Soundness of moral principle;
the character of uncorrupted virtue;
uprightness, honesty, sincerity.'

Ethics is defined as:

'The moral system of a particular school of thought;
the rules of conduct recognised in certain limited departments of human life;
the science of human duty in its widest extent.'

Are these not some pretty high ideals?

Can we in fact aspire to these values? I believe that we can.

Going back to my original quote, this country is being dragged down into mediocrity by, amongst other things, a serious lack of respect for the law and a flagrant disregard for the rights of other citizens.

I totally agree with the requirement for all organisations to practise the highest possible levels of governance and honesty among their directors and employees. But the notion that corruption, whether in the corporate environment or in government, is acceptable and is part of doing business in Africa, is totally unacceptable.

Acceptable business practices start with the individual, and as professional accountants, whether CAs or not, it is up to all of us in our professional activities as well as in our personal lives, to adopt and display the highest levels of integrity and ethical behaviour. There can be no turning aside and there can be no measure of compromise, but the decision is always up to you. I call

on all of you - commit yourselves!

In concluding his advice to his son, Polonius, in Shakespeare's Hamlet, said:

'This above all; to thine own self be true,
And it must follow as the night the day
Thou canst not then be false to any man.'

It is envisaged that the Code of Professional Ethics will be issued by the IRBA towards the middle of the year, with an effective date of 1 January 2011.

Bernard Peter Agulhas
CEO

Telephone: 087 940 8797

Facsimile: 087 940 8878

E-mail: executive@irba.co.za



PUBLIC PRACTICE EXAMINATION 2009

RESULTS

The results were released on Friday 26 February 2010. The official accompanying statement is set out in full below.

OVERALL RESULTS

The Public Practice Examination (PPE) was written on 18 November 2009. Entry to the PPE is a culmination of a long and rigorous academic, training and assessment process aimed at developing the core and professional competence of prospective accountants and auditors. Success in the PPE allows candidates the opportunity to register as a Registered Auditor (RA) and a Chartered Accountant (CA).

The IRBA is proud to announce that of the 2798 candidates who wrote the 2009 PPE, 2320 passed resulting in a record pass rate of 83%. Of the 1849 candidates who wrote for the first time, 1596 passed, representing a first time pass rate of 86%.

All top ten candidates who achieved the top ten places were awarded honours for achieving a pass mark of 75% and over. The names of the top ten candidates are:

1	Mr Ruan Greeff
2	Ms Carmen Lindsay Krull
3	Ms Tessa Alice Germishuizen
4	Ms Andrea Jane Osborne
5	Ms Cara Lee Botha
Joint 6th	Mr Carel Johannes Malan Mr Akash Dowra Mrs Lisa Claire Beattie
Joint 7th	Ms Birte Schneider Ms Claudia Hein Ms Saadiya Adam
Joint 8th	Ms Freda Venter Ms Karine Kakoma
9	Mr Jacques van Ravesteyn
10	Mr James John De Smidt

A further 6 candidates were awarded honours.

TRANSFORMATION OF THE PROFESSION

Transformation of the auditing profession remains a priority for the IRBA. Of the 1094 Black (African, Coloured and Indian) candidates who wrote the 2009 PPE, 849 passed, representing a pass rate of 78%. This is the highest number of Black candidates to pass in the history of the examination.

In an endeavour to increase the number of Black auditors, the IRBA facilitates a programme for Black repeat candidates who have been unsuccessful in previous attempts to pass the PPE. The 2009 Support Programme was offered from June until November 2009. Of the 131 candidates who attended the programme and wrote the PPE, 104 passed, resulting in a pass rate of 79%. Black, repeat candidates who did not attend the Support Programme achieved a pass rate of 75%, thus indicating that the Support Programme offers repeat candidates an improved chance of passing the PPE.

THE EXAMINATION OBJECTIVE

The objective of the examination is to assess the professional competence of candidates at entry point to the auditing profession. In recent years, the IRBA has paid close attention to the assessment tool, in order to ensure that it is appropriate for this purpose and that it reflects the multi-disciplinary public practice environment.

The statutory auditor performs a very responsible function and the IRBA has a duty to ensure that only those who have demonstrated an appropriate degree of professional competence are registered as auditors. The examination, which aims to assess professional competence, takes the form of two, 2½ hour written assessments consisting of two scenarios reflecting the public practice

environment. Candidates must demonstrate an ability to solve multi-disciplinary practical problems in an integrated manner and to do so must analyse and interpret information and provide viable solutions to address specific client needs. The ability to demonstrate logical thought and exercise professional judgement is an integral part of the examination.

Admission requirements

Admission requirements to the PPE are onerous, requiring completion of a recognised academic and education programme. In addition, entrants must also have passed Part I of the Qualifying Examination of SAICA. Completion of the academic requirement under a full-time study programme ordinarily takes at least four years. Given the practical focus of the assessment, candidates are required to have served at least 18 months of a registered training contract in the service of a Registered Auditor before being admitted to write the PPE.

The minimum total duration of a training contract is three years, which usually follows the four-year period of full-time study. The period of qualification for most students is therefore at least seven years. The IRBA believes that this is in keeping with its duty to ensure that standards at entry point are maintained and that only those who are able to meet prescribed competency standards are registered as auditors. The qualification period is similar to that of

other highly regarded professions and internationally recognised accounting bodies.

CONCLUSION

The IRBA is confident that candidates who successfully demonstrated

their professional competence in the 2009 PPE will contribute positively to the profession and the economy of South Africa. The IRBA also wishes to acknowledge the significant contribution made by the various educational institutions, training offices and professional

bodies towards the success of the candidates.



TOP 10 LUNCHEON FUNCTION

A luncheon to recognise and honour the achievements of the top 2009 PPE candidates and the top Support Programme candidate took place on Wednesday, 31 March 2010 at The Glass House, The Forum, Newtown in Johannesburg.

More than 80 prominent members of the accounting and auditing profession and related fields gathered together to celebrate the success of the top PPE candidates.

In delivering the keynote address, Professor Wiseman Nkuhlu reminded delegates of the important role that auditors play in strengthening the country's economy and fulfilling the expectations of investors and the public. He also emphasised that auditors cannot be seen to fail in their duties, and referred to them as the *"last line of every country's economic defence"*. Prof Nkuhlu also highlighted the significance of continuous professional

development in auditing and he called on all auditors to conduct themselves with honesty, integrity and professionalism.

With current developments and changes in the profession, the luncheon represented an ideal opportunity for the IRBA to raise awareness of the auditing profession and to establish its Registered Auditor (RA) brand.

PUBLIC PRACTICE EXAMINATION 2009

CONTINUED

The top candidates were awarded trophies and Ruan Greeff, who came first in the PPE, was also presented with a floating trophy. The Support Programme award was made to Ms Agnes Gomolemo Dire in recognition of her outstanding performance in the 2009 PPE.

Mr Bernard Agulhas, the CEO of IRBA stressed the importance of stakeholder participation in transforming the profession and he thanked SAICA, the universities and the firms for their contribution in the development of Registered Auditors.

This is the first time that the IRBA has hosted a function of this nature and the IRBA has committed to make this an annual event on the IRBA's calendar. Mr Agulhas said that "it's time the profession celebrated its successes and honoured its top candidates who are the future of auditing in South Africa."



Mervyn King, Temba Zakuza (chairman - Edcom), John Williams (Rhodes University)



Keynote speaker Prof Wiseman Nkulu imparted some sage words to the guests



Top Support Programme candidate Agnes Dire with Graeme O'Reilly of the National School of Accounting



The 2008 top candidate Catherine Aitken presented the floating trophy to Ruan Greeff, the top candidate in 2009



Top 10 group

SAICA REGIONAL DINNERS BLOEMFONTEIN AND KIMBERLEY

Bernard Agulhas also recently attended SAICA annual dinners in both Bloemfontein and Kimberley, where the successful PPE candidates from those regions were also honoured for their achievements.



PPE candidates Bloemfontein



PPE candidates Kimberley

EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT

THE PUBLIC PRACTICE EXAMINATION SETTING AND MARKING PROCEDURES

The IRBA has, as one of its mandates, the responsibility for ensuring that all registered auditors (RAs) are competent at entry to the profession and remain so throughout their professional lives. In terms of this mandate, the IRBA sets the competency requirements at entry to the profession through the Public Practice Examination (PPE).

Admission to the PPE requires candidates to have successfully completed a recognised academic (CTA or equivalent), training- (a minimum of 18 months practical training in public practice), core assessment (QE I) - and an education programme (Auditing Specialism course). Entry to the PPE is therefore a culmination of a long and rigorous academic, training and assessment process aimed at developing the core and professional competence of prospective accountants and auditors.

The objective of the PPE is to **assess the professional competence** of a candidate to apply integrated

knowledge, skills and professional values appropriate to the practice of an RA at **entry level** and as such the assessment is based on "real life" scenarios that are likely to be encountered in the multidisciplinary public practice environment and will require the candidate to draw on practical experience. Answers to questions therefore require an application of the relevant accounting and auditing pronouncements rather than a regurgitation of information. The examination is challenging and the standards are high so as to meet the expectations of the public that all RAs have the required standard of professional competence at entry to the profession.

The examination setting process begins at least nine months before the PPE is written in November. The Examination Committee (EXAMCOM), a sub-committee of the Education Committee, sets a draft framework for the examination. The framework covers the competency areas to be assessed in the PPE. Once the framework is approved,

the questions are developed by teams of individuals who are sourced by the IRBA as a result of their experience in the profession and their understanding of the standards required by the IRBA for entry to the profession. The compilation teams are managed by a question co-ordinator who has extensive experience and expertise in setting professional competence examinations that are empirically sound and of an appropriate standard. Once the examination co-ordinator has finalised the examination paper, it is presented to EXAMCOM. The EXAMCOM, which comprises of practicing professionals and academics, considers the paper and recommends changes, alterations or adaptations, where necessary.

Thereafter, the examination paper, (scenario, required and draft suggested solutions) goes through an independent process of extensive review before it is finalised. In this regard external examination sitters review the examination paper before it is finalised by EXAMCOM. The

external examination sitters sit the examination under examination conditions and provide EXAMCOM with feedback on the examination paper. The examination sitters are usually:

- A candidate who has written the PPE in the past two years;
- An academic; and
- A second language speaker (other than English or Afrikaans)

Once the paper has been written, providers of recognised academic, education and training programmes are afforded the opportunity to comment on the examination paper. All comments are considered by EXAMCOM and a team of appointed umpires and markers before the suggested solutions and mark plans are finalised.

The marking of the examination is as rigorous as the setting process. In this regard each examination script is assessed by at least two independent markers. Only once an examination script has been independently assessed by both markers, will the markers disclose their respective mark allocations and, where necessary, a discussion will ensue in an attempt to resolve any differences in mark allocations. Only once consensus is reached, will the marks of the two markers be recorded on the

cover of the examination scripts. The umpires for each sub-section of the examination paper reviews a sample of scripts to check if marks have been awarded consistently in accordance with the final suggested solution. Each mark plan is independently checked for arithmetic accuracy by a team of appointed marking administrators and all necessary amendments made by the umpire before the marks for each sub-section of the examination paper is captured. The captured marks are verified against the actual marks awarded on the examination scripts. A copy of the question paper, Examiners' Comments and final suggested solutions are published on the IRBA website after the release of the results.

The IRBA is confident that candidates who successfully demonstrate their professional competence in the PPE and who register as auditors with the IRBA can contribute meaningfully to the profession and the economy of South Africa.

Shirley Ferndale

Professional **Education, Training and Professional Development**
Manager:

Telephone: **087 940 8783**

Facsimile: **087 940 8875**

E-mail: **edutrain@irba.co.za**

UNCLAIMED PAAB QUALIFYING EXAMINATION CERTIFICATES

During the IRBA's relocation to its current premises, we identified a number of unclaimed Qualifying Examination (currently known as the Public Practice Examination (PPE) certificates for candidates who passed the Public Accountants' and Auditors' Board's (PAAB's) Qualifying Examination during the period 1988 - 1998.

A full list of the certificates is available on the IRBA website www.irba.co.za on the Education, Training and Professional Development page. Click on the link to Unclaimed PPE certificates. Contact Lethu Mgunu at edutrain@irba.co.za or 087 940 8787 to claim your certificate.

Certificates still unclaimed at the end of August 2010 will be destroyed.

STANDARDS

IRBA PROJECTS

COMPANIES ACT, 2008 AND DRAFT REGULATIONS

The Board submitted comments on the draft Regulations pursuant to the Companies Act, 2008 (Act No 71 of 2008), and continues to engage with the Director General and the Consumer and Corporate Regulation Division (CCRD) in the Department of Trade and Industry (dti), the Minister of Finance and National Treasury, to convey the IRBA's concerns regarding conflicts with the Auditing Profession Act and the implications of

the Companies Act and Regulations for the auditing profession and the economy.

Proposals have been made to the dti to address the most significant concerns regarding the draft Regulations to seek an alignment of the regulatory frameworks whilst supporting the dti initiatives. Key concerns relate to reviews of annual financial statements, regulation of reviewers and acceptable accounting

frameworks to be prescribed and that have the support of National Treasury. It remains

unclear, however, what changes will eventuate to the draft *Regulations and when the Companies Act (as rectified) and the final Regulations will become effective.*

The IRBA is aware of the concerns and challenges facing registered auditors and their corporate clients arising from the extensive legislative changes and uncertainties and will communicate further as soon as clarity is obtained.

AUDITOR LIABILITY PROJECT

Progress on this project continues with a view to presenting proposals with regard to capping of auditor liability to the Board later in the year.

B-BBEE ACCREDITATION

The CEO met with the DG: Trade and Industry on 17 May to discuss the way forward for the accreditation of BEE verification agencies. Subject

to finalising further requirements for accreditation a decision has been taken, in principle, that the dti will accredit the IRBA. The IRBA will then have the responsibility to ensure that Registered Auditors who issue B-BEEE certificates are qualified to do so.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

CFAS COMPOSITION AND MEMBERS

The following individuals have been appointed by the Board to CFAS for a three year term from 1 April 2010 to 31 March 2013.

CATEGORY	MEMBERS
Registered Auditors:	Messrs: Michael Bourne, Keith Bowman, Michiel Engelbrecht, Dumisani Manana, Derek Spavins, Frank Timmins and George Tweedy
Small Practices:	Dr Henk Heymans
Public Sector:	Mr Jan van Schalkwyk
Regulators:	Ms Linda de Beer and Messrs Madoda Petros, Avhashoni Ramikosi and Patrick Ward
Academics:	Professor Frans Prinsloo
Legal:	Mr Ed Southey

CFAS meets quarterly and its agenda is guided by the CFAS Steering Committee which has regard to local and international developments in its standard setting and auditing guidance activities. CFAS identifies the need for and develops auditing guidance in a consultative process and recommends auditing pronouncements to the Board for approval. It is responsible for exposing proposed standards for public comment, considering comments received and in turn submitting comments on local and international exposure drafts on consultation papers, draft legislation and draft regulations affecting the auditing profession.

CFAS has three standing committees dedicated to its main areas of activity in developing and issuing ongoing guidance for auditors:

Reports Standing Committee

responsible for all reporting guidance issued, including the revision and updating of *SAAPS 2 Financial Reporting Frameworks and the Auditor's Report* and *SAAPS 3 Illustrative Independent Auditor's Reports* in terms of the International Standards on Auditing ("ISA") reporting standards and the wide range of regulatory reports;

Public Sector Standing Committee

developing new guidance for private sector registered auditors involved in public sector audit engagements, and guidance on the audit of performance information for the Auditor General South Africa;

and a new

Sustainability Standing Committee

to develop guidance on sustainability assurance engagements, including integrated sustainability reports in response to corporate governance recommendations in King III and local and international developments in sustainability reporting on environmental aspects of private and public sector entities.

Each of the Standing Committees has smaller task groups comprised of individuals with relevant professional, technical expertise to deal with the particular project for guidance being developed. Individuals who would like to participate in and contribute to any of the task groups are invited to contact the Director: Standards.

Implementation Monitoring and Impact Analysis:

The IAASB is conducting an impact assessment relating to the consistent and effective implementation of the Clarity ISAs and ISQC 1 being implemented from 15 December 2009. The IAASB has developed implementation guidance for auditors and will monitor implementation issues in two stages during the period 2009 through to 2013 to assess whether the Clarity ISAs improve audit quality and to identify requirements or application material that may require amendment in future. CFAS is participating in this IAASB project and IRBA Practice Review will assist in assessing the implementation, monitoring and impact analysis aspects in the course of firm and file reviews.

CFAS STRATEGY FOR 2010 TO 2013

CFAS established its strategy for the period from 2010 to 2013 to prioritise projects, regard being had to available resources. CFAS's strategy aligns with the International Auditing and Assurance Standards Board (IAASB) strategy for the period 2009 to 2011 and incorporates additional projects specific to South Africa, primarily related to regulatory requirements. The strategy guides the CFAS Work Programme.

ADOPTION, ISSUE AND PRESCRIBING OF INTERNATIONAL AUDITING PRONOUNCEMENTS

ISAE 3402 Reporting on Internal Controls at Service Organisations

was issued by the IAASB in December 2009. The IRBA Board approved ISAE 3402 in March 2010 to be used by registered auditors in South Africa. Early adoption is encouraged.

The standard is effective for **service auditors'** assurance reports covering periods ending on or after 15 June 2011. ISAE 3402 complements ISA 402, *Audit Considerations Relating to an Entity Using a Service Organisation* as ISAE 3402 reports are capable of providing appropriate evidence to a **user auditor** as required by ISA 402. Appendices to the ISAE include examples of service organisation's assertions and of service auditor's assurance reports.

- **Type 1 report**, the service auditor expresses an opinion on whether a service organisation's description of controls fairly

presents the system as designed and implemented, and whether the controls related to the control objectives stated in the description, were suitably designed.

- **Type 2 report**, the service auditor also expresses an opinion on whether those controls operated effectively throughout a specified period.

Key provisions of the ISAE include those relating to:

- Engagement acceptance and continuance conditions;
- Assessing the suitability of the criteria used by the service organisation in making its assertions;
- The nature, timing and extent of evidence gathering procedures with respect to each component of the assurance report; and
- The elements of the service auditor's report.

ISAE 3402 will be of particular use to auditors of medical schemes, retirement funds and companies who outsource a significant portion of their business transactions to service organisations. In such circumstances, auditors are strongly advised to gain a working knowledge of this standard in order to discuss the engagement implications with the audit committees and/or boards responsible for their appointment.

COMMENTS SUBMITTED

CFAS submitted comments on the following consultation papers and/or exposure drafts:

- SAICA / ECSAFA ED275 - *Financial Reporting Framework for Non-public Entities*;
- *The Financial Services Board - Retirement Funds - Section 13B*: the revised draft Section 13B to the Pension Funds Act. CFAS has been requested to assist with the regulatory reports that will form part of the submissions to section 13B; and
- *The Financial Services Board draft Regulations of the International Association of Insurance Supervisors*.

CURRENT CFAS PROJECTS

- **Access to Audit Working Papers: A Guide for Registered Auditors (May 2010)**: amendments have being made to accommodate the access requirements in *ISA 600 Special Considerations - Audits of Group*

- Financial Statements (including the work of Component Auditors)* for the group engagement partner (principal auditor) responsible for the group audit engagement and the auditor's report on the group financial statements. The Guide will be issued during May 2010.
- **The Assurance Engagement on Attorneys' Trust Accounts:** The issue of this IRBA Guide was delayed in anticipation of changes arising from the pending consolidation of the various Provincial Law Societies' Rules into Uniform Accounting Rules, which we are advised will take some time to finalise. The IRBA Guide will replace the present "*SAICA Guidance for Auditors: The Audit of Attorney's Trust Accounts in terms of the Attorney's Act, No 53 of 1979 and the Applicable Rules of the Provincial Law Societies*" that will then be withdrawn. The IRBA Guide will be considered at the Joint Attorneys' and Accountants' Committee (JAAC) meeting in May 2010, and is expected to be approved by CFAS for issue as an exposure draft in June 2010 for a period of 30 days. The IRBA Guide will be issued after consideration of any comments received.
 - The auditor's report to the client, the relevant Provincial Law Society and the Attorneys' Fidelity Fund on their "audit of attorney's trust accounts" is required within six months after the attorneys' financial year end in terms of the Attorneys' Act, No. 53 of 1979 and the current Rules of the Provincial Law Societies. The **Revised Transitional Assurance Report** approved by the respective Councils of all the Provincial Law Societies and the Attorneys Fidelity Fund and effective from the **2008** financial period is still effective for the **2010** financial year. The *Supplementary Schedule of Interest Payments* that is included on page 6 of the assurance report is **NOT** subject to the auditor's assurance engagement and therefore no assurance is expressed on that schedule.

- **SAAPS 1 Quality Control:** Work has commenced on the revision of SAAPS 1 *Quality Control*, to align with the Clarified ISQC 1 *International Standard on Quality Control* effective from 15 December 2009 and ISA 220 *Quality Control for Audits of Historical Financial Information*.

SAICA GUIDES AND CIRCULARS

- **SAICA guides and circulars:** are reviewed on a regular basis and discussed with the IRBA to determine what actions are required in respect of those guides and circulars considered to require updating. Several of the guides and circulars are to be withdrawn, while others that pertain to audit guidance are to be revised and/or reissued by the IRBA. SAICA and the IRBA will communicate the status of the various guides and circulars affected.
- **SAICA Guide on Trading in Circumstances of Factual Insolvency:** this guidance is still appropriate and revision of the guide will be considered once the business rescue provisions in the new Companies Act, 2008 and Regulations are finalised.
- **Medical Schemes Audit Guide:** A retired audit partner, with experience in the audit of medical schemes, will assist CFAS by managing the project for the revision of this Audit Guide to expedite its issue towards the end of 2010.

CFAS REPORTS STANDING COMMITTEE (RSC)

- **SAAPS 2 Financial Reporting Frameworks and the Auditor's Report** - The revised SAAPS 2 will deal for the first time with accounting frameworks applicable to public sector entities and government departments. The revised SAAPS 2 will be issued on exposure during the second quarter of 2010.
- **SAAPS 3 Illustrative Independent Auditor's Reports - Revised (March 2010)** updates

the "**Pre-clarity**" reports for IFRS for SMEs, a revised Going Concern Decision Tree and revised Afrikaans reports. The illustrative reports may be downloaded from the IRBA website.

- **SAAPS 3 Illustrative Independent Auditors' Reports** incorporating changes arising from the "Clarity ISAs" and including reports required by the Auditor-General South Africa will be issued during the second half of 2010.

Regulatory reports

- **The Department of Trade and Industry – Enterprise Investment Programme (EIP): Manufacturing Incentive Programme (MIP) and Tourism Support Programme (TSP)** The Standards Department assisted the dti with the development of an *Agreed Upon Procedures Engagement and Factual Findings Report* for incentive grant claims. The wording of the Report has been approved by the CFAS Reports Standing Committee. This report will be uploaded to the IRBA website as soon as final approval by the dti is received.
- **The Department of Human Settlements - Home Loans and Mortgage Disclosure Act:** Discussions continue with the Office of Disclosure at the South African Banking Association, bank auditors and compliance representatives from banks affected to resolve the auditors' reporting requirements on information submitted by banks and others as specified in the Home Loan and Mortgage Disclosure Act and regulations pursuant thereto.
- **Financial Services Board - Long Term and Short Term Insurance:** Discussions continue with the Financial Services Board to resolve concerns regarding the regulatory reporting requirements in the Long Term and Short Term Insurance Act and Regulations.

- **Financial Services Board - Long Term and Short Term Insurance – SAM Project:**

The Director: Standards has been appointed to the Steering Committee and the Pillar II and Pillar III working groups of the FSB Solvency Assessment and Management (SAM) Project. This project is expected to extend over the next three years.

- **Financial Services Board – Retirement Funds:**

Discussions continue with the Financial Services Board regarding any changes to Schedule D auditors' reports on the annual financial statements prepared on the basis of the new regulatory financial reporting framework issued by the FSB and assistance with the reports required by Section 13B of the Pension Funds Act.

CFAS PUBLIC SECTOR STANDING COMMITTEE (PSSC)

Guidance for Private Sector Auditors when Auditing in the Public Sector; and Guidance on the Audit of Performance Information:

Work is continuing on the development of guidance on the audit of financial statements in the public sector and guidance on the audit of performance information for private sector auditors involved in auditing in the public sector with support from the AGSA resources.

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB) - PROJECTS

Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus

The IAASB has approved the proposed **ISAE 3420, Assurance Reports on the Process to Compile Pro Forma Financial Information Included in Prospectuses**. The exposure draft will be distributed shortly for comment by 30 September 2010. The Director: Standards has participated as a correspondent member of the IAASB Task Group. The proposed ISAE 3420 will be considered by a joint CFAS Task Group and SAICA Project

Group and the JSE Limited in revising the present SAICA *"Guide on Pro Forma Financial Information (2005)"*.

The IAASB will consider comments received on the Consultation Paper on *"Assurance on a Greenhouse Gas Statement"* at its June 2010 meeting, in developing a proposed **ISAE 3410, Assurance on a Greenhouse Gas Statement** for exposure.

ISRE 2400 Reviews of Financial Statements and ISRS 4410 Engagements to Compile Financial Information

The IAASB considered issues pertaining to the draft objectives, definitions, and requirements for the proposed revised ISRE 2400, *Engagements to Review Financial Statements*, and ISRS 4410, *Engagements to Compile Financial Information*.

Amongst other matters relating to the proposed revised ISRE 2400, the IAASB deliberated the use and interpretation of the term 'limited assurance'; engagement acceptance considerations; the proportionality of application of the proposed standard relative to the size and complexity of an entity; the extent of the practitioner's required knowledge of an entity's internal control relevant to financial reporting; the nature and extent of review procedures; and reporting considerations. The IAASB sought further input from National Standard Setters in this regard.

Amongst other matters relating to the proposed revised ISRS 4410, the IAASB deliberated situations where a practitioner's involvement with financial information leads to the practitioner's association with that information; the definition of the term 'compile'; engagement acceptance considerations; the nature and extent of the practitioner's procedures in a compilation engagement; the practitioner's response to identified misstatements or misleading information; and reporting considerations.

The IAASB will consider drafts of the

proposed standards ISRE 2400 and ISRS 4410 at its June 2010 meeting.

Assurance Engagements Other than Audits or Reviews of Historical Financial Information

The IAASB considered issues relating to, and a preliminary draft of, the proposed revised **ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information**. Amongst other matters, the IAASB deliberated the nature of direct reporting assurance engagements; whether topic-specific ISAEs should be developed covering such general topics as agreeing the terms of the engagement and documentation; whether the proposed revised ISAE should cover assurance engagements on historical financial information that are not dealt with by the ISAs or ISREs; the authority of the ISAEs; and the inherent limitations of an assurance engagement.

The IAASB will consider a revised draft of the proposed ISAE 3000 at its June 2010 meeting.

Other Information in Documents Containing Audited Financial Statements

The IAASB considered preliminary issues relating to the revision of International Standard on Auditing (ISA) 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. Amongst other matters, the IAASB deliberated whether the scope of the ISA should be broadened to include documents other than annual reports; the nature and extent of the

auditor's work effort with regard to other information in documents within the scope of the ISA; and whether the proposed revised ISA should address considerations relating to the electronic dissemination of audited financial information.

The IAASB will continue its deliberation of the issues at its September 2010 meeting.

Guidance on Auditing Financial Instruments, and Status and Authority of IAPs

The IAASB considered significant comments received on its October 2009 Consultation Paper, *Auditing Complex Financial Instruments*, as well as a first draft of the proposed revised International Auditing Practice Statement (IAPS) 1012. Amongst other matters, the IAASB deliberated the proposed scope and title of the IAPS; the auditor's responsibility to understand the methods and assumptions, including models, used by management's experts in valuing financial instruments; the linkage within the IAPS to the fair value hierarchy used in accounting standards; and additional guidance relating to the auditor's consideration of presentation and disclosure of financial instruments.

The IAASB also discussed issues relating to the status and authority of its IAPs. It considered a proposal to withdraw the six existing IAPs, and an approach to clarify how auditors should consider material in future IAPs, including the proposed revised IAPS 1012, when performing audits. The IAASB agreed to reconvene via teleconference in advance of its

June 2010 meeting to continue its deliberation of these issues.

The IAASB will consider a revised draft of the proposed revised IAPS 1012, together with proposals on the status and authority thereof, for approval as an exposure draft at its June 2010 meeting.

Using the Work of Internal Auditors

The IAASB considered a first draft of the proposed revised ISA 610, *Using the Work of Internal Auditors*. Amongst other matters, the IAASB deliberated whether to expand the scope of the ISA to explicitly deal with the provision of direct assistance by internal auditors on the external audit engagement; the use of a judgment-based approach by the external auditor to determine whether and to what extent to use the work of the internal audit function; a proposed requirement for the external auditor to make inquiries of the internal audit function about its findings and work performed that are likely to be relevant to the external auditor's overall audit strategy and audit plan; and the external auditor's responsibility, if any, with regard to reports issued by the internal audit function.

The IAASB will consider a revised draft of the proposed revised ISA 610 for approval as an exposure draft at its June 2010 meeting.

NSS Implementation Guidance Catalogue

The IAASB considered a proposed staff initiative to facilitate cooperation

among national auditing standard setters (NSS) through the development of a centralised online cataloguing system to enable NSS to share implementation guidance and other related materials that may be of international relevance. Amongst other matters, the IAASB discussed a number of implementation and operational considerations, including the nature and extent of controls over the quality and maintenance of the material in the catalogue, and safeguards against IAASB association with the material catalogued.

IAASB Strategy and Work Program, 2012-2014

The IAASB agreed its overall approach to consultation and the timetable for the development of its strategy and work program for 2012-2014. The IAASB has issued a stakeholder questionnaire that serves as the first phase of the consultation process. The online questionnaire was issued in April 2010, with comments requested by 14 May 2010. It can be accessed at web.ifac.org/download/IAASB_Strategy_and_Work_Program_2009-2011.pdf.

The responses to the questionnaire will form the basis for a draft consultation paper to be considered by the IAASB at its September 2010 meeting. Comments have been submitted by the IRBA and will be considered by CFAS for its strategy for the period 2012 to 2014.

COMMITTEE FOR AUDITOR ETHICS (CFAE)

CFAE COMPOSITION AND MEMBERS

The following individuals have been re-appointed by the Board to CFAE for a three year term from 1 April 2010 to 31 March 2013.

CATEGORY	MEMBERS
Registered Auditors	Vacancies - (3)
Users of Audits	Messrs Edward Kieswetter (Chairman) and Vuyo Jack, and Ms Nasiema van Graan
Holder of Stock Exchange Licence	Mr Shaun Davies
Attorney / Advocate	Vacancy - (1)
Other	Messrs Praveen Naidoo and Kariem Hoosain (term ends 31 March 2012)

The CFAE meets four times a year and has a CFAE Task Group that conducts and monitors research and developments in local and international auditor ethics in order to develop guidance and directives on ethics for registered auditors.

REVISED CODE AND RULES

The committee's focus has been on the development of the revised *Code of Professional Conduct for Registered Auditors* (2010) (the Code) that replaces the existing (PAAB) *Code of Professional Conduct* issued in 1997 and the revised *Rules Regarding Improper Conduct (the Rules)* that replaces the *Old Disciplinary Rules*.

The comment period on the exposure draft of the Code and Rules published in Government Gazette No 32742 on 27 November 2009 ended on 31 March 2010. All comments received were carefully considered and decisions of the CFAE are reflected in the final Code and Rules approved by the Board in May 2010.

The CFAE has, with copyright permission from IFAC, adopted

Parts A and B and the Definitions in the Revised IFAC Code of Ethics for Professional Accountants (July 2009). Modifications and changes have been made for additional requirements of the IRBA that are specific to registered auditors in South Africa - these are underlined and in italics to assist registered auditors to easily identify differences from the IFAC Code. The Code applies to **all registered auditors** providing "**professional services**" as more fully defined in the Code and Rules. Whilst the drafting convention of the Code differs completely from that previously applied in the existing IRBA Code, the principles are unchanged. The drafting convention follows that adopted in the International Standards on Auditing with the term "shall" denoting a "requirement" with which an auditor must comply.

As always the Rules provide the mechanism for the Board to take disciplinary action against registered auditors and any others registered with the Board. New requirements that may constitute unprofessional conduct include **a failure to comply with auditing pronouncements prescribed by the Board**

and any contravention or failure to comply with the Code.

The **effective date** of the Code and Rules is **1 January 2011** to allow registered auditors time to implement the new requirements. Transitional provisions for later implementation of several new independence provisions relating to: public interest entities, partner rotation - including for "key audit partners", non-assurance services provided to an audit or review client, relative size of fees, and compensation and evaluation policies. In most instances these apply from **1 January 2012**.

Certain aspects of the Code require further research and may be published by way of CFAE Board Directives, or guidance in Circulars in due course.

The Committee for Auditor Ethics (CFAE) is seeking nominations for three registered auditors in public practice and an advocate or attorney with at least 10 years experience in the practice of law to serve on the CFAE for a term of three years. If you are interested in, or have experience in professional ethics applied in the auditing profession and you would like to serve on the CFAE please visit the www.irba.co.za for more details and download a Nomination Form to send to the Director: Standards.

Sandy van Esch
Director: Standards
 Telephone: 087 940 8871
 Facsimile: 086 575 6535
 E-mail: svanesch@irba.co.za



LEGAL

QUARTERLY REPORT FROM THE DIRECTOR: LEGAL FOR THE PERIOD 1 JANUARY 2010 TO 31 MARCH 2010

INVESTIGATING COMMITTEE

The Investigating Committee met twice during this period.

The Committee forwarded a number of matters which it considered to the Disciplinary Advisory Committee with recommendations.

In addition, seven matters were not referred to the Committee by the directorate for a variety of reasons which include resolution of the matter, withdrawal of the complaint, death of the respondent and lack of information.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met once during this period and disposed of 15 matters, as follows.

Decisions not to charge

- two matters in terms of Disciplinary Rule 3.5.1.1 (the respondent is not guilty of unprofessional conduct; this includes the situation where the conduct in question might be proved but even if proved does not constitute unprofessional conduct)
- four matters in terms of Disciplinary Rule 3.5.1.2 (the

respondent having given a reasonable explanation for the conduct)

- three matters in terms of Disciplinary Rule 3.5.1.4 (there being no reasonable prospect of proving the respondent guilty of the conduct asserted)

Decision to charge and matter finalised by consent

Six practitioners were fined.

- one matter related to a GMP referral (R30,000)
- one matter related to failing to perform work at all (R10,000)

- one matter related to a JSE referral (R20,000 of which 10,000 was suspended on conditions)
- one matter related to a Body Corporate (R50,000 of which R25,000 was suspended on conditions)
- one matter related to negligence (R80,000 and R18,000 costs)
- one matter arose out of practice review – second cycle, third review (R30,000 of which R25,000 was suspended on conditions)

DISCIPLINARY COMMITTEE

The Disciplinary Committee met twice during this period.

FIRST MATTER

On 26 January 2010 the Committee heard the case against Mr [LG]. He was present and unrepresented. The matter arose out of his fourth review in the second cycle. He pleaded guilty to, and was found guilty of, the following charge, and admitted the facts giving rise to it:

THE CHARGE

The respondent is guilty of improper conduct within the meaning of Rule 2.1.5 of the old disciplinary rules in that, without reasonable cause or excuse, and in the respects set out below, he failed to perform his work or duties commonly performed by a practitioner with such a degree of care and skill as in the opinion of the Board may reasonably be expected.

The facts giving rise to the charge - audit working papers and audit evidence

In respect of his audit of the [distribution company] financial statements, the respondent failed to keep audit working papers and/or he failed to obtain audit evidence, alternatively he failed to keep adequate audit working papers and/or he failed to obtain adequate audit evidence, and/or he failed to comply with generally accepted auditing standards, in the following respects:

1. There were no documented verification tests in respect of accounts receivable of approximately R1,985k: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.
2. There was no documented search for unrecorded liabilities: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.
3. With regard to income of approximately R25 190k:
 - There were no documented tests for completeness of income: the respondent

accordingly failed to comply with ISA 230 and/or ISA 500;

- There were no documented sales transaction tests: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.
4. There were no documented tests for costs of sales of approximately R20 629k: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.
 5. There were no documented tests for operating expenses of approximately R2 564k: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.
 6. There were no documented tests for salaries and wages of approximately R995k: the respondent accordingly failed to comply with ISA 230 and/or ISA 500.

FINDING AND SANCTION

The finding and sanction of the committee were delivered by the vice chairman, Adv A Dodson.

"The committee heard the evidence of the practice reviewer as well as the respondent himself in relation to the question of mitigation or aggravation of sentence. This was in relation to a plea of guilty given by the respondent in relation to a charge of an infringement of Rule 2.1.5 of the old disciplinary rules.

THE EVIDENCE ON SANCTION

The evidence from the practice reviewer provided some explanation as to the background in relation to the charge and the sequence of events that surrounded the review which gave rise to the charges, the practice review in question being the fourth practice review in the cycle concerned. The respondent testified in mitigation of sentence and sought also to place his guilty plea in context and to provide evidence as to why the seriousness of the

offence should be mitigated and seen as deserving of a less serious punishment.

DISCUSSION AND FINDINGS ON SANCTION

The process of coming to a decision has not been an easy one, albeit that on the face of the charge sheet the case might have looked like a simple one, and the committee has deliberated long and hard about what the appropriate sanction should be.

As the committee has often observed in past similar situations, the question of an appropriate sanction is viewed from three perspectives. The nature of the particular offence concerned, the impact of the offence on the broader community, and that includes both the public and the immediate professional community of registered auditors, and thirdly, from the perspective of the particular respondent himself, taking into account the evidence as to his personal circumstances.

Starting with the question of the offence, notwithstanding the brevity of the charge sheet, the offence is not without serious components. It related to a failure to document important components of the auditing work required to be done in relation to the financial statements. Importantly, the practice review which gave rise to the charges was the fourth review in the cycle concerned. In these circumstances one would have expected that by this time it would have been clear what was required in the

particular circumstances. This situation was aggravated by the fact that evidence was also given, and it was not disputed, that there was a previous conviction of misconduct in relation to the third of the reviews conducted in the cycle. So the conclusion that the committee is forced to draw in those circumstances is firstly that this is a more serious offence in those particular circumstances, and that there was certainly plentiful opportunity to correct previous incorrect conduct in this regard.

At the same time, relevant to the question of looking at the offence in its context, the committee has taken into account in mitigation that after the third review, and presumably after the first conviction, [the practitioner] purchased the Audit Mate programme to try to improve the quality of [his] work and that is certainly an important element in [his] favour. But at the same time at the end of the day a computer is simply a computer and the important part of it is what is inputted into the computer. That determines the quality of the ultimate work that emerges and the computer is simply a tool.

Also in relation to this aspect, the committee takes into account in mitigation that a number of items of the initial complaint arising from the review were satisfactorily explained - the committee believes in fairly generous circumstances where a significant period was allowed after the review to put up documentation to seek to remedy what had been found at the review itself to have been incorrect.

The committee also takes into account in mitigation that the essence of the factual basis of the charges is non-documentation. The Board has not sought to make a case that the auditing work to which the non-documentation related was itself not done, and that in turn has influenced our approach to the determination of an appropriate sanction. It is a case of non-documentation, not a case of not doing the actual work referred to. Having said that, it is clear if one looks at the relevant ISA, that the documentation process is an absolutely crucial part of the audit

process and it is also particularly important in circumstances where there have been previous unsuccessful practice reviews and there is a need to establish a record which can show quickly and easily to the Board, that the previous reviews have had some effect and what has been said has been taken into account and the necessary corrective action has been taken.

The next element that the committee considered is from the perspective of the impact on the community. We take into account that this was a private company and not a public company. It is not the kind of case where there were multiple investors from the public who might have been affected by the poor audit work that was done. At the same time there are important institutions that are potentially impacted by not having conducted the audit in accordance with the required standards. For example, the South African Revenue Service and banking institutions would also be potentially placing reliance on the financial statements which were certified by [the respondent].

The committee has also taken into account that viewed from the perspective of the broader profession, if audit work is not done properly it reflects badly on colleagues, it reflects badly on the broader profession, and the broader profession is entitled to insist from amongst its colleagues that a required standard of auditing work is met. An issue which we have pondered over and debated, is the significance of both the concept of private and public companies, or big or small concerns that are being audited, and also the divide between big firms and small firms. At the end of the day, whether an auditor is part of a big firm or a small firm, the profession is entitled to demand, and auditors should within themselves strive to reach, a standard where things are simply done properly and done in a professional manner. At the end of the day auditors are professionals and the standard of their work should follow suit.

The third component which the committee considered, is looking at

the respondent's own circumstances. This too has given some difficulty to the committee. On one hand we found a willingness to make concessions where [he was] wrong, most importantly a willingness at this stage to admit guilt in respect of the charge where [he] accepted that [he] was in the wrong. On the other hand, [he has] also shown in some respects a certain belligerence in the attitude which [he has] towards the professional body, and it is also the committee's view that [he] could have taken pro-active steps to ensure that the matter did not come this far, and to deal with the matter at an earlier stage of the proceedings by way of a consensual outcome, as had happened with the previous conviction.

It is also a concern of the committee that the previous suspended fine did not seem fully to have had the desired effect in terms of bringing out the correct standard and the persistence in [the respondent's] antagonism towards [his] own professional body which has continued right up to the end of [his] evidence, is a worrying feature. The letter which was written to the Board making certain allegations against the Board and the staff of the Board was, to put it mildly, most unfortunate. It behoves professionals before putting pen to paper in those kinds of situations, to spend a moment reflecting about whether there is any basis for the allegations that they are about to make and to take a deep breath before saying the kind of things that were said.

Having said that, the committee takes into account that during [the respondent's] evidence today, [he] sought forgiveness for having despatched the letter concerned, in a sincere manner.

The committee has also taken into account the [respondent's] various personal circumstances. We take into account that [he is] from a small practice. We have taken into account that it is [his] wish to continue performing the attest function and the committee respects that wish. The committee has also taken into account the fact that [he has] a number of dependants to support.

SANCTION

Based on all of these considerations, the committee has come to the following decision:

The committee does not believe that it is empowered to impose the fine which was previously suspended on account of the fact that three years have passed since that conviction, and as the committee reads the condition of the suspension, it required that the conviction take place within the three year period specified. The committee therefore imposes a sanction only in respect of the offence to which these proceedings related and this is as follows.

The respondent is:

- suspended from the right to practice as an auditor for a period of one year: that suspension itself to be suspended on condition that [he is] not guilty of a similar offence during the period of suspension.
- further sentenced to a fine of R50,000 with R20,000 of the fine suspended for three years on condition that [he is] not guilty of a similar offence during the period of the suspension.
- ordered to pay a contribution of R25,000 towards the costs of these proceedings.

Publication of the offence in respect of which [he] pleaded guilty, the sanction imposed and the reasons for the sanction will take place in the IRBA News, but not [his] name or the name of the practice with which [he is] associated.

By way of explanation: the wording relating to the suspended conditions is that it relates to conduct during the period concerned, so that if [he is] found guilty after the period of suspension but the conduct relates to the period of suspension, the suspended sentence may still be imposed in those circumstances."

SECOND MATTER

On 1 March 2010 the Committee heard the case against Mr J W Whitelaw. He was neither present

nor represented. The matter arose out of a complaint by a client regarding tax work carried out for the client. The following is a summary of the charges and the finding, which was delivered by the chairman Adv WHG van der Linde SC.

FINDING

On 18 March 2010 the Disciplinary Committee made an order cancelling the registration of John Watson Whitelaw as a registered auditor, and directed that his name be removed from the register referred to in Section 6 of the Auditing Profession Act, 26 of 2005. In addition, Mr Whitelaw was fined R100,000 in respect of the finding of guilty on the first charge, as well as R100,000 on the finding of guilty on the second charge; payment of these two fines was suspended, on condition that they will only become payable should Mr Whitelaw apply for re-registration as a registered auditor.

It was also ordered that publication of Mr Whitelaw's name, the material facts of the charges, the evidence, and the findings relating to the charges and sentence was to occur once in IRBA News, and once in a newspaper circulating in Bedfordview.

The first charge was one of dishonesty, theft, fraud, forgery and uttering of a forged document, and the second charge was that Mr Whitelaw had acted dishonestly in relation to the work of a type commonly performed by a practitioner and the office of trust which he undertook, all in relation to the preparation, publication and issue of the financial statements of certain close corporations.

Mr Whitelaw was found not guilty of a third charge, which related to assertions that he had procured that the members of the close corporations misrepresented the affairs of the close corporations in their annual financial statements. This finding was based on the fact that it could not be found that the

members of the close corporations concerned had intended to misrepresent anything.

SYNOPSIS OF FACTS

A synopsis of the relevant facts is as follows: One Mrs Zakovic and her husband held three blocks of flats in equal member's interests in three separate close corporations. Initially these close corporations were companies and Mr Whitelaw was the auditor of the companies. His mandate included arranging payment of the provisional tax earned from the rentals collected from the flats, and to prepare the annual financial statements of the companies and later the close corporations.

In time the companies were converted to close corporations, and the buildings were sold out of the close corporations. Mrs Zakovic and her husband told Mr Whitelaw that they did not want to sell the shell close corporations, but that they wanted to deregister them. Mr Whitelaw took over all the files relating to the close corporations and told Mrs Zakovic and her husband that in due course he would destroy them.

From the evidence presented by Mr Zakovic it appeared that for some period Mr Whitelaw had been submitting one set of financial statements to the South African Revenue Services, but procured Mrs Zakovic and her husband to sign another set of annual financial statements in respect of the close corporations. It also appeared that Mr Whitelaw had transferred, after obtaining the signature of Mrs Zakovic and her

husband under false pretences, the member's interest in the close corporations to his wife and thereafter opened a new bank account in the name of the close corporations. Into that bank account Mr Whitelaw deposited cheques that were drawn by SARS in favour of the close corporations, being refund cheques payable by SARS to the close corporations concerned. The respondent and his wife then misappropriated the proceeds of those cheques.

It appeared from the evidence that what Mr Whitelaw did was to prepare financial statements on which Mrs Zakovic and her husband were required to pay tax which reflected profit figures that were always higher than were indeed reflected in the financial statements that were actually submitted to SARS. Mr Whitelaw submitted

adjusted financial statements to SARS which represented a smaller profit, and that less tax was payable by the close corporations than the financial statements that he had shown Mrs Zakovic and her husband. Mrs Zakovic and her husband accordingly paid tax on the financial statements that were shown to them; this was paid over to SARS, but SARS would then have in front of them the financial statements that reflected that less tax was due. In this way a refund would be generated and SARS would pay this over, and Mr Whitelaw would then steal the refund.

The evidence disclosed also that Mr Whitelaw perpetrated fraud in another way. He obtained cheques from Mrs Zakovic for submission to SARS as provisional tax payment and then in the event did not submit them at all to SARS. The evidence

disclosed also that Mrs Zakovic and her husband had applied to the High Court for an order compelling Mr Whitelaw and his wife to repay to them the amounts defrauded from them. The amounts concerned aggregated R780,342.18. Mr Whitelaw and his wife agreed to pay this amount to Mrs Zakovic and her husband, and this agreement was made an Order of Court. However, in the event, Mr Whitelaw and his wife have paid nothing.

It is of note that Mr Whitelaw did not appear before the Disciplinary Committee to defend the charges against him and his wife, despite being afforded a reasonable opportunity to do so. He therefore was not present to place mitigating circumstances before the Disciplinary Committee but the Committee took into account that he is an elderly person and a first offender. What outweighed his personal circumstances, however, was the severity of the offences and the interests of the public and of professional peers.

FORTHCOMING VACANCIES ON THE INVESTIGATING COMMITTEE

As part of the ongoing rotation of committee members, the Investigating Committee will have a number of vacancies at the beginning of the new financial year being 1 April 2011. Members of this committee are appointed for a period of five years and are required to have 10 years' practical professional experience in their fields. The committee comprises RAs, CAs and lawyers. The committee meets seven times a year for a full day, and approximately another day's preparation is required for each meeting. In order to achieve as wide a representation as possible, members are particularly sought from the following demographic and geographical groups, which are not adequately represented presently:

- Afrikaans speakers
- Coloured people
- Black African people
- Jewish people
- Women
- Lawyers
- RAs from medium sized firms
- RAs from the large firms
- CAs
- People from the Free State, North West or Northern Cape
- Durban
- Cape Town

If you belong to one – or ideally more – of these groups and think you might be interested in learning more about the Committee, please contact the Director: Legal.

Queries: **Jane O'Connor**
 Director: **Legal**
 Telephone: **087 940 8804**
 Facsimile: **087 940 8873**
 E-mail: **legal@irba.co.za**



LEGAL - INVESCO AT WORK



REGISTRY

CHANGES IN THE ANNUAL RENEWAL OF REGISTRATION PROCESS

The following information pertains to the renewal of both individual and firm registration with the Independent Regulatory Board for Auditors. This communication was distributed to RAs by both e-mail and post in April.

INVOICES FOR 2010

Invoices for the 2010 annual fees for individuals will be mailed in June 2010 and are payable by 31 July 2010. The fees payable with effect from 1 April 2010 were published in the Government Gazette No. 33102, Board Notice 51 of 2010 as well as on the IRBA website at Registry>2010 Annual Fees. Invoices will be issued and sent to individual registered auditors but the statements will be issued to the RA's firm, where applicable. Please visit the RA Search facility on IRBA's website in order to confirm the correctness of your and your firm's details. Any changes may be sent to registry@irba.co.za.

REGISTRATION AND ANNUAL RENEWAL FEES FOR FIRMS

In terms of section 38(2) of the Auditing Profession Act, No. 26 of 2005, a firm must apply for registration with the IRBA on the prescribed application form. From 1 April 2010 there will be no fees payable for the registration or annual renewal of firms.

PROOF OF REGISTRATION FOR INDIVIDUALS

The IRBA will no longer issue annual certificates as proof of registration to registered auditors.

All registered auditors will be issued with a single certificate which shall be deemed valid until such time as a registered auditor's registration is terminated. The certificate will be issued upon registration for new applicants, and for existing registrants, after the annual fees for the current year (2010) have been paid and all CPD requirements have been complied with. A complete list of registered auditors is available on the IRBA website or on request.

ANNUAL RENEWAL OF REGISTRATION FOR INDIVIDUALS

Registered auditors whose license to practice expired on 31 March 2010 will continue to remain registered, unless they terminate their registration or have their registration terminated in terms of section 39 of the Auditing Profession Act No. 26 of 2005, or fail to submit their annual returns to renew their registration in terms of section 40 (1).

The Annual Return consists of:

- a Practice Review affidavit
and
- a CPD Form 1

Both forms are available for download on the IRBA website at **Registry>2010 Annual Renewal**

The FICA compliance questionnaire will be distributed later in the year.

Annual returns had to be returned by **ONE** of the following methods to the IRBA before **16h00 on 31 May 2010**:

- Faxed to 087 940 8873; **OR**
- E-mailed to registry@irba.co.za; **OR**
- Hand delivered to Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609; **OR**
- Posted to PO Box 751595, Garden View, 2047 or Docex 158, Johannesburg

RA's TO SERVE ON AUDIT AND RISK MANAGEMENT COMMITTEES

The IRBA receives frequent requests from various parties to nominate Registered Auditors to serve as members on Audit and Risk Management Committees in the public sector.

All Registered Auditors who wish to be included in the register should please submit a letter which confirms availability and hourly rate, as well as a detailed CV, to Salaminah Moremi-Kayizzi at registry@irba.co.za.

The names of Registered Auditors who respond will be kept on file for nomination when requests are received.

For any further information please correspond directly with the Registry Department: Salaminah Moremi-Kayizzi at registry@irba.co.za. Tel: 087 940 8849.

INDIVIDUALS ADMITTED TO THE REGISTER OF THE BOARD From 01 JANUARY To 31 MARCH 2010

Adendorff Jan Hendrik
 Bezuidenhout Charl
 Blignaut Ananda
 Boakye Emmanuel Nana Kwadjo
 Owusu
 Bouwer Antonie Christoffel Lombard
 Britz Carolina Carin
 Chanakira Gwenth Makanyar
 Clarke Rudi
 Coetzer Johannes Hendrik
 Da Costa Michelle Ana
 De Beer Ilse
 De Jager Lourenz Josephus
 De Lange Albert Jacobus Johannes
 De Wet Celeste
 Dias Paul Edward
 Drotskie Jaco Johan
 Du Toit Charl Willem
 Dunn Gary Alan
 Duvenage Jana
 Essey John George
 Fleming Ian Bryce

Fourie-Van Zyl Antea
 Fraser Donovan Ian
 Gouws Elsie
 Govender Komatie Kisten
 Henning Chrisna
 Janse Van Rensburg Maria Cornelia
 Jonker Louis Adriaan
 Jordaan Monica
 Kali Lusanda
 Kartsounis Gary John
 Khandoo Raakesh
 Kotze Theunis Christoffel
 Kretzmann Claire Angela
 Lahner Manfred Heinrich
 Laing Kerry-Lee
 Louw Johan Matthys
 Madiba Thabiso Raymond
 Masemola Mangakane Mamahlape
 Mnconywa Ntombentsha Lilian
 Mohammadali Arshad
 Mokawem Laurene
 Morkel Brian
 Motala Mohamed
 Mxunyelwa Samkelo Sinawo
 Naidoo NiSchandrin
 Ndlovu Eric Mogale
 Nel Clinton Charles

Ngcobo Simangele
 Owen-Crompton Lynn
 Paruk Hassan Dawood
 Potgieter Ross Dreyer
 Ramokoto Moditswi Cindrella
 Roux Stefanus Christiaan
 Rust Wilna
 Salejee Goolam Nabie
 Schalekamp Henico
 Senekal Frits Christiaan
 Sharpley Monique
 Shezi Malusi William
 Simpson Lisa Jane
 Somaru Shevana
 Stamp John Barrass
 Stroebeel Jacques Francois
 Strydom Manessa
 Sukhari Aneetha Rajkaran
 Sutherland Claire Angela
 Tembo Justice Gaafele
 Terreblanche Lize
 Thoresen Gary
 Van Heerden Ulrich JoHann
 Van Rooyen Jacques
 Venter Freda
 Vorster Ian Johan
 Wilson Paul Michael

REGISTRY

CONTINUED

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE BOARD From 01 JANUARY To 31 MARCH 2010

Bartel Dennis George
Chilliba Stoffel Delekile
Deonarain Danjay Jairaj
Gobodo Nonkululeko Nompumelelo
Kloppers Gert Christian
Mac Donald Peter Mark
Maehler Jonathan Grant
Movundlela Mahlatsi Wilfred
Ngwenya Siphwe Andrew
Nhleko Ronald Vusimuzi
Riba Lerato
Steyn Johanna Susanna
Van Staaden Burton Harlen

INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD From 01 JANUARY To 31 MARCH 2010

Barry Graham John Resigned

Beckerleg Henry Benjamin Resigned
Bhana Reenesh Emigrated
De Swardt Louis Stefanus Resigned
Eckhout Tanja Resigned
Els Carl Resigned
Erasmus Jean Resigned
Esekow Jeffrey Deceased
Forbes Donald Murray Deceased
Galliot Marco Resigned
Gibson Rodney Francis Resigned
Gouws Erik Adriaan Deceased
Honeybourne Richard Bolton Deceased
Jordaan Johannes Petrus Lodewickus Resigned
Kinneer George Alexander Resigned
Lipworth Irwin Mark Resigned
Marais Helena Alberta Resigned
Mukheibir William Sameer Resigned
Petersen Trevor David Resigned
Sleigh Collen Anne Resigned
Smith Michael David Resigned
Speirs Don Fennelly Resigned
Thayser David John Resigned
Viljoen Philippus Jacobus Resigned

Vlok Gideon Jacobus Deceased
Wentzel Christiaan Lodewyk Resigned
Wessels Pieter De Wit Resigned
Young Robert Arthur Finlow Emigrated

Francois Opperman
Registrar

Telephone: 087 940 8865

Facsimile: 087 940 8876

E-mail: registry@irba.co.za



CORPORATE SOCIAL RESPONSIBILITY

IRBA staff once again responded generously to a request for donations of food, newspapers and accessories to the local Sebenza (Edenvale) branch of the SPCA, and we were able to deliver another car-boot load full of goodwill.

Pictured here with just a small portion of the donated goods are (L-R) Denise Beattie (SPCA); Joanne Johnston and Khanyisa Makhuzeni, both from IRBA's CSR committee.



STAKEHOLDER NEWS

RAISING CAREER AWARENESS OF THE AUDITING PROFESSION – ABASA SCHOOL VISITS

The shortage and demand of auditors in the country, particularly from previously disadvantaged communities, has demonstrated the need to raise awareness of the auditing profession. In partnership with the Association of Black Accountants of South Africa (ABASA), the IRBA recently embarked on an initiative to raise

awareness of the auditing profession at high schools in and around Gauteng. The aim of the visits is to make students aware of auditing as a profession and to encourage students to follow a career in auditing and accounting. The desired outcome is a profession that is representative of the

demographics of the country and is able to meet the local and global demand for financial services.

The IRBA recently participated in three school visit initiatives organised by ABASA, which were aimed at promoting the accounting and auditing profession in previously disadvantaged communities.

The first ABASA school visit took place on 20 February 2010 at Phomolong High School in Thembisa, a township situated in Ekurhuleni, east of Johannesburg. The second visit took place on Saturday 13 March 2010 at the Diepsloot Development Centre in Diepsloot, a township north of Johannesburg where three high schools were invited to attend the event.

Based on the results of the survey completed by the learners at the end of the visit to the Diepsloot Development Centre, there is still a lot of work to be done in order to raise awareness of the profession. Students also appear to lack information on the university application process and on how to seek financial assistance.

Overall, students demonstrated a need for more information, skills and a vision for the future.

The IRBA also participated in a career expo organised by ABASA which took place on 24 April 2010 at Kgamanyane High School in Mogwase, Rustenburg. More than 240 learners from six high schools around the Mogwase area attended the career expo in spite of the rainy weather.

The IRBA, Deloitte, PWC, Anglo Platinum, SAICA and SAIPA provided the scholars with guidance, application forms, diaries, pamphlets and other promotional items. Contributions from the sponsors were instrumental in ensuring that learners did not only receive guidance and motivation, but that they were also provided with a solution that will help them take the first step towards reaching their academic ideals. These visits do not only focus on career awareness, they also provide students with life skills. Students are exposed to auditing and accounting role models who have excelled in the face of adversity and who

come from similar backgrounds and environments to the students. They are given a sense of their own potential and future possibilities. The impact of these schools visits can be seen in the students' enthusiasm. The incidental benefit of future vision will ultimately lead to more motivated and driven students which will benefit the country as a whole.

The IRBA acknowledges the efforts made by ABASA and the profession in making these school visits a success and providing hope and drive to a future generation.

"Education is a companion which no misfortune can depress, no crime can destroy, no enemy can alienate, no despotism can enslave" The Spectator 1711.

Abraham Ramano
Project Manager: ETP
Telephone: 087 940 8786
Facsimile: 086 524 4932
E-mail: aramano@irba.co.za

ABASA SCHOOL VISIT



COMMUNICATIONS

In the interests of improved communication with Registered Auditors and other stakeholders, a list of Communiqués sent by bulk e-mail during the period January to April 2010 is set out below. These communiqués may be downloaded from the IRBA website, under the various "News" tabs.

5 January 2010	Department of Trade and Industry publishes Draft Regulations to the Companies Act, 2008 (Act No. 71 of 2008) for Public Comment by 1 March 2010
6 January 2010	International Standard on Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a service organisation issued by the IAASB
28 January 2010	Reminder: Firm Fees Due
01 February 2010	Companies Act, 2008 and Draft Regulations Comment of Companies Act
03 February 2010	Submissions to the Department of Trade and Industry in respect of the Rectification of the Companies Act 2008 (Act No. 71 of 2008) and draft Regulations pursuant thereto
26 February 2010	Official Statement accompanying the release of the results of the Public Practice Examination PPE 2009
11 March 2010	Reminder to submit comments on Exposure Draft of Rules regarding Improper Conduct and Code of Professional Conduct
18 March 2010	2010 IRBA News issue 11# is now available
29 March 2010	SAAPS 3 (Revised) (March 2010) Illustrative Independent Auditor's Reports
30 April 2010	Annual renewal of Registration

GENERAL NEWS

IRBA SUPPORTS FOOTBALL FRIDAY CAMPAIGN

IRBA staff members have enjoyed the opportunity to show their support for the 2010 FIFA World Cup by wearing their supporters' gear every Friday.

The Standards Department also enjoyed a tour of the Soccer City Stadium in April.



GENERAL NEWS

CONTINUED



PROJECT TO DOCUMENT THE HISTORY OF THE ACCOUNTING AND AUDITING PROFESSION IN SOUTH AFRICA

The University of Johannesburg recently instituted the History of Accounting Research Unit. This unit is currently busy with a long term project regarding the development of the Accounting and Auditing Profession in South Africa on behalf of SAICA and the profession as a whole, which entails amongst others an in-depth analysis into the four individual provincial societies' formation and development from the early days of inception at the turn of the previous century.

As part of this project, primary sources of information (i.e. minutes, publications, joint societies' conference proceedings and agendas, etc.) are needed to document the profession's development and history accurately, fairly and without bias.

One of the research unit's objectives is to establish a library containing all relevant material (in hard and/or soft copy) relating to the development

of the accounting and auditing profession in South Africa for use in future South African and international accounting history research projects.

The research team has been very busy scouring through archives, previous society offices and mouldy minute books to slowly try and piece together all the puzzle pieces. Some documentation however appears to have gone missing and it is hoped that some members might possibly be able to help the research team with information regarding the whereabouts of some of these documents.

The research team need help locating any of the following

1. Natal Society of Chartered Accountants' Minute books from 1907 - 1946
2. The South African Accountant (and Auditor) publication from 1914 - 1953

It has been widely accepted that PAAB published the first publication of this journal in 1954, however early minutes of the OFS and Cape societies already mention the existence of the "South African Accountant (and Auditor)" publication as early as 1914.

Any information or help in locating the above mentioned items will be greatly appreciated. **Any** other information, documentation or inputs regarding the project will also be welcomed.

Any information or queries regarding the research project can be directed to IRBA's Communications Department at communications@irba.co.za
Tel 087 940 8780

CONTACT INFORMATION

All correspondence to be addressed to:

The Editor
P O Box 751595, Garden View, 2047, Johannesburg

Docex 158, Johannesburg

E-mails to be addressed to:
Joanne Johnston at jjohnston@irba.co.za

Website: www.irba.co.za