

IRBA NEWS

ISSUE 59 JULY - SEPT 2022

A FRESH START WITH NEW PROSPECTS

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iRBA

INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

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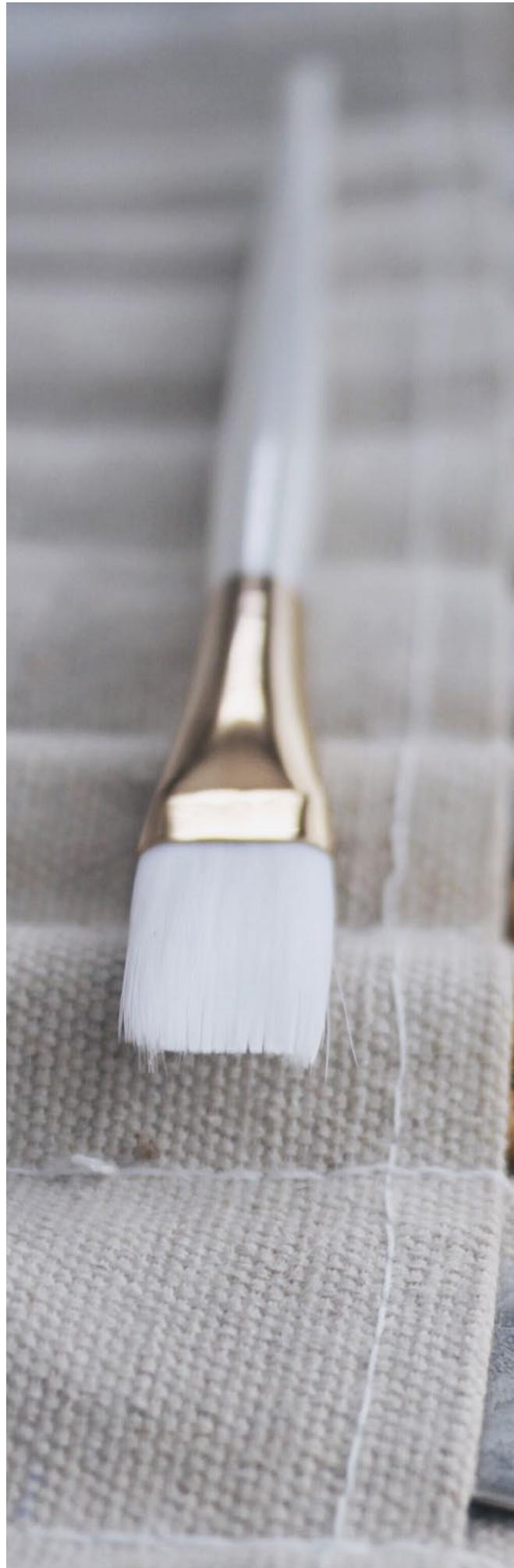
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Imre Nagy
Chief Executive Officer

CEO'S PERSPECTIVE

NEW BEGINNINGS, NEW OPPORTUNITES: REKINDLING OUR COMMITMENT TO LEAD WITH INTEGRITY, SERVE THE PUBLIC INTEREST AND IMPROVE AUDIT QUALITY

If ever there was a time for us to start having new and open conversations about the profession, it is now. That means acknowledging the challenges we have faced and collectively coming together to find solutions that will propel the profession into an improved future. Also, such conversations will help the regulator, the profession at large and the public see and understand many of the positive developments that came out of the events of the past.

My appointment as a permanent CEO of the IRBA is an opportunity to continue the conversations and the good work already started with our stakeholders, and to bring more participants into the discussions. I am committed to ensuring that the regulator will be proactive and responsive to changes in the environment, while promoting confidence and driving awareness around the role and value of audit.

I am also looking for a similar commitment from all our stakeholders, who should join with us to strengthen the financial reporting chain, increase the accountability of all role-players and ensure that there is integrity at every step. It is critically important that we reduce risk in the ecosystem, improve audit quality and make the profession attractive again.

As we turn this new chapter, it is time to look forward and lead the profession with integrity and a key focus on public interest and audit quality.

Reigniting the Value of the Auditor and the Audit Product

The past four years have been tough on the profession, as the integrity of the auditors and the value proposition of the audit product have been questioned and even forgotten. Of the roughly 2 000 registered auditors that are allowed to sign off on statutory audits of financial statements, we have allowed the actions of a few to detract from the good and honest work that many others do and continue to do in the public interest.

As such, we now find ourselves in a place where everyone is struggling to see the positives. In fact, we have become so negative that it is beginning to create a self-perpetuating feeling of not being good enough.

With all the negativity, potential young auditors may find the profession less attractive, which then creates an even bigger challenge as we may be losing good prospective auditors. Still, you have those who are so passionate about the profession that they undertake the Audit Development Programme (ADP), rightly believing that they can make a difference and change things. The evidence of this is in the steady increase in the number of candidates signing on each year for the ADP. It is therefore also for their sake that we all need to start being more optimistic and emphasise the positive role that the profession plays in our economy.

As our economy reaches a potential fiscal cliff, there has never been a better time to prove the value of audit and the role that auditors play in holding those in the financial reporting and governance ecosystem to standards of honesty, ethics and integrity. To that end, the IRBA aims to create an environment where auditors can execute this public interest role without fear or limitation.

New Brand and a Revived Focus

We have taken some solid steps to align the IRBA to our new vision. Along with this, we have rebranded around a clarion call of integrity, public interest and audit quality.

Integrity is first since we aim to lead with integrity, as we also wish our registered auditors to do. Public interest is at the centre because it is at the heart of everything we do. Audit quality is the way in which the profession will impact society.

The rebranding is not happening in isolation. This brand journey seeks to refresh the IRBA from the inside and is supported by many internal continuous improvement initiatives. It will also help us to build a culture of excellence and sustainable high performance, as well as drive an increased level of engagement with our key stakeholders.

We want to listen to what will help registered auditors to hold firm on their contract with society to protect the financial interests of investors and users of audited financial reports. This public protection role must be at the heart of everything that the regulator and the auditors do because by virtue of our fiduciary duty. We must, at any given opportunity, remind ourselves and the profession of our responsibility as public servants and agents of integrity and trust.

Audit Quality Improvements

In the past few years, a global review of quality control standards has been underway, with South Africa being one of the first countries to adopt the International Auditing and Assurance Standards Board's (IAASB) suite of Quality Management (QM) standards in 2021. Our Board actually encouraged an early adoption of the standards, which will be effective from December 2022. The standards focus on improving audit firm quality management systems as well as the engagement quality reviews, elevating the responsibility of quality reviewers.

Their application will go a long way towards improving audit quality in real-time, if properly implemented and monitored by the firms themselves.

The IRBA will be hosting the Chairman of the IAASB, Mr Tom Seidenstein, in November 2022, to engage with the profession on the work of the board and, more importantly, on the impact of the QM standards.

Gaps in the Financial Reporting and Governance Ecosystem (FRAGE)

The financial reporting chain consists of the preparers of the financial statements; the internal auditors who look at risks and controls; the audit committees that oversee audit and risk; and the boards that are responsible for corporate governance. Auditors often arrive after the end of the financial year, after the fact, when potential misdeeds or errors have already occurred.

None of these parties are as yet regulated to the same degree as auditors. So, when a failure occurs and investors want recourse, they naturally turn to the auditors. As the regulator, we are mandated to investigate, to determine if a corporate failure is also an audit failure. The reality, though, is that this is not always true. Some corporate fraud and the resulting failures are concealed by management and may go undetected by those charged with governance, and even by the auditor, if insufficient or inappropriate work is performed to identify or respond to the fraud risk indicators.

We have already identified three possible gaps: lack of inclusion of the other financial role-players in a regulatory framework; the need to strengthen and formalise corporate governance; and the absence of a South African accounting standards setter since 2018, which has recently been addressed by the Department of Trade, Industry and Competition.

The IRBA is keen to start conversations around these key areas with stakeholders in the broader financial ecosystem, to see where role-players can collectively start to make changes in the public interest. Our research will not be complete without the participation of, and collaboration with, all other players, including preparers of financial statements, those charged with governance, assurance providers, other regulators, non-public interest entity regulators, investors and shareholders, legislators, the Auditor-General South Africa, and the public.

By strengthening the broader system, we can reduce the risk of mismanagement and fraud significantly, as well as increase and restore trust in the entire reporting system. With the lines of defence operating as they should, the auditor's role will carry a lesser burden of risk.

I have had positive preliminary engagements with many stakeholders, which is encouraging. I want to continue with these conversations, as we collectively work towards identifying improved ways that will further strengthen the financial ecosystem in the interest of all parties. To achieve that, we are calling for broader participation. My goal is to appeal to all stakeholders to play their part, individually and collectively, but by the same token, to hold those that bring the profession into disrepute accountable.

Let's Be Answerable to Each Other

Rebuilding trust in the profession, the auditor, the audit product and the regulator will take a collective effort. In this new era, there is no space for rogue role-players; we must hold one another accountable, so that there is not one individual who will do something that damages our profession.

It is time to take back our pride in our contract with society and do the right thing every time. We must never forget that we serve the public interest, and we are therefore servants of our economy and country.

Imre Nagy

Chief Executive Officer



Imran Vanker
Director Standards

STANDARDS & ETHICS

TOPICS COVERED IN THIS ISSUE

Standards:

- o IRBA Board Adopts International Standard on Auditing 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors);
- o Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements;
- o IRBA Staff Audit Practice Alert 7: Content of a Transparency Report;
- o Proposed IRBA Staff Audit Practice Alert 8: Frequently Asked Questions: Sustainability Assurance Engagements;
- o IAASB Proposes Narrow Scope Amendments to Operationalise Changes to the International Ethics Standards Board for Accountants (IESBA) Code that Enhance Transparency About Independence; and
- o IAASB Projects in Progress.

Ethics:

- o IESBA Projects in Progress.

IRBA BOARD ADOPTS INTERNATIONAL STANDARD ON AUDITING 600 (REVISED), SPECIAL CONSIDERATIONS – AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

Audits of group financial statements, or group audits, can be intricate and challenging. Due to their nature, the performance and quality of group audits have raised major concerns for regulators and standard setters – including the IRBA – across the globe over the past few years. As a result, various projects have been undertaken globally and locally to improve the quality of group audits as well as strengthen the existing requirements and application material. In South Africa, for instance, the IRBA's restoring confidence strategy has improved audit quality as one of its main focal areas.

On that account, the IAASB issued International Standard on Auditing (ISA) 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors), on 7 April 2022.

Subsequently, at its meeting on 29 July 2022, the IRBA Board approved ISA 600 (Revised) for adoption, issue and prescription for use by auditors in South Africa. The approval includes Conforming and Consequential Amendments to Other International Standards. ISA 600 (Revised) is a significant step forward in the efforts to enhance the consistent performance of quality group audit engagements; and it also supports the IRBA's strategy for renewed confidence and trust in the auditing profession.

The changes in substance between extant ISA 600 and ISA 600 (Revised) are that the latter includes a robust risk-based approach to planning and performing a group audit. The approach in ISA 600 (Revised) focuses the group auditor's attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements, as well as designing and performing further audit procedures to respond to those assessed risks. It also recognises that component auditors can be, and often are, involved in all phases of the group audit. Furthermore, the standard promotes a clear, proactive and scalable approach for group audits that can be applied to today's evolving group audit structures.

The new and revised requirements also strengthen the auditor's responsibilities in relation to professional scepticism; planning and performing a group audit; two-way communication between the group auditor and component auditors; and documentation.

Moreover, the changes in the standard build on other recent IAASB revisions, such as those to the Quality Management standards. As such, they should enhance audit quality by strengthening the accountability of group auditors and clarifying the interactive relationship between group and component auditors. These changes also conclude the IAASB's project on major enhancements to the ISAs, including the [three Quality Management standards](#).

As a consequence of these changes, related conforming amendments have been made to the following ISAs:

- International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
- ISQM 2, Engagement Quality Reviews;
- ISA 220 (Revised), Quality Management for an Audit of Financial Statements;
- ISA 230, Audit Documentation;
- ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements;
- ISA 250 (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements;
- ISA 260 (Revised), Communication with Those Charged with Governance;
- ISA 300, Planning an Audit of Financial Statements;
- ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement;
- ISA 320, Materiality in Planning and Performing an Audit;
- ISA 402, Audit Considerations Relating to an Entity Using a Service Organisation;
- ISA 501, Audit Evidence – Specific Considerations for Selected Items;
- ISA 510, Initial Audit Engagements – Opening Balances;
- ISA 550, Related Parties;
- ISA 570 (Revised), Going Concern;
- ISA 610 (Revised 2013), Using the Work of Internal Auditors;

- ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements;
- ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report;
- 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 710, Comparative Information – Corresponding Figures and Comparative Financial Statements;
- ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information;
- ISA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement; and
- International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements.

ISA 600 (Revised) and the related Conforming and Consequential Amendments to Other International Standards become effective for audits of financial statements for periods beginning on or after 15 December 2023. Early adoption is permissible and encouraged by the IRBA.

These documents, ISA 600 (Revised) and the related Conforming and Consequential Amendments to Other International Standards, may be downloaded from the [IRBA website](#).

PROPOSED IRBA RULE ON ENHANCED AUDITOR REPORTING FOR THE AUDIT OF FINANCIAL STATEMENTS

During the period under review, the IRBA Board approved the release of the [Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements](#) (the proposed IRBA Rule), for public comment. The Rule was published with an Explanatory Memorandum.

The proposed IRBA Rule was informed by consultations with internal and external stakeholders as well as the input of the IRBA's Committee for Auditing Standards (CFAS). It is as follows:

1. For all audits of annual financial statements, the audit firm shall disclose in the independent auditor's report:
 - a. The materiality applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit.
 - b. How the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.
 - c. Audit procedures specific to the auditor's response to the material uncertainty related to going concern, where relevant.
 - d. The following matters, where the disclosure has not been made by the preparer in the annual financial statements or the annual report:
 - i. Fees paid or payable to the firm and network firms for the audit of the financial statements on which the firm expresses an opinion.
 - ii. Fees, other than those disclosed under (d)(i), charged to the client for the provision of services by the firm or a network firm during the period covered by the financial statements on which the firm expresses an opinion. For this purpose, such fees shall only include fees charged to the client and its related entities, over which the client has direct or indirect control, that are consolidated in the financial statements on which the firm will express an opinion.

- iii. Any fees, other than those disclosed under (d)(i) and (ii), charged to any other related entities over which the audit client has direct or indirect control for the provision of services by the firm or a network firm, when the firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence.
 - iv. If applicable, the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose.
2. For the audit of all public interest entities, as defined in the IRBA Code, the audit firm shall disclose in the independent auditor's report:
 - a. Additional disclosures in the auditor's report about the scope of the audit in the context of group audits.
 - b. The communication of key audit matters, as defined in ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report.
 3. Where the auditor has communicated key audit matters, as defined in ISA 701, the outcome of audit procedures or key observations with respect to key audit matters shall be disclosed in the independent auditor's report.

Proposed Effective Date

Depending on the comments received, the IRBA recommends that the proposed IRBA Rule be effective at least 12 months (one year) after the IRBA Board's prescription and/or publication of the Rule.

Request for Comments

The IRBA had a deadline of 5 October 2022 for comments from auditors and other interested parties on all matters addressed in the proposed IRBA Rule. It also sought responses to the three questions set out in the Explanatory Memorandum section.

The exposure draft is available in a PDF format and may be downloaded from the [IRBA website](#).

COMMITTEE FOR AUDITING STANDARDS

IRBA Staff Audit Practice Alert 7: Content of a Transparency Report

The increasing need for auditors to communicate with users of audit means it is critical that the data being communicated is relevant, reliable and of high quality. To achieve this, a transparency report becomes a key tool that audit firms can use. In South Africa, for instance, the IRBA is of the view that transparency reporting is one of the keys that will help restore confidence in the auditing profession. To that end, the regulator has issued the IRBA Staff Audit Practice Alert 7: Content of a Transparency Report (IRBA Staff Audit Practice Alert), for use by registered auditors. This publication, which has been prepared with the assistance of the CFAS, seeks to enhance current practice, as some firms already have about four years of experience in preparing transparency reports.

While transparency reports are not currently compulsory in South Africa, they may become mandatory for certain firms, in terms of the IRBA exposure draft published on 14 June 2022 and in Government Gazette 46649 (Board Notice 302 of 2022). Therefore, this staff alert should be read in conjunction with these abovementioned notices and any final rule that might be published by the IRBA in the future.

ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, requires that a firm communicates relevant and reliable information to external parties. This is informed by an increased need for external parties to understand a firm's system of quality management. As such, transparency reports may be an appropriate tool to achieve that ISQM 1 objective for certain firms.

This IRBA Staff Audit Practice Alert, therefore, serves to provide auditors with a framework that describes the content of a transparency report that may be used to communicate relevant and reliable information to external parties, as envisioned by ISQM 1. It covers the following topics:

- Content of a transparency report;
- Alignment to the requirements and terminology in the Quality Management standards;
- Applicability of the IRBA Staff Audit Practice Alert;
- Timing of the transparency report;
- Name of the transparency report;
- Relevance and reliability of the disclosures in the transparency report;
- Accountability for the transparency report;
- Firms merging or separating before a transparency report is issued; and
- Publication of a transparency report.

It should be noted that this IRBA Staff Audit Practice Alert **does not constitute an authoritative pronouncement** from the IRBA; nor does it amend or override the ISAs, South African Auditing Practice Statements or South African Guides (collectively called pronouncements). **Also, this IRBA Staff Audit Practice Alert is not meant to be exhaustive;** and reading it is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

However, this IRBA Staff Audit Practice Alert supersedes the IRBA communiqué that was issued on 27 July 2018 and titled “Transparency reports will strengthen confidence in audit firms”.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the [IRBA website](#).

PROPOSED IRBA STAFF AUDIT PRACTICE ALERT 8: FREQUENTLY ASKED QUESTIONS: SUSTAINABILITY ASSURANCE ENGAGEMENTS

The CFAS, at its meeting on 17 August 2022, approved the recommendation of the staff practice alert to the IRBA CEO for approval to issue. The staff practice alert is expected to be issued shortly and covers the following questions:

1.	What assurance frameworks and/or standards can registered auditors in South Africa use in the performance of sustainability assurance engagements?
2.	What resources are available for assurance practitioners regarding assurance engagements on sustainability reporting?

3.	What are the current voluntary and regulatory requirements in respect of the reporting and assurance of sustainability information in South Africa for the Johannesburg Stock Exchange (JSE) listed companies?
4.	What are the current voluntary and regulatory requirements in respect of the reporting and assurance of sustainability information in South Africa for other types of entities (other than JSE-listed entities)?
5.	What impact from climate change may practitioners expect to see on assurance clients' financial statements?
6.	What type of engagement(s) may be performed to assist assurance clients in preparation for sustainability assurance engagements?
7.	What potential threats to the practitioner's independence may arise from the practitioner performing a readiness assessment and later performing the proposed sustainability assurance engagement?
8.	What frameworks, standards and/or guidance may practitioners expect assurance clients to consider in respect of climate-related disclosures?
9.	What governance controls may assurance practitioners expect assurance clients to have put in place in respect of sustainability disclosures/reporting?

Applicability of this IRBA Staff Audit Practice Alert

This staff audit practice alert does not constitute an authoritative pronouncement from the IRBA. However, it may be considered by all firms, as defined in terms of the Auditing Profession Act 26 of 2005, as amended.

A further announcement will be made when the alert is released.

IAASB PROPOSES NARROW SCOPE AMENDMENTS TO OPERATIONALISE CHANGES TO THE IESBA CODE THAT ENHANCE TRANSPARENCY ABOUT INDEPENDENCE

The IAASB has released proposed [narrow scope amendments](#) to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and ISA 260 (Revised), Communication with Those Charged with Governance. The proposed amendments will help operationalise [recently approved changes](#) to the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) that are related to listed and public interest entities. The changes to the IESBA Code require firms to

publicly disclose when the independence requirements for public interest entities have been applied in an audit of financial statements.

This Exposure Draft is part of a broader IAASB project that responds to recent revisions to the IESBA Code in relation to listed and public interest entities. The project is being undertaken as two tracks, with this as Track 1. Other amendments that may be considered in Track 2, on a separate timeline and with a later effective date, include:

- Aligning, to the greatest extent possible, the definitions and key concepts underlying the definitions in the ISQMs and ISAs related to listed and public interest entities to the IESBA's definitions and key concepts in the revisions to the IESBA Code; and
- Considering the applicability of existing differential requirements for listed entities in the ISQMs and ISAs, and whether these need to be amended, in light of the IESBA's revisions that address the definitions of "publicly traded entity" and public interest entities.

Following the IESBA's release of these recently approved changes, the Committee for Auditor Ethics [approved a project for the consideration of potential revisions to aspects of the IRBA Code of Professional Conduct for Registered Auditors \(Revised November 2018\) \(IRBA Code\)](#), as amended.

This took into consideration, among others, the impact that the revised IESBA Code has on the IRBA Code in relation to the definitions of listed entity, public interest entity and related paragraphs.

Request for Comments

Registered auditors and others were invited to submit to the IRBA, for its consideration, any comments to these proposed narrow scope amendments, as we prepared our response to the IAASB. Comments submitted directly to the IAASB were set to close on **4 October 2022**.

The Exposure Draft is available in a PDF format and may be downloaded from the [IRBA website](#).

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

An Overview of the Latest Communications from the IAASB

In the past three months, there have been several important communications that the IAASB has released, to give guidance and/or answer pertinent questions that will help further enhance audit quality. These publications are outlined below, with a brief summary on what each covers.

[IAASB Issues New Frequently Asked Questions for Reporting Going Concern Matters in the Auditor's Report](#)

The IAASB issued a [non-authoritative publication](#) to address some of the common questions related to reporting going concern matters in the auditor's report. Specifically, the publication focuses on the use of and the interrelationship between the Material Uncertainty Related to Going Concern and Key Audit Matters sections, on the one hand, and the Emphasis of Matter paragraphs in an auditor's report prepared in accordance with the ISAs.

This publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading the publication is also not a substitute for reading the ISAs.

[New Implementation Guide Available for Identifying and Assessing the Risks of Material Misstatement in an Audit of Financial Statements](#)

The [First-Time Implementation Guide for ISA 315 \(Revised 2019\), Identifying and Assessing the Risks of Material Misstatement](#) focuses on the more substantial changes that were made to ISA 315 (Revised 2019). It will also help stakeholders understand and apply the revised standard as intended.

ISA 315 (Revised 2019) is effective for audits of financial statements for periods beginning on or after 15 December 2021. This publication does not amend or override ISA 315 (Revised 2019), the text of which alone is authoritative; and reading it is not a substitute for reading the standard.

IAASB's Public Report

The IAASB published its [Public Report](#), detailing its support for the public interest for the year ended 31 December 2021. During this 12-month period, it approved the final [revised standard on group audits](#); agreed its [Work Plan for 2022-2023](#) that included a dedicated workstream on enhanced sustainability assurance standards; as well as developed and implemented its [Framework for Activities](#), among other actions.

The year 2021 also included the transformational milestone of launching its first fully digital handbook, in collaboration with the International Federation of Accountants. The new online platform, [e-International Standards](#), highlights the IAASB's commitment to improving the usability of, and access to, its standards by harnessing technology.

IAASB Digital Technology Market Scan: Natural Language Processing

The fourth market scan from the Disruptive Technology team was released on 22 June 2022. Building on its previous work, the IAASB issues a market scan approximately every two to three months. These scans consist of exciting trends, including new developments, corporate and start-up innovation, noteworthy investments and what it all might mean for the IAASB.

In this latest market scan, the IAASB explores natural language processing (NLP), a technology that has applications within Accessing Information & Data (NLP and Computer Vision for Digitising Documents) and Assessing Internal Controls (Optical Character Recognition, NLP and Machine Learning for Intelligent Document and Voice Analysis). This technology has the potential to impact many areas of the audit, enhancing the way auditors work and providing opportunities for greater insight.

In addition to the topics that the market scans often cover, in this one the IAASB also explores what natural language processing is and why it is important.

The market scan can be accessed on the [IAASB website](#).

IAASB Projects in Progress

- Audit evidence.
- Audits of less complex entities (LCE).
- Complexity Understandability Scalability Proportionality (CUSP).
- Fraud.
- Going Concern.
- Listed Entity and Public Interest Entity.
- Assurance on Sustainability/Environmental, Social and Governance (ESG) Reporting.

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

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

IESBA Projects in Progress

- Engagement Teams – Group Audits Independence.
- Technology.
- Tax Planning and related services.
- Benchmarking Initiative.
- Long Association Post-Implementation Review – Phase 1.

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

Should you have any further queries, please email us on standards@irba.co.za.

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LEGAL

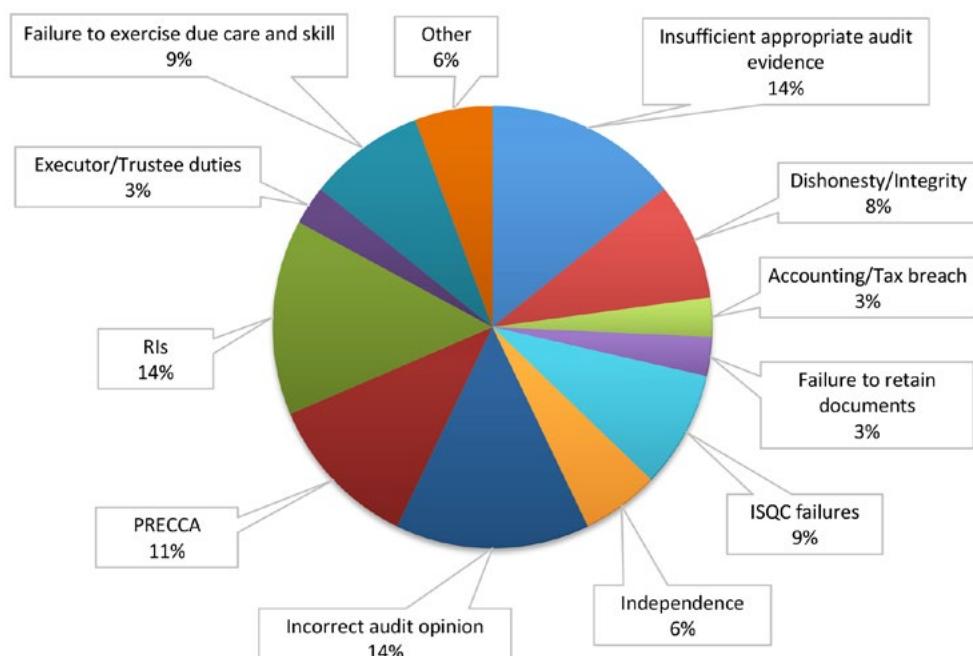
DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

At least four matters were finalised during the period under review. As such, there are now 19 open matters that have been referred for disciplinary hearings. The open matters represent 84% of failed consent orders and/or failed admission of guilt processes, as well as 16% direct referrals from the Enforcement Committee.

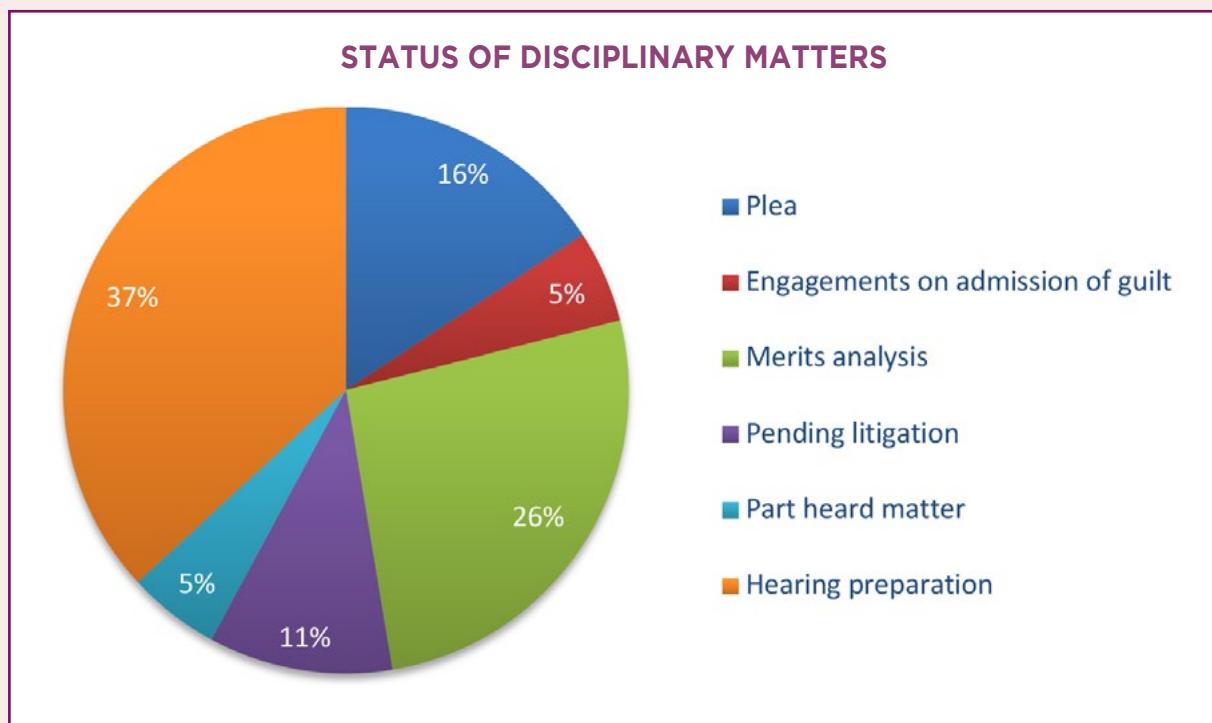
These matters involve varying charges and are at various stages of the disciplinary process. The charts below provide further details in respect thereof.

ANALYSIS OF CHARGES



See the accompanying note to this graphic overleaf.

Note: Overall, open matters involve 12 categories of improper conduct. While each matter may involve numerous charges, the charges most common among the matters relate to insufficient appropriate audit evidence, incorrect audit opinion and failure to report reportable irregularities. These are followed closely by failure to report in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA), failure to exercise due care and skill, International Standard on Quality Control (ISQC) 1 failures, as well as dishonesty and integrity related charges. Other charges include breaches related to independence, executor/trustees' duties, failure to retain documentation as well as accounting and tax breaches.



Note: At least 37% of the open matters have progressed to a preparation for hearing stage, with 26% undergoing merits analysis. On the other hand, 16% of the matters are still at the pleading stage; 11% are currently stalled, pending litigation; engagements are ongoing between the parties in respect of 5% of the matters; while the remaining 5% of are part-heard and already scheduled for a continuation.

Matters Finalised through Consent Orders and/or the Admission of Guilt Process

During the period under review, three matters previously referred for disciplinary hearings were finalised by way of consent orders and/or admission of guilt processes. This followed the respondents' admission of guilt in respect of the charges.

Below is a brief summary of these matters.

IRBA v Collins Fari Malunga

The respondent was engaged to prepare annual financial statements for a client. He failed to document his consideration and conclusion regarding misstatements and incorrectly concluded that the audited financial statements were appropriately presented, in circumstances where they were not. He consequently issued an incorrect audit opinion and omitted a modification regarding the presentation of the third statement of financial position addressing prior year restatements.

The respondent admitted guilt in respect of the charge, with the Enforcement Committee imposing the following sanction on him:

- a) A fine of R150 000, with R75 000 suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension;
- b) No order as to costs; and
- c) Publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

IRBA v MCS

The respondent was charged with two charges of improper conduct, following audit services rendered to a school in 2016 and 2017. Specifically, in respect of each year, the respondent was charged with failure to obtain:

- a) An understanding of internal controls relevant to the auditing of the school;
- b) Sufficient appropriate audit evidence regarding the risk assessment procedures necessary to assess the risks of material misstatement due to fraud at the financial statement level and at the assertion level of classes of transactions, account balances and disclosures; and
- c) Sufficient appropriate audit evidence regarding the completeness, accuracy and occurrence of the school fee revenue.

The respondent admitted guilt in respect of the charges, with the Enforcement Committee imposing the following sanction on her:

- a) A total fine of R160 000 for both charges, with R80 000 suspended for a period of five years, on condition that the respondent is not found guilty of any unprofessional conduct during the suspension period;
- b) Attendance of recognised training on the auditing of schools;
- c) No order as to costs; and
- d) Publication by the IRBA in general terms only.

IRBA v DS

The respondent was charged with improper conduct, as a result of his failure to respond to correspondence from a client in relation to contracted services. He was also charged with abandonment of professional duties, specifically, his failure to submit VAT returns and management reports, as well as prepare and finalise the client's financial statements for the year ended 28 February 2017.

The respondent admitted guilt in respect of the charge, with the Enforcement Committee imposing the following sanction on him

- a) A fine of R50 000;
- b) No order as to cost; and
- c) Publication in general terms.

Matters Heard by the Disciplinary Committee

During the period under review, the Disciplinary Committee heard two matters. One matter was finalised, while the other remains part-heard.

Overleaf is a brief summary of the matters.

IRBA v Gerrit Roux

Mr Gerrit Roux (the respondent), a former registered auditor, former tax practitioner and managing partner of the audit firm Roux and Associates Chartered Accountants (SA), was charged with improper conduct, following an investigation by the IRBA.

The charges against the respondent emanated from a request received from the South African Revenue Service (SARS) for the IRBA to update its records to reflect that the respondent had been removed as a tax practitioner, due to his failure to submit outstanding tax returns to SARS, in compliance with relevant tax legislation.

Following an investigation, the respondent was charged with the contravention of Rule 2.6 of the Rules Regarding Improper Conduct, as a result of his breach of paragraphs 100.1, 100.5(e) and 150(e) of the Code of Professional Conduct by his failure to submit relevant Income, PAYE and VAT tax returns to SARS, and thus failing to:

- a) Comply with relevant laws and regulations, specifically, Section 25 of the Tax Administration Act; Section 66 of the Income Tax Act; paragraph 14 of the fourth schedule to the Income Tax Act; and Section 28 of the Valued-Added Tax Act, notwithstanding his obligation to do so; and
- b) Avoid action that may discredit the profession.

The respondent pleaded guilty to the charge and in light of the plea of guilt, the matter was referred to a sanction hearing before the Disciplinary Hearing Panel, in terms of Rule 20 of the IRBA Disciplinary Rules.

The hearing convened on 24 August 2022, wherein the parties were given an opportunity to submit evidence in mitigation and aggravation of the sanction.

The respondent failed to attend the hearing; accordingly, the matter proceeded in his absence. The panel then heard evidence in aggravation of the sentence from the pro-forma complainant. Accordingly, the pro-forma complainant led four witnesses in aggravation of the sentence and argued for permanent disqualification from registration, a fine, 100% cost order and specific publication.

The pro-forma complainant's arguments were based on the seriousness of the charge, lack of remorse on the part of the respondent, the respondent's failure to appear before the panel to account for his actions and the impact of the respondent's conduct throughout the investigation and disciplinary processes on the IRBA operations and public interest.

In determining the appropriate sanction, the panel considered that the improper conduct extended over a lengthy period of time, during which the respondent failed to conduct himself in a professional manner and refused to cooperate with SARS and the IRBA.

The panel held that the public holds auditors and tax practitioners in high regard and places great trust in their opinions in relation to their personal taxes. To that end, the panel held that the improper conduct in respect of which the respondent had been charged was exacerbated by the fact that he knew that his personal tax affairs were not in order and yet failed to respond to the reminders from SARS and communication from the IRBA.

The panel further considered the fact that the respondent was a member of the IRBA, with more than 32 years' experience as a registered auditor. Moreover, the respondent was also a tax practitioner with more than eight years of experience. The panel therefore held that the respondent was at all material times a senior auditor and tax practitioner who ought to have known his duties and obligations as a taxpayer and registered auditor, as set out in the relevant tax legislation, the Code of Professional Conduct and the Rules Regarding Improper Conduct.

Finally, what was taken into account was the respondent's failure to appear before the panel to contest the evidence led by the IRBA, which left the panel with nothing to gainsay such evidence and/or understand why the respondent did what he did. As such, it found that the respondent failed to appreciate the severity of his actions and the damage to the public and the auditing profession.

In the premise of the above, and having noted that the respondent had already removed himself from the register of auditors by failing to pay his annual renewal fees, the panel considered the following sanction to be appropriate in the circumstances, and thus ordered:

- a) The permanent removal of the respondent's name from the register of auditors;
- b) A fine of R150 000;
- c) Costs occasioned by the hearing in the sum of R187 641.38;
- d) Publication of the respondent's full names, the name of his firm, the charges against him and the findings in respect of the charges, as well as the finding in respect of the sanction imposed upon him in IRBA News; and
- e) The release of the panel's decision on the charges and the sanction to the media.

IRBA v ABM

The Disciplinary Hearing Panel convened between 23 and 26 August 2022 to hear evidence on the charges preferred against the respondent, who had issued an unqualified audit opinion in relation to the Annual Financial Statements (AFS) of a state-owned company (SOC), for the year ended 31 March 2016.

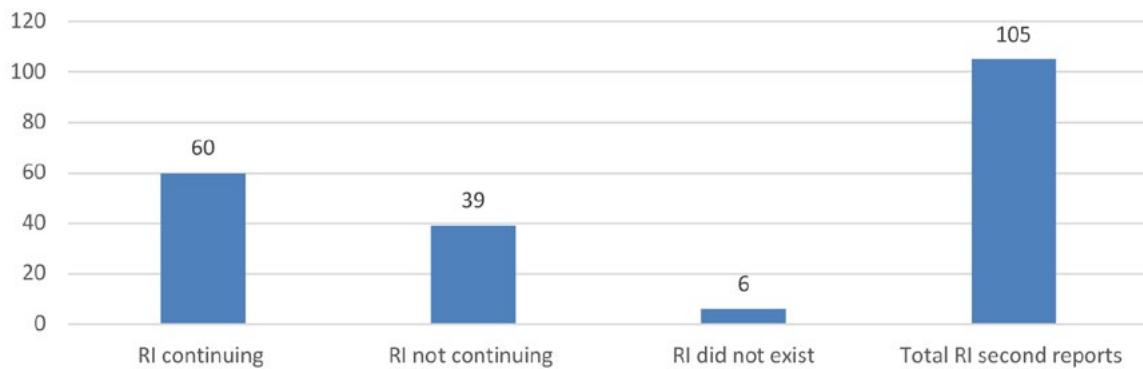
The respondent has been charged with a breach of several of the Rules Regarding Improper Conduct as a result of having issued an incorrect audit opinion in relation to his audit of the SOC's AFS, specifically, in that he failed to disclose material non-compliance with legislation and internal control deficiencies in the Independent Auditor's Report on the consolidated and separate AFS; he failed to maintain an attitude of professional scepticism during the conduct of the audit; he failed to obtain sufficient appropriate audit evidence to draw a reasonable conclusion on the amount of irregular expenditure; and he omitted a modification regarding the limitation of scope from his Independent Auditor's Report.

The matter adjourned on 26 August 2022, after the pro-forma complainant had closed its case. It will reconvene between the 7th and 11th of November 2022 for a continuation, wherein the respondent will lead his evidence.

REPORTABLE IRREGULARITIES

The IRBA received 161 first reports on reportable irregularities (RIs) during the second quarter reporting period ending 21 September 2022. In addition, 105 second reports, the nature of which is highlighted below, were received and processed.

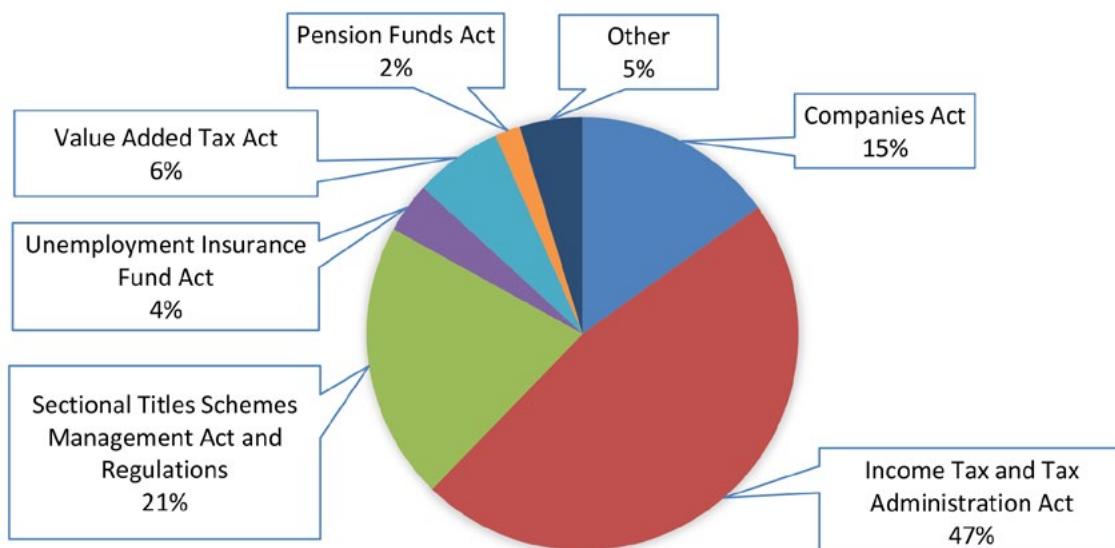
REPORTABLE IRREGULARITIES - Q2 SECOND REPORTS



Note: The difference of 56 reports between the first and second reports received is due to timing differences in reporting timelines.

The chart below reflects the 60 continuing RIs received, categorised by nature.

CONTINUING REPORTABLE IRREGULARITIES



Note: As depicted above, the top three types of reported contraventions related to the Income Tax and Tax Administration Act, the Sectional Titles Schemes Management Act and its Regulations, as well as the Companies Act. There were also several RIs highlighting contraventions of, among others, the Value-Added Tax Act and the Unemployment Insurance Fund Act.

All second reports indicating continuing reportable irregularities were sent to the relevant regulators and/or authorities, in line with the provisions of the Auditing Profession Act 26 of 2005, as amended, for action.

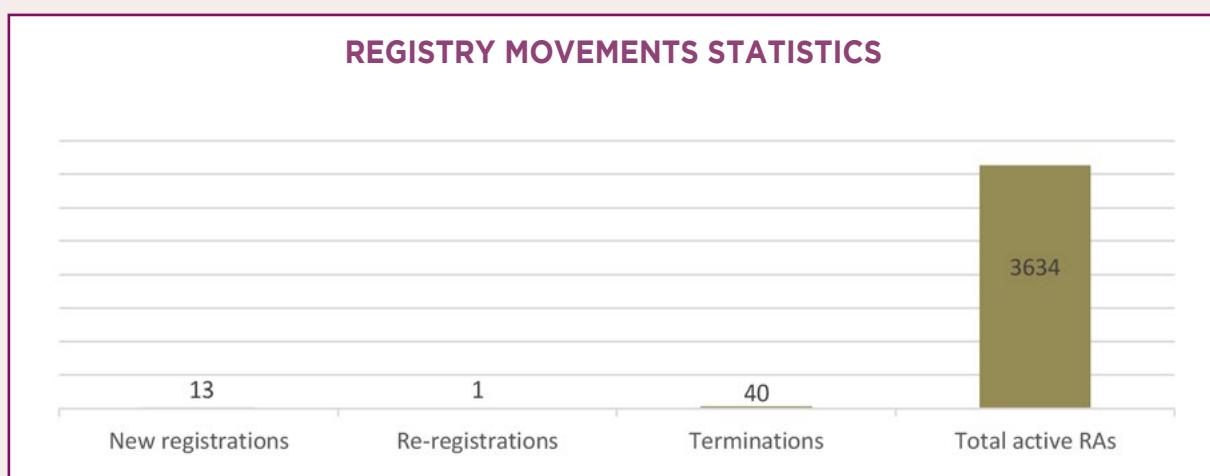
REGISTRY

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

Overview of Registry Movements

As at the end of the second quarter, there were 3 634 registered auditors (RAs) on the IRBA register. This latest figure takes into consideration the registration of 14 RAs and the termination of 40.

The chart below gives an overview of registry movements during the reporting period.



New Registrations and Re-registrations

In the tables below are the names of the RAs who were added to the register.

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA FROM 01 APRIL 2022 TO 22 JUNE 2022

Baloyi, John	Bashford, Johan
Fourie, Nicolaas Jakobus	Heathcote-Hacker, Jennifer
Marais, Izak Christoffel	Mkhize, Mfundisifiso Sethu
Murray, Ree-Ann	Ndwandwe, Boniswa
Nkosi, Lindiwe Pearl	Rampat, Rinel Pranesh
Scheepers, Christi-Mari	Suleman, Shehnaaz
Takawira, Tarisai	

**INDIVIDUAL RE-ADMITTED TO THE REGISTER OF THE IRBA
FROM 1 APRIL 2022 TO 22 JUNE 2022**

Sterley, Waldo

RA Terminations

As indicated above, 40 RAs were removed from the register during the current reporting period. Below is a list of these RAs, as well as the reasons for their removal.

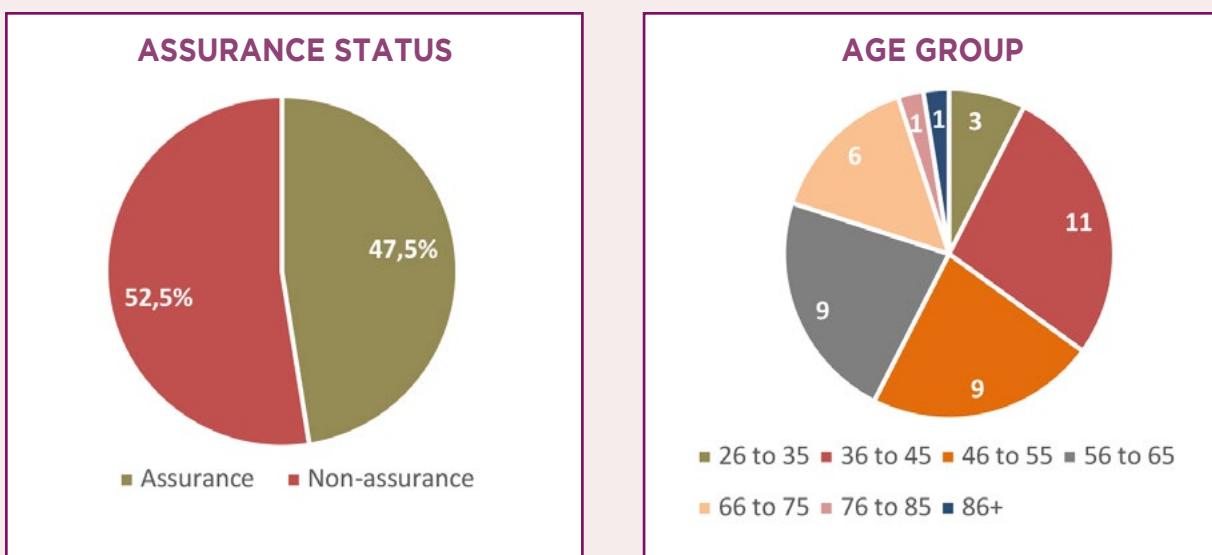
**INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA
FROM 20 JUNE 2022 TO 20 SEPTEMBER 2022**

Arterton, Alexander James	Emigrated
Barnard, Amanda Regina	Resigned
Blignaut, Johannes Cornelus	Resigned
Bloom, Jeffrey	Resigned
Botha, Conrad D Auvergne	Resigned
Brey, Atika	Resigned
Browne, Richard Arthur	Resigned
Burger, Ruan	Resigned
Christian, David Frank	Resigned
Davison, Michael Edward	Passed away
Deegan, Brendan Michael	Resigned
Deysel, Dennis Johannes	Resigned
Dickman, Neil Andrew	Resigned
Du Plessis, Henry Visser	Resigned
Eftychis, Veneta	Emigrated
Goldman, Ilan David	Emigrated
Hari, Joshila Ashokkumar	Resigned
Heynen, Aloysius Johannes	Resigned
Kgopa, Paseka Moses	Resigned
Krafft, Matthias Andreas	Emigrated
Levin, Harold	Resigned
Moodley, Mahendrin	Emigrated
Motholo, Vincent Mohau	Resigned
Nkomo, Zepi Thomas Brian	Passed away
Paruk, Yusuf Mahomed	Resigned

Pieterse, Petrus Jacobus	Resigned
Pretorius, Stephanus Johannes Kuhn	Resigned
Roos, Hendrik Lukas	Emigrated
Sarembock, Philip Charles	Emigrated
Shaikh-Arab, Naheeda Pervine	Emigrated
Sher, Leonard	Resigned
Sithole, Nontsikelela Khomboshe	Resigned
Smith, Gillian Clare	Emigrated
Steinberg, Willem Frederik	Resigned
Tager, Jonathan Russell	Resigned
Tayob, Mohamed Saber	Passed away
Temba, Bakang Khensani	Resigned
Van Der Merwe, Reinhardt	Emigrated
Walden, Adam Craig	Resigned
Wessels, Louter	Resigned

As reflected above, the most prevalent reasons for the termination of registration are movement from firms, retirement and emigration.

As per the below graphs, the majority of RAs who were removed from the register were those who had been performing assurance work and were between the ages of 36 and 65.



TAX PRACTITIONER NON-COMPLIANCE WITH TAX OBLIGATIONS

The IRBA Recognised Controlling Bodies compliance report issued by SARS in June 2022 revealed glaring areas of non-compliance with SARS commitments by IRBA tax practitioners and their clients. Below is a summary of the key areas of non-compliance that SARS raised.

- **Tax Practitioner Compliance:** About 18% of the IRBA tax practitioners are non-compliant in respect of filing returns and/or honoring SARS payment obligations. They are indebted to SARS to the tune of R35 million, with a further concern raised by SARS in relation to the fact that 892 returns were not submitted for PAYE. According to the SARS report, the non-submission may be as a result of inaccurate return submissions and/or the fact that tax practitioners may need to deregister for PAYE.

VAT audits conducted on tax practitioners' VAT affairs revealed numerous inaccurate VAT declarations, with 34% of VAT audits reporting a negative outcome.

- **Tax Practitioners' Clients' Compliance:** Clients serviced by IRBA registered tax practitioners accounted for a consolidated outstanding debt of R11 billion to SARS.

Further, SARS raised a concern with a number of outstanding returns for VAT and PAYE, indicating that the 22% of Income Tax returns filed late, as well as the late payment of 20% for VAT, reflects that tax practitioners may not be actively encouraging their clients to comply with their tax obligations.

On the other hand, inaccurate declarations for VAT revealed that for every three VAT audits conducted on the client's tax affairs, there is a negative outcome.

Conclusion

Undoubtedly, the number of non-compliant tax practitioners remains a serious concern to the IRBA. More so, since registered auditors are required to hold themselves to the highest regulatory standards set by the IRBA, and accordingly comply with their legislative obligations as per the code of conduct, this cannot be taken lightly.

In view of the above, tax practitioners are reminded that non-compliance with their tax obligations may affect their fitness to continue to practice as registered auditors and/or may lead to disciplinary processes. Therefore, we urge tax practitioners to ensure the application of due diligence and the highest ethical standards expected of them during the 2022 filing season.

Rebecca Motsepe

Director Legal

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Jillian Bailey
Director Investigations

INVESTIGATIONS

The matters reported in this issue took place between July and September 2022.

INVESTIGATING COMMITTEE

During the period under review, this committee met once and referred 21 matters to the Enforcement Committee.

ENFORCEMENT COMMITTEE

This committee met twice during this period and concluded on 38 matters.

Decision Not to Charge

There were 10 matters, with the respondents being found not guilty of improper conduct.

Decision to Charge and Matters Finalised by Fines Issued

A total of 25 matters were finalised by fines issued.

Matter 1

The respondent, KPMG Incorporated, in the period 2005 to 2010, was appointed as the auditor of two related companies. In addition, KPMG Services was appointed to conduct a forensic investigation on behalf of one of the companies. The companies became involved in mediation, which resulted in KPMG being in a position where the output of its investigations (on behalf of one client) was used against its other client. Furthermore, the quantum of fees charged by KPMG Services for forensic services far exceeded the audit fees. These fees, for non-audit services, were not appropriately disclosed in the annual financial statements of the relevant company. It was found that the abovementioned appointments resulted in numerous breaches of the IRBA Code of Professional Conduct relating to both independence and conflict of interest. It was also found that the respondent failed to establish adequate policies and procedures in terms of the International Standard on Quality Control 1 to prevent the aforementioned breaches.

The respondent was sentenced on the eight charges to a maximum total fine of R800 000; no order as to costs; and publication by the IRBA of the firm's name, the findings of the investigation and the sanction imposed, including the timeframe related to the matter.

Matter 2

Mr Jacques Wessels, the respondent, failed to obtain sufficient appropriate audit evidence to support the audit opinions of various audits performed in a group of companies, as required by the International Standards on Auditing (ISAs). In addition, he failed to apply his mind and document considerations regarding the possibility of money laundering in relation to unusual transactions that existed during the audits performed, and failed to document any considerations with regard to Section 45 of the Auditing Profession Act, which requires a registered auditor to report irregularities. He further failed to document considerations regarding the deductibility of expenditure in terms of tax laws. In addition, he failed to consider fringe benefits paid by an entity and the tax implications arising from the fringe benefits. He also failed to identify and appropriately assess all companies in the group and to consider the impact on the consolidated financial statements. Furthermore, he failed to ensure that appropriate procedures regarding the continuance of the client relationship and audit engagements had been followed, and did not take adverse public media coverage relating to the client into account during the continuance procedures performed, which resulted in an incorrect risk assessment. His actions lacked professional scepticism and objectivity.

The respondent was sentenced on the seven charges to a total fine of R1 300 000; no order as to costs; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 3

The respondent performed private work similar to that offered by the respondent's employer, and used firm resources to perform this private work.

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 any improper conduct committed during the period of suspension; a cost order of R20 000; and publication by the IRBA in general terms.

Matter 4

Mr Carl Emil May, the respondent, misleadingly signed financial statements on behalf of another person. In addition, his actions lacked integrity, as he raised invoices for work performed more than two decades ago. Furthermore, he did not act with professional competence and due care, as he did not comply with the International Standard on Related Services 4410, Compilation Engagements. Schedules he maintained were inaccurate and incomplete, and financial statements he prepared were inaccurate.

The respondent was sentenced to a fine of R150 000; the imposition of a previously suspended fine of R50 000; no order as to costs; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 5

The respondent signed the audit report of a homeowners association before the directors approved the financial statements and asserted that they take responsibility for the financial statements, in breach of ISA 700. In addition, management amended the financial statements, but the respondent failed to review the steps taken by management to ensure that everyone in possession of the previously issued financial statements was informed of the situation. The respondent also failed to include an emphasis of matter paragraph in the audit report, providing the reasons for the amendment to the revised financial statements, in breach of ISA 560. Furthermore, material unexplained differences were noted in the financial statements between the comparative figures and the prior year financial statements.

The respondent was sentenced to a fine of R75 000, of which R37 500 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 6

The respondent failed to obtain sufficient appropriate evidence on revenue and other income, in breach of the ISAs.

The respondent was sentenced to a fine of R90 000, of which R45 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 7

The respondent failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on contingent liabilities, liabilities, related party transactions and subsequent events.

The respondent was sentenced on the two charges to a total fine of R300 000, of which R150 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 8

The respondent failed to comply with the confidentiality requirements of the Code of Professional Conduct, as the respondent, in their capacity as a trustee of a trust, disclosed confidential information to third parties without proper and specific authority to do so. In addition, the respondent, as a co-executor of an estate, failed to declare a conflict of interest after being requested to do so by the other co-executor of the estate.

The respondent was sentenced on the two charges to a total fine of R100 000; no order as to costs; and publication by the IRBA in general terms.

Matter 9

The respondent failed to timeously prepare a client's financial statements and tax returns. In addition, the respondent issued a misleading invoice regarding the services performed.

The respondent was sentenced on the two charges to a total fine of R80 000, of which R40 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 10

The respondent failed to comply with the independence requirements of the Code of Professional Conduct, as they accepted review engagements of entities while a partner in the same office as the respondent was a trustee of a trust that was the ultimate shareholder of these entities and exercised significant influence over the entities.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 11

The matter was a referral from the Inspections Committee. The respondent failed to appropriately address material uncorrected misstatements identified during the audit. In addition, the respondent failed to document a conclusion regarding the uncorrected misstatements and failed to consider the effect of the uncorrected misstatements on the audit opinion.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 12

The matter was a referral from the Inspections Committee. The respondent, Mr Ebrahim Youssuf Lakhi, failed to identify material non-cash items included in the statement of cash flow and to consider the effect on the audit opinion expressed.

The respondent was sentenced to a fine of R40 000, of which R20 000 has been suspended for three years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 13

The matter was a referral from the Inspections Committee. The respondent failed to prepare documentation on a timely basis to ensure that all audit evidence gathered was documented on the file by the audit report signing date, and to archive the file within 60 days after the audit report signing date. The respondent further failed to document evidence that property, plant and equipment impairment misstatements were assessed, and how the effect of those misstatements was considered on the audit opinion expressed.

The respondent was sentenced to a fine of R200 000, of which R100 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. The respondent was reprimanded for not taking accountability for the findings. In addition, the respondent must arrange and ensure that they and their staff attend external training on the practical application of auditing standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 14

The respondent issued assurance opinions on two attorney trust accounts while being registered with the IRBA as a non-assurance registered auditor. In addition, the respondent failed to comply with a request from the IRBA and failed to respond to correspondence from the IRBA.

The respondent was sentenced on the two charges to a total fine of R250 000; no order as to costs; and publication by the IRBA in general terms.

Matter 15

The matter was a referral from the Inspections Committee. The respondent failed to consolidate a special purpose entity and/or document considerations regarding the reason for not consolidating the special purpose entity. Accordingly, an inappropriate audit opinion was 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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 16

The matter was a referral from the Inspections Committee. The respondent failed to identify material non-cash items included in the statement of cash flow, and to consider the effect on the audit opinion expressed. Furthermore, a material liability that was still outstanding at the end of the year was not disclosed in the annual financial statements.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their staff attend external training on the International Financial Reporting Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 17

Mr Heemal Navinchandra Bhaga Muljee, the respondent, failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on the classification of liabilities, and failed to identify material misstatements in the notes to the statement of cash flow relating to non-cash items.

The respondent was sentenced to a fine of R200 000, of which R100 000 has been suspended for three years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; the imposition of a previously suspended fine of R50 000; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 18

The matter was a referral from the Inspections Committee. The respondent failed to identify that material revenue and operating expenses were not consolidated into the group financial statements, resulting in a material understatement of the revenue and operating expenses financial statement line items. Accordingly, an inappropriate audit opinion was 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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 19

The matter was a referral from the Inspections Committee. Mr David Stratfold Read, the respondent, failed to appropriately address material misstatements identified during the audit, in breach of ISA 450.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for three years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 20

The respondent's communication was unprofessional and lacked integrity with regard to inflating quotes for audits to be performed.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. The respondent was further admonished for the unacceptable behaviour. In addition, the respondent must arrange and ensure that they and their staff attend external training on fundamental principles, as set out in the Code of Professional Conduct, within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 21

The matter was a referral from the Inspections Committee. Mr Hilton Craig Kilian, the respondent, failed to identify material misstatements in the statement of cash flow relating to non-cash items, and to consider the effect on the audit 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 he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 22

The respondent failed to obtain sufficient appropriate audit evidence on the accuracy and validity of deferred tax and the validity of prepaid expenditure claimed from the South African Revenue Service.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their staff attend external training on the practical application of auditing standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 23

The respondent acted as the executor of a deceased estate and failed to comply with the Administration of Estates Act by releasing assets of the estate before the liquidation and distribution account of the estate was laid open for inspection.

The respondent was sentenced to a fine of R50 000; no order as to costs; and publication by the IRBA in general terms.

Matter 24

The respondent's tone and style in written communication was unprofessional and unprofessional remarks were made by the respondent at an annual general meeting of the client.

The respondent was sentenced to a fine of R30 000; no order as to costs; and publication by the IRBA in general terms.

Matter 25

The respondent sent unprofessional emails to a client and, as a result, contravened the Code of Professional Conduct.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Decision to Charge and Matters Referred for Disciplinary Hearings

Three matters were referred to the Legal Department for disciplinary hearings.

Jillian Bailey
Director Investigations

E-mail: investigations@irba.co.za

**Ntlambi Gulwa**

Acting Director Inspections

INSPECTIONS

HOW PREPARED ARE FIRMS FOR THE NEW QUALITY MANAGEMENT STANDARDS?

When the IAASB issued the suite of Quality Management (QM) standards, that marked a major shift in quality management for audit firms. The QM standards, which consist of International Standard on Quality Management (ISQM) 1, ISQM 2 and International Standard on Auditing (ISA) 220 (Revised), become effective on 15 December 2022. They are applicable to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements.

These standards require firms to transition from a policies and procedures approach that addresses standalone elements of the system of quality controls, per the extant International Standard on Quality Control 1, to a system of quality management (SQQM) that needs an integrated approach to audit quality and is reflective of the system as a whole. They also require the firm to customise the design, implementation and operation of its SQQM, based on the nature and circumstances of the firm and the engagements it performs.

From the outset, it was clear that the application of the SQQM would require firms to start their implementation processes well in advance of the implementation deadline. Such steps would help them achieve the objectives that are set out by the QM standards.

In line with our 8th Cycle Inspection strategy, the Inspections Department adopted a proactive approach with regard to the QM standards and their implementation. Though the department's role is to monitor audit quality, we also want to ensure that firms are ready and have adequately implemented their SQQM by the effective date. We, therefore, embarked on several initiatives to create awareness around the QM standards.

The IRBA Inspections team invited some firms to participate in a pilot programme in which the department would inspect the design and implementation of each firm's SQQM and provide feedback prior to the implementation deadline. However, as these firms began to understand the magnitude of the QM standards, it was indicated that more time would be required for the design and implementation of the SQQM; therefore, the programme was shelved. This was an indication that the broader profession may also be experiencing the same challenges in relation to the design and implementation of the SQQM. As such, it became clear that more awareness was necessary.

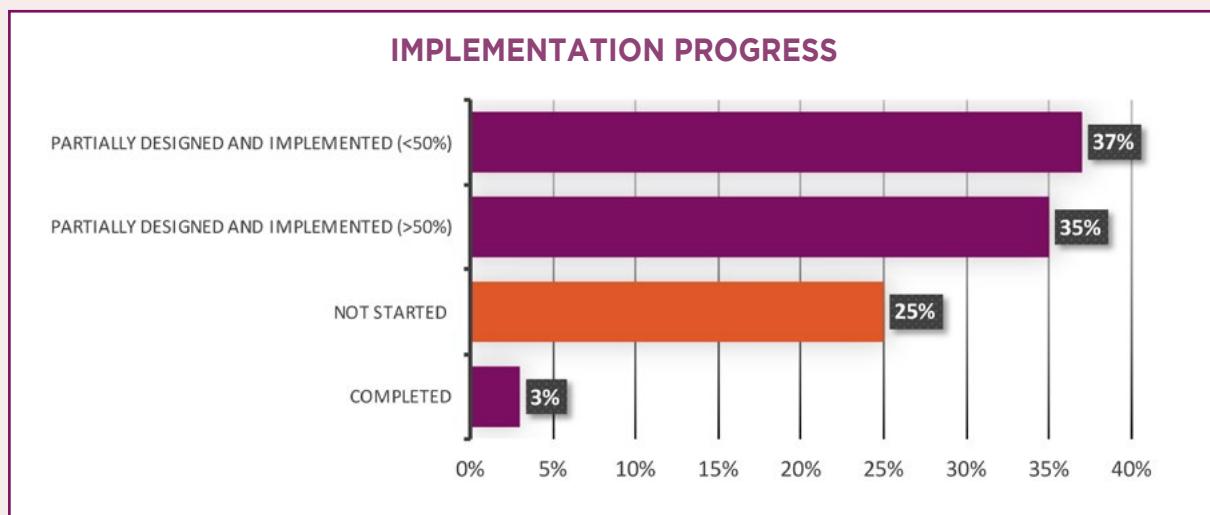
In creating more awareness, the IRBA then embarked on initiatives that included discussing the design and implementation of the SQQM with all firms that were inspected from the beginning of 2021, to understand their implementation processes. These firms also shared their implementation plans and monitoring processes that are embedded into their SQQM implementation strategies.

It was encouraging to see that the firms have dedicated a lot of time and effort towards implementation. Also, many recognised the significance and impact of the new QM standards.

The IRBA also prepared a *survey with the intention of gaining a broader understanding of the progress and readiness to implement the suite of QM standards before the effective date. Some of the most pertinent results from the survey have been summarised and are presented below.

1. How far has the firm progressed with the implementation of the QM standards?

It was encouraging to see that of the responses received, 75% of the firms have either started or completed the implementation of the SOQM. Regarding the components of the SOQM that had already been designed and implemented, almost 50% of the firms had completed the design and implementation of the risk assessment and relevant ethical requirements components (17%: monitoring and remediation; 35%: remaining components).

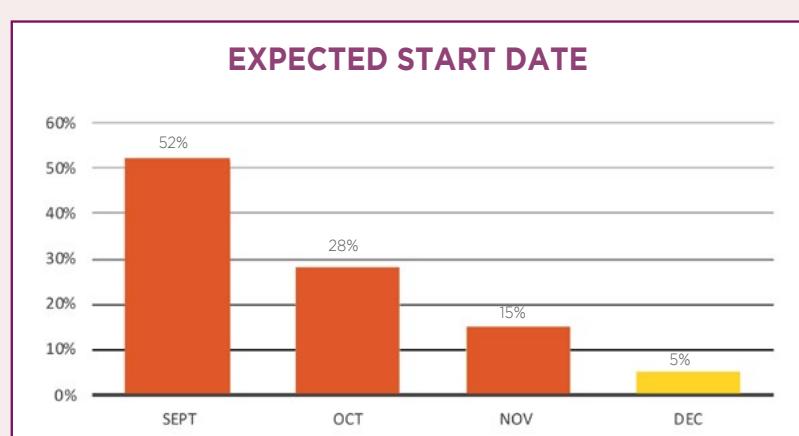


When analysing the assistance firms received with the design and implementation of the SOQM, we noted that 33% belonged to a local or international network and 25% used external service providers (46%: internal resources; 29%: combination of internal and external resources).

The firms that had not yet started with their implementation process (25%) were asked to indicate when that would commence. Of these firms, 95% expected to start before the end of November 2022 and expected to meet the implementation deadline, while 5% said they were likely to do so in December 2022.

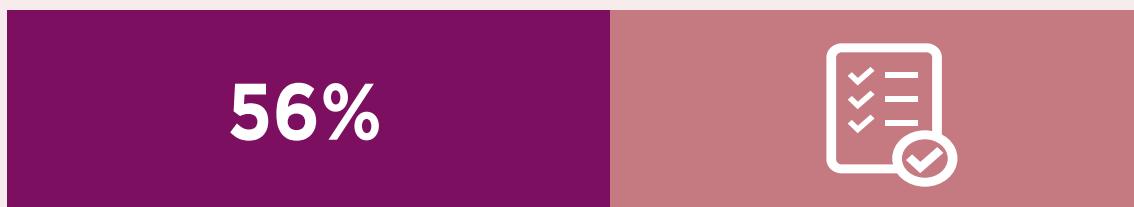
It should be noted that firms that do not allocate sufficient time to design and implement the SOQM are less likely to meet the implementation deadline. These firms are therefore strongly encouraged to prepare and/or adjust their implementation plans, to ensure that the SOQM is appropriately designed and implemented by 15 December 2022.

*The survey was open to all audit firms registered with the IRBA which includes the largest and smallest audit firms. The results of the survey discussed in this article were based on the feedback from those firms that responded. Therefore, these results might not be indicative of the progress and/or readiness of the entire auditor population.

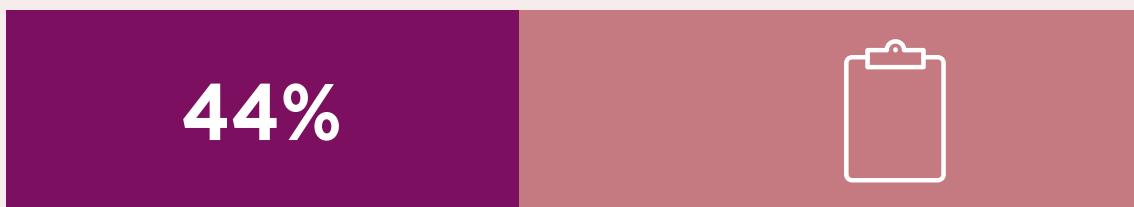


2. Has the firm developed an ISQM implementation plan?

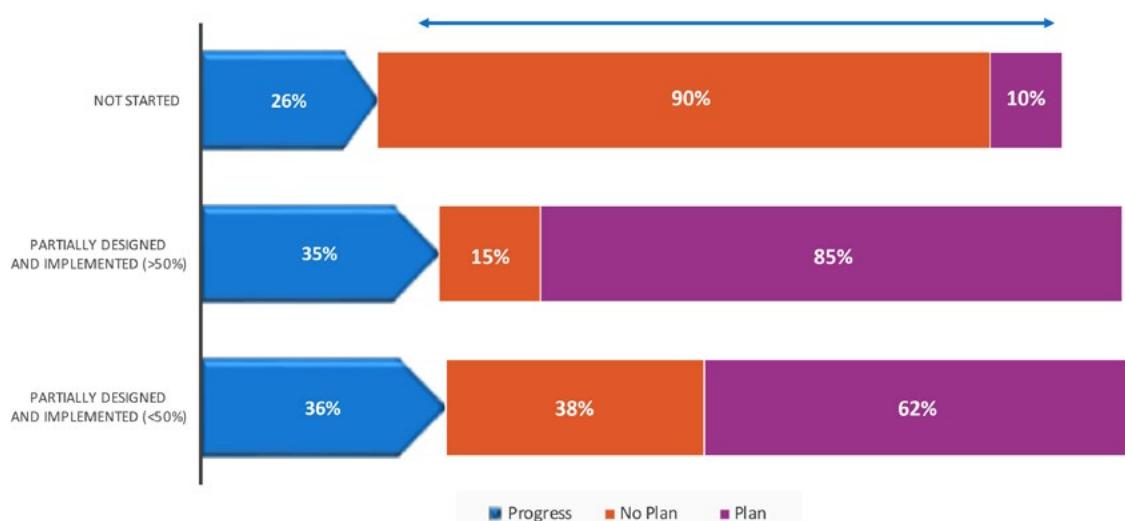
Developed an ISQM implementation plan



Did not develop an ISQM implementation plan



IMPLEMENTATION PROGRESS VS PREPARING AN IMPLEMENTATION PLAN



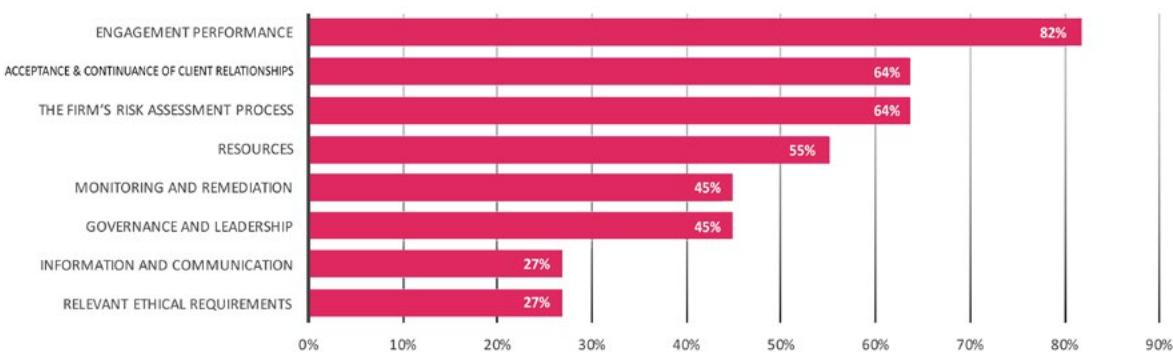
The responses showed that 44% of the firms had not developed an ISQM implementation plan. When compared to the status of implementation, we noted that 90% of the firms that had not started with the implementation of the SOQM had no implementation plan. This indicates that firms that had developed an implementation plan made more progress compared to firms that had no implementation plans in place.

3. What is the impact of scalability on your firm?

IMPACT OF SCALABILITY



COMPONENTS IMPACTED BY SCALABILITY*



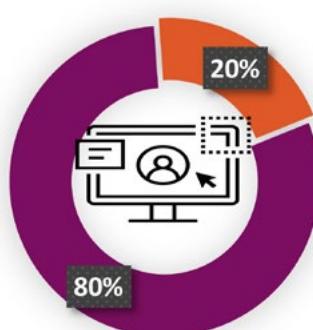
* Based on the population represented by 14% of the firms shown in the previous graph.

The impact of scalability is one of the fundamental changes brought on by ISQM 1, and it requires a consideration of the nature and circumstances of both the firm and the engagements it performs. Accordingly, the design of the firm's SOQM, particularly, the complexity of the system, will vary from one firm to another. Smaller firms are encouraged to design their SOQM using the principles of scalability, so that the resources required to operate the SOQM are proportionate to the circumstances of the firm.

4. Does the firm anticipate that the implementation of the QM standards will require an introduction of new technologies to either manage the quality system or respond to quality risks?

Most of the firms that indicated that they would require the use of new technologies noted a need for an electronic tool to manage the risk assessment, documentation and monitoring of the SOQM. Some firms also pointed out that they would start to employ electronic systems for their engagement files.

TECHNOLOGY

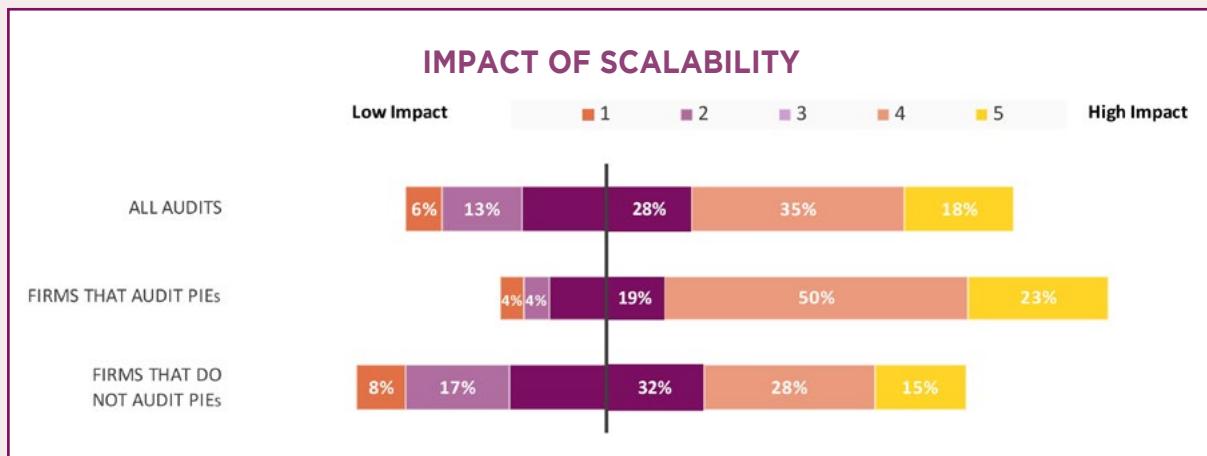


- Does not require new technologies
- Will require new technologies

5. Rate your experience of the implementation of the new QM standards, based on the indicators below, where 1 indicates a very low impact and 5 a very high impact

5.1. Complexity

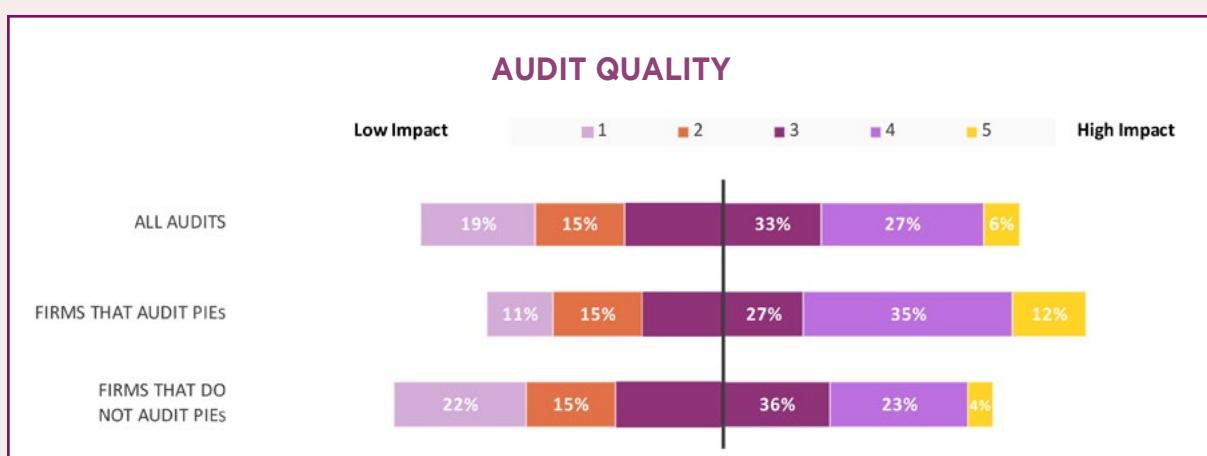
On average, 53% of the firms indicated a high level of complexity (impact levels 4 and 5) in association to the new QM standards. Further analysis has shown that 73% of the firms performing audits of public interest entities (PIEs) experienced a higher level of complexity, compared to 43% of those that do not perform PIE audits. The level of complexity appears to be proportionate to the additional risks that are associated with the audit of PIEs.



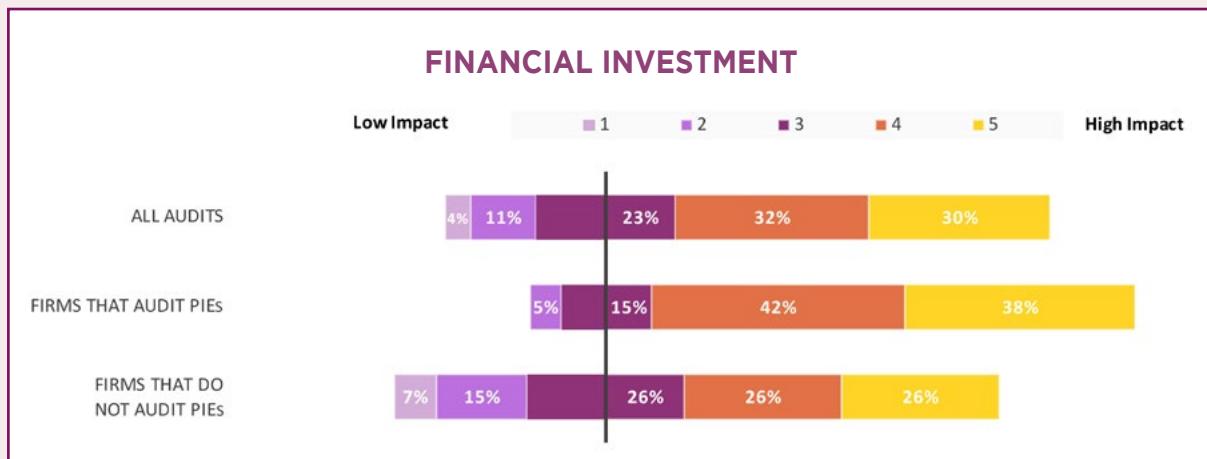
5.2. Expected impact on audit quality

On average, 66% of the firms expected a moderate to high impact on audit quality with the implementation of the new QM standards. However, the results increased to 74% when considering only firms that perform audits of PIEs. In addition, the results reflect the impact of a proactive approach to managing quality and tailoring the SOQM to the specific circumstances of the firm.

Some firms indicated that they already had many of the components of the SOQM in place, from existing practices, policies and procedures. While other firms indicated that the implementation could be onerous for smaller firms, it has generally pushed firms to strengthen audit quality and “cross-quality-pollinate” across network firms and peers.



5.3. Impact on the financial investment required by firms



The results indicate that almost all firms expected that a financial investment would be required; and those that perform audits of PIEs expected a higher level of financial investment. The IRBA expects that the firms' assessment of this indicator will be influenced by the specific circumstances of each firm.

6. Conclusion

The IRBA appreciates the firms that took the time to respond to the survey, and acknowledges the efforts and investments made towards the implementation of the SOQM. The QM standards aim to enhance the robustness of each firm's SOQM and have introduced a more proactive and tailored approach to managing audit quality.

We encourage all firms that have not yet started preparing for the implementation of the SOQM to begin their implementation journey, in support of the objectives of the QM standards. All efforts made towards the implementation of the SOQM are considered to be consistent with the principles of high levels of audit quality, due professional care and the auditor's responsibility to serve the public interest.

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EDUCATION & TRANSFORMATION

AUDIT DEVELOPMENT PROGRAMME (ADP)

The ADP team has launched the digital learning content to enhance the stakeholder experience on the programme. This content includes marketing videos, animations and e-learning courses that are aimed at supporting the registered candidate auditor (RCA) on their ADP journey, and creating an enjoyable experience. The content includes the following:

- Marketing video: To promote the ADP and the registered auditor (RA) profession.
- Animation video: To address, in a simplified way, what a registered auditor is, the value of being one and the process to becoming an RA.
- Three eLearning modules: To support the RCA and the oversight RA (ORA). The modules include an induction, an information session and a portfolio of evidence (PoE) guidance. Through the modules, RCAs and ORAs have access to various material and certificates of completion.

The content is available on the [IRBA website](#) and YouTube. Communication has been sent out to all ADP stakeholders to alert them of this resource.

Registrations and Completions

The rate of registrations and completions has increased substantially in the past two quarters, as the ADP Reloaded initiatives have started to bear fruit. The PoE completion process has been given a boost through the new formats as well as a focused and customised approach. New registrations of 110 for the year to date are already above the set target

Insights from Others' Experiences

Personal testimonies from those who have been on the ADP are key in increasing interest in the auditing profession. As such, we share these reflections on our website. Currently, we profile eight graduates; and of these, three are Black and four are women.

One of these is Tarisai Takariwa, who graduated on 3 December 2021, with Don Luthando Saunders as his ORA. Below are excerpts from his reflection.

"I believe ... [auditing] is the best job in the world; you get to learn about many organisations, travel, meet and work with different people and truly help bring about positive change. My daily responsibilities ... ensure that organisations and personnel are held accountable.

"The programme has positioned me to excel and I am now well-oiled and fully prepared to add value to various stakeholders.

"My message to anybody considering registering on the ADP is that [it] is ... essential ... for any aspiring RA. It prepares and equips you with everything you need to be that rare breed of an auditor in any environment ... The gains from the course are immense!"

of 100 for the 2022/2023 financial year. Just in this quarter, we had 85 new registrations, while 28 PoEs were approved by the Audit Development Committee and the Education and Transformation Committee.

COMPARATIVE ADP STATISTICS

	2016	2017	2018	2019	2020	2021	2022	2022/ 2023 Q2 - YTD	TOTAL
Opening	0	28	172	288	425	455	464	482	0
Registrations	28	157	134	170	81	82	104	110	866
De-registration	0	-11	9	-2	-18	0	0	0	-40
Completed	0	-2	-9	-31	-33	-73	-86	-58	-292
Total RCAs to date	28	172	288	425	455	464	482	534	534

ADP Monitoring

The objective of an ADP monitoring visit is to evaluate whether the firm's environment is conducive to developing an RCA. This is done by reviewing the firm's compliance with International Standard on Quality Control (ISQC) 1 and other quality standards, and conducting external validation procedures on the validity of the competence achievements documented by the RCA in his/her PoE documents. In the period under review, the following audit firms were monitored:

	FIRM	DATE OF MONITORING
1	Baker Tilly Greenwoods	18 July 2022
2	Baker Tilly Morrisson	26 July 2022
3	SNG GT Rustenburg	3 August 2022
4	SNG GT Johannesburg	11 August 2022
5	Schnider & Associates	16 August 2022
6	Nolands	22 August 2022
7	GKL Auditors	30 August 2022
8	Maine Management	1 September 2022
9	PwC JHB	6 September 2022
10	JBV Auditors	8 September 2022
11	AD Friedman	20 September 2022
12	PKF Octagon	28 September 2022

A BIRD'S EYE VIEW OF OUR ACCREDITATION ACTIVITIES

Evaluation of the Accreditation Applicant

The Association of Chartered Certified Accountants (ACCA) accreditation project is currently at a critical stage. All the evaluation reports are being collated and finalised by the specialist working groups (SWGs), and will be further processed through the Accreditation Committee (ACCOM) before they are presented to the EDCOM as the outcome recommendation reports on the accreditation. Thereafter, the EDCOM will consider and discuss the recommendations and then forward its endorsement to the Board's Operations Committee (OPSCOM) for review. The reports are split based on different areas of evaluation (as per the Accreditation Model), with each of the following groups focusing on a specific area:

- Institutional SWG 1;
- Institutional SWG 2;
- Academic-core Programme SWG; and
- Professional Development Programme SWG.

Once the reports have been discussed and finalised at the various governance levels (ACCOM, EDCOM and OPSCOM), they will be collated into one recommendation report that will be tabled before the IRBA Board for its final approval.

Due to how the recommendation reports are processed within the IRBA governance structures, special committee meetings are being scheduled as part of the overall process. The project end-date is still set for March 2023, subject to meeting the reporting and governance timelines that are stipulated in the project plan.

Monitoring of the Accredited Professional Body

Accreditation Relationship and Monitoring Outcomes

The accreditation process is intended to strengthen and sustain the quality and integrity of the auditing profession, to make it worthy of public confidence. Accreditation establishes a partnership relationship between the IRBA and the accredited professional body, and gives rise to certain responsibilities for both parties. The accreditation relationship is not static, though, and that means it must be adapted to changing circumstances. Therefore, it works on a risk assessment basis.

The extent to which each accredited body accepts and fulfils the inherent responsibilities is a measure of its concern for the quality of auditing. It is also a demonstration of its commitment to strive for and achieve excellence in its own endeavours, as defined in the IRBA Accreditation Model.

Currently, the IRBA has one accredited professional body, the South African Institute of Chartered Accountants (SAICA). The regulator issues its Final Monitoring Reports (FMRs) to SAICA as part of its ongoing and dynamic accreditation monitoring process. These reports are prepared through the IRBA's Monitoring Committee and approved by the EDCOM.

These committees, through the monitoring report process, have concluded the 2021 monitoring cycle. SAICA has retained its accreditation and continues to make an important contribution to the profession. Various concerns and areas of improvement have been highlighted as well, and SAICA's responsiveness to these concerns will continue to be monitored in the upcoming monitoring cycle.

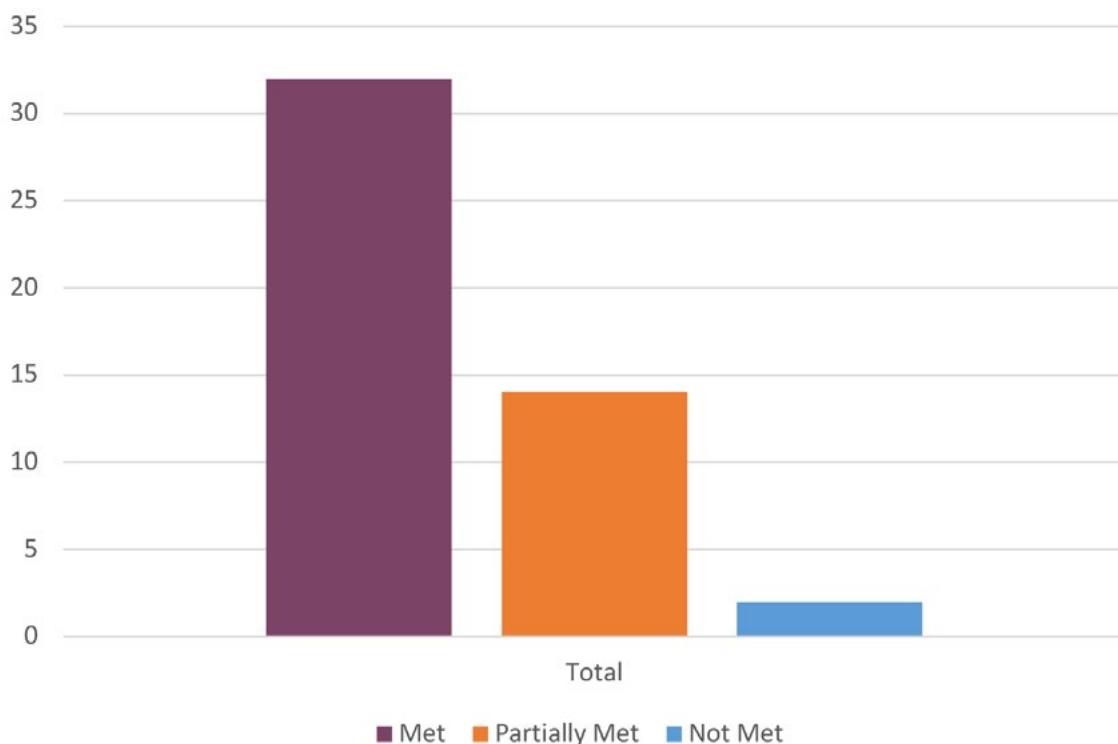
Summary of Final Monitoring Conclusions

The graph below reflects a summary of the number of standards that were met, partially met and not met for each of the areas of accreditation. The detailed outcomes are included in the monitoring reports, which are issued to the SAICA leadership.

Some of the broad themes that require ongoing attention from SAICA include:

- Commitment to ongoing institutional self-study and responsiveness.
- Resource, administration and governance processes across the investigations, disciplinary, exams and other functions.
- Transformation developments as well as the management, reporting, outcome and impact of the relevant research projects.
- Development and assessment of competence across the pipeline, which builds the foundation for the ADP.

TOTAL ACCREDITATION STANDARDS MONITORING OUTCOME



Monitoring Approach Review

The IRBA continuously reflects on the monitoring approach, to increase its effectiveness and impact. Several improvements have been made over the past few years. These have recently resulted in a renewed approach and shorter reporting timelines, to enable a more timely engagement and reporting on key issues.

Ongoing reflections include considerations about the transparency of the process and its outcomes. This is to ensure that the accreditation relationship is harnessed to address, in an effective way, the issues that affect the profession and the pipeline of future RAs.

TRANSFORMATION

For the quarter under review, the Education and Transformation Department (ET) focused on student workshops at universities. ET hosted these at historically disadvantaged universities (University of Fort

Hare, University of Zululand, University of Venda, Walter Sisulu University, University of Limpopo and the University of Western Cape) as well as other universities that have a significant African, Coloured and Indian cohort of students.

The focus of these sessions was to provide guidance to students on how to increase their engagement with auditing content, and to address some of the challenges that they face in studying the subject. The challenges include students having difficulty with practically relating to auditing concepts and contexts, as well as the consideration that auditing is a communication subject. The sessions – which were also held at the University of Pretoria, University of Johannesburg, University of the Witwatersrand and the University of South Africa – also provided an overview of the ADP, with the main target audience being third- and/or fourth-year auditing students.

COMPETENCY FRAMEWORK

The Competency Framework Review Project, currently underway and driven by the Competency Framework Task Force, is on phase 2 (Redefining the Objectives and Context) of the initiative. The key activities are reflected in the graphic.

COMPETENCY FRAMEWORK ACTIVITIES



A comprehensive review of the current framework to identify gaps.



A review of the research commissioned by the IRBA into the competency needs of future auditors.



A review of the literature, reports and research into the competencies required of auditors, including an analysis of the competency frameworks of international professional bodies and audit regulators.



Engagements with various global regulators and desktop research on their competency models.

The international regulators that the task force has interacted with in its research are: the United States' Public Company Accounting Oversight Board; the Canadian Public Accountability Board; Singapore's Accounting and Corporate Regulatory Authority; Italy's Commissione Nazionale per le Società e la Borsa; the United Kingdom's Financial Reporting Council; the Netherlands Authority for the Financial Markets; the Irish Auditing & Accounting Supervisory Authority; and Switzerland's Federal Audit Oversight Authority.

The task force also consulted various stakeholders, as seen in the table below, to establish a deep understanding of the developments in the profession that affect the advancement of competence by aspiring RAs.

STAKEHOLDER	TOPIC
IRBA Inspections Team	Areas of competence that need to be developed in current and future RAs in relation to IRBA inspection outcomes, trends and findings.

STAKEHOLDER	TOPIC
IRBA Executive Department: Business Intelligence Manager	How technology is being used in the profession; specifically, how firms are resourcing technology needs. Feedback from the International Forum of Independent Audit Regulators' working groups.
Stellenbosch University: Auditing Department	4IR, digital acumen in academia and the challenges faced by the academia.
University of Johannesburg: Head of Auditing	4IR and the digital acumen within the academic space.

Once all the activities that are underway are completed, the task force will commence with the recommended amendments to the competency framework. That development phase will also include engagements with key stakeholders across the RA career development pipeline.

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COMMUNICATIONS

Improved and regular communication with our registered auditors and other stakeholders is important for us. To that end, below we list all the communiqués – that may be downloaded from the IRBA website under the News section – that were sent by bulk e-mail during this reporting period.

21 September 2022	Maximum Monetary Fines in Terms of the Auditing Profession Act, 2005: Call for Comments
20 September 2022	Survey Announcement Letter
13 September 2022	Information from SARS: Latest Alerts for Noting
8 September 2022	Information from SARS: What's New at SARS
7 September 2022	IRBA Appoints Imre Nagy as CEO
5 September 2022	Audit Development Programme (ADP) Digital Learning Content
2 September 2022	An Overview of the Latest Communication from the IAASB
2 September 2022	Information from SARS: Core Network Upgrades
31 August 2022	IRBA Staff Audit Practice Alert 7: Content of a Transparency Report
31 August 2022	Information from SARS: CIT Removal of ITI4SD 16 September 2022 and Other Topics
30 August 2022	The Property Practitioners Regulatory Authority Issues a Notification Regarding Changes to the 2022 Trust Account Audit Report Template
29 August 2022	Information Regarding the Registration Requirement for a Police Clearance Certificate
23 August 2022	Information from SARS: Tax Practitioner Connect August Issue
15 August 2022	IRBA Board Adopts International Standard on Auditing 600 (Revised), Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)
15 August 2022	Information from SARS: Extension of Days to Request Amendments for Unsatisfied Auto Assessed Taxpayers

21 July	IRBA News #58
19 July 2022	Information from SARS: Invitation to an eFiling Presentation and Other Alerts
15 July 2022	Countdown to the Suite of Quality Management Standards Effective Date
12 July 2022	IAASB Proposes Narrow Scope Amendments to Operationalize Changes to the IESBA Code that Enhance Transparency About Independence
12 July 2022	Information from SARS: Invitation to a Webinar on Filing Changes for 2022
8 July 2022	Audit Development Programme (ADP) Reloaded
7 July 2022	Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements
4 July 2022	Call for Nominations to Serve on the Committee for Auditor Ethics

IRBA COMMUNICATIONS

If you would like to have IRBA communications delivered directly to your inbox, please contact Lebogang Manganye (lmanganye@irba.co.za). Also, if you know of a non-auditor who would like to receive these communications, kindly email us at the abovementioned address.

GENERAL NEWS

IRBA UNVEils A NEW BRAND

As the quarter under review drew to a close, the IRBA revealed a new brand that has been inspired by its restoring confidence strategy. This strategy was launched in 2018 and since then the regulator has completed several projects to bring about reform in the profession at large.

When it developed its refocused five-year strategy for 2021-2026, the IRBA included comprehensive stakeholder engagement as one of its initiatives. The intention has been to make these engagements open and transparent, to rebuild trust.

IRBA CEO, Imre Nagy, said the following about the rebranding: "Over the past few months, we have been on a brand renewal journey internally, to examine what the audit regulator brand should portray. Based on focus group research, it became evident that our IRBA and registered auditor (RA) brands needed to be updated to be representative of the organisation we wish to be."

"Our focus with this brand project is around the clarion call of integrity, public interest and audit quality. Revitalising our brand through this brand journey has helped us to pause and reflect on how we go about building trust through our marketing on our public channels."

The new logo, which also features on the cover page of this newsletter, was revealed on Monday, 26 September 2022. This rebranding signals a new era for the IRBA and the RA brands, in line with the regulator's new vision for the future.

Registered auditors can obtain the new RA logo by contacting Lorraine van Schalkwyk via email on lschalkwyk@irba.co.za.

OUR PROJECT TO IDENTIFY GAPS IN THE FINANCIAL REPORTING ECOSYSTEM KICKS OFF AND YOUR OPINION COUNTS

When the IRBA embarked on a strategic project in 2018 to restore confidence, one of the main focus areas was to have an initiative that would help identify gaps in the financial reporting and governance ecosystem. We are now gearing up to kick off this initiative and are seeking the participation of all our stakeholders in determining what needs to change or be improved in this ecosystem.

The financial reporting and governance ecosystem comprises preparers of financial statements, those charged with governance, assurance providers, government/regulators and investors/public. As such, feedback from all these stakeholders, among others, will help produce an insightful study of what needs to be done, collectively, to improve the environment.

We acknowledge the need to focus on identifying and addressing challenges in the auditing profession. However, we also recognise that we have a responsibility to influence complementary

systemic change and reforms through open discussions with all relevant stakeholders and decision-makers in the financial reporting chain and governance environment. Our mandate is to protect the public interest by promoting consistent, sustainable high audit quality which is directly linked to the integrity, controls and quality of information that is provided to the auditor by their clients.

Where areas of improvement remain in the broader reporting environment, we believe we should offer collective recommendations for reforms/policy changes, with the support of our stakeholders, including National Treasury and Parliament.

So, as we start this conversation, we would like your insights on the areas that you believe impact the effectiveness of the financial reporting and governance ecosystem. Also, your views on possible solutions/opportunities for reforms to be investigated will be appreciated. The main question we would like to pose is:

- Do you believe that there are easily identifiable areas of improvement in South Africa's current financial reporting and governance ecosystem that may have contributed to our current auditing landscape?
 - If yes, kindly suggest no more than five areas of improvement that you believe will be valuable to address.
 - If no, highlight why there is no room for improvement, i.e. those areas in which the financial reporting and governance ecosystem is strong/adequate.

We are planning a Webinar in early 2023 to kick start discussions of these and other areas of improvement in the financial reporting and governance ecosystem.

- END -