

IRBA NEWS

ISSUE 61 JANUARY - MARCH 2023

JOINT EFFORTS BEAR FRUIT

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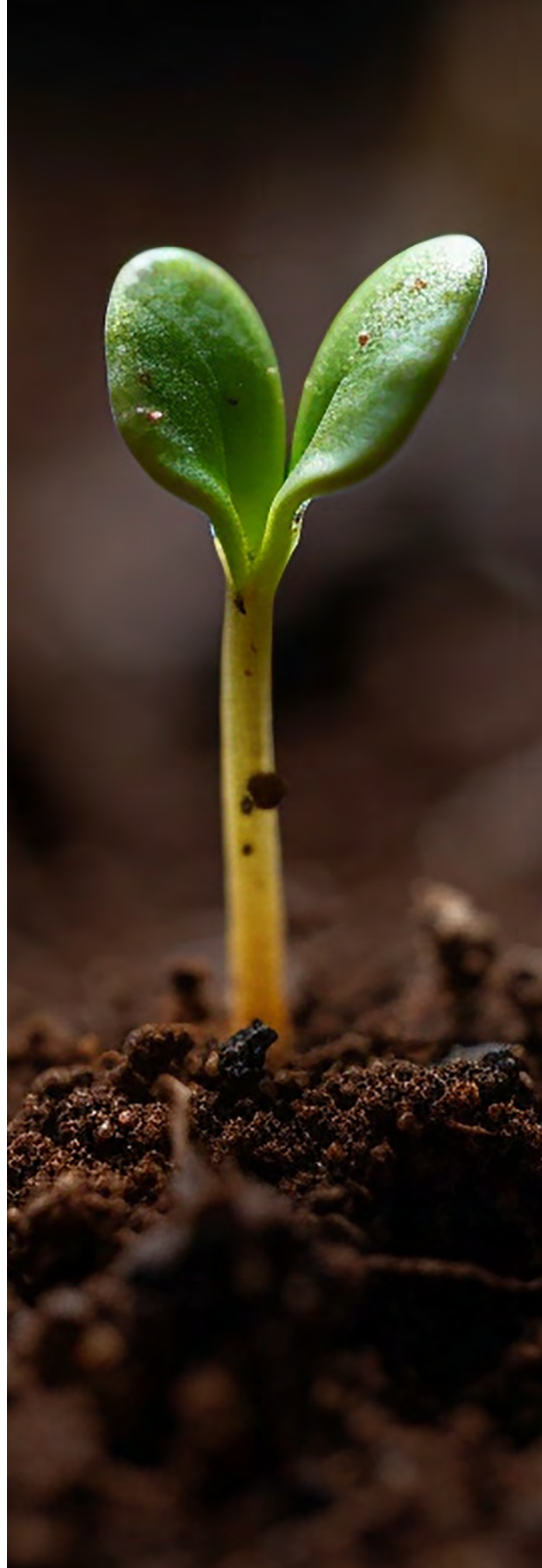
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Imre Nagy
Chief Executive Officer

CEO'S PERSPECTIVE

AN OVERVIEW OF THE PAST YEAR SHOWS SOME VITAL GAINS TO CAPITALISE ON

Our Strategic Plan 2021-2025 is now in its third year, and this makes it a good time to briefly pause and reflect on the commitments we made through its various strategic objectives. We also need to ponder on how impactful this strategy has been, so far, on our broader stakeholders.

As we have interacted with various stakeholders since we launched the strategy, we have become more acutely aware of new realities that the profession is encountering, due to rapid change and disruptions in the environment. Emerging from the changes brought on by the pandemic, we had to reimagine how to position ourselves as a regulator that is fit for purpose and ready to navigate the future of the auditing profession both locally and globally. Consequently, the IRBA has gone through several changes and continues to enhance its effectiveness and ensure its sustainability as the audit regulator.

Since we commenced with our restoring confidence drive, it is encouraging to see more stakeholders embracing the IRBA's broader stakeholder approach, showing their full commitment to our collective goal of restoring trust and integrity in the broader financial reporting and governance ecosystem, including the auditing profession. Also, there has been an increase in the number of stakeholders that are joining hands with us on this journey, and we appreciate the efforts and support by firm leadership, auditors, professional bodies, those charged with governance as well as other relevant regulators and stakeholders.

Focus on Audit Quality

Audit quality remains at the centre of our strategy and is critical in restoring confidence in our profession. Our efforts towards this are to help reduce the risk of audit failures that taint the reputation of the profession and make it unattractive to young people because of the negative publicity created. We recognise that audit failures are caused by a handful of auditors and that the majority are still significantly relied upon by investors and users of financial statements. But we cannot ignore the devastating impact that even a single audit failure on a public interest entity (PIE) can have on investors, the public, the auditing firm, the reputation of the registered auditor brand and our profession.

In our commitment to jointly find ways to address the challenges, we published three annual critical reports that map out the key themes and trends we have observed and that have an impact on promoting audit quality. These reports are the [Audit Quality Indicators Survey](#) (with the latest published towards the end of 2022), the [Public Inspections Report](#) and the recently introduced [Enforcement Report](#).

Public Inspections Report (PIR)

Our latest PIR shows no substantial changes regarding the themes or outcomes reported previously, except for a concerning increase in independence matters being reported. Essentially, there has been a significant increase in the number of findings over the past four years relating to ethics and independence that requires a sharper focus by all relevant stakeholders. The frequency of inspection findings also remains significantly higher compared to the 2022 global inspections survey results released by the International Forum of Independent Audit Regulators. Read more about the PIR under the Inspections sections on page 28.

Enforcement Report

We recently issued our first Enforcement Report that covers the nature of enforcement cases dealt with by the relevant IRBA enforcement structures and the outcomes of enforcement processes undertaken.

This report provides an account of various auditor transgressions against the relevant prescripts; the disciplinary measures taken against such auditors; and the learnings for auditors on how to achieve compliance, avoid transgressions and approach various scenarios that might lead to non-compliance.

Attractiveness of the Profession

As part of our initiatives to create more awareness of the auditing profession and enhance its attractiveness, we embarked on a number of university visits to engage directly with students. At the University of North-West (Vaal Campus), I shared on the role of auditors and the impact of their work on the economy. I was encouraged to see so many young people who showed commitment and excitement at the prospect of becoming an auditor. This re-emphasised how important it is that we plant the seed and keep engaging the universities through their auditing departments' leadership and the students themselves, to attract the right people into the profession.

It is equally critical for us to retain the young professionals who have already entered the profession. While our Audit Development Programme statistics show a steady increase in the number of registered candidate auditors, the firms have also raised their concerns on the scores of professionals they are losing. This reality is making it extremely important for all stakeholders to work together to create awareness and educate the public on the role of registered auditors and to speak positively about the value of the audit product and auditing as a profession, for us to attract and retain more people into the profession.

MAFR Implementation

The 1st of April 2023 marks the effective date of the Mandatory Audit Firm Rotation (MAFR) rule that was passed on 5 June 2017. The five-year lead period has allowed early adopters to complete their audit firm rotations ahead of time. The IRBA has been monitoring those rotations and also completed a study of non-listed PIEs that are also subject to the provisions of MAFR. These non-listed PIEs include licensed insurers, pension funds and medical schemes that meet the definition of a PIE in terms of the IRBA Code of Professional Conduct for Registered Auditors. With the rule becoming effective, we will be issuing updates on the rotations and conducting research on the impact of MAFR.

Outlook

The collective efforts of all our stakeholders are starting to bear fruit. There is a clear sense of working together to achieve our collective goals for the profession. I want to thank everyone for their input, collaboration, suggestions and the constructive conversations that are helping to shape the future of our profession. It is important that we continue to work together to create awareness about the value that we bring to the financial markets and the economy of our country. After all, protecting the public interest is at the heart of all that we do as auditors and the regulator.

Imre Nagy

Chief Executive Officer



Imran Vanker
Director Standards

STANDARDS

LIST OF TOPICS COVERED IN THIS ISSUE

Standards

- Adoption of the IAASB's 2021 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.
- CFAS Approves the Sustainability Standing Committee Strategy.
- CFAS Approves, for Issue, the Illustrative Business Property Practitioner's Trust Account Assurance Practitioner's Reports to be Used by Independent Assurance Practitioners When Required to Report in terms of the Property Practitioners Act No. 22 of 2019.
- IAASB Issues an Exposure Draft on the Proposed Part 10, *Audits of Group Financial Statements* of the Proposed International Standard on Auditing for Financial Statements of Less Complex Entities.
- IAASB Consults on Its Proposed Strategy and Work Plan for 2024-2027.
- IAASB Projects in Progress.

Ethics

- IESBA Proposes Revisions to the Code Addressing Tax Planning and Related Services.
- IESBA Projects in Progress.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Adoption of the IAASB's 2021 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements

The Independent Regulatory Board for Auditors (IRBA) draws the attention of all registered auditors to Board Notice No. 394 of 2023 (Government Gazette No. 48017) titled *"The Adoption of the International Auditing and Assurance Standards Board's (IAASB) 2021 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements in terms of the Auditing Profession Act 26 of 2005, as amended"*.

To that end, the IRBA hereby resolves to adopt, issue and prescribe the following publications:

- a) Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2021 Edition, Volume 1, ISBN: 978-1-60815-507-1.
- b) Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2021 Edition, Volume 2, ISBN: 978-1-60815-507-1.

- c) Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2021 Edition, Volume 3, ISBN: 978-1-60815-507-1.

These publications replace the following issues:

- Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition, Volume I, ISBN 978-1-60815-459-3;
- Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition, Volume II, ISBN 978-1-60815-459-3; and
- Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition, Volume III, ISBN 978-1-60815-459-3.

The latest edition of the handbook includes:

- International Standard on Auditing (ISA) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, which replaces ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. This also incorporates conforming and consequential amendments to other relevant standards from ISA 315 (Revised 2019), which is effective for audits of financial statements for periods beginning on or after 15 December 2021.
- The following standards – that were not yet effective for this version of the handbook – have, however, been included in the back of these latest volumes, as appropriate:
 - 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* (**effective as of 15 December 2022**).
 - ISQM 2, *Engagement Quality Reviews* (**effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022; and effective for other assurance and related services engagements beginning on or after 15 December 2022**).
 - ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* (**effective for audits of financial statements for periods beginning on or after 15 December 2022**).
 - Conforming and Consequential Amendments to Other ISAs Arising from the Quality Management Projects.
 - ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (**effective for audits of financial statements for periods beginning on or after 15 December 2023**).
 - Conforming and Consequential Amendments to Other International Standards Arising from ISA 600 (Revised).
 - Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards.
 - International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* (**effective for Agreed-Upon Procedures Engagements for which the terms of engagement are agreed on or after 1 January 2022**).

References to the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants must be read in conjunction with the IRBA Code of Professional Conduct for Registered Auditors, which has additional requirements for registered auditors in South Africa.

These 2021 publications are issued by the IRBA under the following copyright permission from the International Federation of Accountants:

“The Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2021 Edition is based on the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2021 Edition of the International Auditing and Assurance Standards Board, published by the International Federation of Accountants (IFAC) in December 2022 and is used with permission of IFAC.

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By virtue of having adopted the publications listed under points a) to c), the IRBA Board deems them to have been prescribed without the publication of the entire books. As such, it hereby communicates their adoption to registered auditors and also makes them available on the [IRBA website](#). The IRBA Code and subsequent amendments are also available on the [IRBA website](#).

Furthermore, the IRBA auditing pronouncements are published by the South African Institute of Chartered Accountants (SAICA) in the *2022/2023 SAICA Student Handbook*.

CFAS Approves the Sustainability Standing Committee (SSC) Strategy

The *CFAS Strategy 2020-2024, Driving Audit Quality through Standard Setting*, sets the goals and priorities for the committee and its subcommittees, and determines the actions necessary to achieve these goals. Given the rapid developments taking place in sustainability reporting, assurance and regulation, both globally and locally, the SSC thought it worthwhile to set out a strategy to complement the CFAS Strategy 2020-2024. To this end, the CFAS, at its meeting on 1 March 2023, approved the SSC Strategy: *Driving Assurance Engagement Quality and Restoring Confidence through Sustainability Assurance Pronouncements*.

The SSC's goal, as per its strategy, is to protect the interest of the users of sustainability information¹; and to develop and maintain internationally comparable assurance pronouncements for sustainability assurance engagements that are consistently and properly implemented. Further, the strategy identifies the following three strategic themes:

- a) To continue to develop, maintain and adopt high-quality assurance pronouncements and the implementation guidance that improve sustainability assurance engagement quality;
- b) To assess the risks posed to the regulator², the registered auditors and the users of the assurance report, arising from sustainability assurance engagements; and
- c) To plan and strengthen coordination with leading sustainability standards setters and regulators to leverage better collective actions in the public interest.

The CFAS plans to consider the SSC's strategy in formulating its strategy for 2025-2029.

CFAS Approves, for Issue, the Illustrative Business Property Practitioner's Trust Account Assurance Practitioner's Reports to be Used by Independent Assurance Practitioners When Required to Report in terms of the Property Practitioners Act No. 22 of 2019

The CFAS, at its meeting on 1 March 2023, approved the issue of a suite of illustrative reports. These illustrative business property practitioner's trust account assurance practitioner's reports are to be used by independent assurance practitioners. They will apply them when required to report in terms of the Property Practitioners Act No. 22 of 2019 (PPA), for the year-end of property practitioners on or after 28 February 2023, as follows:

- Illustrative regulatory reports on the property practitioners trust accounts, Parts A and B;
- Illustrative limited assurance report on the payment processing agent's trust accounting environment; and

1. This may include, for example, a sustainability report, ESG information within an integrated report, a green bonds impact report, a TCFD report and a social impact report.
2. Across all functional areas, including standard setting, education and inspections.

- Illustrative regulatory reports on the agreed-upon procedures engagement in respect of the payment processing agent's list of mandating client business property practitioners.

In terms of the PPA, every property practitioner who has not been exempted from keeping a trust account must appoint an auditor, who must perform an audit of the separate trust accounting records within six months of the financial year-end of the business property practitioner.

An assurance practitioner who performs an audit, as contemplated above, must electronically submit the audit report on the trust account/s to the Property Practitioners Regulatory Authority (PPRA) on its Auditors Portal within six months of the financial year-end of the business property practitioner.

The PPA envisions three categories of property practitioners, as follows:

- Property practitioners that do not handle monies in trust;
- Property practitioners that handle and manage their own trust accounts; and
- Property practitioners that handle and manage trust monies as well as trust monies on behalf of other property practitioners, and that are also known as payment processing agents under the PPA.

Illustrative Regulatory Reports on the Property Practitioners Trust Accounts, Parts A and B

Part A is a reasonable assurance engagement, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised))*. The report is in respect of Section 54(5)(b) of the PPA with regard to the property practitioner's trust account(s).

In relation to Part B, the PPRA agreed with the CFAS that to give full effect to Section 54(5)(b) of the PPA and the PPRA's role as a Supervisory Body in terms of the Financial Intelligence Centre Act (FICA), compliance with the following requirements needs to be performed under the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements (ISRS 4400 (Revised))*:

- Sections 54(1) and 54(2)(a) of the PPA, in relation to monies deposited in the trust banking account;
- Section 54(10) of the PPA, regarding unidentified and/or unclaimed trust monies held for longer than three years;
- Section 48 of the PPA, in relation to the property practitioner being in possession of a valid Fidelity Fund certificate; and
- Section 28 of the FICA, regarding those property practitioners (practising as estate agencies) complying with the registration requirements applicable to accountable institutions.

Illustrative Limited Assurance Report on the Payment Processing Agent's Trust Accounting Environment

The CFAS concluded that a limited assurance engagement in terms ISAE 3000 (Revised) suffices to meet the requirements of the PPRA's Regulation 2.4.4. This regulation states that the trust environment and each of the client accounts operated by the payment processing agents must be audited annually, in compliance with the Act and regulations; and the audit reports in respect thereof have to be submitted to the Authority (PPRA), in compliance with the Act and the regulations.

The ISAE 3000 (Revised) limited assurance engagement is in respect of the agent's compliance with:

- Regulation 30.1, relating to the bookkeeping system used by the payment processing agent;
- Regulation 30.2.1, in relation to the recording of all pertinent information regarding trust accounts and the movements of all trust monies, including the general and subsidiary ledgers, cash books and all other documents and books of entry necessary for the proper maintenance of trust accounts;
- Regulation 30.2.2, relating to the safeguards for the protection of trust accounting records against unauthorised access, alteration, destruction or manipulation; and
- Regulation 30.2.3, in relation to the keeping of trust accounting records in a format that renders them readily retrievable, or making extracts or copies thereof.

Illustrative Regulatory Report on the Agreed-upon Procedures Engagement in respect of the Payment Processing Agent's List of Mandating Client Business Property Practitioners

This report is for the purpose of assisting the PPRA in evaluating the accuracy and completeness of the payment processing agent's list of mandating client business property practitioners for a financial year. It is not an assurance engagement, but an agreed-upon procedures engagement in terms of ISRS 4400 (Revised); and it will culminate in a report on factual findings.

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

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD

IAASB Issues an Exposure Draft on the Proposed Part 10, Audits of Group Financial Statements, of the Proposed International Standard on Auditing for Financial Statements of Less Complex Entities

The IAASB has issued, for public comment, [a group audit-specific section](#) of the proposed auditing standard for [less complex entities](#) (LCEs). The proposed section, Part 10, *Audits of Group Financial Statements*, is intended to form part of the proposed *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (ISA for LCE) when finalised.

Group audits were not included in the scope of the original [Exposure Draft of the ISA for LCE](#). Given stakeholder feedback, the IAASB reconsidered its decision to exclude group audits and developed proposals that address audits of less complex groups.

With the inclusion of group audits, the IAASB has proposed changes to the authority of the proposed ISA for LCE. For example, it has removed the prohibition on using the standard when the audit is a group audit, unless component auditors are involved, other than in limited circumstances in which a physical presence is needed for a specific audit procedure for the group audit (e.g. for attending a physical inventory count or inspecting physical assets).

Request for Comments

The CFAS welcomes comments on all matters that are addressed in the exposure draft, including responses to the specific questions set out in the Explanatory Memorandum. Comments should be submitted via email to standards@irba.co.za by **17 April 2023**. All comments will be considered as a public record. We particularly highlight the need to hear from local audit firms (without global network membership) and affiliations about the perceived benefits and risks of the proposals.

Alternatively, we invite auditors and other interested stakeholders to submit comments directly to the IAASB via its [website](#) by 2 May 2023.

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

IAASB Consults on Its Proposed Strategy and Work Plan for 2024-2027

The IAASB recently issued a public consultation for its 2024-2027 proposed strategy and work plan. While this strategy seeks to accelerate the actions originally laid out in the 2020-2023 strategy, its focus is on standard setting that supports the performance of high-quality audit and assurance engagements.

The proposed strategy outlines the following four strategic objectives:

- Support the consistent performance of quality audit engagements by enhancing the auditing standards in areas where there is the greatest public interest need;
- Establish globally accepted standard(s) for assurance on sustainability reporting;
- Strengthen coordination with the International Ethics Standards Board for Accountants and other leading standard setters and regulators, to leverage better collective actions in the public interest; and
- Create more agile, innovative ways of working in line with the Monitoring Group's reform vision.

The IAASB's 2024-2027 work plan describes the technical standard-setting work required to support the strategy. It also focuses on where a further development of standards can best contribute to meeting the needs of stakeholders in the external reporting ecosystem, while balancing timeliness with quality.

International Standards on Auditing are prescribed for registered auditors in South Africa. Accordingly, as the CFAS closely follows the IAASB's work, registered auditors, regulators and other stakeholders are urged to comment on this Consultation Paper.

Request for Comments

The public consultation period on the proposed strategy and work plan is open for comments via the IAASB website and it closes on 11 April 2023. We therefore invite registered auditors and all other stakeholders to submit their comments by this closing date. Responses can either be to all questions in the Consultation Paper or focus on the sections that are most relevant for each stakeholder and on which they have specific comments.

IAASB Projects in Progress

- Assurance on Sustainability/Environmental, Social and Governance (ESG) Reporting;
- Fraud;
- Going Concern;
- Audits of Financial Statements of Less Complex Entities (LCE);
- Listed Entity and Public Interest Entity (PIEs); and
- Audit Evidence.

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

ETHICS

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

IESBA Proposes Revisions to the Code Addressing Tax Planning and Related Services

The IESBA has issued, for public comment, the Exposure Draft: Proposed Revisions to the Code Addressing Tax Planning and Related Services.

The proposed revisions respond to public interest concerns about tax avoidance and the role played by consultants, including professional tax advisers, in light of revelations in recent years that include the Paradise and Pandora Papers. The proposals strengthen the ethical expectations for professional accountants in public practice when performing tax planning activities for employing organisations or providing tax planning services to clients, respectively. These proposals will also reinforce the ethical expectations for professional accountants in business.

“The accountancy profession plays a trusted role in facilitating the efficient and effective operation of a jurisdiction’s tax system and in making it a pillar of the economic system,” said IESBA Chair Ms Gabriela Figueiredo Dias. “However, it is crucial that there are clear and robust ethical guardrails when professional accountants assist their employing organisations’ and clients’ tax planning to safeguard the public interest. These timely proposals are also designed to provide professional accountants with practical guidance to navigate the ethical challenges in this complex area.”

Among other matters, the proposed ethical framework:

- Explains the types of threats to compliance with the fundamental ethics principles of the IESBA Code that might be created when professional accountants are involved in tax planning.
- Sets a clear principle that professional accountants recommend or otherwise advise on a tax planning arrangement only if they have determined that there is a credible basis in laws and regulations to do so.
- Requires a consideration of the reputational, commercial and wider economic consequences that could arise from the way stakeholders might view the tax planning arrangement before determining whether to proceed with the recommendation or advice.
- Provides practical guidance to assist professional accountants in navigating situations of uncertainty when carrying out tax planning.
- Deals with other practical matters, including disagreement with the client, management or those charged with governance, and documentation.

The development of the proposals has been informed by extensive fact finding and outreach to stakeholders, including three global roundtables held in April 2022.

Relevance for South Africa

The IRBA adopted the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. As such, all amendments to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) are in line with the IESBA Code.

Therefore, the Committee for Auditor Ethics will consider these amendments to the IESBA Code relating to Part 3 – *Registered Auditors Performing Professional Services – Proposed Section 380* for incorporation into the IRBA Code. Part 2 – *Professional Accountants in Business – Proposed Section 280*, while part of the exposure draft, has not been adopted by the IRBA.

In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act 26 of 2005 (the Act), the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, a Board Notice to the same effect will be published in the Government Gazette for public comment, for a minimum period of 30 days.

Request for Comments

We invite registered auditors and others to submit to the IRBA, for its consideration, any comments regarding the Proposed Revisions to the Code Addressing Tax Planning and Related Services, as we prepare our response to the IESBA. Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by 8 May 2023.

Alternatively, comments may be submitted directly to the IESBA through its website, and that process closes on 18 May 2023.

The Exposure Draft is available in a PDF format and may be downloaded from the IRBA website.

IESBA Projects in Progress

- Technology;
- Public Interest Entity Q&As;
- Sustainability; and
- Use of Experts.

More information on these projects is available on the IESBA website.

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

Imran Vanker

Director Standards

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Rebecca Motsepe
Director Legal

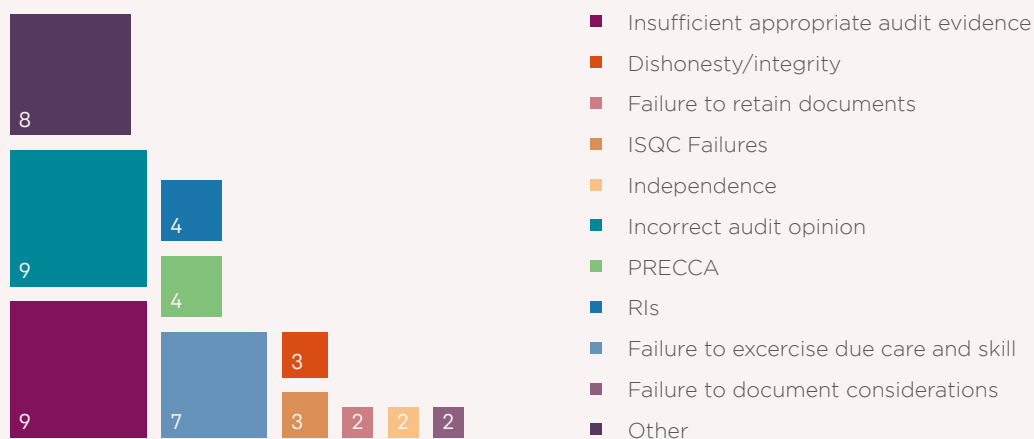
LEGAL

DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

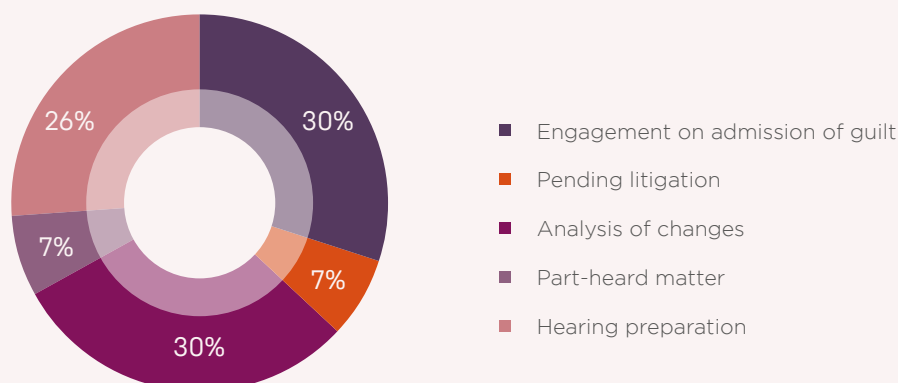
There are 27 open cases that have been referred to the Legal Department for disciplinary hearings, and eight of them were referred during the current reporting period. These open matters are at various stages of the disciplinary process. The graphics below outline the nature and status of all the referred matters.

ANALYSIS OF CHARGES



Note: Overall, the open matters involve 11 categories of improper conduct. While each matter may involve numerous charges, the most common charges relate to insufficient appropriate audit evidence, incorrect audit opinion and failure to exercise due care and skill. These are followed closely by failure to report in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA); failure to report reportable irregularities (RIs); dishonesty and integrity charges; failure to comply with quality control standards; as well as failure to document considerations and independence charges. Other charges relate to tax, accounting and/or breach of trustee or executor duties, and unprofessional conduct.

STATUS OF DISCIPLINARY MATTERS



Note: As reflected in the chart, the majority of the matters are undergoing admission of guilt engagements (8) or an analysis of the charges (8), with a significant number at the hearing preparation stage (7). The remainder of the matters are part-heard (2) and pending litigation (2).

Finalised Matters

During the period under review, two matters previously referred for disciplinary hearings were finalised. One matter was finalised after the respondent admitted guilt in respect of the charges, and a sanction originally recommended by the Investigating Committee and approved by the Enforcement Committee was imposed. The other matter was finalised following a disciplinary hearing.

Below is a summary of the finalised matters.

Independent Regulatory Board for Auditors (IRBA) v LA

The respondent was the engagement partner responsible for the audit of a Retirement Estate Body Corporate. The respondent was charged with improper conduct, as a result of having failed to assemble all the audit documentation in the audit file and complete the administrative process for assembling the final audit file on a timely basis after the date of the auditor's report, as contemplated in paragraph 14 of the International Standard on Auditing (ISA) 230.

The respondent admitted guilt and was sentenced to a fine of R40 000, of which R20 000 has been suspended for a period of three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension. No order was made in relation to costs.

IRBA v Aaron Buyiswa Mthimunya

The respondent, a Director at SizweNtsalubaGobodo Grant Thornton Incorporated, was the audit engagement partner of Eskom Holdings SOC Ltd (Eskom) for the financial year ended 31 March 2016.

Subsequent to an investigation in relation to the Eskom 2016 audit, the respondent was charged with breaching several of the Rules Regarding Improper Conduct, as a result of having issued an incorrect audit opinion in relation to his audit of Eskom. Specifically, he failed to:

- a) Disclose material non-compliance with legislation and internal control deficiencies in the Independent Auditor's Report on the consolidated and separate annual financial statements;

- b) Maintain an attitude of professional scepticism during the conduct of the audit;
- c) Obtain sufficient appropriate audit evidence to draw a reasonable conclusion on the amount of irregular expenditure; and
- d) Modify the audit report in relation to limitation of scope.

The matter was heard by the Disciplinary Hearing Panel (Panel) between 22 and 26 August 2022, and again between the 7th and 11th of November 2022, whereafter it adjourned amid the respondent's case to 7 March 2023.

Prior to the hearing reconvening, the parties engaged on a possible settlement of the matter, resulting in the respondent admitting guilt in respect of the above stated charge. Accordingly, when the matter reconvened for continuation on 7 March 2023, the parties presented a settlement proposal to the Panel for consideration and endorsement, in line with Rule 15 of the Disciplinary Rules.

Having considered the proposal, the Panel found it to be appropriate and thus found the respondent guilty of the charge and imposed the following sanction on him:

- a) A maximum fine of R200 000;
- b) An order to attend training on public sector auditing, which should include procurement audits, offered by a recognised service provider;
- c) Payment of the sum of R4 932 119.02 towards the IRBA's costs occasioned by the disciplinary hearing; and
- d) Specific publication of the details relating to the matter, including the facts of the matter; the charges that were brought against the respondent; the Panel's findings; the sanctions imposed; and reference to the respondent's name and his audit firm.

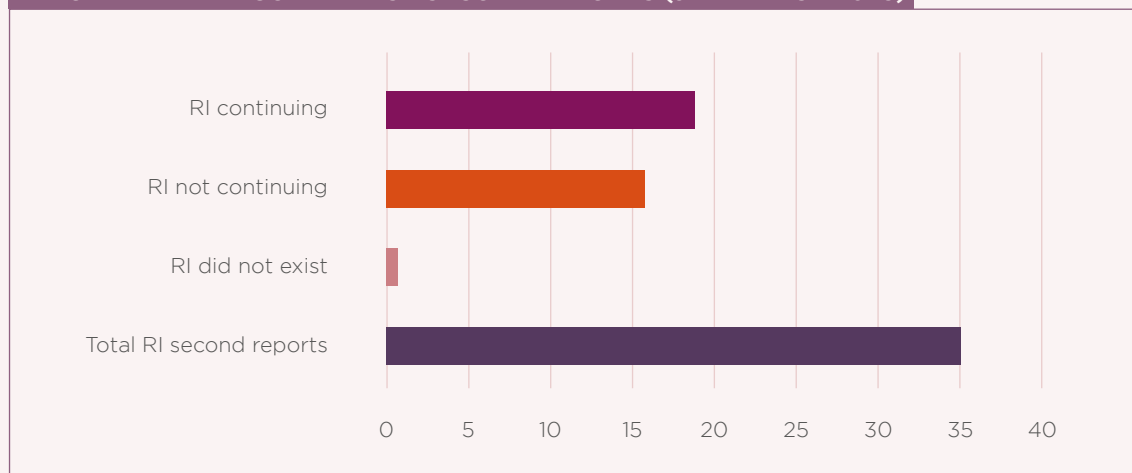
Conclusion

In addition to the above, the Panel also convened on 23 February 2023 to hear another matter, which, as at the date of this report, remains part-heard and will be reported upon finalisation.

REPORTABLE IRREGULARITIES

The IRBA received 72 first reports on RIs during the current reporting period. In addition, 35 second reports, the nature of which is highlighted below, were received and processed.

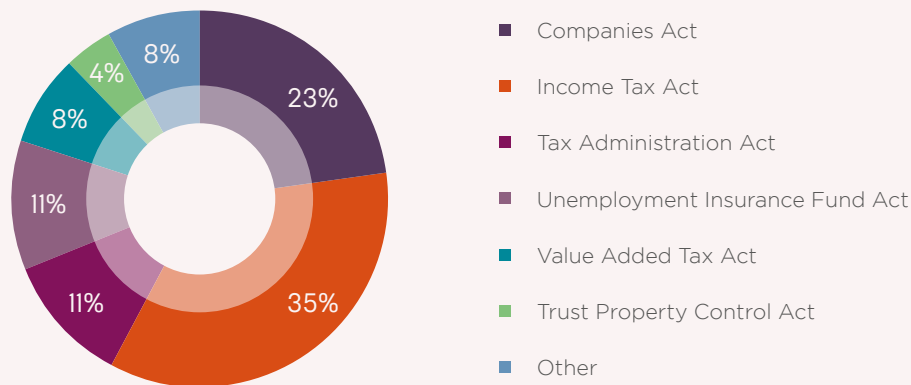
REPORTABLE IRREGULARITIES - SECOND REPORTS (JAN-MARCH 2023)



Note: The difference of 37 reports between the first and second reports received is due to the timing differences in reporting timelines.

The chart below reflects the 18 continuing RIs received, categorised by nature.

CONTINUING RIs



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

CESSATION OF THE IRBA'S DESIGNATION AS A SUPERVISORY BODY PER THE FIC ACT

Due to the recent amendments to the Financial Intelligence Centre Act 38 of 2001 (FIC Act), specifically to Schedules 1, 2 and 3 thereof, the IRBA is no longer classified as a Supervisory Body in terms of the Act as of 19 December 2022.

Though the IRBA's regulatory obligations as a supervisory body have now ceased, registered auditors (RAs) are advised that this does not affect those that are FAIS-licensed in relation to their FIC Act compliance supervision, which will continue to be carried out by the Financial Sector Conduct Authority's FAIS Division.

In addition to the removal of the IRBA as a supervisory body, Schedule 1 of the FIC Act has been amended to broaden the list of other types of services, institutions and/or businesses that are classified as Accountable Institutions (AIs). The additional services include assisting clients with:

- Organising the contributions necessary for the creation, operation or management of a company;
- The creation, operation or management of a company – or of the operation or management of a close corporation; or
- The creation of trust arrangements.

As the above listing is not exhaustive, RAs are advised to consult the amended Schedules to ascertain whether any of the professional services they render qualify them for classification as AIs and registration with the FIC.

Once classified as AIs, in addition to registering with the FIC, other obligations placed upon them will include the following:

- Submission of regulatory reports to the FIC;
- Implementation of a risk-based approach to customer due diligence;
- Development of a risk management and compliance programme;
- Record-keeping;
- Implementation of a compliance function and the appointment of a person responsible for compliance; and
- Training of employees on FIC Act compliance and related matters.

The IRBA also wishes to remind all RAs who are AIs to make relevant disclosures regarding their FIC classification and registration status, as part of their IRBA annual registration renewal process. This is imperative in supporting the FIC's classification, tracking and monitoring responsibilities.

The South African Institute of Chartered Accountants (SAICA) is currently engaging the FIC to provide additional guidance to the professional body's members, including registered auditors, on the services that will lead to an AI classification. Therefore, RAs can submit specific questions relating to FIC registration, obligations and related matters on the SAICA [member portal](#).

REGISTRY

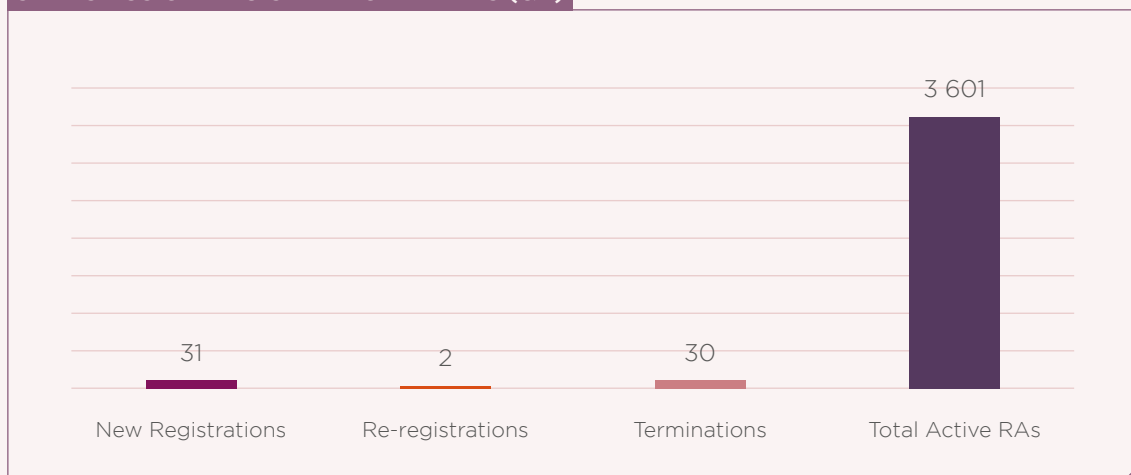
REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

Overview of Registry Movements

As at the end of the third quarter, there were 3 601 registered auditors (RAs), following 33 registrations and the termination of 30 RAs.

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

STATISTICS ON REGISTRY MOVEMENTS (Q4)



New Registrations and Re-registrations

In the table below are the names of the RAs who were entered into the register.

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA FROM 4 OCTOBER-6 DECEMBER 2022	
Abdoola, Husain	Moshe, Galaletsang Bonolo Patience
Allen, Cullum Andrew Lewer	Moumakwe, Lerato Ayanda
Atwood, Jean-Pierre Michael Patrick	Muskwe, Paddington
Baronian, Prelini	Naidoo, Yashiren
Buys, Danie	Nhlapo, Dorcas Livhuwani
Demadema, Alban Solomon Xolani	Pietersen, Chan-Re Yustene

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA FROM 4 OCTOBER-6 DECEMBER 2022

Ellis, Craig John	Sekoati, Nnana Margaret
Ellis, Tracey Lynn	Smit, Justin Mathiam
Herbst, Jan Harm	Standing, Zelda
Horak, Andreas Wilhelm	Tajpal, Reema
Horne, Deirdre Leigh	Van Pletzen, Stephanus Erasmus
Kasan, Jatin	Van Rensburg, Mark Benedict
Laubscher, Johan-Chris	Van Staden, Herman
Makwite, George Ashley	Van Zyl, Jan Johannes
Mokoena, Lazarus Docter (Bonga)	Wadee, Abdur Rahmaan
Moncho, Lerato Portia	

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 4 OCTOBER-6 DECEMBER 2022

Oliva, Jane Anne	Ramusi, Sibongile Lesetja
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RA Terminations

As indicated above, 30 RAs were removed from the register during this reporting period. Below is a list of these RAs and the reasons for their removal.

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 1 DECEMBER 2022 TO 22 MARCH 2023

Baxter, David Murray	Passed away
Botha, Deon	Resigned
Botha, Renier	Resigned
Du Plessis, Gideon Joubert	Resigned
Essack, Mohammed Suleman	Resigned
Galiem, Jamaal Ahmed	Resigned
Green, Christopher Terence	Resigned
James, Sitembele	Resigned
Kirstein, Suzanne	Resigned
Kok, Riaan Dalton	Passed away
Laferla, Bernard John	Resigned
Low, William Wallace	Resigned
Lutrin, Milton	Passed away
Maritz, Stephanus	Resigned
Mayne, Margaret	Emigrated
Moodley, Subashni	Emigrated
Morar, Roshan	Passed away

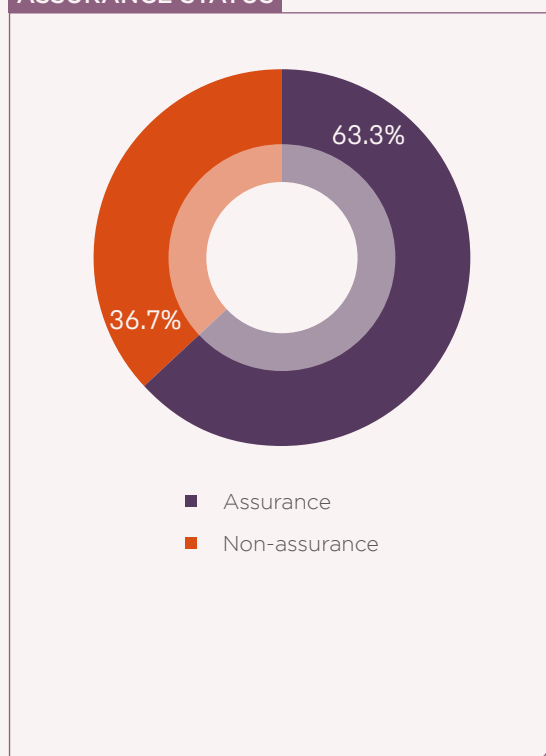
INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 1 DECEMBER 2022 TO 22 MARCH 2023

Mothibe, Pule Joseph	Resigned
Parker, Gary Frederick	Resigned
Reintjes, Ciara Craul	Resigned
Saffer, Anthony	Resigned
Scholtz, Arnold	Resigned
Simpson, Donovan Andre	Resigned
Smit, Pieter Hendrik	Resigned
Snyman, Frederick Jacobus	Resigned
Stander, Gideon Johannes	Resigned
Strybis, Neil Ian	Resigned
Stuart, Frederik Wilhelm	Resigned
Vincent, Tarryn Jade	Emigrated
Warren-Tangney, Richard	Emigrated

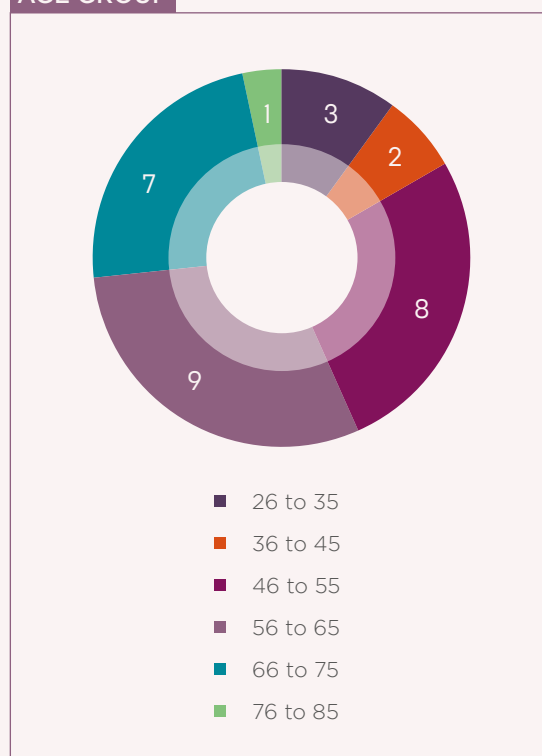
The most prevalent reasons for removal from the register related to individuals no longer performing assurance work, movements from firms and emigration.

The following graphs provide the age and the assurance status split in respect of those RAs who were removed from the register, the majority of whom were assurance RAs between the ages of 46 and 65.

ASSURANCE STATUS



AGE GROUP



ANNUAL RENEWAL

With regard to the 2023/2024 annual renewal process, and as of 1 April 2023, the annual fee invoices will be emailed to all RAs and the Individual Annual Return will be uploaded onto the IRBA website. The due date for the payment of annual fees and the submission of Individual Annual Returns is 31 May 2023.

Registered auditors are urged to ensure that they renew their registration timeously.

Rebecca Motsepe

Director Legal

Telephone: (010) 496 0600

E-mail: legal@irba.co.za



Jillian Bailey
Director Investigations

INVESTIGATIONS

The matters reported in this issue took place between October 2022 and March 2023.

INVESTIGATING COMMITTEE

During the period under review, this committee met three times and referred 59 matters to the Enforcement Committee.

ENFORCEMENT COMMITTEE

The committee met three times in this period and concluded on 34 matters.

Decision Not to Charge

There were five matters finalised where the respondents were not charged with improper conduct. Of these five matters, three respondents were not guilty of improper conduct. With regard to the other two matters, there were no reasonable prospects of succeeding with a charge of improper conduct against the respondents.

Decision to Charge and Matters Finalised by Fines Issued

There were 21 matters finalised through an admission of guilt process (i.e. fines issued).

Matter 1

Mr Cornelis Johannes Andries Wolmarans, the respondent, failed to obtain sufficient appropriate audit evidence to support the audit opinions of an entity for four consecutive years, as required by the International Standards on Auditing (ISAs). Furthermore, he continued with the audit engagements, even though there was adverse public information relating to a lack of integrity of the client's management and directors. In addition, he failed to identify and evaluate the threats to independence created as a result of the audit fees generated from the client representing a large proportion of the total assurance fees of the firm.

The respondent also failed to apply his mind and document his considerations regarding the possibility of money laundering in relation to unusual transactions that existed during the audit engagements performed; and he failed to document any considerations with regard to Section 45 of the Auditing Profession Act, as amended (APA). Furthermore, he failed to consider his reporting responsibilities under the Prevention and Combating of Corrupt Activities Act

(PRECCA) and Section 45 of the APA relating to reportable offences that he was aware of, or ought to reasonably have been aware of, and therefore he failed to timeously report the corrupt transactions.

The respondent was sentenced on the six charges to a total fine of R1 200 000; no order as to costs; and publication by the Independent Regulatory Board for Auditors (IRBA) of his name, the findings of the investigation and the sanction imposed. In addition, the respondent was referred to the South African Institute of Chartered Accountants' (SAICA) Professional Conduct Committee, to determine whether he meets the fit and proper requirements of SAICA.

Matter 2

The respondent, a firm, failed to comply with the International Standard on Quality Control 1 (ISQC 1). The charge against the firm included poor audit quality; threats to independence not identified and addressed relating to audit fees; engagement quality control reviews not performed on audits, where the need was identified; acceptance and continuance of audit engagements, where management's integrity was brought into question; contravention of the firm's quality control manual regarding acceptance of new client relationships; and failure to implement a monitoring process.

The respondent was sentenced to a fine of R200 000; no order as to costs; and publication by the IRBA in general terms.

Matter 3

The respondent failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on the completeness of related party transactions. In addition, the respondent failed to document an assessment of the familiarity threat and self-interest threat arising from a long association with the audit client. Furthermore, the respondent entered into a business relationship with an audit client, which is in breach of the IRBA's Code of Professional Conduct for Registered Auditors (the IRBA Code). The respondent also breached the Companies Act, as a review engagement was performed on an entity whose financial statements were prepared by the respondent.

The respondent was sentenced on the three 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 4

The respondent failed to obtain and document sufficient appropriate evidence regarding the Broad-Based Black Economic Empowerment (B-BBEE) status of two entities, as required by the South African Standard on Assurance Engagements 3502. Furthermore, the respondent issued a B-BBEE certificate and signed the certificate as the technical signatory as well as the Commissioner of Oaths, which is a non-compliance with the regulations governing the administering of an oath.

The respondent was sentenced on the two charges to a total fine of R300 000, of which R150 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. In addition, should the respondent still issue B-BBEE certificates or recommence in future with issuing B-BBEE certificates, the respondent must arrange and ensure that they and their staff attend external training on the application of the B-BBEE principles and requirements within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 5

The respondent, as the accounting officer of a close corporation, did not act with due care and skill while providing professional services, as the respondent provided contradicting information to the executors of a deceased estate and was negligent in not ensuring that a transfer of the members' interests was finalised.

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

Matter 6

The matter was a referral from the Inspections Committee (INSCOM). Ms Alethia Chetty, the respondent, failed to appropriately address material misstatements identified during the audit and failed to consider the effect of the uncorrected misstatements on the audit opinion.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that she 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 her name, the findings of the investigation and the sanction imposed.

Matter 7

The respondent failed to report a reportable irregularity, as there was non-compliance with Sections 50 and 56 of the Companies Act regarding the completeness and accuracy of the share register.

The respondent was sentenced to a fine of R140 000, of which R70 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 Companies Act relating to Securities Registration and Transfer within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 8

The matter was a referral from the INSCOM. The respondent, Mr Frederick Metcalf Bruce-Brand, failed to identify material non-cash items included in the Statement of Cash Flows and to consider the effect on the audit opinion expressed.

The respondent was sentenced to a fine of R40 000 and the imposition of previously suspended fines of R30 000; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 9

Mr Howard Ostrofsky, the respondent:

- Prepared annual financial statements and issued audit opinions on these, without considering the self-review threat and documenting how this threat was reduced to an acceptable level;
- Issued audit opinions that were not supported by working papers, with no evidence that sufficient appropriate audit evidence was obtained;
- Issued review conclusions that were not supported by working papers;
- Issued outdated audit reports that did not reference the correct legislation;
- Issued invoices, despite the fact that audit work was not performed;

- Signed an audit report in the name of another partner, without the knowledge or consent of this partner; and
- Issued misleading letters retracting audit opinions, as the letters did not mention that the audit opinions were not supported by sufficient appropriate audit evidence.

The respondent was sentenced on the 10 charges to a total fine of R1 600 000; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed. In addition, he was referred to SAICA's Professional Conduct Committee, to determine whether he meets the fit and proper requirements of SAICA.

Matter 10

The respondent, a firm, failed to take sufficient action, on a timely basis, to address threats to fundamental principles of ethics for registered auditors, as per the IRBA Code; and report, on a timely basis, the instances of non-compliance with laws and regulations to an appropriate authority. Also, the respondent failed to maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and issue reports that are appropriate in the circumstances. As a result, the respondent did not comply with ISQC 1, particularly leadership responsibilities for quality within the firm, engagement performance and monitoring.

The respondent was sentenced on the two charges to a total fine of R400 000; no order as to costs; and publication by the IRBA in general terms.

Matter 11

The matter was a referral from the INSCOM. The company's financial statements included both separate and consolidated financial statements. The respondent provided an audit opinion on the separate financial statements. The respondent failed to comply with the requirements of the South African Auditing Practice Statement 3, as an audit opinion on the consolidated financial statements of the company was not issued.

The respondent was sentenced to a fine of R60 000, of which R30 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 INSCOM. The respondent did not obtain sufficient appropriate audit evidence regarding non-cash transactions disclosed in the Statement of Cash Flows and, as a result, failed to identify misstatements in the Statement of Cash Flows and evaluate the effect on the audit opinion expressed.

The respondent was sentenced to a fine of R60 000, of which R30 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 13

The respondent failed to perform sufficient appropriate audit procedures for non-current assets held for re-sale and expenditure, which are material items. Furthermore, there was insufficient documented procedures and considerations regarding allegations received related to the entity. In addition, the respondent failed to ensure that the archived audit file was complete.

The respondent was sentenced on the two charges to a total 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.

Matter 14

Mr Stephanus Isaac Minnaar, the respondent, did not comply with the International Standard on Related Services 4410, as he did not have engagement letters relating to the compilation reports he signed, and did not document appropriately how significant matters arising during the compilation engagement were addressed. He also did not date the reports. In addition, he did not appropriately address misleading disclosures in the annual financial statements and failed to address suspected non-compliance with laws and regulations, in accordance with the IRBA Code.

The respondent was sentenced to a fine of R150 000; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed. In addition, he must arrange and ensure that external training on Trusts (Non-compliance with Laws and Regulations) is attended by the respondent and their staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 15

The matter was a referral from the INSCOM. The respondent failed to document sufficient appropriate evidence on various balances, transactions and disclosures, including the Statement of Cash Flows. Furthermore, the respondent failed to perform appropriate procedures regarding going concern, subsequent events and Companies Act compliance.

The respondent was sentenced to a fine of R200 000, of which R100 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. In addition, should the respondent change their status from non-assurance to assurance, the respondent must arrange and ensure that they attend external training on the practical application of Auditing Standards prior to such change in status, and must provide evidence of compliance to the IRBA.

Matter 16

The matter was a referral from the INSCOM. The respondent failed to comply with the ISAs by not performing audit procedures to ensure that non-cash transactions were excluded from the Statement of Cash Flows. In addition, the entity restated its financial statements, but omitted to include a third statement of financial position, as required by the International Accounting Standard 1 (IAS 1). The respondent failed to perform audit procedures to evaluate whether the overall presentation of the financial statements was appropriate and failed to assess the impact of the non-compliance with IAS 1 on the audit opinion.

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. In addition, the respondent must arrange and ensure that they and their staff attend external training on the practical application of the Auditing Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 17

The matter was a referral from the INSCOM. The respondent issued an inappropriate audit opinion on the financial statements of a fund, as the statement of changes in net assets and funds was materially misstated. In addition, the presentation on the statement of changes in net assets and funds was not in accordance with the requirements of the applicable reporting framework and it lacked understandability.

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 18

The matter was a referral from the INSCOM. The respondent failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on revenue. In addition, the respondent did not appropriately assess deviations noted during the performance of the audit, and failed to determine whether the misstatements were material.

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.

Matter 19

The matter was a referral from the INSCOM. Mr George Davias, the respondent, failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on various aspects of the audit. Furthermore, he failed to evaluate whether non-compliance with the Companies Act and the Value-Added Tax Act should be reported as reportable irregularities in terms of Section 45 of the APA.

The respondent was sentenced on the two charges to a total fine of R400 000, of which R200 000 has been suspended for five 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. In addition, the respondent must arrange and ensure that he and his staff attend external training on the practical application of the Auditing Standards and the International Financial Reporting Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 20

The matter was a referral from the INSCOM. Mr Stephanus Isaac Minnaar, the respondent, failed to identify material misstatements in the Statement of Cash Flows relating to non-cash transactions, 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 five 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. In addition, the respondent must arrange and ensure that he and his staff attend external training on the International Financial Reporting Standard for Small and Medium-sized Entities within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 21

The respondent failed to notify the client, on a timely basis, of assessments issued by the South African Revenue Service. In addition, the respondent failed to act diligently and in accordance with the requirements of an assignment to prepare financial statements.

The respondent was sentenced on the two charges to a total fine of R70 000, of which R35 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

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

Jillian Bailey

Director Investigations

E-mail: investigations@irba.co.za



Ntlambi Gulwa
Director Inspections

INSPECTIONS

A BRIEF OVERVIEW OF THE LATEST PUBLIC INSPECTIONS REPORT

Introduction

In our recently published Public Inspections Report on Audit Quality (Public Inspections Report), we refer to the fact that the success of the regulator's refocused Strategic Plan 2021-2025 is directly linked to its continued regulatory monitoring reviews, the implementation of audit quality initiatives and ongoing stakeholder interactions. To that end, the objective is to ensure that all relevant stakeholders are able to work together towards not only restoring confidence in the profession, but also achieving consistent sustainable high audit quality.

As we look back over the financial year, there has been progress with the implementation of the inspection initiatives, specifically regarding early remediation and theme-based inspections. We performed theme-based inspections at all the larger firms visited on an annual basis and reported the results as part of the firm inspection reports. Though firms and partners seemed to have welcomed the enhancement to the process, which includes introducing proactive monitoring, participation does not yet include all the registered auditors inspected, where the inspections outcome was either a referral for investigation or significant improvement.

The implementation of the suite of Quality Management (QM) standards that became effective on 15 December 2022 required significant investment in the audit firms' resources. As a result, progress on the implementation of the early remediation process was slower than anticipated. However, the commitment of the firms to participate in this process was noted, and we expect that they will make significant progress with the early remediation actions in the next 12 to 18 months.

Audit firms are again commended for their continued efforts and commitment in improving and maintaining high audit quality. We wish to express our appreciation for their co-operation throughout the year.

It is emphasised that the Public Inspections Report is important not only for auditors, but also for those stakeholders that can use it as and when exercising their responsibilities in their areas of accountability, which may include assessing an auditor's level of competence before engaging them to render assurance services. It is therefore essential that the report provides our stakeholders with up-to-date data regarding audit quality trends in the local auditing profession.

Good Practices Observed

Our observations during the period identified some instances of good practices introduced by audit firms to address deficiencies in audit quality that were reported. These include practices introduced to address challenges such as staffing and information technology (IT) advancements. We encourage all auditors to take note of these examples in our report and consider whether these practices may apply to their audit engagements, to help ensure compliance with auditing standards and audit quality requirements.

We have seen a number of initiatives introduced to address deficiencies in the systems of audit quality, which include technology-based tools, engagement support functions and capacity constraints in the area of engagement quality reviewers and monitoring reviewers. Some of these practices were developed and introduced as part of the audit firms' preparation for the implementation of the QM standards. The IRBA commenced with inspections on the ISQM standards in early 2023 and the results will be included in the 2023 and 2024 reports. Our expectation is that where the ISQM standards have been implemented appropriately, previously reported deficiencies in audit quality will be addressed.

Inspection Results

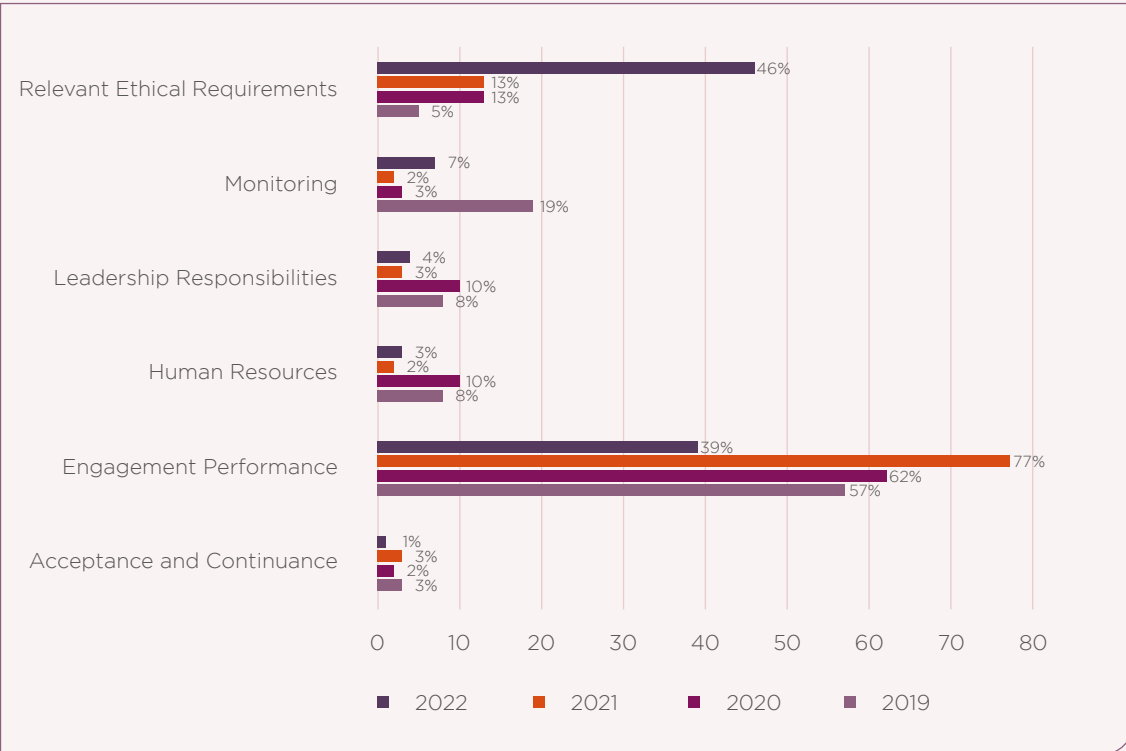
Firm-wide inspections were performed to identify possible deficiencies in the audit firms' systems of quality control. To determine the overall outcome of the firm inspections, the Inspections Committee (INSCOM) considers the following:

- International Standard on Quality Control (ISQC) 1 deficiencies identified from the firmwide inspections; and
- Reportable deficiencies identified during the inspection of individual assurance engagements that are indicative of deficiencies at firm level.

Where a firm-wide inspection was not performed, but the scope of the inspection at the firm was limited to the inspection of engagement files, a second type of firm inspection report can be issued after a firm visit. Furthermore, the nature and extent of reportable deficiencies identified at an individual engagement file level may be escalated to a firm level, if they affect an element of ISQC 1, resulting in an outcome at the firm level.

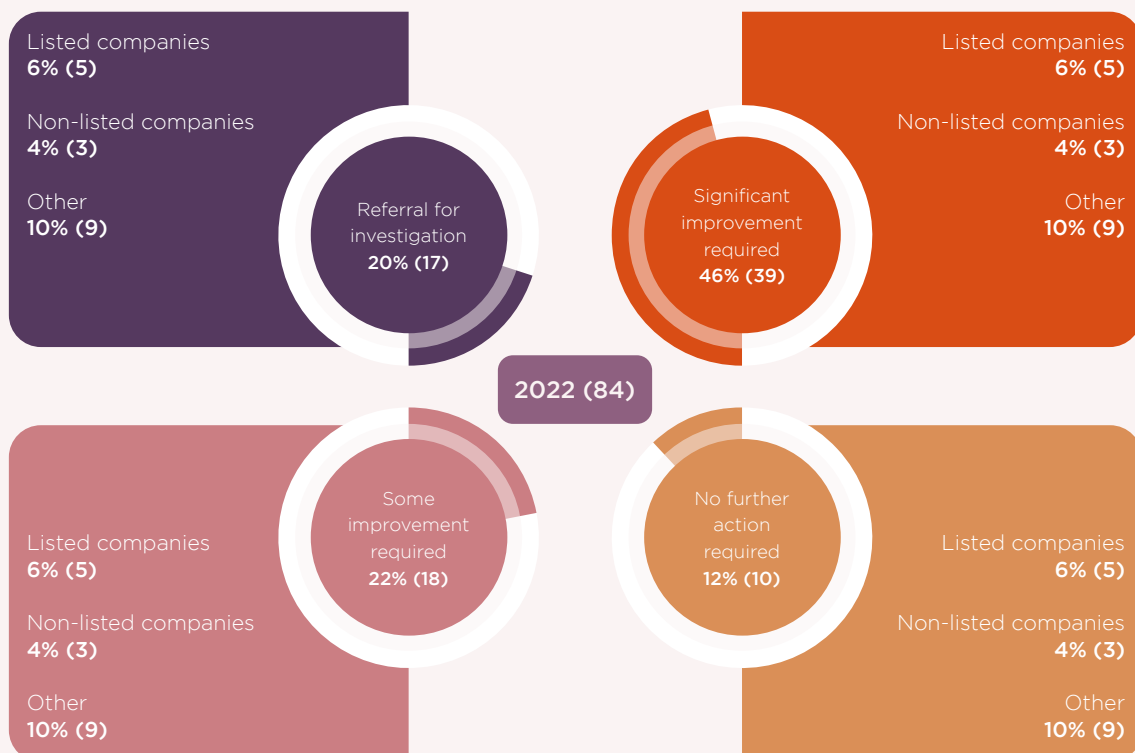
In general, there have been findings across the entire spectrum of the ISQC 1 elements, as illustrated in the graph below. These findings were mostly related to the inadequate implementation of policies and procedures designed to promote an internal culture that recognises quality as essential when performing assurance engagements at the firms.

There has been a concerning increase in the number of findings over the past four years relating to the Relevant Ethical Requirements element of ISQC 1, specifically regarding matters affecting the independence of the audit firm and its auditors. The deficiencies reported on for this element increased from 5% in 2019 to 46% in 2022 of the total ISQC 1 deficiencies identified. However, the extent of the deficiencies identified under the Engagement Performance element of ISQC 1 were still of high concern for the IRBA, as most of the deficiency themes reported on in previous years were recurring.



Engagement File Inspections

The graphic below provides a snapshot of the results of the engagement files inspected during 2021/2022. The most concerning areas on the inspection outcomes are those identified for referral for investigation.



INSPECTIONS OUTCOME: REFERRAL FOR INVESTIGATION

Referral for investigation: Certain matters 10% (8)

- Listed entities 1% (1)
- Non-listed PIEs 1% (1)
- Other 7% (6)

Material misstatements

- Statement of Cash Flows - Material non-cash movements presented as cash movements
- Statement of Financial Position
 - Valuation of loans
 - Total assets misstated
 - Prior period error not corrected
- Statement of Comprehensive Income
 - Earnings per share omitted

Acceptance and Continuance

- Independence

Auditors' Report

- Inappropriate audit opinion/
No opinion on separate financial statements

Other

- Did not act with professional competence and due care
- Group/Component materiality not appropriate
- No EQCR performed on PIE and significant audit quality deficiencies identified by the IRBA

Referral for investigation: Overall 11% (9)

- Listed entities 5% (4)
- Non-listed PIEs 2% (2)
- Other 4% (3)

Overall poor quality and/or a fundamental lack of audit evidence, in some cases combined with:

Material misstatements

- Statement of Cash Flows - Non-cash movements included as cash movements
- 3rd balance sheet omitted

Inappropriate materiality

Acceptance and Continuance

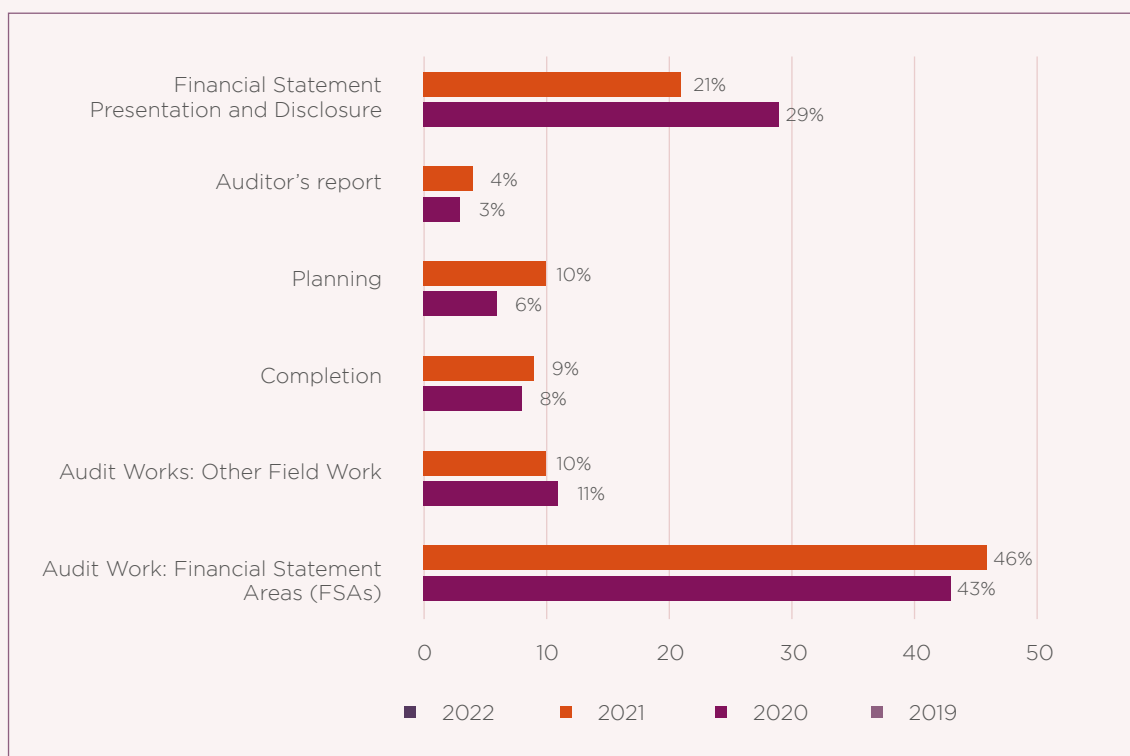
- Independence

It is our view that should the specific deficiencies identified that resulted in the eight referrals for investigation outcomes on specific matters be remediated appropriately by the firms/registered auditors, the overall outcomes for engagement files can be significantly improved.

Of further concern is the fact that 47% of the inspection findings were identified from only nine engagement files, which resulted in a referral for investigation outcome on an overall basis for these engagement files. These nine engagements inspected are from seven different audit firms, with four related to listed companies and two to non-listed public interest entities.

The number of deficiencies identified for the outcomes of referral for investigation and significant improvement represents 93% of the total deficiencies identified from 67% (56) of the 84 engagement file inspections performed. These results call for immediate action and remediation by the audit firms. The urgency and importance of swift action and required remediation were communicated to the relevant firms after the INSCOM decision, as part of the inspections due process.

The common themes reported during the year, in comparison to previous years, are depicted in the graph below. A detailed discussion of the top findings on the engagement file inspections is included in section 4 of the Public Inspections Report.



Information Technology

There is an increasing adoption of automation technologies and tools, to automate business and audit processes. In this evolving environment, the IRBA recognises the increasing importance and impact of the use of technologically driven tools and techniques, to assess risk, formulate responses as well as gather sufficient and appropriate audit evidence in an effective and efficient manner. These automation technologies have been applied in, for example, stock counts, asset verifications and financial reporting processes.

The introduction and implementation of automated audit tools follows the standard setters' recognition and subsequent incorporation of technology considerations in, for instance, the International Standard on Auditing (ISA) 315 (Revised 2019); ISQM 1; ISA 220 (Revised); the International Ethics Standards Board for Accountants' (IESBA) exposure draft on Proposed Technology-related Revisions to the Code, as part of its "Genesis of the Technology Project"; and the non-authoritative guidance related to the use of technologies issued by the International Auditing and Assurance Standards Board (IAASB) on planning, risk assessment, risk response and documentation.

In the past few months, deficiencies relating to the audit of the IT systems have attracted a great deal of attention. Most of the deficiencies identified related to:

- Insufficient documentation by registered auditors regarding the understanding of information systems and the assessment of how the entity addresses IT risks.
- Insufficient documentation by registered auditors regarding the procedures performed to obtain sufficient and appropriate audit evidence to obtain reliance on the operating effectiveness of IT general and application controls (ISA 330, paragraphs 8(b), 10(b), 13 and 17).

- Insufficient documentation of audit procedures performed to obtain sufficient and appropriate audit evidence of accuracy and completeness of systems reports (ISA 500, paragraph 9).

The audit environment continues to be more automated, with an expected exponential increase in the adoption of audit-related technology. Therefore, we believe that it is now paramount to have an embedded and standardised approach to IT audit inspections as part of the inspections process.

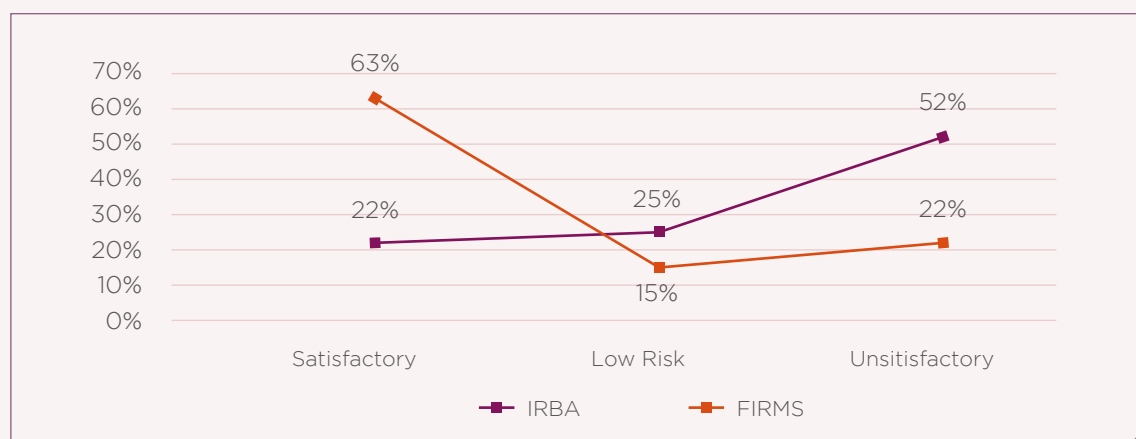
Remedial Action on Internal Monitoring and Recurring Inspection Findings

The IRBA continued with its Remedial Action Process, engaging with the firms and partners through interactive discussions on the Root Cause Analyses (RCAs) and Remedial Action Plans (RAPs). Most firms remain positive and regard the Remedial Action Process as essential in the achievement of shared objectives to improve audit quality and serve the public interest. The challenge for some firms remains the rectification of the reported deficiencies through the firms' internal remediation processes, inclusive of the identification of the true root causes.

The Remedial Action Process includes the assessment of whether the RAP implemented at both the firm-wide and individual levels achieved its objective of real remediation. From the analysis of inspection findings, the observation is that the recurrence of noted deficiencies highlighted during inspections persisted at the same firms and/or for the same registered auditors. This is despite the remediation plans/actions reflected in the RAPs submitted to the IRBA. Consequently, the IRBA's concern is that the RAPs include remediation "actions" that are already in place at the audit firms as part of their systems of quality; and the question then is whether the true root causes are being identified. From the remedial action reviews performed, as reflected in our report, there is still a concern that the true root causes are not always identified and RAPs are not measurable in all cases.

Through the introduction of the Proactive Monitoring Initiative, the IRBA seeks to create real remediation at an individual auditor level, with the expectation that such intervention will then influence audit quality at a firm-wide level.

What is evident from the 2022 Survey Report: Audit Quality Indicators (AQI Report), which covers information for engagements that were completed during the 2021 calendar year, is that for the same firms, their internal monitoring outcomes are significantly different from the IRBA's inspection outcomes. The figure below depicts the differences (average) between the IRBA engagement inspection outcomes and the internal monitoring results reported by the firms as part of AQI Report. It is important to understand these differences and address deficiencies in the monitoring processes of the audit firms.



Conclusion

While inspections and the resulting deficiencies reported are an important measure of audit quality, we envisage that these should form part of an initiative that will contribute to a deeper discussion among firms, registered auditors and their clients, and other key stakeholders in the financial reporting ecosystem. All of these parties have a common interest in the continued improvement of the quality and consistency of audits performed.

The frequency of findings remains significantly higher compared to the latest global inspections survey results released by the International Forum of Independent Audit Regulators (IFIAR) ([IFIAR: 2022 Survey of Inspection Findings](#)). Though the results in the two reports are not directly comparable – as the IRBA's report includes the themes identified from all the inspections performed during the period and is not limited to the audit of listed entities and specific network firms, as is the case with the IFIAR inspection findings survey – it is important for us to drive the improvement in audit quality to much lower levels of reported deficiencies. As discussed in our report, some deficiencies require immediate action. Should those firms and registered auditors be successful in addressing the deficiencies and be monitored on a continuous basis, both the firm-wide and engagement level inspection results could improve significantly.

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Nadine Kater
Director Education and Transformation

EDUCATION AND TRANSFORMATION

ACCREDITATION PROCESS – APPLICATION UPDATE AND GENERAL IMPROVEMENTS

The accreditation of professional bodies, as mandated in the Auditing Profession Act 25 of 2006, is a robust process that is intended to strengthen and sustain the quality and integrity of the auditing profession, making it worthy of public confidence. The accreditation requirements, which are monitored on an ongoing basis, are contained in the Independent Regulatory Board for Auditors' (IRBA) [Accreditation Model](#).

Association of Chartered Certified Accountants (ACCA) Application

The accreditation project initiated for the ACCA application is set to be concluded on 31 May 2023. It was initially scheduled for completion by 31 March 2023, but was extended to finalise the quality assurance process and ensure that there would be sufficient time for the relevant IRBA governance structures to conduct their reviews.

An Overview of the Monitoring Process

Status and Course of Events

Annually, the South African Institute of Chartered Accountants (SAICA) – the accredited professional body – submits reports and supporting evidence to the IRBA's Monitoring Committee (MCOM) for an evaluation of its accreditation. The latest submission was made on 28 February 2023; and the committee's assessment results will be presented in the Draft Monitoring Reports to be issued to SAICA in May 2023. The progress in relation to the challenges and issues identified in the prior year will also be considered during the evaluation process.

A Synopsis of Improvements

While the IRBA has to conduct an ongoing monitoring of accredited professional bodies, it also continues to reflect on ways to improve the process. The aim is to strengthen the potential impact of monitoring and intentionally focus on any identified challenges that may be affecting the profession. Some of these improvements include the following:

- Implementing a risk assessment approach for each accreditation standard;
- Enhancing the structure and format of the reports;
- Reviewing the monitoring timelines, for a more efficient and effective implementation of solutions within a specified period; and
- More regular and open engagements.

TRANSFORMATION ACTIVITIES

In the current financial year, the Education and Transformation Department (ET) has focused its transformation initiatives on introducing new strategies in the recruitment phase of the pipeline, with a particular focus on universities. The initiatives undertaken include the following:

- Adding 65 auditing academics on the IRBA mailing list, to keep them abreast of current matters at the IRBA and in the profession.
- Consultation on the IRBA brand concept and design.
- Webinars: Session 1 was a CEO engagement, with 15 universities and 39 academics in attendance. Session 2 was on the impact of technology on the audit landscape, and 18 universities and 37 academics attended.
- Digital content shared included videos that highlight what a registered auditor (RA) is and information on the Audit Development Programme (ADP).
- Commencement of four audit-related research projects.

At the start of the recruitment phase are school students who may not yet have considered auditing as a career choice. So, career expos and direct school visits become critical; and through these we reached 1 340 learners. Also, we have identified a number of projects through which the IRBA can partner with stakeholders to reach more learners.

Further, we conducted extensive outreach activities with various stakeholders, including aspiring RAs within the pipeline. The outreach provided valuable insights into areas that require an extra focus, and this information will be shared with stakeholders in due course.

On our [IRBA learning website](#), for aspiring RAs, we also regularly share the stories of those who have gone on the ADP journey to qualify as RAs. Currently, we have 17 profiles of registered candidate auditors (RCAs) who give first-person accounts of their auditing journey to becoming eligible to register as RAs.

In the next financial year, ET will focus on consolidating and building on the current year's successes. It will also begin working with the IRBA's marketing team, to implement actions from the brand survey that was conducted in the last half of 2022.

REVIEW AND REVISION OF THE IRBA'S COMPETENCY FRAMEWORK

The Competency Framework Review Project has entered the development phase. The taskforce has agreed to develop a competency roadmap that will be used to achieve the project objectives. It will deliberate on and develop this roadmap in the next quarter. The roadmap is expected to be a short, principles-based document that can be used by stakeholders.

AUDIT DEVELOPMENT PROGRAMME

A Yearly Comparison of ADP Registrations									
	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Opening	0	28	172	288	425	455	464	482	0
Additions	28	157	134	170	81	82	104	166	922
Deregistration	0	-11	-9	-2	-18	0	0	0	-40
Completed	0	-2	-9	-31	-33	-73	-86	-101	-335
Total RCA (Year-end)	28	172	288	425	455	464	482	547	547

Registrations

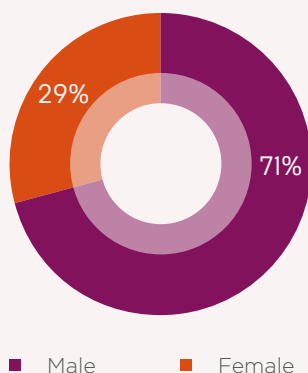
The number of registrations in the current year increased by 59% in comparison to the prior year, and this was driven by the implementation of the ADP Reloaded initiatives. During the quarter, this number increased by 34 RCAs, resulting in a total of 166 new RCAs being registered during this financial year. During the 12-month period, there were no deregistrations. In fact, over the past two years, the revised customised and hands-on support for RCAs has led to a 100% retention rate.

Completions

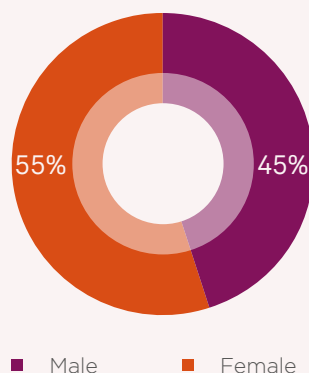
There were 31 completions during the quarter and a total of 101 over this financial year, making it the highest rate of completions in a particular year. The streamlined Portfolio of Evidence (PoE) templates and progress reports have been instrumental in getting more candidates to complete the programme. The templates are designed in a manner that ensures that the RCAs keep track of their progress throughout the ADP, resulting in less work being required on the PoE at the end of the 18 months.

Additionally, there has been a positive shift in the RCA statistics, based on race and gender, when compared to the current RA register. This is a positive development because the current RCA list is a reflection of the future IRBA RA register. The graphs below show the differences between the RCA and RA registers.

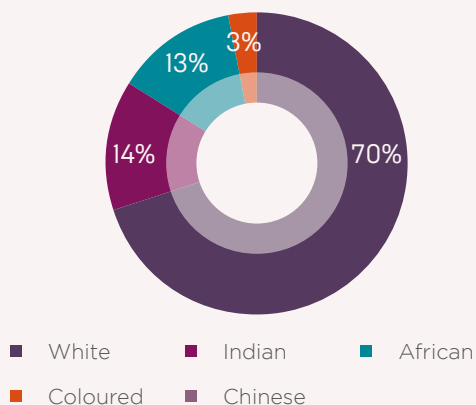
RA SPLIT BY GENDER



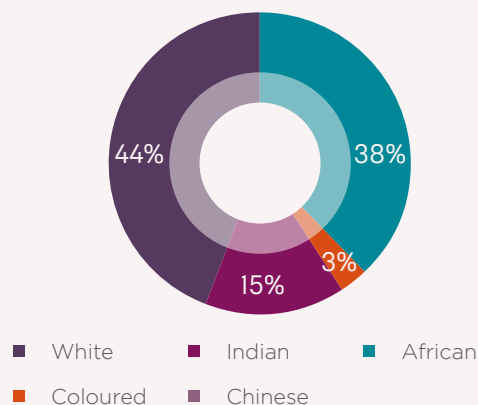
ACTIVE RCAs BY GENDER



RAs BY RACE



RCAs BY RACE



From the race perspective, it must be noted that African, Coloured and Indian (ACI) RCAs make up more than 50% of the entire population, which creates positive transformation prospects.

Firm Monitoring Inspections

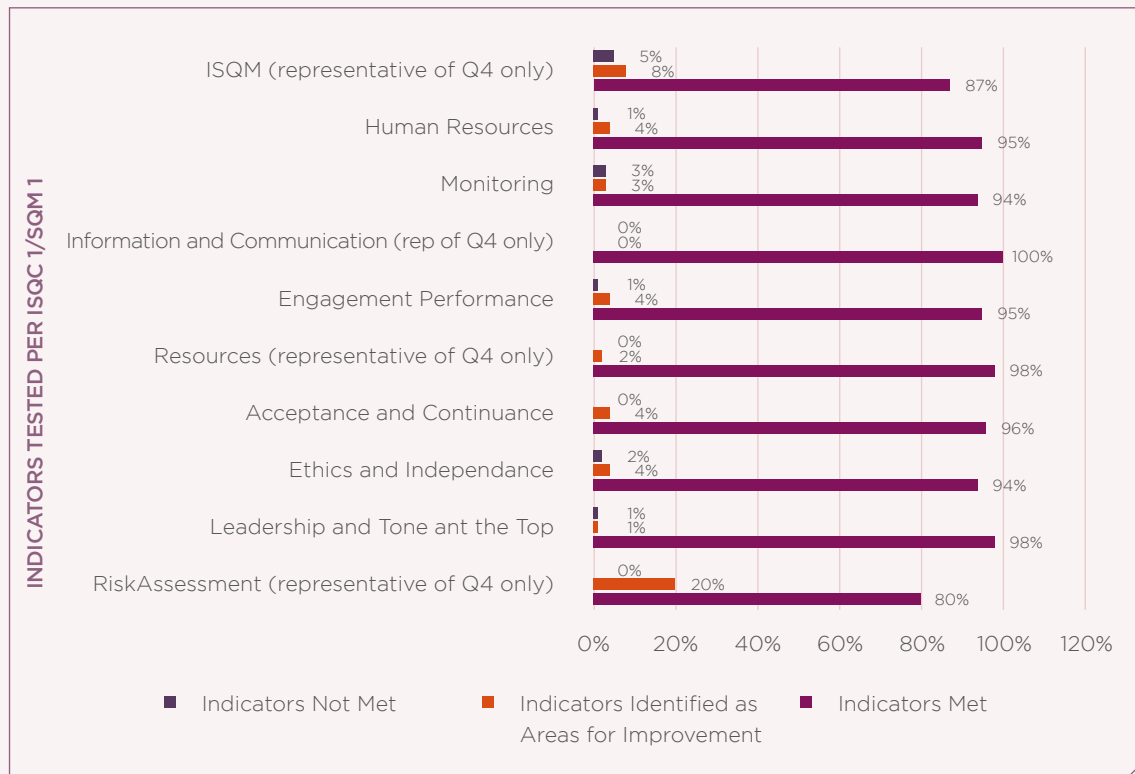
The ADP firm monitoring inspection is an integral process that is performed to manage the quality of RCA training. It was designed to evaluate the quality of the audit training environment at the audit firms where RCAs are registered. The process aims to facilitate an environment in which RCAs obtain the relevant competencies at the correct level on the programme and promote quality RAs in the profession.

All firms with RCAs on the ADP are subject to a monitoring inspection, prior to the ADP ending, and the results thereof form part of RCA's PoE.

As part of the IRBA's strategic objectives and outcomes, 43 monitoring visits had to be performed in the 2022/2023 financial year, and this number was broken down per quarter, as approved by the Audit Development Committee. For an RCA to be signed off the ADP, a monitoring inspection must be performed. In this financial year, 46 ADP monitoring inspections were conducted and concluded, exceeding the set target. Mainly, this was due to more PoEs being submitted.

Of the 46 inspections performed, five were revisits and 41 were first-time inspections. Revisits are performed when a firm had a high monitoring intensity outcome from the full inspection. Such a firm is given the opportunity to resolve all the key findings and a revisit is conducted within six months of the initial full inspection.

The graph below details key information on the results of ADP monitoring inspections performed.



One of the objectives of ADP monitoring inspections is to review compliance with the International Standard on Quality Control (ISQC) 1, International Standard on Quality Management (ISQM) 1 (relevant for Q4, after its effective date of 15 December 2022) and other quality standards. This is done by conducting several monitoring procedures or a test of indicators around the relevant areas governed by ISQC 1 and ISQM 1.

Common findings noticed among firms that did not meet the indicators or required improvement were:

- Lack of firm policies and procedures around the engagement file close-out and lockdown within 60 days of the audit report sign-off date, including the safe custody of signed-off manual files.
- Lack of a formal, documented performance management process for staff outside of training articles. The ISQM 1 requirements allow for some scalability; however, firms – with ultimate responsibility for the system of quality management – need to ensure that the performance of the individual is formally evaluated.
- Lack of documentation on the engagement files regarding the assessment of the need for an engagement quality control review (EQCR) on the engagement against firm policies and procedures and ISQC 1. ISQM 1 requires more detailed documentation on the file regarding the criteria, eligibility and performance of an EQCR.
- Insufficient documentation regarding the risks of fraud and error on an engagement within the planning minutes. As required by the International Standard on Auditing 240, this is to be discussed by the engagement partner with all team members before an audit engagement begins.
- Monitoring and remediation plans, as required by ISQM 1, had not been concluded.

As stakeholders, we collectively have a vested interest in ensuring that the RA pipeline produces ethical professionals who value audit quality, among others. For that reason, we have to jointly put more efforts towards improving and managing the audit training environment for RCAs.

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COMMUNICATIONS

Constantly improving how we communicate with our registered auditors and other stakeholders is important for us. For that reason, below we list all the communiques that were issued via bulk e-mail during this reporting period.

17 March 2023	<u>IRBA Releases Its Latest Public Inspections Report</u>
17 March 2023	<u>Illustrative Reports to be Used by Independent Assurance Practitioners When Required to Report in terms of the Property Practitioners Act</u>
14 March 2023	<u>REMINDER: Online Submission of Firm Assurance Work Declaration and Firm Related Information 2023</u>
10 March 2023	<u>Reminder of the Requirement to Change RCB as IRBA is No Longer an RCB with SARS</u>
8 March 2023	<u>REMINDER: Online Submission of Firm Assurance Work Declaration and Firm Related Information 2023</u>
8 March 2023	Information from SARS: <u>Webinar on SARS Administered Incentives</u>
6 March 2023	<u>How Can We Support You to Become an RA?</u>
16 February 2023	<u>Notice from FASSET</u>
16 February 2023	Information from SARS: <u>Upgrade to SARS eFiling Technical Platform</u>
14 February 2023	Information from SARS: <u>Webinar on Tax Directive</u>
13 February 2023	<u>Adoption of the IAASB's 2021 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements</u>
13 February	<u>IESBA Webinars</u>
9 February 2023	<u>IAASB Issues an Exposure Draft on the Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Financial Statements of Less Complex Entities</u>
10 February 2023	Information from SARS: <u>System Maintenance</u>
8 February 2023	Information from SARS: <u>Webinar Postponement</u>
6 February 2023	Information from SARS: <u>Webinar Invite and Tax Practitioner Connect Newsletter Available</u>

1 February 2023	<u>Online Submission: Firm Assurance Work Declaration and Firm Related Information 2023</u>
31 January 2023	<u>Requirement to Change RCB as IRBA is No Longer an RCB with SARS</u>
25 January 2023	<u>IAASB Consults on Its Proposed Strategy and Work Plan for 2024-2027</u>
23 January 2023	<u>IRBA Appoints New Director of Operations</u>
12 January 2023	<u>Artificial Intelligence Audit Risks Mitigation</u>
11 January 2023	<u>REMINDERS: Newly Effective Standards/Practice Statement/Revisions and Standards-Related Communiqués Issued In 2022 with Submissions Due in 2023</u>
7 December 2022	<u>Exposure Draft: Proposed Amendments to the IRBA Code of Professional Conduct for Registered Auditors - Revisions to the Definitions of Listed Entity and Public Interest Entity</u>

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



GENERAL NEWS

REMINDER: IRBA NO LONGER A SARS RECOGNISED CONTROLLING BODY

Tax practitioners are reminded that effective from 1 April 2023, the Independent Regulatory Board for Auditors (IRBA) will no longer be performing Recognised Controlling Body (RCB) functions. It had been on the list of the South African Revenue Service RCBs.

Consequently, before registering with other RCBs, tax practitioners are advised that they will need written confirmation of the following from the IRBA:

1. Prior registration as a tax practitioner; and
2. Pending IRBA disciplinary proceedings against the practitioner (if applicable).

The above confirmation letter may be requested and obtained from the IRBA's Registry unit (registry@irba.co.za).

If you have not already done so, we recommend that you immediately request this letter and then lodge your application with another RCB. Doing that will help you avoid any interruption in your status as a tax practitioner.

Talking Financial Reporting and Governance Ecosystem

The IRBA invites you to an industry stakeholder webinar, facilitated by Khaya Sithole, where our stakeholders will have an opportunity to participate in a conversation to identify gaps in the broader financial reporting and governance ecosystem.

The IRBA in partnership with its stakeholders wishes to contribute to rebuilding trust and restoring confidence in the accounting and auditing profession in a meaningful way.

Collectively, through the webinar, we are seeking practical ways to identify and bridge some of the most critical gaps that impact on the effectiveness of those involved in the financial reporting value chain.

Date: Thursday, 20 April, 2023

Time: 14h00 to 16h00

Via: Microsoft Teams

Fee: No charge to attend



Imre Nagy,
IRBA CEO



Khaya Sithole,
Facilitator



Tsakani Maluleke,
Auditor-General, AGSA



Parmi Natesan,
IODSA CEO

[Click here to RSVP](#)

Teams link will be issued to confirmed attendees prior to the event.