



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

ISSUE

18

December 2011

NEWS



IN THIS ISSUE

• Message from the CEO	1
• Standards	3
• Ethics	8
• Inspections	9
• Legal	11
• Registry	14
• Communications	16
• General News	16

MESSAGE FROM THE

CEO

2012 is upon us.

While we are positive that the outcomes of projects and initiatives for which the foundation was laid in 2011 will materialise in the new year, 2011 was not without its fair share of 'blood, sweat and tears'...

Our training sessions on the new Companies Act in August 2011 were well received, but still did not provide the required clarity to the uncertainties which resulted from the different interpretations of

specific provisions in the act and regulations thereto. However, we are pleased that the Companies and Intellectual Property Commission (CIPC), which is responsible for the implementation of the corporate legislation, has remained close to the concerns expressed by auditors and has been receptive to further clarify areas which require more definitive interpretation. The IRBA will continue to engage with the CIPC to ensure that the legislation achieves the desired objectives.

A lot had been said about Broad-Based Black Economic Empowerment and the market again experienced some uncertainty regarding exactly what was involved, the standard to be applied and who can perform these engagements. This was not dissimilar to the independent review engagement which was introduced by the corporate legislation. Suffice to say, the IRBA has been engaging with the Department of Trade and Industry on both matters and agreed that, should it regulate these industries, it would be at a different level than for auditors, and we will need to be more inclusive. To this end, we will also engage with other stakeholders, primarily, professional institutes whose members wish to perform these engagements, so that we can arrive at a model that will accommodate more institutes. Proposals have been presented to the National Treasury to amend the Auditing Profession Act to incorporate the IRBA's amended mandate and we are hopeful that these will be effected in the new year.

Funding of the IRBA also received a lot of attention during the current year, and a new model to collect fees for inspections will be implemented in the near future. This will enhance the IRBA's independence and assist us with mutual recognition of our inspections processes. We have already reported that the European

Commission has recognised the IRBA as a regulator which is equivalent to the best in the world, and independent funding will increase opportunities for further recognition by other foreign audit regulators.

On the education front, huge strides are being made with the development of a new competency framework. We are pleased to serve on the International Education and Accountants Standards Board of the International Federation of Accountants' task force which deals with the development of a competency framework and this provides the IRBA with a good opportunity to influence the international process and also learn from international developments.

While the IRBA has always been involved with international projects and committees on standard-setting and audit regulation, it has recently commenced discussions with neighbouring countries in Africa to support them with the transfer of skills to improve regulation and the overall quality of financial reporting in Africa. This is particularly important if Africa is to become a recognised continent in the global arena and seen as speaking in one voice on matters of accountancy.

All the challenges and hard work made the smell of success all the better – being rated number 1 in the World for our auditing standards – second year running - confirmed the IRBA's status as an internationally respected standard setter and regulator. This is just what we need to stimulate that much needed investment in the country, and which, in turn, will ultimately go a long way in addressing the unemployment situation in South Africa.

South Africa would not earn its current status internationally without the profession itself, and I thank

everyone who has contributed to the success and recognition of our auditing profession by ensuring that high quality audits are delivered. High quality audits ensure the credibility of the financial markets but more importantly, protects investors' monies. We must continue to support auditors to improve audit quality, as this will in turn, assist the IRBA to achieve its own mandate to protect the public interest.

The Board and Staff of the IRBA wish all auditors and their families a joyous festive season and look forward to taking the profession forward in what appears will be an exciting 2012!

Bernard Peter Agulhas
CEO

Telephone: 087 940 8797

Facsimile: 087 940 8878

E-mail: executive@irba.co.za



STANDARDS

AUDITOR REPORTING – ENHANCING AUDIT QUALITY

This article briefly (if that is possible) considers the need for a properly presented auditor's report in compliance with the IAASB's Engagement Standards.

THE NEED FOR A PROPERLY PRESENTED AUDITOR'S REPORT

The auditor's report is usually the only document issued by the auditor that the users of financial statements see and is presently premised on the requirements for a clear and concise report. Accordingly, an unmodified auditor's report on the financial statements may look the same, whether the auditor is reporting on a listed company (greater public interest) or an owner managed company (lesser public interest). The user may not understand the wording of an auditor's report but is quick to find out when the report may be 'wrong'. Accordingly it is imperative that the auditor gets the auditor's report 'right'. That means 'right' in compliance with the requirements of the IAASB's Engagement Standards ('Standards'), and 'right' down to the last detail. An error in an auditor or assurance provider's report may not appear significant, but may impact the perception of the professional competence of the auditor, especially where the report contains a modification that is not dealt with correctly in accordance with the Standards or is unmodified when it should contain a modification in accordance with those same Standards.

An auditor's report (or assurance provider's report) that does not comply with the requirements of the Standards may result in a failed inspection and the auditor subject to charges of improper conduct

and, perhaps, litigation. Adverse findings in each case may affect the auditor's pocket and professional reputation. Gone are the days when it did not matter what the auditor's report said as long as it said something, gone are the days when the auditor's report explained the financial statements and gone is the auditor that gets the auditor's report 'wrong' – perhaps because the auditor may not be up to date on the reporting requirements or may not have access to specialised technical assistance on reporting. After all, the considerations for modification to an auditor's report may not be an everyday occurrence for the auditor.

IAASB'S ENGAGEMENT STANDARDS

The IAASB's Engagement Standards which include the standards on auditing (ISAs), review (ISREs), other assurance (ISAEs) and related services (ISRS) have resulted in auditor reporting becoming more complex. This is as a result of the issue of the clarified Standards and subsequent revisions to the Standards, all with the aim of improving audit quality. The Standards are not easy reading, the principles are often subtle and misunderstood and the clarified and revised requirements are usually more onerous than those that previously applied. This applies, especially, to the reporting requirements in:

- ISA 700, Forming an Opinion and Reporting on Financial Statements,
- ISA 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,

- ISA 705, Modifications to the Opinion in the Independent Auditor's Report, and
- ISA 706, Emphasis of Matter and Other Paragraphs in the Independent Auditor's Report.

Other Standards that have auditor reporting requirements and which may include illustrations of modified reports, include:

- ISA 510, Initial Audit Engagements – Opening Balances
- ISA 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors),
- ISA 710, Comparative Information – Corresponding Figures and Comparative Financial Statements, and
- ISA 570 Going Concern, and the ISREs and ISAEs and ISRSs.

SAAPS 3 Illustrative Reports provide guidance to Registered Auditors on the layout and wording of reports that meet the requirements of the ISAs and ISREs and comply with South African jurisdictional requirements, and contains illustrative reports not in the ISAs and ISREs. The proposed SAAPS 3 (Revised) is expected to be approved for exposure by the Committee for Auditing Standards at its November 2011 meeting.

Derek Spavins*

Telephone: 087 940 8871

Facsimile: 087 940 8876

E-mail: standards@irba.co.za

* Derek is a retired Director from KPMG, has been a member of CFAS for past 5 years and Chairman of the Reports Standing Committee handling development of SAAPS 2 and SAAPS 3 and advising on regulatory reporting matters. He also serves on many other CFAS Task Groups and also on Invesco, and has much experience on audit and assurance reporting by auditors. He has served on the KPMG Global ISA Panel and has extensive experience in auditing and assurance standard setting and auditor's reporting solutions.

B-BBEE APPROVED REGISTERED AUDITORS

Notice 754 published in Government Gazette 34612 on 23 September 2011, contains the long awaited amendment to the Codes of Good Practice in **Statement 005: Broad Based Black Economic Empowerment Verification**, (Statement 005) that provides the formal approval by the dti for the IRBA, with effect from 1 October 2011, to approve registered auditors (RAs) who may provide valid B-BBEE Verification Certificates. So what are the implications for RAs who wish to seek this approval?

1. Apply to IRBA for registration as a "B-BBEE Approved Registered Auditor" by:

- **Completing the Form 3:**
Application by an Individual Registered Auditor for Approval to Provide B-BBEE Verification Assurance Services, which may be downloaded from the IRBA website at: [<http://www.irba.co.za/>], and
- **Submitting all the requisite information and documents requested**, in particular, evidence that the RA has satisfactorily completed the post graduate *B-BBEE Management Development Programme (MDP)* offered by UNISA SBL and Wits Enterprises as required by the dti; and
- **Paying** the IRBA's registration fee of **R4 000.00** on submission of the RA's application for approval as a **B-BBEE Approved Registered Auditor** as provided for in the IRBA Board Notice 160 of 2011 published in Government Gazette No 34683 on 21 October 2011; and
- Providing evidence by **30 September 2012** that your "**measured entity**" has achieved a Level 3 Superior Contributor B-BBEE Status.

RAs are reminded that the CA Charter Sector Code was issued in May 2011 and is the Code most likely to be applied by them for their B-BBEE rating or EME Level 3 Status.

2. B-BBEE Approved Registered Auditors retain their individual **IRBA Registration No.** but will have the letter **B** added to the end of their registration number. Their individual registration number followed by the letter **B** must be reflected on **all B-BBEE Verification Certificates** issued by them and will be reflected as such in the Register of individual RAs available in the RA Search facility on the IRBA website.

3. MDP Training arrangements

The MDP Course comprises the following 5 Modules:

- Module 1: B-BBEE Legislative Framework;
- Module 2: Management Control, Employment Equity and Skills Development;
- Module 3: Enterprise and Socio-Economic Development through Procurement;
- Module 4: Public Finance and Principles of Accounting;
- Module 5: B-BBEE Ownership and Best Practices.

Applications for the MDP opened from 1 September 2011. Registration applications are centralised through the **MDP Training Portal** on-line at: <http://bbbee.traininggateway.co.za/>. **Please note that RAs are not required, or expected,** to indicate on their application that they have "**at least 3 years of B-BBEE verification experience**". The request on the MDP Portal relates to non RA staff of Verification Agencies who will need to provide a portfolio of evidence in this regard. Application or registration inquiries may be directed to **Ms Delchia Jacobs (delchia.jacobs@wits.ac.za) and phone: (011) 717-9027.**

RAs automatically qualify for acceptance onto the MDP and are expected to complete the 5 Modules over 5 full days (the fast track) spread over a 2 week period. The scheduling of the training will be done by the 2 Universities based on the geographic location of applicants and will be offered in different city centres subject to a group size of 30-40 applicants. The first of these 5 day fast track courses commenced on **31 October 2011** at the Midrand Campus of UNISA SBL. The timing of and venues for subsequent "fast track" will be advised by the Universities. Whilst credit will be given to RAs in respect of attendance at Module 4 sessions, they will still be required to complete the assessment for Module 4 in completing the MDP course.

Those CAs(SA) who might be employed in auditing firms but who have not registered as RAs are welcome to apply for the MDP, but will then need to submit their CV's on application for consideration of the Universities for acceptance on the MDP. Should they then wish to apply for registration as B-BBEE Approved Registered Auditors they will need to complete the usual application for registration as an individual RA and demonstrate the required competencies. The application form can be downloaded from the IRBA website and submitted to IRBA Registry: www.irba.co.za/index.php/registry-functions-52/59?task=view. Such individuals applying simultaneously for registration as RAs should also register for the "fast track" MDP course.

The CFAS B-BBEE Advisory Committee, in consultation with the dti, is currently developing a South African Standard on Assurance Engagements (SASAE) *Assurance Engagements on B-BBEE Verification Certificates* that will contain the requirements and guidance for B-BBEE approved RAs providing such services. The SASAE will be considered by CFAS at its November

2011 meeting for approval to issue on exposure for a period of at least 30 days for comment. Comments received will be considered in finalising the SASAE for approval by the Board to issue – expected in the first quarter of 2012. The SASAE will be prescribed for use by RAs in place of the current dti Verification Manual issued by the dti.

Auditors planning to extend their audit and assurance services to provide B-BBEE Verification

Certificates to their audit and other clients are advised to ensure their engagement teams are adequately trained and competent to provide such services. Please note that **only B-BBEE Approved Registered Auditors, and SANAS accredited Verification Agencies, are permitted to issue (sign off on) valid B-BBEE Verification Certificates**. Exempt Micro Enterprises Certificates at a Level 3 or Level 4 Contributor Status,

however, may continue to be issued by any registered auditor and any accounting officer. We understand that SANAS is declining any applications for accreditation by registered auditors who are advised to rather follow the IRBA approval process. If you have any further questions please contact the Director: Standards at 087-940-8871 or the Professional Managers in the Standards Department.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

CURRENT PROJECTS

The following proposed SAAPS and/or Guides was considered by the CFAS in November 2011 for approval to issue on exposure for a period of 30 days for public comment:

- A **Proposed South African Standard on Assurance Engagements (SASAE) Assurance Engagements on eXtensible Business Reporting Language (XBRL)** has been developed by CFAS and is expected to be approved at the November 2011 meeting for issue on exposure for comment for at least 30 days. This Proposed SASAE sets out requirements for practitioners providing assurance relating to XBRL tagging of information and / or instance documents and applies the principles contained in ISAE 3000 in a limited assurance engagement to report on XBRL-tagged data for regulators, investors or other financial report users in respect of:
 - a. The accuracy and completeness of the XBRL tagging process; or
 - b. The accuracy and completeness of the XBRL tagging process and instance document.

- The XBRL tagging is a machine-readable rendering of data within a source document (for example, financial statements or financial report), and hence this assurance engagement does not constitute an audit of historical financial information as defined in International Standards on Auditing (ISA's). Consequently, technical knowledge of the XBRL language and of the specific requirements for submitting XBRL-tagged data is needed to properly create XBRL instance documents and related files. The process for tagging source documents and other business reports in XBRL is complex and requires technical expertise on the part of management and the practitioner.
- At the request of the JSE Securities Exchange a CFAS XBRL Task Group was established to develop guidance for practitioners requested to provide assurance services relating to XBRL tagging and instance documents to enable assurance to be expressed on audited financial statements of listed companies submitted to the JSE as XBRL Instance Documents. It is expected that the final SASAE will be considered by CFAS in March 2012

for recommendation to the Board to issue.

- A **Proposed SAAPS 7 Audit of Medical Schemes** was approved by CFAS at its meeting in August 2011 for issue on exposure for a period of 30 days. The long awaited SAAPS will provide guidance regarding the audit risks commonly encountered and specific to audits of medical schemes, the compliance requirements of the Medical Council, the Medical Schemes Act, Regulations, Circulars and illustrative auditor's reports. We express our appreciation for the contributions of the Council for Medical Schemes and those firms serving on the Task Group who have contributed to the various sections of the guide.

It is hoped that the final approved SAAPS will be issued early in 2012 and will provide useful guidance for auditors performing their 2011 year end audits.

CFAS PUBLIC SECTOR STANDING COMMITTEE (PSSC)

- The comment periods for the following Proposed Guides developed by the CFAS Public Sector Standing Committee ("PSSC") in consultation with the Auditor General's (AGSA's) Audit Research and Development staff has closed.
 - **Proposed Guide for Registered Auditors Auditing in the Public Sector** and
 - **Proposed Guide for Registered Auditors in the Audit of Pre-determined Objectives.**
- The Proposed Guides provide useful insights to the additional requirements and expectations when auditing in the public sector and the various Governmental structures, financial reporting and auditing requirements that registered auditors may not always be aware of. The PSSC has played an important role in facilitating the development of useful guidance for registered auditors engaged in public sector audits. This relationship between the CFAS and the AGSA is unique and we believe will contribute to enhancing audit quality and reporting on public sector financial statements, governance and accountability. We thank those firms who submitted comments. All comments received have been considered and final changes made to the Guides that will then be considered by CFAS for approval to recommend to the Board to issue.

CFAS REPORTS STANDING COMMITTEE (RSC)

- The **Revised SAAPS 3 Illustrative Reports** is proceeding and is expected to be issued on exposure during December 2011. It will incorporate the following:
 - Changes to the ISA 700 and ISA 800 reports arising from the Clarity ISAs and requirements of the Companies Act, 2008 and Regulations 2011;
 - Illustrative ISRE 2400 independent reviewers' reports that meet the requirements of the Companies Act and Regulations;
 - Illustrative reports on public sector entities and government departments, as required by the Auditor-General South Africa;
- In the interim, an example of the wording changes to the standard ISA 700 auditor's report arising from the Clarity ISAs has been communicated to auditors and made available for download from the IRBA's website.
- The RSC has also developed illustrative reports for independent reviewers that meet the requirements of the Companies Act and Regulations whilst also complying with the principles of ISRE 2400 **Engagements to Review Financial Statements** that were communicated to auditors on 8 September 2011. The reports are available for download from the IRBA's website.
- A revised auditors' report on Estate Agents Trust Accounts has been agreed with the Estate Agency Affairs Board that is effective from 1 September 2011 was communicated to auditors on 8 September 2011. The report is available for download from the IRBA's website.

- A task group has been formed and is in the process of developing an updated **Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports.**

RSC REGULATORY REPORTS

Financial Services Board (Fsb)

- **Long Term and Short Term Insurance – SAM Project:** The IRBA continues to participate in this project and is appointed to the Steering Committee and the Pillar II and Pillar III working groups of the FSB - Solvency Assessment and Management (SAM) Project. Good progress is being made with this project expected to extend over the next three years. The IRBA has submitted comments on various discussion papers at a high-level impacting on future regulatory returns and audit and reporting requirements.
- **Retirement Funds:** Proposed changes to the auditor's reports in the annual return were considered at the IRBA Retirement Fund Task Group meeting on 1 September 2011. Changes have been made to the annual return that affect the auditor's reports:
 - Schedule B – statement of responsibility by the board of trustees – an "instances of non-compliance" note has been added.
 - Schedule D – report of the independent auditors.
 - Schedule E – report of the board of trustees.
 - Schedule HA – notes to the financial statements (basis of preparation).
 - Schedule IB – assets held in compliance with Regulation 28 – assurance report.

STANDARDS

CONTINUED

These amended reports will be included in the annual return circulated by the FSB.

The IRBA continues to engage with the FSB Pension Funds and FAIS Departments regarding the Section 13B report in order to reach consensus regarding reporting requirements for auditors in respect of investment and benefit administrators respectively.

- Discussions continue with the FSB Pension Funds and FAIS Departments, the RSC's Retirement Funds Task Group in order to reach consensus regarding reporting requirements for auditors in respect of

investment administrators, benefit administrators, nominee holding companies and nominee companies. It has been agreed that the reports will be separate ISAE 3000 reports, comprising one each for:

- Benefit administrators;
- Investment administrators; and
- Nominee holding companies and nominee companies.

CFAS SUSTAINABILITY STANDING COMMITTEE (SSC)

- The SSC met on 1 August 2011 and on 27 October 2011. The SSC is preparing comments on the assurance aspects in the International Integrated Reporting

Council's Discussion Paper on a Framework for Integrated Reporting. In addition the SSC is on providing assistance to the Integrated Reporting Committee's Working Group (IRCWG) on assurance aspects relating to Integrated Reports and the future development of guidance for auditors and assurance providers reporting thereon.

- Research is planned to be undertaken in 2012 in respect of sustainability assurance reports issued in order to develop reporting guidance to improve the quality of such reports.

ACTIVITIES OF THE INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

The IRBA, assisted by the various relevant CFAS task groups have submitted comments on the following discussion papers and exposure drafts.

Project	Status
ISAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>	Comments on exposure draft were submitted to the IAASB on 18 September 2011
ISA implementation monitoring project	Part 1 of the survey was submitted to the IAASB on 14 October 2011. Part 2 is due during the course of 2012

Other current projects of the IAASB

Details of progress on these projects, including comments received can be found at www.ifac.org/IAASB/Projects.php

- Assurance and Related Services on Financial Information Other Than Audits:
 - Proposed Revised Compilation Engagements (ISRS 4410) and
 - Proposed Revised Review Engagements (ISRE 2400).
- Proposed Revised *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000).
- ISAE 3410 Proposed Assurance on a Greenhouse Gas Statements.
- ISAE 3420 Assurance Reports on Pro Forma Financial Information Included in a Prospectus () – approved by the IAASB at its meeting in September 2011 and presently going through the PIOB process before final issue expected in December 2011.
- Audit Quality
- Auditor's Reporting Consultation Paper
- Proposed Guidance on Auditing Complex Financial Instruments
- Status and Authority of the International Auditing Practice Statements
- The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements (ISA 720).
- Using the Work of Internal Auditors (ISA 610).

REVISED CODE AND RULES

The IRBA Rules Regarding Improper Conduct (the "Rules") and Code of Professional Conduct for Registered Auditors (the "Code") have been in effect from 1 January 2011. It is expected that Registered Auditors have updated their firm's quality control requirements and audit methodologies to align with the Code and have provided training to all audit trainees and audit professionals employed within the audit firm regarding these updates. We encourage auditors to carefully consider the implications of the code on their firms and not just implement a tick box approach.

Independence requirements for audits of companies and close corporations

The CFAE will be issuing a Communiqué in December 2011 in respect of the Independence and Rotation requirements for Public Interest Entities in the IRBA Code, and implications for auditors when considering the Companies Act, 2008 independence requirements and Public Interest Score.

The IRBA plans to provide ethics training around the country early in 2012 to provide guidance focused on assisting auditors in the implementation of the IRBA Code in their audit, review and

other assurance engagements. The training is expected to take the form of interactive 3 hour workshops with a maximum of 40 -50 participants at each session. Depending on the demand from different centres both morning and afternoon sessions will be provided. Further details of venues and scheduling will be provided in due course. Participants will be able to book on-line through the same booking process used for the 2011 IRBA road shows on the Companies Act.

REPORTABLE IRREGULARITIES

Statistics

	April 2010 to March 2011		April 2011 to September 2011	
	Total	No. of Private Companies	Total	No. of Private Companies
Total number of RIs reported	806 (100%)	629 (78%)	402 (100%)	301 (80%)
Continuing RIs	468 (58%)	385 (82%)	140 (33%)	125 (90%)

Please note the following:

- Email reports to ristandards@irba.co.za.
- RAs must conclude whether the RI is continuing or not continuing and must please state this in their second reports. **It is not acceptable to state that the RA is "not able to conclude"**.
- Extensions will only be granted in *extreme* circumstances.
- Please refer to the IRBA *Reportable Irregularities Guide* before contacting the IRBA with queries.
- A CFAS Task Group has been established to update

the current IRBA Guide on Reportable Irregularities issued 30 June 2006 to provide current practical examples of reportable irregularities, and changes arising from the Companies Act, 2008 and Regulations, 2011, including guidance for independent reviewers reporting irregularities to CIPC.

Reportable irregularities to be reported by independent reviewers

We draw to the attention of registered auditors appointed as independent reviewers in terms of the Companies Act, 2008 and Regulations, that Regulation 29(1)

(b) requires an independent reviewer to report a reportable irregularity **to the Companies and Intellectual Property Commission (CIPC)**. The definition of a Reportable Irregularity is similar to that in the Auditing Profession Act, viz:

"reportable irregularity" means any act or omission committed by any person responsible for the management of a company, which -

- (i) Unlawfully has caused or is likely to cause material financial loss to the company or to any member, shareholder, creditor or investor of the company in respect of his, her or its dealings with that entity; or

- (ii) Is fraudulent or amounts to theft; or
- (iii) **Causes or has caused the company to trade under insolvent circumstances.**

The third condition differs from that in the Auditing Profession Act and highlights the concern of the dti for the sustainability of companies trading in insolvent circumstances.

Independent reviewers who are also registered auditors are **not required** to report such reportable irregularities to the IRBA. There is no indication at this stage whether or

not the CIPC expects, or requires, the independent reviewer to deal with such reportable irregularities in their review report.

Further information on reportable irregularities may be viewed on the IRBA website at www.irba.co.za/index.php/reportable-irregularities-75.

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



INSPECTIONS

CHANGE IN THE METHOD OF RECOVERY OF COST FOR INSPECTIONS PERFORMED BY THE IRBA IN THE NEXT INSPECTION CYCLE

The changes outlined below will apply to the next inspection cycle, not the current inspection cycle which will take a few more months after 1 April 2012 to be completed.

PROVISIONS IN THE AUDITING PROFESSION ACT

The Auditing Profession Act, Act 26 of 2005 (the Act), states that the Independent Regulatory Board for Auditors (IRBA), or any person authorised by it may at any time inspect or review the practice of a Registered Auditor (RA). Despite the above generality the IRBA must at least every three years inspect or review the practice of an RA who performs the audit of a public interest company as defined in the Companies Act.

The Act further states, in section 8(2) (b), that the IRBA may prescribe fees payable for an inspection or review undertaken by the IRBA in terms of section 47.

Section 47, in subsection (2), provides that the IRBA may recover the costs of an inspection from the RA concerned and further, in subsection (6), that the RA must submit to the IRBA such information or returns as may be requested by the Board annually.

CURRENT PRACTICE

Currently, inspections are charged on the actual time spent carrying out the firm/engagement

inspection at a standard rate per hour, per inspector. The current rate is R1 190 per hour.

This practice means that the RA is directly charged for the inspection when it is performed, which could have a major impact on the auditor's/ firm's cash flows.

Furthermore, this method of recovering inspection costs may compromise perceptions of the IRBA's independence from the auditing profession.

During the annual renewal process all RAs were requested to complete an affidavit to declare whether they perform the audit of public interest entities, and also to submit a list of clients where audit opinions on financial statements were signed. Based on that information, RAs/firms are categorised according to those audits performed which may pose a high public interest risk, and inspections are then planned accordingly.

NEW MODEL TO FUND INSPECTIONS

In future, inspection fees will be charged twice a year based on a percentage of total audit and other assurance services invoiced by the firm and declared per RA per calendar year (January to December). Other assurance fees include fees derived from all other assurance services, including, but not limited to, Broad-Based Black Economic Empowerment Verification Services and audits of attorneys' and estate agents' trust accounts.

The benefits of the above model are as follows:

- inspection fees will be distributed evenly;
- the total fees per registered firm for the cost of inspections will now be evenly borne by all firms in relation to their audit and assurance fee base;
- inspections by the IRBA can be done following a risk based approach;
- inspections will include other assurance work performed by RAs in firms, either together with or independent from the normal inspection process; and

- additional inspections can be performed based on any risks that may come to the attention of the IRBA, without recovering costs on a direct (cost per hour) basis.

Please note that **re-inspections** will still be charged on a cost per hour recovery basis at a rate as prescribed by the IRBA.

PROCESS

The process, starting in 2011, will be as follows:

1. Before the end of December detailed documentation will be sent to all firms/RAs for completion, consisting of:
 - a. a form with firm details for confirmation;
 - b. an Excel template for completion to declare the fees invoiced per client per RA for the calendar year January to December, categorised as follows:
 - Audit, and regulatory reporting for audit clients
 - B-BBEE verification services; and
 - Other assurance work including but not limited to audits of regulated entities such as pension and retirement funds, medical schemes, attorneys' trusts accounts and estate agents' trust accounts.

The Excel template will be available on the website of the IRBA or can be emailed on request.

The template must be completed by each firm per RA per client and returned to the IRBA by the end of the following February and will be used as a basis to calculate the fee payable by the firm.

The fee declaration will be verified as part of inspections.

2. If the documentation as mentioned in 1 above is not returned by February a minimum amount of R10 000 per firm will be charged. When the actual return is received or the inspection of the schedule indicates that the fees were understated the difference will be charged, including a penalty as prescribed. No portion of the minimum amount of R10 000 is refundable in the case of none or late submission.
3. Inspection invoices will be sent as follows:
 - a. 1st invoice sent on 1 June payable before 31 July
 - b. 2nd invoice sent on 1 December payable before 31 January in the following year.

If you have any further questions please contact:

Willemina de Jager

Director: Operations

Tel 087 940 8800

E-mail: wdejager@irba.co.za

QUARTERLY REPORT FROM THE DIRECTOR: LEGAL FOR THE PERIOD 1 JULY 2011 TO 30 SEPTEMBER 2011

INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred a number of matters to the Disciplinary Advisory Committee with recommendations.

In addition one matter was not referred to the Committee as it was mediated by the Directorate.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met twice during this period and disposed of 17 matters, as follows.

Decisions not to charge

- four 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)
- three matters in terms of Disciplinary Rule 3.5.1.2 (the respondent having given a

reasonable explanation for the conduct)

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

Decision to charge and matter finalised by consent

Four practitioners were fined.

- two matters were JSE referrals (R20,000 of which R10,000 was suspended on conditions; R100,000)

- one matter related to failure to respond adequately and/or timeously to correspondence from the Board (R25,000 plus R45,000 contribution to costs)
- one matter related to inadequate communication of fee estimate (Reprimand)

One matter was referred for hearing by the Disciplinary Committee

DISCIPLINARY COMMITTEE

The Disciplinary Committee met once during this period to hear the case of Mr M. As the respondent did not turn up, indicating that he was ill, the matter was postponed until 25 October 2011. Note that this occurred before the publication of our policy on postponements (refer to previous issue of IRBA News and to our website).

REQUEST FOR ARCHIVAL MATERIAL



Mr JJF Lemmer's library in transit

We have scoured our archives and have been unable to turn up a copy. Is there any reader of this newsletter who might have a copy of this brochure and who would be prepared to donate it to the centre? If you have such a copy or are in possession of any other material which could contribute to the intended library/archive for the history centre and would be prepared to part with it, please contact either Krysta or Jane O'Connor directly.

Krysta also recently took possession of the library of the late Mr JJF Lemmer, a remarkable practitioner from Ermelo. He practised until March 2007 when he retired at the age of 90 due to ill health. He was registered on 17 March 1952 and was the 249th person to be registered with the PAAB. Mr Lemmer had indicated that he wished his library to be donated to the IRBA but as we were not in a position to house it we suggested that it pass to the history centre. We like to think he would have approved of this.

Jane O'Connor, Director : Legal, sits on the board of the South African Accounting History Centre, housed at the University of Johannesburg. She recently received this email from Krysta Heathcote, an accounting history doctoral student who is the secretary to the SAAHC:

From: Heathcote, Krysta [mailto:krystah@uj.ac.za]
 Sent: 07 August 2011 08:43 PM
 To: Jane O'Connor
 Subject: "Accounting as a Career" brochure 1964?

Dear Jane!

I am almost done with my minutes of the OFS Society for the UJ/History of Profession Projectjust 10 years left.

I have read a lot about a certain brochure that was prepared by PAAB in the 1960's entitled "Accounting as a Career" that was targeted at schools in SA.

I was just wondering if you possibly have a copy of this somewhere?

Thank you so much.

Hope to see you soon

Krysta Heathcote

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



ON A LIGHTER NOTE

Occasionally we receive correspondence that warms our hearts. Here is one such example.

Independent Regulatory Board for Auditors
P O Box 751595
GARDEN VIEW
2017

Dear Sir/Madam

re: CONTINUAL PROFESSIONAL EDUCATION
IRBA REGISTRATION NUMBER 566764

Please refer to the above enclosed form for year ended 31st December 2009.
I was seriously ill during the year ended 31st December 2008.

Medical opinion was that it would take at least 18 months to get back to something like normal, which takes me to May 2010.

I underwent 4 operations, prostate, kidney stones, insertion of a stent (lower abdominal aneurysm aorta) and vascular by-pass for a blood clot in the right leg.

Please note that notwithstanding my inability to attend lectures, when necessary I have consulted experts as the statement from Leon Du toit bears witness.

I am only now well on the way to recovery, and will be resuming lectures in the 2011 year.

(I enclose documents in support of the above).

I hope in the circumstances you will understand my predicament, and exercise your indulgence.

Yours faithfully

P.S. In addition I had a Pace-Maker inserted
on the 6th June 2010.

Please ensure that you do not send any
letters that will excite me unduly.

REGISTRY

INDIVIDUALS ADMITTED TO THE REGISTER OF THE BOARD From 1 JULY TO 30 SEPTEMBER 2011

Adendorff Hubert Paul
Allen Irene Dulcie
Amod Mahommed Raees
Amod Younus Ebrahim
Becker Johannes Jakobus
Beseti Zola Aubrey
Bezuidenhout Jacques
Blair Ian
Boersma Reynier
Botha Hennie
Botha Stefanus Beyers
Brandt Elandre George
Breytenbach Eugene Christo
Broodryk Melani
Burger Francois Alewyn
Calitz Lindie
Carrim Tareq
Cele Zazi Timothy
Celliers Jacqueline
Chabangu Abraham
Crafford Pieter Jacobus
De Kock Jurie Hendrik Wessels
Dobie Wilmy
Du Preez Angus Virgill
Feldtmann Annelien
Fraser Gino Earl
Gouws Ernst Frederick
Gouws Johannes Reinier
Harri Viresh Parshotam
Hasluck Marguerite
Hoffman Nylde Heila
Human Matthew David George
Ingram Minette
Isaacs Mogamat Kasief
Jaja Faith Vimbainashe
Janse Van Rensburg Anna Christina
Jhavary Suleman Haroon
Khalfay Dilshad
Liedeman Paul John
Louw Hendrik Johannes
Maharaj Shalika
Mall Farzanah
Mametja David Vincent
Mammat Jayne Carol
Mandy Kyle Eric
Maphiwa Magugu
Mbulaheni Lindani Rose
Mistri Jayshila Ramanlal
Modise Charles
Mohanlal Ushen
Mqhavule Fezile Winfried
Mtimkulu Busisiwe Eugenia
Mudamburi Taurayi
Mulder Frederick Gerhardus
Myataza Asanda
Naidoo Dashinia
Ndeya Luyanda
Ndiweni Nqaba

Ndukwana Simon
Ngwenya Nompumelelo
O'neil Teresa
Oosthuizen Wian Johan
Persad Pravitha
Phundulu Tshilidzi Jane
Poho Tshepiso
Pretorius Garth
Prinsloo Adolf Eugene
Quin Hayden Francis
Reddy Ashwin
Reddy Davlin
Relling Ernst August
Rugbeer Ravi Samsunder
Shuro Ngonidzashe
Soni Thrisha
Soorajdin Bhimchand
Steenkamp Michael
Steyn Petrus Jacobus
Strydom Daniel Jacobus
Suknanan Natashaia
Tam Ling
Thage Morakile Michael
Thokam Mohammed Aslam
Tshikhovhokhovho Ndivhuwo Vincent
Tshuma Dumisani
Van Der Merwe Lea Magdalena
Van Der Merwe Natelie
Van Der Walt Johandi
Van Schalkwyk Deon Jacques
Van Tonder Marthinus Jacobus
Van Zyl Jacoba Maria
Vermeulen David Johann
Vermeulen Johan
Webb Francois Carl
Williams Henry Peter
Williams Sunette
Zwane Bongile Fikile

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE BOARD From 1 JULY TO 30 SEPTEMBER 2011

Alexander Donovan Andrew
Black Kevin Donald
Els Vernon Louis
Esau Tamara Carol
Graham Daniel Edthmund
Hendricks Neven Graden
Kara Eesa
Lourens Phillippus Jacobus
Lubisi Mashangu Ronny
Madikizela Sphelele Welcome
Matsho Lector Arthur
Mohamed Yusuf
Ndlovu Nomthandazo Tshepo
Odoro Henry
Omar Khalid Osman
Sadek Mohamed Zakaria
Salomon Eric Alan
Tsoka Lepeke Elliot
Van Der Merwe Andre Rudolf

Van Der Walt Barend Bartholomeus
Van Niekerk Scha
Vanker Imran
Zulu Maqhinga Johannes

INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD From 1 JULY TO 30 SEPTEMBER 2011

Ahmed Iqbal, *Resigned*
Ally Zameera, *Resigned*
Barnard Debra, *Resigned*
Bekker Jacobus Coenraad Petrus, *Resigned*
Bester Andries Jacobus, *Resigned*
Betty David Rex, *Resigned*
Boonzaaier Martha Margaretha, *Resigned*
Bosman Jan Andries Christoffel, *Resigned*
Bragg Rosalyn Eleanor, *Resigned*
Brink Eldie, *Resigned*
Buhr Eric Wilhelm, *Resigned*
Cameron Hugh Colin, *Resigned*
Chanakira Gwenth Makanyara, *Resigned*
Codd Alan Leslie, *Resigned*
Coetser Jacques Senekal, *Resigned*
Coetzee Ewald, *Resigned*
Coetzee Willem Jacobus, *Resigned*
Compion Anna Susanna, *Resigned*
Crozier Anthony Donald Wood, *Resigned*
De Bruin Marthinus Daniel, *Resigned*
De Freitas Eduardo Manuel Boaventura, *Resigned*
De Jager Hermanus, *Resigned*
De Wet Anele Helene, *Resigned*
Dempsey Christian Theunis Bekker Deceased
Du Plessis Johannes Hendrikus, *Resigned*
Du Plessis Wynand Petrus, *Resigned*
Du Plooy Bruce, *Resigned*
Du Preez Abraham Petrus, *Resigned*
Du Preez Keith, *Resigned*
Du Preez Mathys Machiel, *Resigned*
Duncan Rylda Anne, *Resigned*
Fairbank David Michael, *Resigned*
Fourie Pieter Benjamin, *Resigned*
Gerber Philipus Johannes, *Resigned*
Geyer Lodewyk Wilhelm, *Resigned*
Halloway Clive Edgar, *Resigned*
Harichunder Royprakash, *Resigned*
Herberg Bernard David, *Resigned*
Howard Cherly Louise, *Resigned*
Inge John Dickson, *Resigned*
Jacobs Marle, *Resigned*
Jansen Van Rensburg Eugene Theodorus, *Resigned*
Jansen Van Vuuren Barend Daniel, *Resigned*

REGISTRY

CONTINUED

Jordaan Gerald Louis, *Resigned*
Joseph Zoe, *Resigned*
Joubert Knud Ejnar, *Resigned*
Kaplan Clive, *Resigned*
Klonaridis Natalie Ruth, *Resigned*
Kloppers Gert Christian, *Resigned*
Knol Thomas Deceased
Krombein Sidney Deceased
Lindeque Barend, *Resigned*
Lindsay Lee-Ann Abigail, *Resigned*
Litvin Morris Deceased
Macdonald James Donaldson, *Resigned*
Macgillvray Finlay Craig, *Resigned*
Margot Thornhill Jennifer, *Resigned*
Marsh Sharon Leigh, *Resigned*
Martin Claire, *Resigned*
Mc Donald Ramsay Hector, *Resigned*
Motala Arshad Yusuf, *Resigned*
Muller Jacobie Janse, *Resigned*
Muller Michiel Hendrik, *Resigned*
Murray Adrienne Estcourt, *Resigned*
Naicker Dayalan Manikum, *Resigned*
Ngcobo Linda Rose-Ann, *Resigned*
Niebuhr Wilhelm, *Resigned*
Oblowitz Edwin, *Resigned*
Oshry Marcus Timothy, *Resigned*
Osman Hanifa, *Resigned*
Paxton Rodney Brian Ross, *Resigned*
Peddle Graeme Christopher, *Resigned*
Penwell-Smith Amanda, *Resigned*
Petersen Dawid Charles, *Resigned*
Pienaar Petrus Albertus, *Resigned*
Raff Samuel Selwyn, *Resigned*
Riba Lerato, *Resigned*
Romano Giuseppe, *Resigned*
Rossouw Louis Johannes, *Resigned*
Roth Gilbert Ernest, *Resigned*
Salejee Ismail, *Resigned*
Schoeman Marc, *Resigned*
Schunke Fritz, *Resigned*
Sharp Karien, *Resigned*
Sheperd Richard John, *Resigned*
Solomon Victor Els, *Resigned*
Sondlo Nolubalalo, *Resigned*
Stein Martin Ian, *Resigned*
Swanepoel Arnoldus, *Resigned*
Swartz Gary Edward, *Resigned*
Toker Martin Keith Deceased
Van Der Walt Regardt, *Resigned*
Van Heerden Andrias Tobias, *Resigned*
Van Rooyen Barend Gysbert, *Resigned*
Van Rooyen Gerhard Rocco Hilgaard, *Resigned*
Van Schalkwyk Willem Frederick Tobias, *Resigned*
Vermeulen Ockert, *Resigned*
Viljoen Ryno Pieter, *Resigned*
Visser Stephanus Hermanus, *Resigned*
Wessels Ilze, *Resigned*

Wesson Julian, *Resigned*
Worsnip Ian David, *Resigned*
Zondi Xolani, *Resigned*

INDIVIDUALS LAPSED WITH EFFECT FROM 1 JULY 2011

Badenhorst Gerhardus Christoffel
Baker Nizaam Reshed
Barends Laurence Jeftha
Bird Lionel Burgess
Boland James John
Brink Petrus Johannes
Coetser Garth Alan
Cohen David Louis
Cowley Mark
Criticos Vassos
Davel Bernardus Johannes
De Beer Monica
De Beer Lynette Cornelia
Du Plessis Willem Adriaan
Dunn Mark David
Ellaya Reginald Rakshnamargum
Erasmus Malan
Fechter Ina
Fourie Blenda
Fuls Kurt Jan
Gernetzky Chantelle
Gruzd Brian Leslie
Harding Lauri-Anne
Houston Cindy Jean
Ingram Jocelyn Percy
Jordaan Louis Jacobus
Jurgensen Derry Belinda
Kaye Simon Perry
Kearns Lindsay Duncan
Kennedy Stanley Charles
Korsten Jan Hendrik Mahoney
Kruger Louw
Lila Nopasika Vuyelwa
Lindsay Lee-Anne
Madikane Nolubabalo Asanda
Mahomed Nizamoodien Anver
Malan Eldine
Marais Antony Ian
Mashishi Pudula Collins
Mazarura Bothwell Anesu
Mcgoldrick Lesley Jane
Meerkotter Anton
Mfenyana Lazola Lufefe
Mofokeng Tshepo Morgan
Mohan Ashika
Molapo Khethisa Nathan
Mosupye Lesego Francis Vincent
Moyo Mthandazo Peter
Msani Sanele Walter
Mudau Mulalo Martin
Mxakwe Bogabale Berlinah
Mzimela Cleopas Zenzele
Naidoo Nischandrin
Nel Paul

Ngobeni David
Nhleko Vusimuzi Ronald
Oosthuizen Willem Johannes
Oosthuizen Charles Stewart
Patel Sunil Dinesh
Paulsen Taariq
Pelser Natalie
Rajah Muhammad Rushdi
Ramokoto Moditswi Cindarella
Rannochan Yvonne
Ross Robert Keith
Rossouw Erika
Sathekge Samuel Mathaba
Sehoole Ignatius Simon
Sewram Arusha
Seymore Sally
Shezi Malusi William
Singh Amith Sanjith
Stalley Elton Clifford
Steyn Stefanus David
Steyn Andre
Stone Ivan Alexander
Taku Sylvester Ayuk
Terreblanche Lize
Thomas Hein
Truter Cecil Ronald
Ungerer Maria
Van Der Merwe Dirk Petrus
Van Dyk Theodorus Bernardus
Van Niekerk Guillaume Edward
Van Niekerk Roedolf Johannes
Van Staden Jacobus
Venter Julie Adele
Vine Richard Gavin
Visser Annette Louise
Volkel Gerald
Waja Younaid
Wormald Leigh Jean

Caroline Garbutt
Manager: Registrations
Telephone: 087 940 8800
Facsimile: 087 940 8873
E-mail: registry@irba.co.za

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 July to September 2011 is set out below. These communiqués may be downloaded from the IRBA website, under the various "News" tabs.

2011/06/02	Companies Act And Regulations
2011/06/10	Training For Registered Auditors: Consumer Protection Act And Companies Act - Independent Review Implications
2011/06/22	Illustrative ISA 700 Auditor's Report on Statutory Financial Statements
2011/06/29	Audit of the Subsidiaries of Listed Companies
2011/06/29	Revised Preferential Procurement Regulations
2011/06/29	Chief Masters Directive 4 of 2011 - Administration of Estates Act, 1965: Section 28(1)(c)
2011/07/13	Important Information Regarding the Administration of Reportable Irregularities
2011/08/10	Professional Experience Period
2011/08/12	Interim Arrangements For Independent Reviewers Of Companies With A Public Interest Score Of 100-349
2011/09/06	Audit of Subsidiaries of Listed Companies
2011/09/08	Estate Agents Trust Accounts Revised Auditors Report
2011/09/08	A Proposed Guide for Registered Auditors Auditing In The Public Sector
2011/09/08	Illustrative ISRE 2400 Independent Reviewer's Reports

GENERAL NEWS

SOUTH AFRICAN STANDARDS ON TOP YET AGAIN

The IRBA is very proud that South Africa has maintained its first place ranking for strength of auditing and reporting standards in the World Economic Forum's Global Competitiveness Report for 2011-2012.

LESOTHO INSTITUTE OF ACCOUNTANTS CONFERENCE ON ACCOUNTANCY AND ACCOUNTABILITY TRANSFORMATION



*Pictured at the Lesotho conference
Bernard Agulhas (IRBA),
Monica Besetsa (Deputy Auditor-General, Lesotho)
and Vickson Ncube (CEO of PAFA)*

Bernard Agulhas recently attended the conference in Maseru, Lesotho. He gave delegates a presentation on the importance of regulation.

As a result of this visit, the Lesotho Institute visited the IRBA for further talks in late November.

CONTACT INFORMATION

All correspondence to be addressed to:

The Editor
P O Box 8237, Greenstone, 1616, Johannesburg

Docex: DX008, Edenvale

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

Website: www.irba.co.za