

WINDS OF CHANGE BLOW

Initiatives to restore confidence in the profession gain momentum as:

- Cabinet approves Draft Amendments to the Auditing Profession Act
- Audit firms are called upon to produce transparency reports

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FROM THE CEO'S DESK

Post-1994, South Africa experienced one of the longest periods of positive economic growth in the country's history. The Minister of Finance at the time had adopted the recommendations of the 2003 World Bank Report on the Observance of Standards and Codes (ROSC) for accounting and auditing. The report suggested that government should focus on strengthening the enforcement mechanisms for ensuring compliance with established accounting and auditing requirements by *"establishing an independent oversight body, consisting of eminent persons, and restructuring the statutory regulator of the auditing profession under an effective governance structure and with broader mandate for efficiently regulating the profession"*.

Until then, the profession was governed by the Public Accountants and Auditors Board (PAAB) under a regime of self-regulation with limited powers. In 2005, South Africa became one of the first countries worldwide to adopt International Standards on Auditing (ISA) and the Independent Regulatory Board for Auditors (IRBA) was created under the Auditing Profession Act, Act 26 of 2005 (APA), creating a statutory oversight board for which the maximum number of auditors on the board was prescribed (no more than 40%), with powers to lay down regulations and set standards.

In 2008, the IRBA became one of the founding members of the International Forum of Independent Audit Regulators (IFIAR), a forum that shares best practices in regulation and has a mission to strengthen global audit quality. One of the requirements to become a member of IFIAR is that the audit regulator must be completely independent of the auditing profession.

Over the years, the IRBA has continued to make improvements to regulation within its mandate. The auditor's report has been improved and now includes more disclosures than before for the benefit of investors. In 2015, mandatory disclosure of the audit tenure of the audit firm with the client was required as part of the independent auditor's report. This was to highlight potential familiarity threats for investors that could lead to independence issues, which could, in turn, impact on the reliability and credibility of the audit opinion on the financial statements.

Further improvements were made to strengthen the IRBA's Inspections and Investigations departments based on the recommendations of the World Bank's 2013 ROSC. However, deficiencies in audit quality concerned the Board, which required that more should be done to protect the public, safeguard auditor independence, improve the quality of audit and enhance trust in the credibility of audit opinions. In 2017, the Board prescribed that from 2023 Mandatory Audit Firm Rotation would be required every 10 years.

This progressive implementation of standards, regulations and guidelines is a necessary role of effective regulators worldwide in support of continuous improvement and the creation of public trust. Recently, it became evident that the public expected more from the IRBA than the APA prescribed or allowed, specifically considering the recent audit and accounting failures. The limit to monetary sanctions and the speed of bringing auditors to account were key among these.

The Act Amendment process was subsequently fast-tracked and the amended Act submitted to National Treasury in December 2017. It included several changes to address not only the low level of fines, but others that will remove restrictions to obtain critical information for investigations, as well as further strengthen the independence of the IRBA.

The amendments apply mostly to the investigation and disciplinary processes. These amendments will provide the IRBA with subpoena powers in the investigation process, simplify the disciplinary hearing process, and provide the Minister of Finance with power to determine maximum fines, which are currently limited by the audit legislation to R200 000 per offence. The Minister of Finance has not indicated what level of fines he would prescribe, but these are likely to be significantly more than the current limit, which will provide a more effective deterrent to unethical behaviour.

The ability to subpoena will ensure that the IRBA has immediate access to all the evidence and audit files we require to complete an investigation more speedily, even where information is being withheld. This will also shorten the duration of investigations.

The disciplinary process will also be simplified, without infringing on the rights of any of the parties, by removing many of the burdensome legal practices that mean disciplinary matters are heard in a manner similar to that of a high court, making them unnecessarily lengthy and costly.

In dealing with constraints, the amendments propose removing limits to the size of the Disciplinary Committee, allowing the IRBA to appoint as many members as it determines. This will mean we can call on additional resources when there is any substantial increase in the number of matters to be considered. Currently, the limited number of committee members, often further limited by the exclusion of members who may have a conflict of interest and the availability of members, has had a negative impact on the speed at which matters can be heard.

Given the IRBA's focus on public protection, and the fact that some of the investigations and matters referred to the IRBA are issues that do not relate to public interest entities (PIEs), an amendment to allow the IRBA to refer non-PIE matters to another relevant body will ensure that we can focus on public interest matters. This will improve the utilisation of limited resources for matters in the public interest.

On 22 August 2018, cabinet approved the Draft Amendments to the APA and referred these to Parliament for consultation as part of the Financial Matters Bill 2018. Consultation closed on 14 September and it is hoped that the Amendments will be passed by the end of 2018.

The amendments, however, on their own will not prevent corporate malfeasance, fraud or future scandals, as business failures can be caused by complex internal fraud and corruption by directors or employees. Until the whole financial reporting eco-system is regulated, which was also included among the recommendations in the 2013 World Bank ROSC, there will continue to be opportunity for such malfeasance to exist and possibly go unpunished. But

FROM THE CEO'S DESK cont.

when it comes to the fourth “line of defence”, external audit, we believe that greater powers will enable the IRBA to act more swiftly in identifying, investigating and disciplining errant auditors, and then handing down punishment that is more appropriate to the nature of the transgression. In this way, we can continue to restore confidence in the regulator and auditors.

In our other efforts to restore confidence in the profession, our Standards and Inspections departments have been working on an Audit Quality Indicators project that will help firms and audit committees to assess the quality of audit work.

In July, the IRBA issued a call for South African audit firms to produce transparency reports that should provide insight into audit firm operations, governance, leadership, culture, ethics, audit quality, transformation and audit engagements, among others. This initiative was first considered by the IRBA last year, but it now coincides with a review of the International Auditing and Assurance Standards Board's International Standard on Quality Control (ISQC) 1 which is currently being revised. In terms of the IRBA's restoring confidence efforts, these two initiatives are key.

Finally, earlier in September the first working meeting of the African Forum of Independent Accounting and Auditing Regulators (AFIAAR) was held in Maputo, Mozambique. AFIAAR has already achieved significant milestones, such as formulating and signing a charter at the inaugural meeting in Victoria Falls, Zimbabwe, in March this year. During the September meeting, members gave input to the two-year strategy that was duly unanimously adopted. This bodes well for the continued process of continental integration of audit and accounting regulation in Africa. Through the promotion of the adoption of financial reporting standards and enforcing compliance, independent audit regulators can play a critical role in building confidence in capital markets on the continent.



Bernard Peter Agulhas
Chief Executive Officer

THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Standards:
 - Note on the *Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts*.
 - Exposure Draft: *Proposed International Standard on Auditing 315 (Revised): Identifying and Assessing the Risks of Material Misstatement*.
 - *South African Assurance Engagements Practice Statement (SAAEPS) 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria*.
 - Revision of the *Guide for Registered Auditors: Auditing in the Public Sector Vol 1*.
 - IAASB projects in progress.
- Ethics:
 - *IRBA Code of Professional Conduct for Registered Auditors (Revised 2018)*.
 - IESBA projects in progress.

Note on the Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts

According to the Department of Justice and Constitutional Development, the Legal Practice Act, No. 28 of 2014 (LPA), will be implemented and the statutory provincial Law Societies dissolved on 31 October 2018. The Legal Practice Council will assume regulation over all legal practitioners, attorneys and advocates as defined in the LPA. The final South African Legal Practice Council Rules made under the authority of sections 95(1), 95(3) and 109(2) of the LPA were gazetted (Government Gazette No. 41781) on 20 July 2018. The Rules will be applied by the Legal Practice Council after its establishment in terms of Chapter 2 of the LPA and on the date fixed by proclamation by the President in the Government Gazette, bringing the remaining provisions of the LPA into operation.

A health warning will be placed on the *Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts* (the Guide) to alert auditors that the Guide has not been updated for changes to legislation and the South African Legal Practice Council Rules.

Committee for Auditing Standards (CFAS)

Exposure Draft: Proposed International Standard on Auditing 315 (Revised): Identifying and Assessing the Risks of Material Misstatement

The International Auditing and Assurance Standards Board (IAASB) has issued the proposed International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* (ED-ISA 315 (Revised)), for public comment.

To ensure that ISAs continue to form the basis for high-quality, valuable and relevant global audits, the IAASB's ED-ISA 315 (Revised) proposes more robust requirements and improved guidance.

ED-ISA 315 (Revised):

- Drives consistent and effective identification and assessment of risks of material misstatement;
- Is modernised to meet evolving business needs, including information technology, and address how auditors use automated tools and techniques, including data analytics, to perform procedures;
- Improves the standard's applicability to entities across a wide spectrum of circumstances and complexities; and
- Focuses auditors on exercising professional scepticism throughout the risk identification and assessment process.

CFAS welcomes comments on all matters addressed in ED-ISA 315 (Revised), including responses to the specific questions set out in the Explanatory Memorandum. Comments should be submitted via email to standards@irba.co.za by **5 October 2018**. All comments will be considered as a public record.

Alternatively, we invite registered auditors and other interested parties to submit comments directly to the IAASB via the [IAASB website](http://iaasb.org) by **2 November 2018**.

A copy of the exposure draft is available on the exposure drafts page on the [IRBA website](http://irba.co.za).

CFAS Sustainability Standing Committee (SSC)

South African Assurance Engagements Practice Statement (SAAEPS) 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria

CFAS approved the issuing of the South African Assurance Engagements Practice Statement (SAAEPS) 1, *Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria* (SAAEPS 1), in August 2018 for use by practitioners.

SAAEPS 1 is aimed at providing practical assistance to practitioners on certain preconditions that need to be present when requested to accept a sustainability assurance engagement in accordance with the requirements of the International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The characteristics dealt with in SAAEPS 1 are whether the sustainability assurance engagement exhibits:

- A rational purpose;
- The underlying subject matter is appropriate; and
- The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

The preparation of appropriate engagement documentation is emphasised.

The guidance is supplemented by a series of questions that the practitioner may ask. After receiving feedback from the reporting

STANDARDS cont.

entity, the practitioner may consider the responses collectively to determine whether the sustainability assurance engagement exhibits the characteristics set out in the objective paragraph of SAAEPS 1.

Effective date

SAAEPS 1 is effective for the *Acceptance and Continuance – Preconditions for the Assurance Engagement* phase of the sustainability assurance engagement for reporting periods beginning on or after 15 December 2020. Early adoption is permitted.

The effective date of SAAEPS 1 has been delayed by two years to allow time for practitioners to prepare for and implement the guidance, receive training and provide feedback to the IRBA on any implementation lessons. The delayed effective date also allows time for preparers of sustainability reports to receive training on the content of SAAEPS 1, as it relates to them.

SAAEPS 1 is available on the [IRBA website](#).

CFAS Public Sector Standing Committee (PSSC)

Revision of the Guide for Registered Auditors: Auditing in the Public Sector Vol 1

The update of the *Guide for Registered Auditors: Auditing in the Public Sector Vol 1* (the Guide) is continuing. The Guide is being updated for:

- Changes made to the AGSA's audit methodology;
- Further guidance on how political governance structures in the public sector should be engaged with;
- Amendments arising from the revision of the Public Audit Act (PAA);
- Expanding/enhancing the sections dealing with legislation, guidance and key stakeholders/role players in the public sector;
- A new section on the role and powers of the Auditor-General;
- Changes to the financial reporting frameworks applicable to the public sector; and
- Changes to the International Standards of Supreme Audit Institutions (ISSAIs).

International Audit and Assurance Standards Board (IAASB)

IAASB projects in progress

- Accounting estimates (ISA 540).
- Quality control at engagement level (ISA 220).
- Quality control at firm level (ISQC 1).
- Engagement Quality Review (EQR) (ISQC 2) – NEW STANDARD – see [IAASB website](#) for more information.
- Group audits (ISA 600) – the IAASB's Group Audits Task Force has issued an ISA 600 Project Update – Enhancing Audit Quality Focusing on Group Audits. See the [IAASB website](#) for more information.

- Professional scepticism.
- Auditor risk assessments (ISA 315 (Revised)).
- Agreed-upon procedures (ISRS 4400).
- Data analytics.
- Integrated reporting (emerging forms of external reporting) assurance.

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

Committee for Auditor Ethics (CFAE)

Proposed IRBA Code of Professional Conduct for Registered Auditors (Revised 2018)

The CFAE considered, and then recommended to the IRBA Board for approval, the amendments made to the International Ethics Standards Board for Accountants' (IESBA) *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued during 2018, following the issue of those proposed amendments on exposure in South Africa. The changes to the IESBA Code have given rise to proposed amendments in the IRBA Code.

Amendments to the proposed IRBA Code (Revised 2018) shall address the following:

1. Improving the Structure of the IESBA Code.
2. Revisions Pertaining to Safeguards.
3. New Guidance for Professional Scepticism and Professional Judgement.
4. Offering and Accepting of Inducements.
5. Restructure of South African Paragraphs.

The proposed IRBA Code (Revised 2018) is a positive response to recent concerns about auditor ethics and the goal of restoring confidence in the profession. As such, the IRBA Board will be considering this proposed revised IRBA Code for approval at its meeting in November 2018.

Proposed effective date

It is proposed that the effective date of the proposed IRBA Code (Revised 2018) will be aligned with the effective date of the amended IESBA Code as follows:

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

[Paragraph R540.19 shall have effect only for audits of financial statements for periods beginning prior to 15 December 2023. This will facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organisation authorised or recognised by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.]

Part 2 of the IESBA Code relating to Professional Accountants in Business will be considered for adoption by the South African Institute of Chartered Accountants. Registered auditors are reminded of paragraphs 120.9 A2, 300.5 A1 SA and 300.5 A2 of

the IRBA Code that clarify the applicability of Part 2 of the IESBA Code to registered auditors.

Implementation

The release of the proposed IRBA Code (Revised 2018) will lead to significant changes and implementation risks that all registered auditors and audit firms will need to respond to, and these include the following:

- Training for firm personnel across all levels;
- Updating of the firm methodology across audit and non-audit service lines;
- Considering amendments to firm policies and procedures;
- Noting differences between local requirements and international requirements;
- Transitional arrangements and catering for the differing effective dates;
- Re-assessing safeguards currently used under the extant IRBA Code, among others; and
- Confirmation that all relevant firm personnel have understood the implications of the proposed IRBA Code (Revised 2018).

International Ethics Standards Board for Accountants (IESBA)

IESBA projects in progress

- Safeguards and their applicability pertaining to non-assurance services.
- Fees.
- Professional scepticism.
- Technology.
- E-Code.
- Alignment of Part 4B of the Code and ISAE 3000 (Revised).

More information on these projects is available on the [IESBA website](https://www.iesba.org/).



Imran Vanker

Director Standards

Telephone: (087) 940-8838

Fax: (086) 575-6535

E-mail: standards@irba.co.za

INVESTIGATIONS

INVESTIGATING COMMITTEE

The Investigating Committee met three times during this period and referred 40 matters to the Disciplinary Advisory Committee with recommendations.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met once during this period and concluded on 12 matters.

Decisions not to charge

Five matters in terms of Disciplinary Rule 3.5.1.1 – the respondent was not guilty of improper conduct.

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

One matter in terms of Disciplinary Rule 3.5.1.4 – there are no reasonable prospects to succeed with a charge of improper conduct against the respondent.

Decisions to charge and matters finalised by consent order

Five matters were finalised by consent order.

Matter 1

The respondent was a trustee in a trust that is a major shareholder of a company that is audited by the respondent's firm. The firm was not aware of the respondent's trusteeship in the client when the engagement partner made enquiries concerning risks of independence at the commencement of the audit. The audit of the company should not have been undertaken by the firm due to the independence conflict resulting from the trusteeship of the respondent.

The respondent was sentenced to a fine of R200 000, no cost order and publication by the IRBA in general terms. In addition, the respondent must implement improvements to the firm's system of controls regarding independence, and must also arrange and ensure that he and all audit partners nationwide attend external training on the independence requirements of the Code of Professional Conduct within 60 days of the imposition of the sentence, and must provide the IRBA with evidence of having complied to this.

Matter 2

Mr Edward Dreyer, the respondent, audited two years of financial statements that contained material errors that subsequently required restatements. The restatements resulted from errors relating to debtors, loans to a subsidiary and an investment in an associate. These errors were not detected in the prior year audits and, as such, unqualified audit opinions were incorrectly expressed by the respondent on annual financial statements relating to these years.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and

publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 3

The respondent was the auditor of a holding company and a subsidiary where there was a sale of shares to the holding company. There was a dispute among the parties regarding the accounting treatment of the sale agreement, of which the respondent was aware. The respondent failed to ensure that the terms of the sale agreement were appropriately disclosed by management in the audited financials.

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 unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 4

The matter was a referral from the Inspections Committee. The respondent breached S90 (2) of the Companies Act by auditing financial statements that had been prepared by another partner within the audit firm. In addition, the respondent failed to obtain sufficient appropriate audit evidence regarding shareholder loans and revenue recognition during the audit.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension, no cost order and publication by the IRBA in general terms.

Matter 5

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient and appropriate audit evidence on plant and equipment and inventory.

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

Decisions to charge and matters referred for a disciplinary hearing

No matters were referred to the Legal Department for a disciplinary hearing.



Jillian Bailey

Director Investigations

Telephone: (087) 940-8800

E-mail: investigations@irba.co.za

DISCIPLINARY COMMITTEE

The Disciplinary Committee sat four times during the period to hear three separate matters. One of these was a new matter, while the remaining three were part-heard matters that had commenced previously.

REPORTABLE IRREGULARITIES

Reportable Irregularities (RIs) for the quarter April to June 2018:

(Note that RIs are reported on quarterly in arrears):

114 second reports were received, of which:

RIs were continuing	57
RIs were not continuing	54
RIs did not exist	3

All three part-heard cases have not yet been finalised and are continuing.

Of the 57 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature, were:

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

Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
- Tax and VAT-related contraventions (e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.).	40.78%	The South African Revenue Service (SARS).
- Financial statements not prepared/not approved within the allotted timeframe.	25.24%	SARS, the Financial Sector Conduct Authority (FSCA) and the Companies and Intellectual Property Commission (CIPC).
- Various Companies Act Contraventions, e.g. reckless trading, breach of directors' fiduciary duties, irregular financial assistance to directors, AGM-related irregularities, etc.	17.48%	CIPC
- Contravention of the Pension Funds Act, e.g. contributions not paid over to provident funds.	2.91%	FSCA
- Suspected fraud and/or theft, and contravention of the Prevention and Combatting of Corrupt Activities Act (PRECCA).	2.91%	The Directorate for Priority Crime Investigation, the Financial Intelligence Centre (FIC), etc.
- Other (e.g. contraventions of the Housing Development Schemes for Retired Persons Act, the Johannesburg Stock Exchange Listing Requirements, the Competition Act, etc.).	10.68%	The Community Schemes Ombud Service, the Department of Trade and Industry, the Johannesburg Stock Exchange, the Competition Commission of South Africa, etc.

Reporting of Persons and/or Entities Suspected of Non-Compliance with Laws and Regulations (NOCLAR)

The IRBA has received a number of enquiries from registered auditors on whether any suspected NOCLARs that are identified during audits should be reported to the IRBA – and if so, whether any such reporting should be done outside the current reporting mechanism available for RIs. Taking into account the particular set of facts that are present in any given scenario, it is unlikely that the IRBA will fit the description of an appropriate authority as envisioned by the IESBA's pronouncement on NOCLAR.

To best illustrate this viewpoint, we highlight one such scenario where we were contacted by a registered auditor whose client – an Accountable Institution – failed to submit a cash threshold report (CTR) to the FIC. The client in question had previously submitted

multiple CTR reports to the FIC without incident, and in this particular case there was strong evidence to suggest that this omission was in fact an isolated incident rather than a systemic issue. This consideration together with other factors that were taken into account by the registered auditor all resulted in him being doubtful as to whether this omission committed by his client warranted the reporting of an RI to the IRBA.

The registered auditor was, however, of the opinion that the incident qualifies as a NOCLAR and that his client's continued failure to report this unreported CTR to the FIC might potentially cause substantial harm to the public in the event of the unreported cash deposit possibly representing the proceeds of criminal activities.

Should the registered auditor in question now be of the opinion that further action is required with regards to reporting this matter directly to an appropriate authority, then the IRBA will, in all probability, not

qualify to be viewed as such. The IRBA's mandate does not include the investigation of any suspected FIC-related contraventions that are committed by a firm of attorneys. Also, Section 45 of the Auditing Profession Act does not provide for any mechanism whereby the IRBA could be at liberty to report incidents of NOCLAR to appropriate regulators in circumstances where these matters fall outside the scope of an RI.

Consequently, the registered auditor was advised against reporting the suspected NOCLAR directly to the IRBA. He was rather

advised to consider approaching the FIC and the relevant Law Society directly with regards to the unreported CTR. The registered auditor was, however, also advised to seek legal advice prior to him undertaking any further actions in response to this suspected NOCLAR identified. Registered auditors are reminded of the IRBA's [Frequently Asked Questions on Non-Compliance with Laws and Regulations](#) as issued in October 2017; and this can be found on the IRBA website.

FAREWELL

At the end of the last quarter, we bid farewell to two members of the Disciplinary Committee, Costa Qually and Akther Moosa, both of whom served as retired registered auditors.

Mr Qually served for 12 years on the Disciplinary Committee both with the IRBA and our predecessor the PAAB, while Mr Moosa served for three years on the committee. Their exceptional commitment and expertise will be dearly missed and we wish them well and

express our sincere gratitude to them for their noble service to the auditing profession.

A special thank you must be given to Mr Qually for the training sessions that he provided over the years on basic accounting and auditing principles to the lawyers on the committee and our legal advisors.



GRATITUDE FOR TIME WELL SERVED: At the farewell function, Vincent Maleka SC (vice-chairman), middle, praised Costa Qually, left, and Akther Moosa, right, for their remarkable commitment.

Telephone: (087) 940-8800

Fax: (087) 940-8873

E-mail: legal@irba.co.za

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 30 MAY 2018-30 JULY 2018

Arterton, Alexander James	Khumalo, Sipho Donald Johannes	Rashamuse, Langanani Mmbaiseni
Bergh, Erasmus Petrus Vermaak	Lachman, Shandhir Anand	Ravhuhali, Divhani Portia
Botha, Roeloff Alexander	Le Roux, Laetitia Hough	Saayman, Johnnes
Cecchin, Alessandra	Mashamba, Mutondi Dorothy	Shaikh-Arab, Naheeda Pervine
Coetzee, Carmina	Moeng, Benevolence Kgaogelo	Slabbert, Shevonne
Cronje, Philippus Frans	Nkomo, Rebecca Mogau	Stuart, Charles Alistair
De Villiers, Jakobus Renier	Nxumalo, Ntokozo	Takombwa, Partson
Fortune, Mogamat Rashaad	Phefo, Amogelang	Taylor, Sharon
Goldacre, Matthew Paul	Phiri, Mosibudi Margaret	Terblanche, Natalie
Hood, Pamela Erica	Pieterse, Linda	Thusi, Mike Mangena
Khangale, Tshisikhawe Mabel	Pule, Tihalefo	Volschenk, Nelmar

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 30 MAY 2018-30 JULY 2018

Du Plessis, Jaco Johannes
Jacobs, Richard James
Lufhugu, Eugene Hlangwani
Moraka, Tebogo Ronald
Trollope, Charles Edgar

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 30 JUNE 2018-28 SEPTEMBER 2018

Blandin De Chalain, Tristan Paul	Resigned	Naberman, Anton Ferdinand	Emigrated
Baatjies, Lizelle	Resigned	Oosterveld, Mettinus Margarethus	Emigrated
Bardopoulos, Marcus Emmanuel	Emigrated	Orsmond, Edward Churchill	Resigned
Bhikha, Atul Mohanlal	Emigrated	Parker, Anthony Craig	Resigned
Brink, Andries Willem	Resigned	Paruk, Hassan Dawood	Resigned
Davey, Dean Raymond	Emigrated	Patel, Mitesh Mohanlal	Resigned
Desai, Dinesh Ambelal	Resigned	Prakke, Adriaan Evert	Resigned
Du Plessis, Bernard	Resigned	Rohlandt, Trudie	Deceased
Ebrahim, Naeem Mahomed	Resigned	Saker, John Michael	Resigned
Gainsford, Gavin Cecil	Resigned	Steyn, Petro Magnus	Resigned
Ho, Glenn	Resigned	Van Der Laan, Wiebe Willem	Resigned
Hook, Craig Russell	Resigned	Van Der Merwe, Susanna Helena	Resigned
Marais, David Fraser	Resigned	Van Schalkwyk, Wynand Thomas	Resigned
Marshall, Ian Thompson	Resigned	Van Wyk, Johann	Resigned
Minie, Jacobus Marthinus	Resigned	Viljoen, Lorraine	Resigned
Müller, Julyan Joseph	Emigrated		

EDUCATION AND TRANSFORMATION

THE IRBA'S TRANSFORMATION WORKSHOPS

For the IRBA, bringing positive change into the profession is of major importance – and one of those critical changes is having a profession that embraces and acts on the tenets of transformation. Ensuring that this is realised, though, means the regulator has to rely on collaborations with other stakeholders, such as the audit firms, the Auditor-General South Africa and the South African Institute of Chartered Accountants (SAICA).

These collaborations, however, have been but one plan that the IRBA has been involved in in its drive to see the profession transformed. The regulator took the initiative to develop a strategy that addresses areas where it could influence the advancement of transformation in the profession. This has culminated into a Transformation Project List that is updated annually.

As part of this project list, the IRBA commissioned an independent research study to explore factors driving and limiting professional advancement in auditing. To share and discuss the results of this research study, as well as establish common ground and solutions for a way forward, the IRBA conducted workshops with key stakeholders. Workshops were held in Johannesburg, Cape Town, Durban and Pretoria.

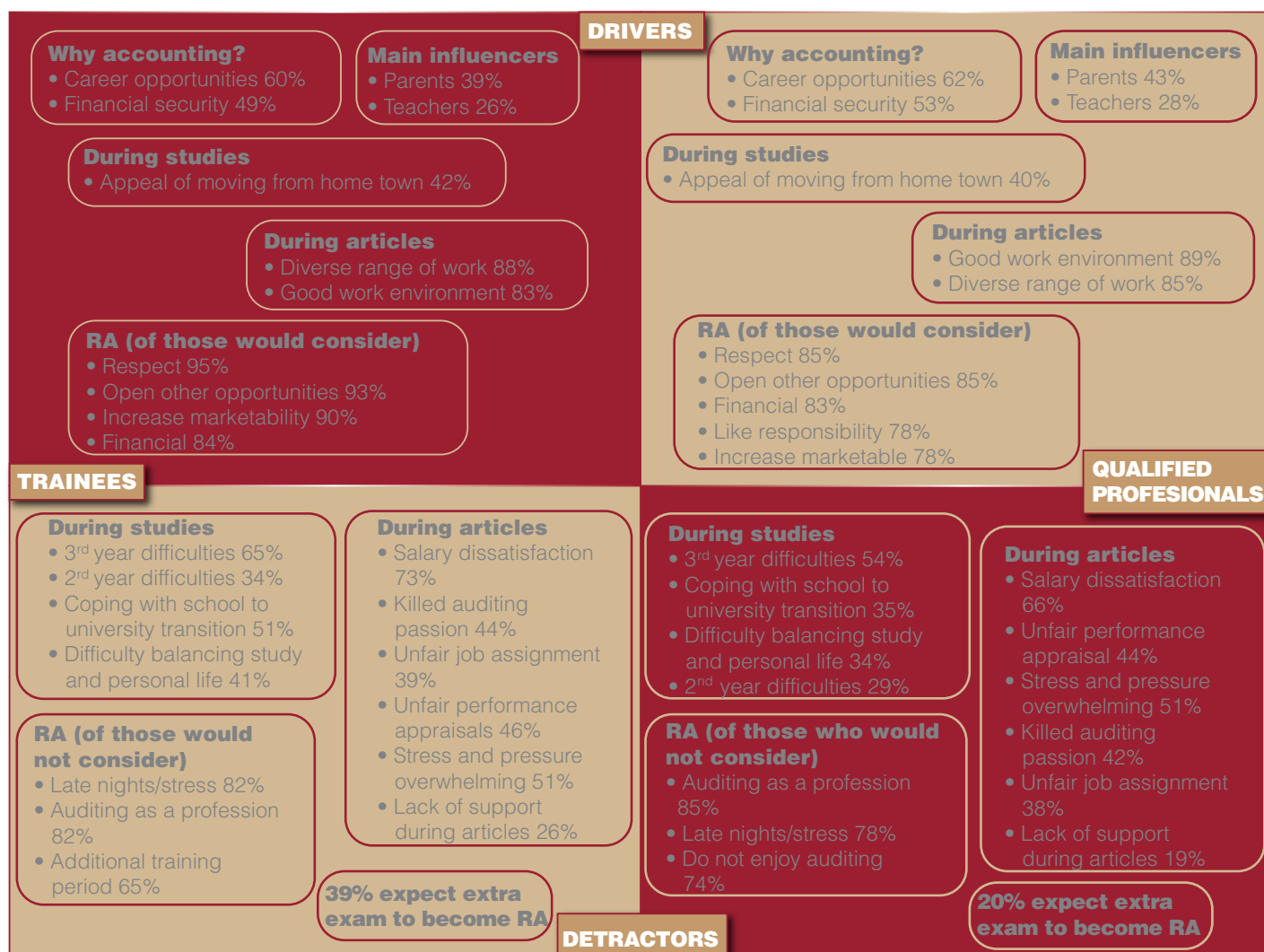
The workshops also afforded the attendees an opportunity to share their experiences and/or programmes implemented to promote and respond to transformation challenges.

Background to the IRBA's Transformation Study

The Diversity and Transformation Study conducted by an independent research company, Answered Insight, sampled two groups during 2015. One sample was the IRBA database of accounting students who were completing articles at an accounting or auditing firm. The second sample was drawn from the SAICA database of registered CAs.

The comprehensive research covered perceptions of work, education, training, career, work experiences, auditing as a career, the difference between a CA and an RA, as well as the attractiveness of auditing as a career, among other issues. Most respondents were from auditing or accounting firms, with others coming from a diverse range of listed companies, state-owned enterprises, financial sector organisations and private sector companies from an array of industries.

The image below gives a high-level overview of the results of the survey.



EDUCATION AND TRANSFORMATION cont.

Summary of issues raised during the workshops

#	Theme	Factors	Possible Solution
1	Education System	<ul style="list-style-type: none"> - Relevance of what is learnt at school. - Is school preparing learners for university or equipping them with life skills? 	<ul style="list-style-type: none"> - Early intervention: Excel at school for bookkeeping. - Promotion of maths and science. - Social contract.
2	Alternative Funding Models	<ul style="list-style-type: none"> - Trainees struggle with financial commitment. 	<ul style="list-style-type: none"> - Designated profession to liberate trainees from debt.
3	Firm Experience/ Culture	<ul style="list-style-type: none"> - Culture is driven by the majority group. - Some trainees have huge financial commitment to their families. - Trainees from certain backgrounds are not able to request assistance. - Language barrier. 	<ul style="list-style-type: none"> - Professional survey. IRBA Driven. Results analysed per firm. - Direct feedback by trainees to SAICA and the IRBA. - Retention strategies. - Managers as role models for trainees. - An understanding and appreciation of trainees and their backgrounds.
4	Managers	<ul style="list-style-type: none"> - Managers control the profession. - Managers appointed through a focus on technical competences. - Top management not necessarily an indication of a transformed profession (the top can be transformed while middle management is not). - Managers living beyond their means. - Commerce and industry generally can pay higher salaries. 	<ul style="list-style-type: none"> - More focus on non-technical skills (soft skills). - Help them define their management styles upfront. - More management coaching and training. - Role models for trainees. - Personal financial management training.
5	Gender	<ul style="list-style-type: none"> - Male dominance. - Work stress. 	<ul style="list-style-type: none"> - Flexible working hours.
6	Social Contract	<ul style="list-style-type: none"> - Profits trump ethics. 	<ul style="list-style-type: none"> - Bring a child to work. - Grow children into the profession. - Sharing of firm values with staff. - Social contract reflected in our competency frameworks.
7	Branding and Raising Awareness	<ul style="list-style-type: none"> - It is also hard to retain white trainees in the profession. 	<ul style="list-style-type: none"> - Direct interventions at a student level that are beyond marketing and awareness. - Recruitment from previously disadvantaged universities.
8	Regulatory Environment	<ul style="list-style-type: none"> - Small firms' reliance on public sector work. - Certain black and white RAs don't want to be accredited for listed audits (risk avoidance). - Small firms need more resources to enable them to participate in bigger audits. 	<ul style="list-style-type: none"> - Promote firm partnerships over sole practitioners.

The IRBA hopes that firms will actively engage on the issues raised during the study and initiate discussions to address some of them. For a full presentation of the survey results, please contact us.

SUCCESSFUL COMPLETION OF THE ADP

The IRBA is proud to present the candidates who successfully completed the Audit Development Programme (ADP) during the quarter ended September 2018. We wish them all the best in their future endeavours and hope to see their positive impact as registered

auditors in the near future. We also take the time to congratulate their firms, especially their oversight registered auditors (ORAs), in supporting these candidates' journeys on the ADP.

EDUCATION AND TRANSFORMATION cont.

#	Candidate	ORA
1	Prenisha Soobiah	RBI Chartered Accountants
2	Leana Visagie	Moore Stephens – Humansdorp
3	Leonie Els	Grant Thornton
4	Ian Foster Black	WKH Landgrebe & Co
5	Evelyn Cynthia de Wet	A2A Kopano – Nelspruit
6	Stanley Motsiri Ramalatso	Auditor-General
7	Muhammad Cachalia	Wackrille Poole Chartered Accountants
8	Manri Oosthuizen	Moore Stephens – Pretoria

Below are some of the testimonies from the candidates.



Stanley Ramalasto

Most CAs I have had a chat with indicated that a career in auditing is risky and it requires long hours, but in commerce there is not much pressure. Personally, I find auditing fulfilling, and a career that will expose me to different industries within a short period. The programme was an eye opener. When one completes training articles, one always thinks that

they have acquired all the skills needed to be a professional and conquer the world. The programme helped me to achieve additional competences and skills that are important and needed for a registered auditor to succeed in practice. My future plan is to join one of the small existing auditing firms as a partner and help make that firm competitive in the market.



Manri Oosthuizen

I enjoy the challenge that comes from moving between clients, the various environments and industries, on a monthly basis. I find it incredibly rewarding to see how clients implement the audit recommendations made throughout the engagement. I would encourage other

CAs to participate in the ADP because it gives you a reason to explore areas that you might not have been exposed to before. The additional exposure to higher responsibilities encouraged me to take in as much out of the experience as possible.

EDUCATION AND TRANSFORMATION cont.



Muhammad Cachalia

Auditing is often an overlooked profession that can be very exciting if approached from the right perspective. To be a competent auditor you need a thorough understanding of business systems, finance, accounting frameworks, tax laws, legal requirements and audit frameworks at the same time; and you are constantly required to stay abreast of advancements in all of these fields. This ensures that an auditor always has a good understanding of all the relevant developments in these fields and ensures that auditors generally have great overall business acumen.

Auditing also allows me the opportunity to interact with many people in the business world who I otherwise would never have had a chance to interact with; and it allows me to gain valuable business insight based on these interactions with them.

I found the programme interesting and I appreciated the fact that the programme ensured that I had hands-on practical experience in the necessary competences before being signed off as a registered auditor; as opposed to having only academic knowledge of these competences, which are often not easy to really grasp by only reading about them.

After completing the programme, I really do feel more confident about my ability to practice as a registered auditor than I would have felt had I only completed a theoretical exam and then registered as an auditor. I hope to make a valuable contribution to the audit profession by pioneering new and improved methods of auditing and growing my firm into one of the leading audit firms in the country.



Eve de Wet

I am passionate about accounting and auditing standards and their implementation. I enjoy auditing but most of all training SAICA trainees. The firm I work for, A2A Kopano Inc in Nelspruit, was very supportive. My two mentors, Ashleigh

Knowles and Ryk Eksteen, assisted with whatever resource I required and gave me exposure to all the competences I required to complete the programme.

Leana Visagie

During my articles, I was privileged to work in different industries and was exposed to so many different aspects of business. I had a wonderful experience during my articles and believed that the auditing profession will only get better. I also believed that even though I was exposed to different aspects and industries, I still had so much to learn.

The years after completing my articles

allowed me to grow as a person and also expand my knowledge. The firm paid the registration fees for me to participate in the programme. The partners and managers were always willing to sign my reports. My plan is to become a partner/director in the firm that I am currently employed with. I really strive to be the best in what I do and would really like to be the first female director in my firm.

EDUCATION AND TRANSFORMATION cont.



Prenisha Soobiah

I served my articles in a small audit firm, and this gave me diverse opportunities and learning experiences from the word go. Doing my articles at this small firm made me enjoy auditing. Although stressful a lot of the time, it challenged me as I was exposed to all areas of the audit quite early in my articles. This gave me the full term of my articles to continue to grow as an auditor and learn on an ongoing basis.

The firm allowed me to grow in my career, and this has seen me grow as a person as well. I started off as a timid trainee and have now grown into a leader who is an

audit partner at this very firm at a young age of 28. I am forever grateful for the opportunities I have been given.

On 7 September 2018 I officially became an audit partner at the firm. My plans are to grow this business and continue to grow in knowledge and experience as the firm grows. My intention is to grow the firm from a small- to a medium-sized firm. As a young Indian female, I aim to provide the opportunities provided to me to other young individuals who are as passionate about the audit field as I am.



Robert Zwane

Director Education and Transformation

Telephone: (087) 940-8800

E-mail: edutrain@irba.co.za

COMMUNICATIONS

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

11 September 2018	Call for New Projects for the CFAS Work Programme
07 September 2018	Resignation: Director – Education and Transformation
05 September 2018	South African Assurance Engagements Practice Statement (SAAEPS) 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria
21 August 2018	Tax Practitioner with the IRBA as a Recognised Controlling Body
08 August 2018	New Contact Person for Reportable Irregularities
27 July 2018	IAASB Webinar on ED-ISA 315 (Revised) - 8 August 2018
27 July 2018	Transparency Reports will strengthen confidence in audit firms
25 July 2018	Exposure Draft: Proposed International Standard on Auditing 315 (Revised) Identifying and Assessing the Risks of Material Misstatement
18 July 2018	IRBA News Issue #42
10 July 2018	Resignation - Director: Legal
27 June 2018	Practice Alert: Prohibition of the company secretary from being appointed as the company auditor and/or for the auditor to perform prohibited related secretarial work
26 June 2018	Information session on documented evidence

IRBA COMMUNICATIONS

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

AFIAAR ADOPTS STRATEGY FOR CONTINENTAL INTEGRATION OF ACCOUNTING AND AUDITING REGULATION

The African Forum of Independent Accounting and Auditing Regulators (AFIAAR) adopted its vision and strategy for the future of independent accounting and auditing regulation on the continent at a two-day meeting recently held in Maputo, Mozambique.

AFIAAR chairman Admire Ndurunduru of the Public Accountants' and Auditors' Board in Zimbabwe welcomed delegates to the first meeting of member countries since the AFIAAR Charter was signed. He introduced Professor Mario Siteo, the President of the Institute of Chartered Accountants and Auditors Mozambique (OCAM) who delivered an opening address on behalf of the host country.

"AFIAAR is a young institution with the intention to promote joint effort in strengthening audit and accounting on the continent. We are very grateful to be the host and are committed to transparency in the interest of economic growth. Our profession has a big responsibility as it allows economies and companies to contribute towards prosperity for the country. Mozambique is a member of this platform and intends to collaborate and be part of this one voice on the continent," said Prof Siteo.

According to Mr Ndurunduru, the AFIAAR achieved the objectives of the first working meeting, and these were to develop and adopt

a vision for Africa, agree to and adopt a market strategy for the next two years and establish working groups in each of the key work streams to propose and plan activities that will contribute towards the objectives of the forum.

"Against the battered image of the profession, it is important to recognise that things do not change unless we change them," he said. "It is vital that all members actively participate and get involved in building AFIAAR as a credible institution which will instil the much needed confidence in the accounting and auditing profession. Oversight bodies, together with the profession, must promote transparency and effectiveness and support each other and our governments in the fight against corruption."

AFIAAR vice-chairman and IRBA CEO Bernard Agulhas noted the following: "AFIAAR has already achieved significant milestones, such as formulating and signing our charter at its inaugural meeting. Founding members play a critical role in keeping the momentum of such an organisation and driving its initiatives forward, so we are pleased that eight of the 11 founding country members were present and gave input into the two-year strategy that was unanimously adopted. This bodes well for the continental integration of audit and accounting oversight in Africa, as well as improved financial reporting and governance, which must create confidence in our capital markets and ultimately contribute towards economic growth in participating countries."



CONTINENTAL INTEGRATION: Delegates at the AFIAAR meeting held in Mozambique, where further progress was made on the objectives of the forum.

AT LEAST 33% OF ALL AUDIT FIRM ROTATIONS SINCE 2017 DUE TO MAFR

Since the IRBA started tracking audit firm rotations in January 2017, a total of 12% of JSE-listed companies, or 43 audit clients, have rotated their audit firms, with 33% (14) of these citing Mandatory Audit Firm Rotation (MAFR) as the reason for initiating the rotation. Termination was given as the reason for 28% (12) of the rotations, making MAFR the most cited reason for rotation.

“We anticipated that there would be a number of early adopters following the issuing of the rule in June 2017, but we are encouraged that a third of the rotations in the past 18 months noted MAFR as the reason for early rotation. While we recognise that some of these early rotations citing MAFR may also have been driven by other concerns around KPMG, it is important to note that only five of the 14, which gave compliance with MAFR as the reason for seeking new auditors, were actually KPMG audits,” said IRBA CEO Bernard Agulhas.

The third most cited reason was that the audit was put out to tender, with 19% (8) of the rotations giving this as the primary reason for seeking a new auditor. While these companies did not specify that MAFR was a reason for rotating, at least in some of the cases it is likely that the effective date of 1 April 2023 for mandatory rotation of audit firms, where tenure exceeds 10 years, may have been a factor in the decision to put the audit out to tender early.

During 2017, a total of 19 audits were rotated, while in the first six months of 2018 this grew to 24.

Said the CEO: “If this pace of growth continues into the second half of the year, we could see that as many as 36 audits have rotated by year-end. The UK experience of audit tendering reflected a similar growth pattern on voluntary tendering ahead of the implementation date for mandatory tendering.

“Should we see a continued year-on-year doubling of the numbers of audits rotating, as companies pick up the pace to ensure that

they get the auditor of their choice from first-mover advantage, we could ultimately see as much as 74% of JSE-listed audits having rotated by 2020.”

The remaining companies still to rotate would likely be those that have until now routinely made use of several audit firms for other non-audit services. These companies must comply with cooling-off provisions for conflicted auditors in terms of the Companies Act. It is therefore essential that companies that know they will have to change auditors in 2023 begin to address the cooling-off periods for the audit firm that they may wish to engage at that time.

From the UK experience, there is a significant learning curve for audit committees in this process, as few have experience of running an audit tender process. What the IRBA does caution against is audit committees that select new auditors on price alone without considering audit quality and the necessary competence and experience for the nature of the work. To assist audit committees, many of the larger audit firms have indicated that they have published, or intend to publish, Audit Firm Transparency Reports.

“As the IRBA has indicated its intention to call for transparency reporting by audit firms, this is also very encouraging,” said the CEO.

UPCOMING HEARING DATES: AFRICAN BANK INVESTMENT LIMITED

The hearing into the conduct of the auditors responsible for the audit of African Bank Investment Limited has been set down and will resume on the following dates:

MONTH	DATES
October 2018	25, 26, 27, 29 and 31
November 2018	1, 2, 3, 4, 8 and 9
December 2018	3, 4, 5, 6, 7, 10 and 11