



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

NEWS

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ONLY AN HONEST EXAMINATION WILL DO

As complacency won't get the profession out of the trouble in which it currently finds itself

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FROM THE CEO'S DESK

Like it or not, the auditing profession has been called upon to take a hard look at itself. The pressure from the market for change increased significantly following the VBS Mutual Bank failure in March. As the bank went into curatorship and more information around the matter has been revealed, public sentiment towards the role of the profession, its professional bodies as well as the regulator has become increasingly critical.

The IRBA Board anticipated this and charged the executive management in November last year to deliver a plan that would address public perceptions and help to shape a new conversation around auditing and help the profession in adapting to the changed landscape.

Consequently, the IRBA has for the first few months of the year been working on a plan for the profession to restore confidence in the public interest role of auditors and the regulator. Many of the activities that we believe are integral to restoring confidence were already projects that were underway at the IRBA. Nevertheless, during this period we revisited all our projects and reviewed these with consideration for the Board's directive, which is to focus on those key activities that will help us to meet public expectations.

Projects that were underway, which were viewed as critical, were fast-tracked and others were prioritised. Among those fast-tracked were the projects on Audit Quality Indicators and Audit Firm Transparency Reports, both of which are expected to be released shortly. The Auditing Profession Act Amendment Bill was fast-tracked and is currently with the Minister for Finance, awaiting submission to cabinet. It is expected that it will be open for comment after the next sitting of Parliament. A review of the disciplinary rules and process is also underway.

All initiatives were collated into one strategic plan, which was adopted by the IRBA Board in May and we can now also proceed with the new initiatives we identified.

We recognise that now is not the time to try to restore the status quo but to adapt and transform to address the questions and challenges the new landscape is presenting. Part of this is listening to the market not only about what is expected from auditors but also from the audit product. Closing the expectation gap will rely on understanding what needs to change. The IRBA has for many years employed a stakeholder approach to responding to the market. Our readiness to recognise that we must also implement continuous improvement is part of this philosophy.

We also recognise that complacency is the enemy of quality. If the IRBA and the profession can root out complacency and replace it with innovation rooted in the public interest, we will achieve mutually beneficial solutions for firms and the users of financial statements. It is time for auditors to reclaim their place as watchdogs and guardians of good practice to ensure a better society for all.

At the root of this is audit quality. In May 2018, the IRBA released its Public Inspections Report for 2017 which provides an analysis of key inspection themes arising from firm and assurance engagement (audit) inspections performed by the IRBA from 1 April 2016 to 31 March 2017. The nature and extent of the findings reported do not

significantly differ from what was reported in the prior two years. At an audit engagement level, on the file inspections of 197 audits conducted at 101 firms, significant findings were recorded on 124 files and 12 auditors were referred for investigation. This indicates that 63% of audits from the high-risk files selected were deficient. In some cases the themes identified were recurring, which highlights a pressing need for audit firms to analyse, remediate and monitor reported deficiencies more effectively.

The objective of the report is to promote improvement in audit quality at a broader level and influence auditors to pursue consistent, sustainable high-quality audits that adhere to the highest standards.

In response to this, a number of changes have been made to the seventh cycle inspections process, with a new or increased focus being included in the inspections approach on leadership, tone-at-the-top, leadership involvement in remedial action processes, independence and ethics, acceptance and continuance, and non-compliance with laws and regulations.

At the core of restoring the reputation of the profession is the auditor's ability to instill confidence in investors and the public again. Such confidence is enhanced when all the role players in the financial reporting chain, including management, those charged with governance and the investors themselves, assume the required responsibility for creating the necessary trust in our markets.



Bernard Peter Agulhas
Chief Executive Officer

STANDARDS

THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Important information for Tax Practitioners registered with the IRBA.
- Draft Guidelines for Preparation of Public School Financial Statements.
- Standards:
 - *Revised Guide for Registered Auditors: Access to Working Papers.*
 - *Proposed Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme.*
 - *Illustrative engagement letters, assurance reports and related guidance notes – sustainability engagements.*
 - Revision of the *Guide for Registered Auditors: Auditing in the Public Sector Vol 1.*
 - Webpage repository on documents related to the assurance of integrated reports.
 - Survey on the IAASB's future strategy.
 - IAASB projects in progress.
- Ethics:
 - Proposed Revised and Restructured IRBA Code of Professional Conduct.
 - Proposed IESBA Strategy and Work Plan 2019-2023.
 - IESBA Consults on Professional Scepticism.
 - IESBA projects in progress.

Important Information for Tax Practitioners Registered with the IRBA

From our ongoing liaison with the South African Revenue Service (SARS), we would like to make tax practitioners (TPs) aware of the following matters:

Tax compliance

SARS is concerned about the increasing number and growing trend of TPs that are themselves not tax compliant. TPs should ensure that their tax affairs are up to date. Further, in the 2018 budget, National Treasury proposed an amendment to the tax legislation to deregister TPs who continuously fail to be tax compliant and who do not correct their behaviour after being notified by SARS.

IRBA Code of Professional Conduct for Registered Auditors (the Code)

TPs registered with the IRBA must comply with the requirements of the Code. Failure to comply with any requirements in the Code may be regarded as improper conduct and may be investigated; and, if appropriate, the TP might be charged with improper conduct.

A SARS official in terms of the Tax Administration Act may lodge a complaint with the IRBA if a TP has, in the opinion of the official, conducted himself/herself improperly or behaved unethically. Examples of improper conduct include claiming fraudulent Value Added Tax (VAT) refunds or withholding a client's tax profile due to unpaid fees.

Further, SARS is also in the process of establishing formal disciplinary processes to take action against TPs that are unethical.

Auditing of Public Schools

Draft Guidelines for Preparation of Public School Financial Statements

The Department of Basic Education (DBE) raised concerns regarding the audit of schools, and in particular the perceived lack of consistency in scope and audit quality between the provinces, the lack of segregation of duties between the auditor and the bookkeeper, and audit reports. The DBE recently issued Draft Guidelines for public comment by 31 July 2018. Registered auditors and others are encouraged to submit comments on the Draft Guidelines to the DBE. The Draft Guidelines are available on the [DBE website](http://moodley.d@dbe.gov.za). All comments should be submitted to moodley.d@dbe.gov.za.

SAICA is also involved in this area. Please refer to its communications in this regard.

Please note that the IRBA was not involved in the preparation of the Draft Guidelines.

Committee for Auditing Standards (CFAS)

Revised Guide for Registered Auditors: Access to Working Papers

The CFAS approved the issue of the *Revised Guide for Registered Auditors: Access to Working Papers* (this Revised Guide) in May 2018 for issue.

This Revised Guide deals with the circumstances in which registered auditors (auditors) or firms are requested or required to grant access to working papers to the client, to another auditor or to a third party that support an auditor's opinion, conclusion and/or report on financial statements or other financial or non-financial information, where such engagements are governed by auditing pronouncements, as prescribed or issued by the IRBA and which include the Standards of the International Auditing and Assurance Standards Board (IAASB).

Guidance is provided in respect of access requested or required in the following circumstances:

1. Access required by law.
2. Access required in compliance with International Standards on Auditing (ISAs) and International Standards on Assurance Engagements (ISAEs), or the IRBA Code of Professional Conduct for Registered Auditors (the Code) and any other auditing pronouncements prescribed or issued by the IRBA, by the group engagement partner or component auditor in a group audit engagement; and by a successor auditor/s where there is a change from the predecessor auditor/s.
3. Access requested in terms of a contractual agreement.

In summary, this Revised Guide has been updated for the following:

1. Changes to legislation.

STANDARDS cont.

2. Updates in terms of relevant revisions of the ISAs, ISAEs and the Code.
3. Added paragraphs relating to the confidentiality of client information.
4. Clarification that this Revised Guide is also applicable to joint engagements (contractual agreement).

Effective date

This Revised Guide is effective from the date of issue. It is available in both Word and PDF formats and may be downloaded from the [IRBA website](#).

Exposure Draft: Proposed Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme

The CFAS approved the issue of the *Proposed Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme* (this proposed Guide) in May 2018 for exposure for public comment by **10 August 2018**.

This proposed Guide provides guidance to a registered auditor on conducting an assurance engagement on the annual financial statements and annual statutory returns of a medical scheme.

This guidance focuses on understanding the nature and characteristics of a medical scheme, as well as the nature and extent of work on the engagement.

Revisions made to this proposed Guide

This proposed Guide includes the following:

- Conforming amendments arising from the Constitutional Court ruling rendered on 6 June 2017, in relation to the correct accounting treatment of members' personal savings accounts (PMSA monies). This ruling applies prospectively.
- Conforming amendments arising from legislation changes that result in accredited managed healthcare services now being included as claims.
- Including a reference to the Protection of Funds Act in the ISAE 3000 (Revised) illustrative report, as well as a reference to the Prescription Act 68 of 1969.
- Conforming amendments, where considered necessary, arising from the revision of the following ISAs:
 - ISA 260 (Revised), *Communication with Those Charged with Governance*;
 - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*;
 - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*;
 - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*;
 - ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*;

- ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; and
- ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*.

- Inclusion of requirements arising from the new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

The abovementioned ISAs are effective for audits of financial statements for periods ending on or after 15 December 2016.

- Conforming amendments, where considered necessary, arising from the revision of the following ISAE:
 - ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The abovementioned ISAE is effective for audits of financial statements for periods ending on or after 15 December 2015.

Proposed effective date

Depending on the comments received, it is anticipated that the final Guide will be approved by the CFAS in November 2018 and issued in December 2018, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that this proposed Guide will be effective for engagements on accounting periods ending on or after 31 December 2018. Early adoption is encouraged. As with early adoption of the new and revised ISAs permitted by the IAASB, early adoption of this proposed Guide will also be permitted where the auditor has early adopted the underlying suite of new and revised IAASB standards.

A copy of the exposure draft is available on the exposure drafts page on the [IRBA website](#).

CFAS Sustainability Standing Committee (SSC)

Illustrative engagement letters, assurance reports and related guidance notes – sustainability engagements

The CFAS approved the issue of the following for use by practitioners on sustainability engagements in South Africa:

- A revised limited assurance illustrative engagement letter and a revised limited assurance illustrative assurance report, with the related guidance notes;
- A reasonable assurance illustrative engagement letter and a reasonable assurance illustrative assurance report, with the related guidance notes; and
- A combined reasonable and limited assurance illustrative engagement letter as well as a combined reasonable and limited assurance illustrative assurance report, with the related guidance notes.

The illustrative engagement letters, illustrative assurance reports and related guidance notes will continue to promote consistency in the layout and wording of the engagement letters and assurance reports when providing assurance services on selected key

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performance indicators disclosed in a sustainability report.

The illustrative engagement letters and illustrative assurance reports have been prepared on the following bases:

- The practitioner conducts the assurance engagement in accordance with ISAE 3000 (Revised);
- The subject matter of the engagement includes key performance indicators prepared in accordance with an entity's reporting criteria, including the Global Reporting Initiative (GRI) Standards; and
- Acknowledging in the guidance notes whether the illustrative assurance reports are "long-form" or "short-form" in terms of ISAE 3000 (Revised), as well as including guidance notes on *Other Information* in terms of ISAE 3000 (Revised).

The illustrative engagement letters and illustrative assurance reports are effective for assurance engagements where the assurance report is dated on or after 31 December 2018. Early adoption is permitted.

The illustrative engagement letters and illustrative assurance reports are available in both PDF and Word formats and may be downloaded from the [IRBA website](#).

CFAS Integrated Reporting Standing Committee (IRSC)

Webpage repository on documents related to the assurance of integrated reports

A [webpage](#) repository has been created in order to provide a central source of guidance or other information currently available regarding assurance on integrated reports.

This webpage is in three parts:

- Related IRBA projects.
- Links to related websites.
- Table of publications relating to the assurance of integrated reports.

Registered auditors may find these publications of assistance when providing assurance on integrated reports.

Disclaimer

The linked websites and documents are for information purposes only. The IRBA does not endorse any of the publications, as these have not been subject to the IRBA's due process.

International Audit and Assurance Standards Board (IAASB)

Survey on the IAASB's Future Strategy

The IAASB started the consultation process about its future strategy by releasing a [Strategy Survey](#) to seek views and insights from its stakeholders on emerging developments and trends that are likely to be important to its 2020-2023 strategy.

The input from the survey will help inform the development of a Consultation Paper on the IAASB's 2020-2023 strategy, expected to be published at the end of 2018.

The IAASB is looking to obtain the views of its stakeholders on areas of future focus as it continues its work on current projects – including revisions of the standards on auditing accounting estimates; identifying and assessing risks of material misstatement; and quality control for firms and audit engagements – and undertakes work on agreed upon procedures engagements and emerging forms of external reporting.

The IAASB seeks input from all interested stakeholders. The survey will remain open until **24 July 2018**.

IAASB projects in progress

- Accounting estimates (ISA 540).
- Quality control at engagement level (ISA 220).
- Quality control at firm level (ISQC 1).
- Engagement Quality Control Review (EQCR) (ISQC 2) – NEW STANDARD – see [IAASB website](#) for more information.
- Group audits (ISA 600) – the IAASB's Group Audits Task Force has issued an ISA 600 Project Update – Enhancing Audit Quality Focusing on Group Audits – see the [IAASB website](#) for more information.
- Professional scepticism.
- Auditor risk assessments (ISA 315 (Revised)).
- Agreed-upon procedures (ISRS 4400).
- Data analytics.
- Integrated reporting (emerging forms of external reporting) assurance.

More information on these projects is available on the [IAASB website](#).

Committee for Auditor Ethics (CFAE)

Proposed Revised and Restructured IRBA Code of Professional Conduct

The Committee for Auditor Ethics approved the issuing of the proposed Revised and Restructured IRBA Code of Professional Conduct for Registered Auditors (the IRBA Code) in May 2018 for public comment by 2 July 2018.

Background

The IRBA adopted Parts A and B and the Definitions of the International Ethics Standards Board's (IESBA) Code of Ethics for Professional Accountants (July 2009) published by the International Federation of Accountants with effect from 1 January 2011. Subsequently, additional South African requirements were issued.

The IESBA has been working on the restructured IESBA Code and its related projects for the past three years. The CFAE has followed this project closely, commented on all proposed amendments and considered final amendments to the IESBA Code for possible amendments to the IRBA Code.

Proposed amendments

The CFAE has incorporated recently approved amendments to the IESBA Code in the IRBA Code and will be recommending these amendments to the IRBA Board for adoption in November 2018. Proposed amendments to the IRBA Code are as follows:

IESBA projects

1. Restructure of the IESBA Code of Ethics for Professional Accountants (IESBA Code)

Some features of the restructuring are:

- Increasing the prominence of the requirements to comply with the fundamental principles, being independent, where applicable, and applying the conceptual framework;
- Emphasising that compliance with the fundamental principles and, where applicable, being independent are the overarching ethical outcomes for the IESBA Code;
- Distinguishing requirements (paragraphs identified with an "R") and numbering in bold from application material (paragraphs identified with an "A");
- Increasing clarity of responsibility, particularly in relation to independence; and
- Increasing clarity of language to improve readability and understandability, including simpler and shorter sentences; simplifying complex grammar; and avoiding legalistic and archaic terms.

2. Safeguards

The approach and details regarding safeguards (as a response to the threats) have been revised:

- Clarifying safeguards in the extant IESBA Code that were perceived as unclear and, where warranted, eliminating those that are inappropriate or ineffective;
- Better correlation between each safeguard and the threat it is intended to address; and
- Clarifying that not every threat can be addressed by a safeguard.

- The following new South African paragraphs relating to safeguards have been incorporated into the Exposure Draft:
- Application material paragraph 120.9 A2 has been moved to a requirement, i.e. R120.9 A2 SA; and
- A South African application material paragraph (600.4 A3 SA) has been introduced to detail the consideration of threats to objectivity relating to non-assurance services provided.

3. Professional Scepticism and Professional Judgement

- Describing how compliance with the fundamental principles in the IESBA Code supports the exercise of professional scepticism in the context of audit and other assurance engagements; and
- Emphasising the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgement in applying the conceptual framework to comply with the fundamental principles and, where applicable, being independent.

South African projects

4. Restructure of South African Paragraphs

- In line with the IESBA drafting conventions, the extant South African paragraphs have been redrafted and included in the proposed IRBA Revised and Restructured Code; and to assist with easy identification, this text is underlined and in italics. For the purposes of the exposure draft, there are comments indicating that these refer to South African amendments.
- In line with the extant IRBA Code, the IRBA will not be adopting Part 2 (previous Part C) of the IESBA Code as it is related to Professional Accountants in Business.
- A [mapping table](#) is available to facilitate the tracking of changes from the extant IRBA Code to the proposed Revised and Restructured IRBA Code. In addition, to assist with the review of the Proposed Revised and Restructured IRBA Code, the Exposure Draft includes comments on each paragraph to explain the derivation, i.e. whether it is from a particular paragraph in the extant Code or new material.

Proposed effective date

It is proposed that the Revised and Restructured IRBA Code be in line with the effective date of the IESBA Code. The proposed effective dates will be as follows:

- Parts 1 and 3 of the Revised and Restructured Code will be effective as of 15 June 2019.
- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019.
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 June 2019; otherwise, it will be effective as of 15 June 2019.

ETHICS cont.

Other considerations

The Revised and Restructured IRBA Code will have many significant changes that will need to be considered by all registered auditors and audit firms. The following will need to be considered:

- Training for firm personnel across all levels;
- Updating of the firm methodology;
- Considering amendments to firm policies and procedures;
- Noting differences between local requirements and international requirements;
- Transitional arrangements, and catering for the differing effective dates; and
- Re-assessing safeguards currently used under the extant IRBA Code, among others.

Request for comments

The IRBA had invited registered auditors and other interested parties to submit any comments regarding the proposed IRBA Code to the IRBA by 2 July 2018.

A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

International Ethics Standards Board for Accountants

This is a unique invitation and opportunity for everyone with an interest in the ethical conduct of accountants and registered auditors to influence the global standard-setting agenda. The IESBA has released two consultation papers for public comment, as detailed below.

Proposed IESBA Strategy and Work Plan 2019-2023

The IESBA released its [Proposed Strategy and Work Plan, 2019-2023](#) on 16 April 2018 and is seeking comments, views and insights from all stakeholders **by 16 July 2018** to help shape its future strategic direction.

The proposed Strategy and Work Plan projects the IESBA's vision for the completely rewritten and significantly strengthened [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) in the global economy. The IESBA's future priorities and actions will be guided by the following three strategic themes:

- Advancing the Code's relevance by keeping it fit-for-purpose for a rapidly changing world, and further strengthening ethical conduct and independence standards;
- Deepening and expanding the Code's impact and influence through increased global adoption and implementation; and
- Enriching the IESBA's perspectives and capacities through proactive stakeholder dialogue and co-operation.

IESBA Consults on Professional Scepticism

The IESBA seeks public comment by **15 August 2018** on its consultation paper, [Professional Scepticism – Meeting Public Expectations](#).

In response to regulatory and other stakeholder feedback on the topic, the paper explores:

- The behavioural characteristics comprised in professional scepticism;

- Whether all professional accountants should apply these behavioural characteristics; and
- Whether the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) should be further developed to address behaviours associated with the exercise of appropriate professional scepticism.

Through this initiative, the IESBA also aims to reinforce the effective exercise of professional scepticism by auditors.

Request for comments

Consultation on the IESBA Strategy and Work Plan 2019-2023 is open for responses until 16 July 2018, and these must be submitted using the IESBA online tool. We invite registered auditors to submit their responses to the Proposed Strategy and Work Plan consultation via the IESBA [website](#).

We invite registered auditors and others to submit any comments regarding the Professional Scepticism consultation paper to the IRBA for consideration as we prepare our response to the IESBA. Comments, which need to be submitted by **1 August 2018**, should be addressed to standards@irba.co.za and be in Word and PDF formats.

Alternatively, comments may be submitted directly to the IESBA through the www.ifac.org website, which has a "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on **15 August 2018**.

IESBA projects in progress

- Non-assurance services.
- Fees.
- Technology.
- E-Code.
- Alignment of Part 4B of the Code and ISAE 3000 (Revised).

More information on these projects is available on the [IESBA website](#).

IRBA COMMUNICATIONS

Please advise Lebogang Manganye (lmanganye@irba.co.za) if you would like to receive IRBA communications, or if you are aware of a non-auditor who would like to receive these.



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INVESTIGATIONS

INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 15 matters to the Disciplinary Advisory Committee.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met twice during this period and concluded on 27 matters.

Decisions not to charge

Two matters in terms of Disciplinary Rule 3.5.1.1 – the respondent is not guilty of improper conduct.

One matter in terms of Disciplinary Rule 3.5.1.2 – there is a reasonable explanation for the respondent's conduct.

Two matters in terms of Disciplinary Rule 3.5.1.4 – there are no reasonable prospects of succeeding with a charge of improper conduct against the respondent.

Decisions to charge and matters finalised by consent order

Twenty-one matters were finalised by consent order.

Matter 1

The respondent issued unprofessional communication to an audit client and failed to respond in a timely manner to a request from a successor audit firm of the client.

The respondent was sentenced to a fine of R40 000, of which R20 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 2

The respondent failed to obtain sufficient and appropriate audit evidence to verify certain balances and made reference to outdated financial reporting frameworks and auditing standards in the audit reports.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the current accounting and auditing standards is attended by him and his audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to this to the IRBA.

Matter 3

The respondent failed to comply with the independence requirements of the code in relation to non-assurance services provided to audit clients. Furthermore, the respondent signed an audit report without disclosing his name.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for five years upon re-registration on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 4

The respondent initially issued an unqualified opinion, but subsequently withdrew and reissued the audit report. The reissued financial statements contained corrections pertaining to related party disclosures and recognition of an item of property plant and equipment and a long term liability. The respondent initially performed inadequate audit procedures to identify that these misstatements existed in the financial statements.

The respondent was sentenced to a fine of R50 000, of which R25 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 5

The respondent failed to identify that the audit team did not document work done on a significant audit judgement area included in the report to those charged with governance. The misstatement identified was material and resulted in a prior period error adjustment in the financial statements.

The respondent was sentenced to a fine of R150 000, of which R100 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 6

The respondent was a quality review partner on an engagement and failed to identify that the audit team did not document work done on a significant audit judgement area included in the report to those charged with governance. The misstatement identified was material and resulted in a prior period error adjustment in the financial statements.

The respondent was sentenced to a fine of R150 000, of which R100 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 7

The respondent noted various material matters in the report to those charged with governance; however, the audit working papers do not evidence how these matters were addressed in arriving at the audit opinion expressed. Furthermore, the respondent acted unprofessionally regarding the payment of a disputed portion of the audit fees.

The respondent was sentenced to a fine of R100 000, of which R60 000 has been suspended for five years on condition that the

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respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of International Standards of Auditing is attended by him and his audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to this to the IRBA.

Matter 8

The respondent breached Section 93(3)(b) of the Companies Act as the respondent performed non-audit work on an audit client without obtaining the permission of the audit committee to do so, as required by the audit committee charter.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 9

The respondent failed to submit a second Reportable Irregularity report to the IRBA despite numerous reminders sent to him by the IRBA.

The respondent was sentenced to a fine of R20 000, of which R10 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 10

This matter was a referral from the Inspections Committee. The respondent was the auditor of an attorneys trust account and failed to obtain sufficient appropriate evidence to support the opinion expressed.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the audit of attorneys trust accounts is attended by him and his audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to this to the IRBA.

Matter 11

The matter was a referral from the Inspections Committee. The respondent failed to appropriately address material differences calculated in the audit working papers.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 12

The matter was a referral from the Inspections Committee. Mr Alphabet Malusi Phaka, the respondent, was the auditor of an attorneys trust account and failed to modify the assurance report issued in relation to both the late submission of the audit report to the Law Society and the non-payment by the client of all relevant interest to the Fidelity Fund.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, the imposition of a previously suspended fine of R50 000, no cost order and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed. In addition, the respondent must arrange and ensure that external training on the audit of attorneys trust accounts is attended by him and his audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to this to the IRBA.

Matter 13

This matter was a referral from the Inspections Committee. Mr Roger Brian Reece, the respondent, was the auditor of an attorneys trust account and failed to obtain sufficient appropriate evidence to support the opinion expressed in accordance with ISAE 3000, specifically paragraphs 20, 27, 28, 31-36, 40-47 and 54 as well as the requirements of the Guide for Registered Auditors: Engagements on Attorneys Trust Accounts (November 2013), specifically paragraphs 22, 46 and 67.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, the imposition of a previously suspended fine of R20 000, no cost order and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 14

Mr Hayden du Preez, the respondent, failed to report a reportable irregularity to the IRBA that he became aware of in October 2015, in relation to his audit client's failure to prepare annual financial statements over a number of years.

The respondent was sentenced to a fine of R50 000, of which R25 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, the imposition of a previously suspended fine of R100 000, no cost order and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 15

The respondent breached regulation 29(5) of the Companies Act in that he prepared the financial statements of the clients that he subsequently carried out an independent review on. The respondent merged the financial statements of two companies at the request of a director without ensuring that the merger had been

INVESTIGATIONS cont.

duly approved in the manner required by the agreement between the shareholders and the financier, and assessing whether the requirements of the Companies Act pertaining to mergers had been complied with.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the performance of independent reviews is attended by him and his staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to this to the IRBA.

Matter 16

The respondent failed to detect trust account shortages in the bank account over a number of reporting periods that the respondent was engaged to audit and issued unmodified assurance reports in relation to these periods, which were not appropriate in the circumstances.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 17

The respondent failed to resign from a professional appointment when requested to do so by the client. The respondent also failed to timeously transfer documentation and the SARS e-filing profile of the client to the new accountant.

The respondent was sentenced to a fine of R30 000, of which R15 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 18

Mr Deon Jacques van Schalkwyk, the respondent, failed to carry out his mandate in terms of tax work required by his client, despite numerous requests by the client to do so. He further failed to respond to requests for information from the new accountant and to numerous requests from the IRBA in relation to this complaint.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for five years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, the imposition of a previously suspended fine of R30 000, no cost order and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 19

The respondent failed to comply with a Promotion of Access to Information request.

The respondent was sentenced to a fine of R20 000, of which R10 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, a cost order of R5 000 and publication by the IRBA in general terms.

Matter 20

This matter was a referral from the Inspections Committee. The respondent provided a client with both audit and accounting services thereby contravening Section 90(2) of the Companies Act.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 21

This matter was a referral from the Inspections Committee. The respondent's audit client did not prepare consolidated annual financial statements even though they did not meet the IFRS 10, paragraph 4, exemption criteria. The respondent did not modify the audit report based on the non-compliance with IFRS 10 and therefore an inappropriate audit opinion was expressed.

The respondent was sentenced to a fine of R150 000, of which R100 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Decision to charge and matters referred for a disciplinary hearing

One matter was referred to the Legal Department for a disciplinary hearing.



Jillian Bailey

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PRACTICE ALERT

Prohibition of the Company Secretary from being Appointed as the Company Auditor and/or for the Auditor to Perform Prohibited Related Secretarial Work

The IRBA Inspections Department continues to identify auditors (including individual auditors, audit firms and network firms) who are also the appointed Company Secretary for companies that they audit. In many instances, though, the company is not required by the Companies Act, Act 71 of 2008 (Companies Act), to appoint a Company Secretary. Auditors are reminded that Section 90(2)(b)(iii) of the Companies Act prohibits the Company Secretary from being appointed as the company's auditor, making it illegal for the auditor to accept such an appointment.

Therefore, auditors are strongly advised to scrutinise their company client base, and immediately address any independence and legal breach by either formally lodging their resignation notice as Company Secretary with the Companies and Intellectual Property Commission (CIPC), or resigning from the audit without delay. Company auditors are also reminded to refrain from providing prohibited related secretarial work to their audit clients (even if they have not been appointed as the Company Secretary) in terms of Section 90(2)(b)(iv).

Where allowable secretarial work of an administrative nature is provided to clients, auditors are further reminded to consider threats to their independence in terms of the IRBA Code of Professional Conduct for Registered Auditors.

Auditors are also required to comply with all the provisions of Section 90(2) of the Companies Act and the *IRBA/SAICA Guidance on the provision of non-audit services by the auditor of a company (2015)*, which is available at www.irba.co.za.

Any transgression of these requirements that is detected during inspections will be seen in a very serious light and result in a referral for investigation, with substantial sanctions likely to be imposed.

INFORMATION SESSION ON "HOW A LACK OF DOCUMENTED EVIDENCE CAN TRIP YOU UP"

The Inspections Department hosted the abovementioned information session on 21 June 2018. The session was attended by 475 individuals and it covered areas such as the IRBA's 2017 Public Inspections Report outcomes, expected changes to the IRBA's Seventh Cycle Strategy and Process, key standards, as well as a number of common inspection themes related to a lack of documented evidence on an audit file.

The majority of inspection findings can be linked to a lack of documented audit evidence on an audit file. The IRBA Inspectors cannot accept verbal representations as audit evidence if it was not documented as such on the archived audit file at the time when the opinion was formed.

The session also emphasised an increased focus by the IRBA on firm leadership who are ultimately responsible to drive consistent sustainable high audit quality within their firms as part of an effective quality control system.

Some of the inspection findings relating to documented evidence can easily be fixed as they are mostly basic in nature and not complex at all. Therefore, auditors are encouraged to ensure that sufficient attention is given to documented evidence when reviewing their files and applying appropriate levels of professional scepticism. In doing so, they will ensure that an appropriate audit opinion that is supported by sufficient appropriate audit evidence on the audit file is issued.

The presentation can be accessed on www.irba.co.za under *Guidance for RAs/Inspections*.

IRBA INSPECTIONS REPORT SHOWS RECURRING THEMES THAT REQUIRE IMPROVEMENT

In May the IRBA released its 2017 Public Inspections Report, which reflects on key inspection findings and themes recorded during the year. The report is aimed at registered auditors, including those responsible for quality control within the firms, and other stakeholders, such as audit committees, investors, company directors and financial accountants, who are collectively responsible for the integrity of reported financial information.

The objective of the report is to promote improvement in audit quality at a broader level by providing a thematic analysis of key inspection themes arising from firm and assurance engagement (audit) inspections performed by the IRBA.

During the year, 23 (2016: 20) firm inspections and 197 (2016: 237) file inspections were performed and reported on to the Inspections Committee, with the majority showing one or more significant deficiencies that require improvement. The Inspections Department follows a risk-based approach, selecting audits with a higher public interest exposure, such as audits of public interest entities (PIE), listed entities and state-owned companies. It also selects any statutory audits where risks could potentially expose the public and the profession.

The nature and extent of the findings reported do not significantly differ from what was reported in the prior two years, and this highlights a pressing need for audit firms to analyse, remediate and monitor reported deficiencies more effectively.

Inspections is a crucial regulatory function that gives effect to the IRBA's mandate and strategy to protect the public interest by influencing auditors in pursuing consistent, sustainable high-quality audits that adhere to the highest standards. Further to this, all relevant stakeholders are encouraged to read the report and to focus on the principles behind the findings to help identify areas where the integrity of financial information and the quality of audits require improvement.

INSPECTIONS cont.

Auditors are encouraged to communicate openly with their clients and audit committees on matters affecting audit quality and to be transparent with their inspection results.

The report can be downloaded on the IRBA website.



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DISCIPLINARY COMMITTEE

The Disciplinary Committee did not sit during this period. Below is a report on a matter that was recently finalised on judicial review.

In April 2015 the IRBA commenced with the disciplinary hearing of Ms Francine-Ann du Plessis, who was charged with eight charges of improper conduct. Charges one to five related to assurance work provided on the financial statements of a company that owned a guest house in Plettenberg Bay and received a Department of Trade and Industry (DTI) tourism grant. The remaining three charges relate to a group of private individuals and family trusts to which the practitioner provided tax services and facilitated their provisional tax payments to SARS.

During one of the hearing adjournments Ms du Plessis resigned as a registered auditor with the IRBA; however, the IRBA still retained jurisdiction over conduct while the practitioner was registered with the IRBA. At the end of the disciplinary proceedings in March 2016, the practitioner was found guilty on the second and fifth charges and was sanctioned. The practitioner was acquitted on all of the remaining charges.

In respect of the **second charge**, Ms du Plessis was found guilty of improper conduct within the meaning of Rule 2.1.3 of the old Disciplinary Rules in that she committed an offence involving dishonesty and, in particular, the offence of fraud. She was found guilty of improper conduct within the meaning of Rule 2.1.4 of the old Disciplinary Rules in that she was dishonest in the performance of work and duties devolving upon her in relation to work of a type commonly performed by a practitioner.

The essence of the **second charge** was that Ms du Plessis had allowed a set of financial statements of the company-owned guest house to be amended in respect of turnover and directors' emoluments in order for the company to fraudulently be entitled to a DTI grant. The practitioner had signed an unqualified audit opinion in September 2006 in respect of the original set of financial statements. In December 2006, a company assisting the client with securing the DTI grant requested the practitioner to amend the financial statements in respect of turnover and directors' emoluments. The changes were manifestly aimed at meeting targets in order to qualify for a grant from the DTI and were not reflective of the true operations and cash flow of the guest house.

The Disciplinary Committee found that Ms du Plessis had misrepresented in the documentation forming part of the DTI claim, *inter alia*, that the information in the claim, based on the amended financial statements, "*is true and fair*"; "*the financial statements [are] final and correct*"; and no discrepancies were found in turnover. The committee found that the prejudice to the DTI was patent and it did not matter that the practitioner had not obtained any direct personal financial gain from the fraudulent claim. The committee found that both fraud and dishonesty had been established.

In relation to the **fifth charge** the committee found Ms du Plessis guilty of improper conduct within the meaning of Rule 2.1.1 of the old Disciplinary Rules in that she failed to comply with S45(1) of the Auditing Profession Act 26 of 2005 (APA). She was also found guilty

of improper conduct within the meaning of Rule 2.1.21 of the old Disciplinary Rules in that she conducted herself in a manner which was improper, discreditable, unprofessional, dishonourable and unworthy on the part of a practitioner and which tended to bring the profession of accounting into disrepute. The Disciplinary Committee found that through the practitioner's involvement in the amended financial statements of the guest house for the submission of the DTI claim, she had reason to believe that a reportable irregularity had taken place in respect of the company. Accordingly, in those circumstances, she was obliged by S45(1) of the APA to report the reportable irregularity but had failed to do so.

The Disciplinary Committee fined the practitioner the maximum fine, at the time, of R100 000 in respect of the **second charge** and R50 000 in respect of the **fifth charge**. In terms of sanction, the practitioner's voluntary resignation from the IRBA had left the committee with a limited spectrum within which to work since the practitioner had placed herself outside the reach of suspension or cancellation as a form of sanction.

The committee ruled that the practitioner's name, the charges against her, a summary of the material facts, the findings in respect of the charges and the finding in respect of the sanctions imposed on her, be published in the IRBA News. In addition, the practitioner was ordered to pay a contribution of R320 000 towards the IRBA's costs.

In May 2016, Ms du Plessis took the decision and sanction of the Disciplinary Committee in relation to **charges two and five** on judicial review to the Western Cape High Court. The decision of the Disciplinary Committee to convict the practitioner of having acted in breach of the duty imposed in terms of S45(1) of the APA, in relation to **charge five**, was set aside on review. The application for the review and the setting aside of the Disciplinary Committee's decision in respect of the **second charge** was dismissed. Subsequently, the practitioner took the decision of the High Court on appeal to the Supreme Court of Appeal (SCA) and ultimately to the Constitutional Court. Both superior courts dismissed her application for leave to appeal, with the Constitutional Court handing down its order on 2 May 2018.

In conclusion, Ms du Plessis was sentenced to a fine of R100 000 in relation to **charge two**, a contribution to costs incurred in the disciplinary proceedings in the sum of R320 000, and payment of the legal costs incurred in the High Court, SCA and Constitutional Court proceedings.

REPORTABLE IRREGULARITIES

Reportable irregularities (RIs) for the quarter January to March 2018

(Note that RIs are reported on quarterly in arrears)

181 second reports were received, of which:	
-RIs were continuing	103
-RIs were not continuing	72
-RIs did not exist	6

LEGAL cont.

Of the 103 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature, were:

(Note that in many cases a second report received would identify more than one RI)

Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
-Financial statements not prepared/not approved within the allotted timeframe.	54.9%	The South African Revenue Service (SARS), the Financial Sector Conduct Authority (FSCA) and the Companies and Intellectual Property Commission (CIPC).
-Various Companies Act contraventions, e.g. reckless trading, breach of directors' fiduciary duties, irregular financial assistance to directors, AGM-related irregularities, etc.	17.2%	CIPC
-Tax and VAT-related contraventions (e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.).	14.8%	SARS
-Non-registration for UIF-purposes.	2.5%	The Department of Labour, SARS and the Department of Basic Education.
-Suspected fraud and/or theft, and contravention of the Prevention and Combatting of Corrupt Activities Act (PRECCA).	2.5%	The Directorate for Priority Crime Investigation, the Financial Intelligence Centre (FIC), etc.
-Contraventions of the Estate Agency Affairs Act.	1.6%	The Estate Agency Affairs Board.
-Other (e.g. contraventions of the Financial Intelligence Centre Act, the Sectional Title Schemes Management Act, the Johannesburg Stock Exchange Listing Requirements, etc.).	6.5%	The FIC, the Community Schemes Ombud Service, the Johannesburg Stock Exchange, etc.

GAUTENG PUBLIC ENGAGEMENT WORKSHOP ON THE DEVELOPMENT OF THE NATIONAL ANTI-CORRUPTION STRATEGY

The IRBA attended a public engagement workshop that was held on 5 June 2018 in Parktown, Johannesburg, and which focused on the continued development of the proposed National Anti-Corruption Strategy.

Speakers on the day included Dr Ismail Vadi, who is currently the MEC for Roads and Transport; and Dr Terence Nombembe, who is the chairman of the Gauteng Ethics Advisory Council. A common view expressed by the speakers who presented on the day as well as by the attending delegates was that corruption is a multi-faceted societal challenge that needs to be opposed in a coordinated manner by not only the government but also by the business sector and civil society organisations. This common view is also reflected in the National Development Plan, which advocates for a societal approach to prevent and combat corruption.

The purpose of the workshop was to elicit comments on the proposed National Anti-Corruption Strategy and also solicit provincial stakeholder input on the nine National Strategy Pillars that have been included in the draft document. These proposed pillars are:

- Pillar 1: Support citizen empowerment;
- Pillar 2: Development of sustainable partnerships with stakeholders;
- Pillar 3: Improve transparency by government, business and civil society sectors;

- Pillar 4: Improve the integrity of public procurement systems;
- Pillar 5: Support the professionalization of employees;
- Pillar 6: Improve adherence to integrity and consequence management;
- Pillar 7: Strengthen oversight and governance mechanisms in the government sector;
- Pillar 8: Strengthen the resourcing, cooperation and independence of dedicated anti-corruption agencies; and
- Pillar 9: Vulnerable sector management.

Attendees broke into three separate commissions, with each commission tasked with discussing and disseminating different aspects of the draft strategy document. Feedback on discussions held indicated a shared sentiment among delegates that greater emphasis needs to be placed on educating young people at grassroots level on the detrimental effect that corruption has on communities. This should be prioritised in an attempt to change the current behavioural patterns of society as these relate to attitudes displayed towards crimes of a commercial nature.

Concerns were also expressed regarding the perceived lack of stability in the leadership structures of key crime-fighting agencies as well as in relation to the current mandate of the Public Service Commission when viewed in light of promoting high standards of professional ethics at local municipality level. It was also stressed by the rapporteurs that the delegates were generally of the opinion that, in order for it to achieve its intended goals, the National Anti-Corruption Strategy will need political buy-in and the full support of the Presidency.

LEGAL cont.

A three-phased roadmap has been developed and it entails an initial research and awareness raising phase during which public consultations will be held via roadshows and media campaigning. During the third phase the National Anti-Corruption Strategy, the Implementation Plan and a Monitoring Framework will be finalised. Interested parties may submit their input for consideration to nac@dpme.gov.za or via fax to (086) 683 5479. The physical address of the Department of Planning, Monitoring and Evaluation's Hatfield office is 330 Grosvenor Street, Hatfield, Pretoria, 0002.

CONCERNS REGARDING THE FAILURE OF BUSINESSES TO PAY MUNICIPAL ACCOUNTS

The IRBA received a letter from the Executive Mayor of Johannesburg, Mr Herman Mashaba, in which he highlighted a matter that is of serious concern to the City of Johannesburg.

During operation *Buya Mthetho*, which targeted properties across Johannesburg with the aim of enforcing by-laws, the city identified more than 2 000 municipal accounts that have been irregularly removed from the city's billing system. A number of well-known businesses and establishments were also identified as not paying for municipal services.

In addition to these concerns, the IRBA has noted recent reports in the media regarding other municipalities in South Africa that are experiencing similar challenges. These challenges range from

the ever-growing phenomenon of illegal power connections being made to lamp posts, meter boxes and overhead lines to instances of meter-tampering committed by sometimes reputable business institutions. In one specific incident mentioned, it is reported that a meter in Tshwane had been tampered with to read a power consumption of zero for years.

As such, Mr Mashaba is appealing that accountants and auditors need to make a greater effort in ensuring that businesses honour their debts to local government for services rendered and that rates and taxes are paid timeously.

Registered auditors are therefore encouraged to take cognisance of these concerns relating to the non-payment of amounts due to local municipalities and, if identified, to consider reporting such instances to the IRBA as reportable irregularities in cases where these non-payments are believed to be unlawful.



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REGISTRY

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 14 MARCH 2018-29 MAY 2018		
Chetty, Premadhasen	Khumalo, Wandile Zamani	Plaatjies, Emuron Elwin
Cromhout, Christopher John	Kruger, Jacqueline	Pretorius, Marko
De Bruyn, Alfred	Kruger, Renier Arno	Snyman, Belinda Ann
De Vries, Thinus Van Der Linde	Mkholokotho, Dumisani Dominic	Tajmood, Mohamed Faez
Dzeke, Lotus	Molyneux, Graham Mark	Van Jaarsveldt, Lorraine
Gara, Ethel Mandiitani	Mpika, Mbuso Evans	Visser, Cecilia Johanna Susan
Grobbelaar, Morne	Nondonga, Siphumelele	Walker, Stuart Richard
Hoosen, Faheem Ahmed	Nyanga, Ayanda	Young, Wade
Khumalo, Peterson Nhlakanipho	Olivier, Wiehann	

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 14 MARCH 2018-29 MAY 2018
Dhlamini, Lindani Lorna
Greisdorfer, Mary-Anne

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 14 MARCH 2018-29 JUNE 2018					
Abrahams, Kaashifa	Resigned	Fick, Johan Christo Andre	Resigned	Orsmond, Willem Abraham	Resigned
Adendorff, Hubert Paul	Resigned	Flynn, Christopher John	Emigrated	Pheiffer, Jan Lodewyk Pretorius	Passed away
Adendorff, Jan-Hendrik	Resigned	Fourie, Deodi	Resigned	Phillips, Arthur Courtney	Resigned
Aubert, Norman Raymond	Resigned	Geel, John Mason	Resigned	Phillips, David John	Resigned
Barry, Sheldon Ross	Resigned	Henen, Joseph Max	Resigned	Pinkrah, Angela Arthur	Resigned
Bashall, Timothy Hugh	Resigned	Hill, James Douglas	Emigrated	Rizzo, Francesco	Resigned
Berkowitz, Joel David	Resigned	Jacobs, Mark	Resigned	Schafer, Dorothy Rose	Resigned
Bertram, Celeste	Resigned	Karolia, Muhammad Husain	Emigrated	Sindler, Ivor	Resigned
Bolt, Eric	Resigned	Kitching, Juliana Delia	Resigned	Singh, Ashnee	Resigned
Bosua, Herman Cornelis	Resigned	Krige, Tanya	Emigrated	Smit, Cornel	Resigned
Botha, Hennie	Resigned	Kruger, Douw Gerbrandt	Resigned	Smit, Jacobus Francois	Passed away
Botha, James Kilgour Ainslie	Resigned	Leith, Frederick Bryan	Resigned	Statham, Ian Anthony	Resigned
Bove, Michael	Resigned	Ligault-Bohm, Bernice	Emigrated	Stewart, Lee-Anne	Resigned
Brand, Petrus Arnoldus Jurgen	Resigned	Lombard, Tonita	Emigrated	Steyn, Elizabeth	Resigned
Brandt, Annalie Barbara	Resigned	Lovell, Bronwyn Elizabeth	Emigrated	Strauss, Petrus Abel Louw	Resigned
Braude, Kenneth David	Resigned	Mac Donald, Peter Mark	Emigrated	Struwig, Lodewyk Johannes	Emigrated
Britz, Freda	Resigned	Marota, Ntona Success	Resigned	Tickle, Deborah Anne	Resigned
Burger, Francois Alewyn	Resigned	Martins, Helena Sevasti	Resigned	Tshikovhi, Themba Theophilus	Resigned
Castle, Annalene Edith	Resigned	Maytham, Adrian Gerard	Resigned	Tucker, Steven Joseph	Resigned
Chauke, Mmaboshadi	Resigned	Mccarthy, Ronald Leonard	Resigned	Van Breda, Louis Pieter	Resigned
Church, Duncan Alan	Resigned	Msindo, Louis Arthur	Emigrated	Van der Westhuizen, Elizabeth Magdalena	Emigrated
Cook, Victor John	Resigned	Myburgh, Desire Janette	Resigned	Van Heerden, Andrew Arthur	Passed away
Cornelissen, Hendrick Jacobus	Resigned	Myburgh, Hendrik Johannes	Resigned	Venter, Stephane Yvonne	Resigned
De Kock, Andre Adriaan Broggini	Resigned	Myburgh, Henriette	Resigned	Visagie, Josias Andreas	Resigned
De Wet, Andries Johannes	Resigned	Narsai, Ritesh Jamnadas	Resigned	Visser, Maria De Fatima Castro	Resigned
Ducler Des Rauches, Gareth Philippe	Resigned	Newton-Holroyd, Hayley Anne	Resigned	Walker, Anthony Howard	Resigned
Esau, Tamara Carol	Resigned	Oddy, Michael	Resigned	Wessels, Louis Phillip	Passed away
Eygelsheim, Maria Catharina	Resigned	Olivier, Esti	Resigned	Williams, Craig Pilkington	Resigned

EDUCATION AND TRANSFORMATION

A REFLECTION ON COMPETENCE

In the past few years the accountancy profession has come under scrutiny. In an attempt to understand the possible root causes for this, some have pointed to competence as being the problem. Others have pointed to inappropriate ethical practices. Therefore, accountants and auditors must reflect on their own competence and continuous development.

This brief reflection on competence highlights the IRBA's efforts in ensuring that auditors are competent at entry into the profession, and that they remain competent throughout their professional lives. However, it is important to note that the duty to develop competence remains with each individual registered auditor (RA). The need for accountants and auditors to continuously reflect on their competence is further compounded by the rapid rate of change in the world and the complexity of auditing and accounting standards.

The Audit Development Programme (ADP)

The ADP is an experiential learning period for those qualified professional accountants who wish to obtain eligibility to register as RAs. Professional accountants who did their training in an audit environment are required to spend a minimum of 18 months on the ADP before they can obtain eligibility to register as RAs. Candidates on the ADP may also be signed-off in a period shorter than 18 months due to the recognition of prior learning. At the completion of the required period, the candidate's competence is assessed through a portfolio of evidence. What this means is that by the time an individual registers as an RA, they would have obtained audit experience at a senior level.

We now take the opportunity to congratulate the candidates, listed below, who recently completed the ADP. Some of them have already registered as RAs. We wish you all the best in your future and look forward to seeing your contributions to our efforts to restore the public confidence in the profession. We would also like to remind you that your mandate as an auditor is public protection. We also extend our appreciation to your employers and oversight registered auditors (ORAs) for their commitment to developing competence.

#	Candidate Name	Firm Name
1	Jason Richard Bruhin	JN Chartered Accountants
2	Ian Charters	PKF (WKM) Inc.
3	Lindi van der Mescht	Macheallides Parker Kreitzmann
4	Tanya van Wyk	Jan Erasmus Auditors
5	Hester Johanna Bestbier	BGR SA Inc.
6	Jonathan Richard Jansen	Grant Thornton
7	Bianca Engelbrecht	Woest Malan Wenhold Inc.
8	Marthinus Hendrik Senekal	Centner Levine and Company
9	Marelize Haywood	Centner Levine and Company
10	Sanel Theart	Theron Du Plessis Somerset West Inc.
11	Marko Pretorius	Eksteen Louw & Badenhorst Inc.
12	Clovlide Moller	The Ashton CA(SA) Group Inc.
13	Rupert Maitland	Tuffias Sandberg
14	Shevonne Slabbert	Smith Savage
15	Matthew Goldacre	S Haynes and Associates Inc.
16	Carmina Coetzee	Nel Havinga and Corbett
17	Naheeda Shaikh Arab	AGSA & TSG SA
18	Morne Holtzhauser	Ernst and Young Inc.

EDUCATION AND TRANSFORMATION cont.

Below are testimonies from some of our successful candidates.



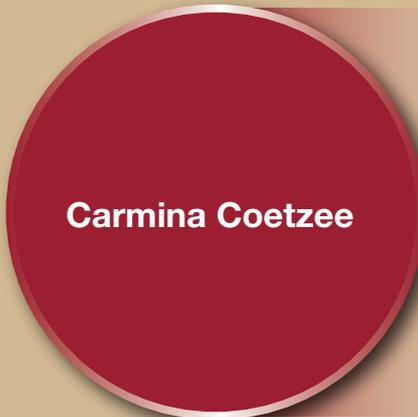
Lindi van der Mescht

"I found the programme highly specialised but balanced as non-technical competencies are also covered. I received a lot of direction and assistance from the IRBA's Education and Transformation Department, and the monitoring process was well explained and executed.

I believe that there is a growing need for independent auditors who can act in the interest of the public. Stakeholders are definitely more interested in transparency in reporting.

I do understand that the programme seems daunting after having completed articles and qualifying as a CA. As the programme is focused on audit experience at a senior level and on complex tasks, it is a specialist programme that will add value to any newly qualified CA (SA).

I recently became a partner at the firm where I completed my articles. I plan to be good at it, and to give a high-quality service to maintain our firm's good reputation."



Carmina Coetzee

"I absolutely love what I do – auditing. I enjoy the challenges that it brings and the fact that there are diverse fields that you can be involved in. Although numerous people are of the opinion that auditing lacks excitement due to the ticking and bashing side, I agree to disagree with them. Each engagement has its own risks and challenges – but there is never a dull moment in auditing!

Once my IRBA registration came into effect, I was appointed partner at the auditing firm where I completed my

ADP. Further plans are to build client relationships and add value to the auditing profession.

I am passionate about our youth being self-sufficient and at least taking accounting until matric. My firm got involved with a community project by giving out prizes at the local high school every semester to students that have made the best academic progress, from Grade 8 until matric. This motivates all students to do better in accounting and also to take the subject until matric."



Martin Senekal

"My main reason for staying in auditing is the value that I feel I add to a vast spectrum of clients. I feel that I, together with the auditing team that I am part of, help businesses on a daily basis to improve their financial reporting structures, assist them in identifying and managing risks. As auditors we also transfer knowledge to management and staff, and this helps everyone to become stronger players.

Being in auditing you also have the privilege to work with new trainees on a regular basis. It is great to see how young individuals develop and to experience the energy and enthusiasm that they bring to the auditing profession.

Centner Levine & Company was

extremely supportive during the programme. Mr Allen Behr (ORA) who has many years of auditing experience guided me in achieving the necessary competencies required by the programme. It would not have been possible for me to complete the programme successfully without the support and guidance of the company.

I found the programme to be tough and detailed. The programme incorporated technical competencies as well as other competencies like ethics, professionalism, leadership and relationship management, which had to be mastered during the course of the programme. I believe the programme prepares you well for a specialist role within the field of professional accountancy."

EDUCATION AND TRANSFORMATION cont.

Proficiency Assessment Interviews

The ADP focuses on competency at entry to the profession. The IRBA also has to ensure that those who wish to enter the profession after an extended absence from audit are competent. The IRBA defines extended absence as follows:

- More than three years, and whichever is the latter, since an applicant:
 - Was registered with the IRBA (assurance);
 - Successfully completed the ADP;
 - Passed the Public Practice Examination;
 - Completed a training contract in public practice; or
 - Worked in an audit and assurance environment.

On application for registration, any applicant who is deemed to have not been absent for an extended period and intends to start their own practice is required to supply the IRBA with:

- Comprehensive Continuing Professional Development (CPD) records;
- An up-to-date CV;
- A short description of why assurance registration is required;
- A practice plan, including a Quality Manual (ISQC) for the practice they intend to start; and
- The name and RA number of the RA identified as the practice's Quality Reviewer. In this regard, also furnish the IRBA with agreements entered into with the Quality Reviewer.

On application for registration, any applicant who is deemed to have been absent for an extended period may be required to attend a proficiency assessment interview where their RA registration will be considered.

The proficiency assessment interviews are educational in nature. The applicant is afforded an opportunity to engage with very experienced staff members of the IRBA and members from the profession. Therefore, the applicant is guided in how to proceed with their registration process.

Continuing Professional Development

One of the most important aspects of competence is the maintenance thereof. Many professionals consider CPD to be a burden, but it is what should keep us relevant as professionals. With the ever-changing world of work, professionals must also innovate and engage in life-long learning.

What is even more important about CPD is that RAs must undertake CPD activities that are relevant for their specific roles. In this regard the IRBA's CPD policy states that:

All RAs (attest and non-attest) will be required to undertake and maintain a record of CPD activities. Attest RAs must undertake "audit" relevant CPD. Non-attest RAs are not required to undertake "audit" relevant CPD but are advised to maintain and develop their CPD in audit should they wish to change their registration status from non-attest to attest in the future.

This means that if an RA holds another professional designation, they must also undertake CPD that is relevant for their other designation. For example, if you are an RA and you are also registered as a tax practitioner, you would be required to undertake tax relevant CPD activities.

The CPD policy also requires RAs to undertake compulsory ethics CPD. This is to ensure that RAs as professionals base their workplace activities on an explicit awareness of and commitment to that which enhances the good in the world of the professional, centred on but not limited to professional practice itself and its various stakeholders.

The International Accounting Education Standards Board (IAESB)

The IAESB is an independent standard-setting body that serves the public interest by establishing standards in the area of professional accounting education. It prescribes technical competence and professional skills, values, ethics and attitudes. Through its activities, the IAESB enhances education by developing and implementing International Education Standards (IESs), which increase the competence of the global accountancy profession. This contributes to strengthened public trust.

Below is a list of the current IESs:



EDUCATION AND TRANSFORMATION cont.

The IESs are perhaps not as well-known as the International Financial Reporting Standards or the International Standards on Auditing. This may be mainly due to the fact that the IESs are prescribed for IFAC's member bodies. However, RAs must be familiar with the content of IES 8 as it is directed to auditors.

In view of what has been happening in the profession, it is interesting to note that the IAESB's current projects include the following task forces:

- CPD.
- Information, Communication and Technology.
- Professional Scepticism.
- Behavioural Competence.
- Public Sector.

The Year Ahead

Below are some of the planned activities that the IRBA will be engaging in for the year ahead in order to further the development of competence.

- Research into competencies required by an RA: The IRBA and SAICA have commissioned the University of Pretoria to conduct research into competencies required for CAs and RAs of the future. This research is scheduled to be completed at the beginning of 2019. The research team has already shared the initial results of the research with SAICA and the IRBA. RAs can look forward to interesting developments in the future.
- ADP: The IRBA will be hosting ADP workshops in July 2018 in the various provinces – further communication will be sent out in this regard. The IRBA also conducts introductory visits for those candidates and firms interested in registering for the programme. We encourage you to contact us should you wish for us to visit your firm.

- Proficiency assessment interviews: The IRBA will be hosting proficiency workshops in August 2018, and further information will be sent out in this regard. We encourage those who intend to register as RAs and may be required to attend proficiency interviews to contact us. The remaining dates for the 2018/2019 proficiency interviews are:
 - 12 July 2018;
 - 13 September 2018;
 - 22 November 2018; and
 - 14 February 2019.
- CPD: The IRBA is currently reviewing its CPD policy. This is to ensure that the policy is aligned with global developments and remains relevant for RAs.

For queries on the ADP, please contact us at adpadmin@irba.co.za and for all other queries on education and transformation matters, please contact us at edutrain@irba.co.za.



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COMMUNICATIONS

In the interest of improved communication with registered auditors and other stakeholders, a list of communiques sent by bulk e-mail during the reporting period for this issue is set out below. These communiques may be downloaded from the IRBA website at www.irba.co.za under the News section.

19 June 2018	Firm Fees Payable to the IRBA with Effect from 01 April 2018
15 June 2018	Illustrative engagement letters, assurance reports and related guidance notes – sustainability engagements
12 June 2018	Vacancy – Director: Operations
07 June 2018	Estate Agency Affairs Board: 2018 Audit Reports Submission Reminder
06 June 2018	Proposed Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme
05 June 2018	Revised Guide for Registered Auditors: Access to Working Papers
04 June 2018	Envisioning The Future – Survey on the IAASB’s Future Strategy
31 May 2018	Proposed Revised and Restructured IRBA Code of Professional Conduct
29 May 2018	IESBA Consults on Professional Scepticism
29 May 2018	2018 Annual Renewal Reminder to All RAs
02 May 2018	IRBA Inspections Report shows recurring themes that require improvement
23 April 2018	IESBA Consults on its 2019-2023 Strategy and Work Plan
11 April 2018	2018 Annual Renewal

IRBA CEO Addresses Zimbabwe Accountants Conference (ZAC2018) on Ethics

Regulators and institutes across the region need to employ consolidated efforts to restore the reputation of the profession, said IRBA CEO Bernard Agulhas while addressing delegates at the annual Zimbabwe Accountants Conference (ZAC2018) hosted by the Public Accountants and Auditors Board (Zimbabwe) in Harare.

Recent scandals involving accountants and auditors have negatively affected the reputation of what has until now been a trusted profession, and current woes are pointing to a corrupted system that is failing in the protection of the public. Zimbabwe, much like South Africa, is faced with a number of scandals involving the auditing profession.

“Audit and accountancy practices have to walk a tight rope between profitability and professionalism. Part of the problem may well be that in the pursuit of commercialism the risk of compromising professional and ethical principles has increased. Too much attention on the bottom line and weak corporate ethics have left audit firms faced with bad press, loss of faith in the profession, destroyed reputations and public images, and disempowered stakeholders. The impact on investors and the public has been significant, and for countries that are seeking foreign direct investment, a recommitment to sound corporate ethics is absolutely essential,” said the CEO.

Regulators must insist on higher ethical and behavioural standards, must push for more transparency and ensure that conflicting interests, independence and the dangers of unconscious bias are addressed, he said. “It’s not only about technical competency and improvement – there must be a change in auditor behaviour.”

The CEO also emphasised the importance of the “tone at the top”, a concept that has long existed in the auditing standards, but which the leadership in corporations and firms appear to have long forgotten.

Standard-setting Reform on Greater Independence and Enhanced Public Interest Focus Welcomed

The IRBA has welcomed the publication of the feedback from The Monitoring Group’s initial consultation process into strengthening the governance and oversight of the international audit-related standard-setting boards in the public interest. The IRBA is in support of reforms that will see the global standard-setting boards increase their independence from the profession, become more representative of the ultimate beneficiaries of high audit quality and boost the public interest focus in the work of standard setters.

Published on the 11th of June, the paper outlines the feedback received from 179 respondents representing audit firms, the International Federation of Accountants (IFAC) and its member bodies, national standard setters, public authorities (including regulators), academia, users, investors and the international standard-setting boards themselves. In general, given the increasing focus on independence and the public interest role of auditors, the Monitoring Group has indicated that there is sufficient broad support for reform for it to embark on the next step. It will now develop a White Paper around global standard-setting reforms, which will include proposed solutions, funding and transitional arrangements for a consultation process by the end of this year.

The appetite for reform reflected in the preliminary stakeholder consultation results is encouraging. While there is resistance and some opposition to some areas proposed in the consultation paper, these do not detract from or discount the importance of independence and public interest. Concerns seem to revolve more around practical implementation issues.

“We are not saying that current international auditing standards are not relevant or appropriate. However, it is our view that reform in pursuit of stronger public interest is key in efforts to restore confidence in the profession. In the setting of global auditing standards, we believe that it is increasingly important that the interests and expectations of the ultimate beneficiaries of high-quality audit services must be considered,” said the CEO.

“We must aim to strike the right balance between the needs of the users of financial information and the due process, including timeliness, in responding to those needs.”

During the process, stakeholders (investors in particular) raised the concern that developing auditing standards in the public interest will be challenging without the sufficient representation of investors, asset managers and analysts in the standard-setting process. The current standard-setting boards are seen, whether real or perceived, to be dominated by the profession itself.

Just as audit regulators worldwide have sought to increase their own independence from the profession, limiting the influence of auditors in the oversight of auditing should be the next logical step to secure the independence of standard setters. The independence of the rule-makers needs to be secured to ensure that the resulting auditing standards respond sufficiently to the stakeholders and users’ expectations and are able to enhance audit quality in the public interest. This, in turn, will secure confidence and trust in standards, audits and financial information.

IRBA Participates in Roundtables to Restore Confidence in the Profession



The IRBA Board has approved the strategy to restore confidence and trust in the profession. As part of that strategy, the CEO has engaged with several stakeholders on a number of platforms to discuss the state of the profession and how all stakeholders can

work together to restore confidence. These include an African Women Chartered Accountants roundtable discussion on the state and future of the CA profession and a SAIBA Summit roundtable discussion on reforming the accounting and auditing profession.