

THERE ARE
DEFINITE RAYS
OF HOPE
FOR THE
PROFESSION'S
RESTORATION

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Content

Acting CEO's Perspective	1
Standards	4
Ethics	9
Legal	12
Registry	15
Investigations	18
Education & transformation	20
Communications	24



ACTING CEO'S PERSPECTIVE

OUR ADVANCEMENTS TO REFOCUS OUR STRATEGY GAIN MOMENTUM

We are delighted with the progress made in the last quarter, with the Minister of Finance appointing a new Board in June to bring stability in the IRBA's governance structure. With the new Board fully inducted and settled in, the organisation is now ready to move forward, in line with its refocused five-year strategy and the Act amendments enacted by the President. Consequently, during this period under review, our focus remained on the implementation of this strategy and amendments, to guide our core functions and restoring confidence projects.

Strategy Update and Board Interventions

Our new Board members have worked tirelessly over the past few months to address several backlogs and address any governance matters that have come up. We are grateful for their resilience and commitment to the IRBA and will continue to work together with them and support the Board in achieving the IRBA's goals.

Currently, one of the Board's main tasks is to find a suitable individual to lead the IRBA into the future. We are happy that the process to appoint the Chief Executive Officer has begun and we



Imre Nagy
Acting Chief Executive Officer

trust that the Board will conclude it soon with a suitable appointment.

Management held several meetings to discuss our restoring confidence strategy and a project charter was drafted to guide the related activities, including capacity, the budget, governance and reporting. Work streams have been established and research is underway to identify key reforms and improvements in each of the areas.

As we implement our refocused strategy, we continue to share and interact with our stakeholders regarding some of the key changes in our strategy.

Strides to Enhance Audit Quality

As part of our comprehensive stakeholder engagement strategy and to ensure that we are an engaging

ACTING CEO'S PERSPECTIVE CONT...

regulator, we published and invited comments on a consultation paper titled Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements.

Given the number of corporate failures and scandals in South Africa and around the world, confidence in the auditing profession has been waning. Questions are always asked about whether auditors are doing enough when they audit financial statements; and, more particularly, whether the auditor's report goes far enough to meet the needs of the users. There are also questions about the auditors' transparency in relation to their independence and objectivity, as well as their conclusions on matters such as fraud and going concern.

The information gathered during this process will assist us in considering possible outcomes or reforms that will enhance audit quality. Also, it will ultimately provide useful information to users of financial statements that will help restore confidence in the auditor and the audit report.

Procedural Guides to Strengthen Our Investigation Processes

Significant progress has been made on the 11 projects to implement the Auditing Profession Act Amendments since becoming effective on 26 April 2021.

As part of our process to strengthen our investigation powers and promote the efficiency of investigation processes, we have published the following two procedure guides for public comment:

- Search and Seizure Procedure Guide in accordance with Sections 48(A) and 48(B) of the Auditing Profession Act 26 of 2005, as amended; and
- Procedure Guide on the Referral of Non-Audit Complaints to Accredited Professional Bodies in accordance with Section 48(1)(a) of the Auditing Profession Act, Act 26 of 2005, as amended.

We recognise that the search and seizure provision was a contentious issue during the amendment's consultation process, and that search and seizure powers, when not properly exercised, could encroach on constitutional rights. Therefore, to ensure the proper and lawful exercise of these powers, we have developed a procedure guide to inform those conducting these measures on what the appropriate power of the IRBA is in relation to search and seizure.

Implementing the Referral on Non-audit Complaints to Professional Bodies is key for the effectiveness of the IRBA, as it will enable our Investigations Department to focus on audit complaints.

Comments received on both these procedure guides will be collated for an evaluation and consideration and then referred to our Board for a decision.

Latest on Mandatory Audit Firm Rotation (MAFR)

The deadline for the implementation of the MAFR rule is fast approaching. Meanwhile, the rotation of audit firms during 2021 has maintained a similar pace to the latter half of 2020, after a slight slowdown in the period between July 2019 and June 2020. Our data shows that by June 2020, 25% of JSE-listed entities had rotated their audit firms, and this had almost doubled to 48% as at end-August 2021, with 46% of these entities citing MAFR compliance since June 2017 as the main reason for rotating auditors.

We expect the pace of rotations to continue to pick up significantly in 2022, with companies working towards meeting the 1 April 2023 deadline, as they are encouraged not to leave rotation too late.

No Hitches with Meeting Legislative Obligations

With our 2020/2021 audit concluded on time, we have once again obtained an unqualified opinion, with just one non-compliance matter reported that did not modify the opinion. Our Annual Report was also submitted to Parliament before the deadline; and we look forward to being invited to present on the progress made in the last financial year.

In his foreword in the 2021 Annual Report, Minister of Finance Enoch Godongwana noted that it has been an eventful year for our country and the world, at large, as we all had to deal with the economic and human impact of the global COVID-19 pandemic. Like the country,

the auditing profession and the IRBA, as its regulator, had to deal with crises that were beset by leadership and reputational challenges. Notwithstanding these challenges, the Minister commended the IRBA management and staff for showing resilience throughout this period, pointing out that “their commitment and professionalism give us hope that the plight of the auditing profession and the reputation it once enjoyed remains a top priority”.

The Board also conveyed its sincerest appreciation for the agile manner displayed by staff in delivering a very commendable performance when it came to executing the IRBA’s mandate during a very challenging and difficult year.

APPRECIATION

I would like to thank the management team and staff for their continued support during this past quarter; and I also commend them for continuing to pursue the IRBA’s strategic objectives with professionalism and zest.

Imre Nagy

Acting Chief Executive Officer

LIST OF TOPICS COVERED IN THIS ISSUE

Standards:

- Access to the Recording of South Africa's Launch Event of the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements.
- Consultation Paper: Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements – Webcast Recording Now Available.
- IRBA Staff Audit Practice Alert 6: Protection and Retention of Client Data.
- Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised August 2021).
- IAASB Exposure Draft on the Proposed International Standard on Auditing of Financial Statements of Less Complex Entities.
- New IAASB Quality Management Implementation Guides Now Available.
- IAASB Projects in Progress.

Ethics:

- Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers.



Imran Vanker
Director Standards

- IESBA Proposes Conforming Amendments to the Code Following the Issuance of the IAASB's Suite of Quality Management Standards.
- IESBA Projects in Progress.

ACCESS TO THE RECORDING OF SOUTH AFRICA'S LAUNCH EVENT OF THE IAASB'S NON-AUTHORITATIVE GUIDANCE ON APPLYING ISAE 3000 (REVISED) TO EXTENDED EXTERNAL REPORTING (EER) ASSURANCE ENGAGEMENTS

The International Auditing and Assurance Standards Board (IAASB) published its Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements (the IAASB's non-authoritative guidance on EER) on 6 April 2021.

Subsequent to that and to raise awareness on this guidance, the IRBA, in collaboration with the

South African Institute of Chartered Accountants, and the University of the Witwatersrand held a webinar on 6 July 2021 for all stakeholders.

The recording of the webinar is now available and may be accessed [here](#).

Further, stakeholders are reminded that the IAASB's non-authoritative guidance on EER and the additional support material may be downloaded from the [IAASB website](#).

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Consultation Paper, Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements – Webcast Recording Now Available

The purpose of the Consultation Paper - Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements was for the CFAS to gather perspectives from stakeholders about the need and options for additional disclosures in the independent auditor's report for an audit of financial statements. The information collected will help make informed decisions about possible outcomes that arise from the consultation in the public interest. The IRBA received an overwhelming response to the consultation and is currently in the process of analysing the comments received. The comment period for this consultation closed on 15 September 2021.

The IRBA hosted a webcast for this consultation paper on 30 August 2021, and the recording can be found by [clicking this link](#).

IRBA Staff Audit Practice Alert 6: Protection and Retention of Client Data

The IRBA has issued the IRBA Staff Audit Practice Alert 6: Protection and Retention of Client Data

STANDARDS CONT...

(IRBA Staff Audit Practice Alert), for use by registered auditors. This IRBA Staff Audit Practice Alert has been prepared by the Protection and Retention of Client Data Task Group of the IRBA's CFAS.

The audit industry is experiencing a wave of digitisation, with an increasing digital processing of data. The unprecedented challenges arising from the COVID-19 pandemic have demanded that clients and firms work remotely, and this presents circumstances where more client data is being exchanged on technological platforms (some of which are unsecure). As a result, these new ways of working are creating more threats of data security breaches.

This IRBA Staff Audit Practice Alert serves to provide auditors with guidance and considerations with respect to the protection and retention of client data. It covers the following topics:

- Possible implications on the audit firm, if the confidentiality of client data is compromised;
- Possible threats to the protection and retention of client data; and
- Possible developments and improvements of the control environment that can be implemented by an audit firm to protect and retain client data.

It should be noted, however, that this IRBA Staff Audit Practice Alert does not constitute an authoritative pronouncement from the IRBA; nor does it amend or override the International Standards on Auditing (ISAs), South African Auditing Practice Statements or South African Guides

(collectively called pronouncements). Also, this IRBA Staff Audit Practice Alert is not meant to be exhaustive; and reading it is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

PUBLIC SECTOR STANDING COMMITTEE (PSSC)

Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised August 2021)

The CFAS approved the issue of the Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised August 2021) (this Revised Guide) in August 2021, for use by registered auditors (auditors).

Further, this Revised Guide has been approved by the IRBA for joint publication with the Auditor-General of South Africa (AGSA), to help improve the understanding and enhance the performance of quality public sector audit engagements by auditors in public practice. These are auditors who perform audit engagements on behalf of the AGSA, including the audit of financial statements, reported performance information, compliance with key legislation and the additional audit procedures relating to focus areas, in accordance with the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) (as amended by the Public Audit Amendment Act No. 5 of 2018).

This Revised Guide has been updated for the following:

- Consequential changes arising from changes made to the Guide for Registered Auditors: Auditing in the Public Sector (Revised August 2019);
- Other relevant amendments arising from the revision of the PAA; and

- Alignment of content to the updated AGSA tender process, AGSA contract work policies and procedures as well as the relevant Memorandum of Agreement.

This Revised Guide is effective from 1 September 2021. It is available for downloading in PDF format from the [IRBA website](#).

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

IAASB Exposure Draft on the Proposed International Standard on Auditing of Financial Statements of Less Complex Entities

The IAASB issued the proposed new standalone ISA of Financial Statements of Less Complex Entities (ED-ISA for LCE), for public comment. This is a landmark new draft standard, as it responds to demands to have a set of high-quality requirements that are tailored for the needs of less complex entities (LCEs). The ED-ISA for LCE will provide a globally consistent approach at a time when several jurisdictional-specific LCE standards or related initiatives are arising. Its release, therefore, is part of a broader effort to support implementation of quality audits that are more scalable and proportionate to the circumstances of audited entities.

“Smaller LCEs play a vital role in the world’s economy. The IAASB has prioritised addressing the needs of stakeholders representing these entities over the last 18 months,” said IAASB Chair Tom Seidenstein. “Our new proposed standard’s objective is appropriately focusing the work of auditors through requirements designed to be proportionate to the typical nature and circumstance of less complex entities. We are not compromising on the quality of the audit.”

STANDARDS CONT...

The ED-ISA for LCE is relevant to, among others, users of financial statements; owners; management and those charged with governance of entities; preparers of financial statements; legislative or regulatory authorities; relevant local bodies with standard-setting authority; professional accountancy organisations; academics; regulators and audit oversight bodies; as well as auditors and audit firms.

Request for Comments

The CFAS welcomes comments on all matters that are addressed in the ED-ISA for LCE, including responses to the specific questions set out in the Explanatory Memorandum. Comments should be submitted via email to standards@irba.co.za by 30 November 2021. 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 31 January 2022.

New IAASB Quality Management Implementation Guides

The IAASB released two guides to help stakeholders implement its suite of quality management standards. The guides will help stakeholders understand the standards and properly implement the requirements in the manner intended. They are:

- [First-time Implementation Guide for 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.](#)
- [First-time Implementation Guide for ISQM 2, Engagement Quality Reviews.](#)

These publications do not amend or override the ISQMs, the texts of which alone are authoritative. Also, reading the publications is not a substitute for reading the ISQMs.

IAASB Projects in Progress

- Audit evidence.
- Technology.
- Group audits (ISA 600).
- Audits of less complex entities (LCE).
- Complexity Understandability Scalability Proportionality (CUSP).
- Fraud.
- Going Concern.
- Professional Scepticism.
- Conforming amendments to the other IAASB Standards Arising from the Quality Management Standards.
- Auditor Reporting Post-Implementation Review.
- ISA 540 (Revised) Post-Implementation Review.

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

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers

The IRBA draws the attention of all registered auditors to revisions to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) addressing the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers.

The IRBA adopted the amendments made to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), issued during 2021, following the issue of proposed amendments on exposure for public comment via Government Gazette No. 43015 in South Africa on 14 February 2020 (Board Notice 9 of 2020).

Changes in Substance

- The revisions provide guidance that supports International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews, in addressing the eligibility of an individual to serve in an EQR role, focusing

on the critical attribute of objectivity. Among other matters, the guidance:

- Elaborates on the need to identify, evaluate and address threats to compliance with the fundamental principle of objectivity that might arise in the appointment of an individual as an EQR for a given engagement;
- Explicitly refers to and supports the requirement in ISQM 2 for a firm to establish, as a condition for eligibility, a cooling-off period of two years before an engagement partner can assume the EQR role on the same engagement; and
- Emphasises that this cooling-off requirement in ISQM 2 serves the dual objective of supporting compliance with the fundamental principle of objectivity and the high quality of engagements.
- The guidance may also apply in situations where, as a safeguard to address identified threats to compliance with the fundamental ethics principles, an individual is appointed as an appropriate reviewer for work performed.

[Board Notice 112 of 2021](#) was included in Government Gazette No. 45099, advising of the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act 26 of 2005.

These revisions will become effective as follows:

- Part 4A: Audits and reviews of financial statements for periods beginning on or after 15 December 2022.

ETHICS CONT...

- Part 4B: Assurance engagements beginning on or after 15 December 2022.
- For all other engagements within the scope of Part 3: Engagements beginning on or after 15 December 2022.

Early adoption will be permitted.

These revisions to the IRBA Code may be downloaded from the IRBA website.

IESBA Proposes Conforming Amendments to the Code Following the Issuance of the IAASB's Suite of Quality Management Standards

The IESBA has issued, for public comment, the Exposure Draft, Proposed Quality Management-related Conforming Amendments to the IESBA Code.

The proposals aim to align the IESBA Code with the IAASB suite of quality management standards, especially ISQM 1 and ISQM 2, through conforming amendments, so that the IESBA Code is consistent and interoperable with these IAASB standards. The review has encompassed the recent revisions to the IESBA Code pertaining to the Role & Mindset and the Non-assurance Services and Fee-related provisions of the IESBA Code.

For more information about the IAASB's suite of quality management standards, please [click here](#).

Relevance for South Africa

The IRBA adopted the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with local enhancements. As such, all amendments to the IRBA Code are in line with the IESBA Code.

In addition, the IRBA has adopted the IAASB's suite of quality management standards. Refer to the [communiqué](#) on the IRBA website for more details.

The IRBA's Committee for Auditor Ethics will consider these proposals to amend the IESBA Code for incorporation into the IRBA Code.

We invite registered auditors and others to submit to the IRBA, for its consideration, any comments regarding the Proposed Quality Management-related Conforming Amendments to the IESBA Code, as we prepare our response to the IAASB. Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by 17 October 2021.

Alternatively, comments may be submitted directly to the IESBA through its [website](#), and the closing date for this is 5 October 2021.

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

Should you have any further queries, please do not hesitate to contact the Standards Department by emailing standards@irba.co.za.

IESBA Projects in Progress

- Definition of PIE and Listed Entity.
- Engagement Teams – Group Audits.
- Technology.
- Tax Planning and related services.
- Benchmarking Initiative.
- Long Association Post-Implementation Review – Phase 1.
- Rollout – Non-Assurance Services and Fees.

More information on these projects is available on the [IESBA website](#). Should you have any further queries, please send an email to standards@irba.co.za.

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DISCIPLINARY COMMITTEE

Matters Referred for Disciplinary Hearings

There are 19 open cases that have been referred to the Legal Department for disciplinary hearings. These matters are at different stages of the process.

Closed Matters

During the period under review, two matters referred to the Legal Department for disciplinary hearings were closed. This followed the respondents having accepted the consent orders originally recommended by the Investigating Committee, and the Enforcement Committee's agreement to rescind its prior decisions to refer the matters for disciplinary hearings.

Matter 1

The respondent was engaged to prepare annual financial statements for a non-profit organisation client. The respondent failed to detect the existence of the related party and related party transactions, and consequently failed to obtain an adequate understanding of his client and its related parties.

The respondent was sentenced to a fine of R20 000, of which R10 000 was suspended for three years, on condition that the respondent is not found guilty of



Rebecca Motsepe
Director Legal

improper conduct relating to work done during the period of suspension; costs in the sum of R5 000; and publication by the IRBA in general terms.

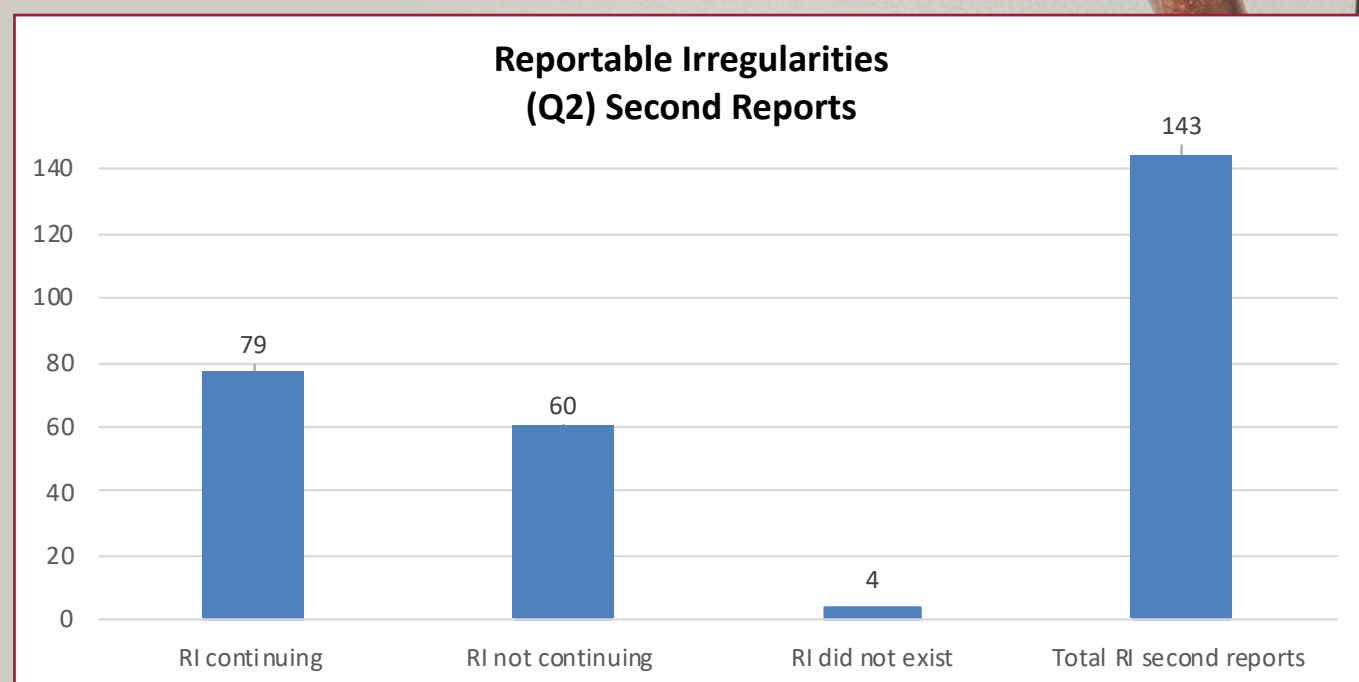
Matter 2

The respondent, Ephraem Sibanda, conducted an audit on the financial statements of a medical scheme client. During this engagement, the respondent issued an unmodified audit opinion in circumstances where there was insufficient appropriate evidence to reduce audit risk that the financial statements of the client were not misstated, thus breaching the International Standards on Auditing (ISAs) and expressing an inappropriate audit opinion. The respondent further failed to comply with the ISAs in respect of a technical opinion obtained by the audit team.

The respondent was sentenced to a fine of R150 000, of which R75 000 was suspended for five years, on condition that the respondent is not found guilty of any offence relating to work done during the period of suspension; costs in the sum of R10 000; and the publication of his name, the findings of the investigation and the sanction imposed.

REPORTABLE IRREGULARITIES

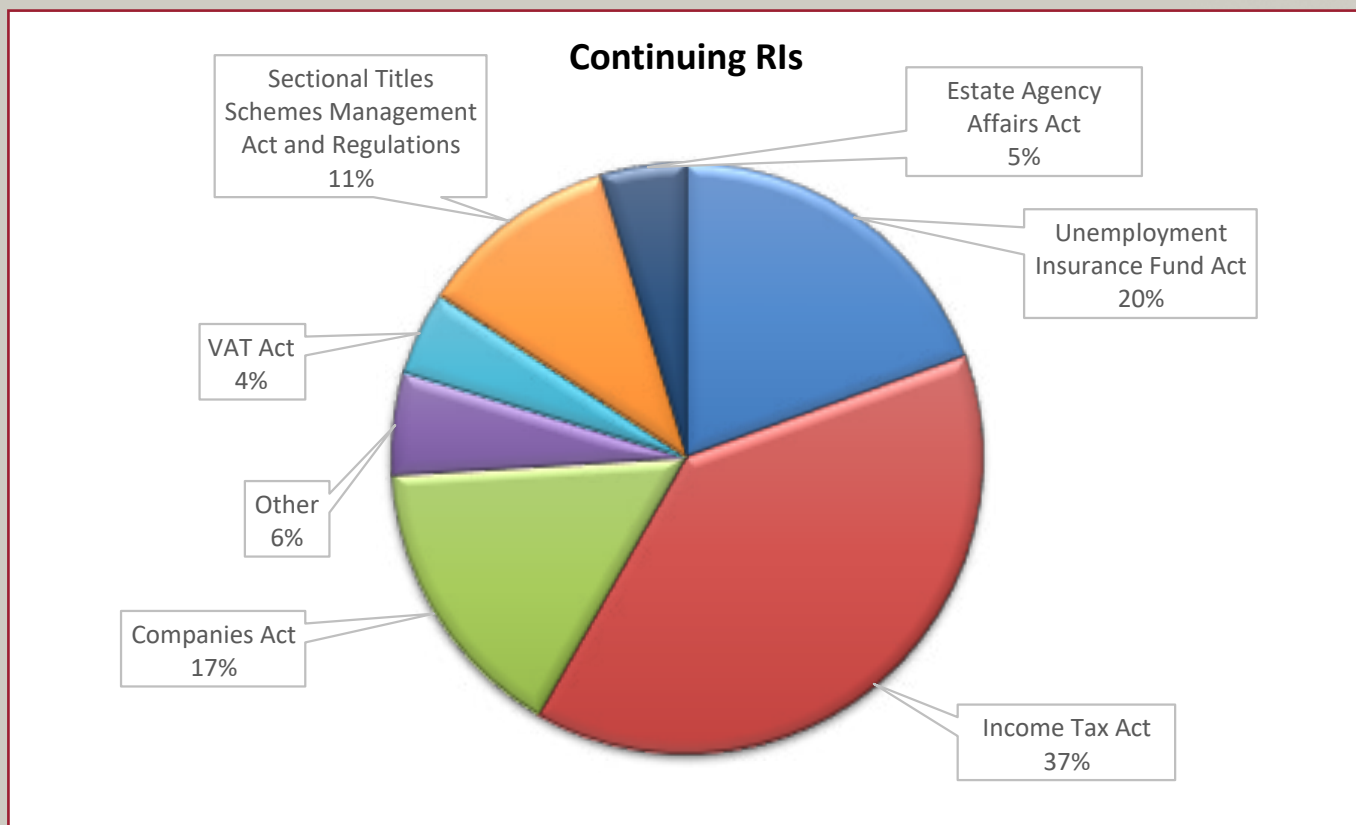
The IRBA received 180 first reports on reportable irregularities (RIs) during the period. In addition, 143 second reports, the nature of which is highlighted below, were received and processed.



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

The chart below reflects the 79 continuing RIs received, categorised by nature.

LEGAL CONT...



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

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

As at the end of the second quarter, there were 3 624 registered auditors (RAs), following the registration of 48 RAs and the termination of 46 RAs. The most prevalent reasons for termination of registration were, again, movement from firms and emigration.

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

Registry Movements (as at end-September)

New Registrations	40
Re-registration	8
Terminations	46
Total Active RAs	3 624

In the tables below, we list the names of the RAs who were either added or removed from the register.

Individuals Newly Admitted to the Register of the IRBA from 30 June 2021 - 12 July 2021

Allen, Jan Petrus
Andrews, Allison Robyn
Cronje, Henry Joseph
Helena, Lorenzo Perisan
Mahomed, Jameel
Moothoosamy, Kelby
Pandya, Abhinav
Rademan, Ame

REGISTRY CONT...

Individual Re-admitted to the Register of the IRBA from 16 June 2021 - 12 July 2021

Torres, Fatima Pereira

Individuals Removed from the Register of the IRBA from 9 June 2021 - 17 September 2021

Albertyn, Trevor Faure	Emigrated
Allen, Gert	Resigned
Ball, Steven Gayton	Resigned
Bester, De Wet	Resigned
Boegman, Hein	Resigned
Bosman, Jan Rudo	Resigned
Chigumba, Shilla	Emigrated
Cronje, Frederik Jacobus	Emigrated
De Jongh, Heather Tracy	Emigrated
Doolabh Sukhraj, Vanessa	Emigrated
Du Plessis, Marileen	Resigned
Du Toit, Barend Jacobus	Resigned
Dzeke, Lotus	Resigned
Feldtmann, Annelien	Resigned

Frith, Ronald Anthony	Resigned
Garden, Keith Vincent Stuart	Resigned
Grove, Stephanus	Resigned
Harvey, Arcontia Karpathaki	Emigrated
Hattingh, Enri-zaan	Passed away
Hellmuth, Johannes Urbanus	Resigned
Horsman, Rodney Bruce	Resigned
Jackson, Gareth David	Resigned
Jacobs, Jacobus Stefanus Cornelis Johannes	Passed away
James, Russell Murray	Resigned
Kerr, Samantha	Resigned
Kooverjee, Kishore Nagar	Resigned
Kruger, Hendrik Bernardus	Passed away
Louw, Jacobus Gideon	Resigned
Louw, Pierre Serdyn	Emigrated
Maasz, Gerrit Jacobus	Passed away
Maharaj, Amith Roshanlall	Resigned
Masondo, Jabulani Steven	Resigned
Miller, Peter Croager	Passed away
Mngadi, Luyanda	Resigned

Moola, Mohammed	Resigned
Mzizi, Mbuyiswa Norman	Resigned
Ndiweni, Bryton	Resigned
Padia, Nirupa Manaklal	Resigned
Potgieter, Jan Naude	Emigrated
Ramsumer, Harish	Resigned
Rosa, Ricardo Jose Correia	Resigned
Schneider, Paul Jurgen	Emigrated
Smit, Hermine	Resigned
Smit, Louise	Resigned
Steyn, Errol Louis	Resigned
Swanepoel, Werner	Resigned
Sykes, Jonathan Mark	Emigrated
Van Der Walt, Jacobus	Resigned
Van Der Walt, Wilton	Resigned
Van Niekerk, Etienne	Resigned
Van Wyk, Tanya	Emigrated
Visser, Dirk Jacobus Andriaas	Resigned
Vroom, Lennard	Resigned
Weinreich, Gerwin Peter Harry	Passed away

ANNUAL RENEWALS

With deadlines for annual renewals having passed, 33 RAs remain lapsed for the non-payment of annual fees.

On the other hand, in line with Section 39 of the Act, 850 notices of intention to cancel registration have been issued to RAs who have failed to submit their Individual Annual Returns. RAs who have received notices of intention to cancel are urged to contact the Registry department by no later than 29 October 2021, to avoid the cancellation of their registration.

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INVESTIGATIONS

The matters reported in this issue took place in the period between April 2021 and September 2021.

INVESTIGATING COMMITTEE

During the period under review, this committee met twice and referred 26 matters to the Enforcement Committee.

ENFORCEMENT COMMITTEE

This committee met once during this period and concluded on 10 matters.

Decision Not to Charge

Two matters, where the respondents were not guilty of improper conduct.

Decision to Charge and Matters Finalised by Fines Issued

Five matters were finalised by fines issued.

Matter 1

The financial statements of the respondent's audit firm were initially not compliant with the International Financial Reporting Standard for Small and Medium-sized Entities, regarding revenue recognition. The financial statements were restated in order to comply with the accounting framework, which led to an increase in value-added tax payable.



Jillian Bailey
Director Investigations

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for five years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

Matter 2

As the auditor, Bruce Gower Campbell Fannin, the respondent, failed to respond appropriately to the fact that the financial statements of the client provided insufficient disclosures regarding additional information included in the Income Statement and the Statement of Other Comprehensive Income.

The respondent was sentenced to a fine of R75 000; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

Matter 3

This matter was a referral from the Inspections Committee. Mr Malcolm Claude Sheppard, the respondent, failed to appropriately identify and assess the risks of material misstatement at the financial statement and assertion levels, as well as fraud risk. In addition, the respondent failed to document sufficient appropriate evidence on revenue.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for five years, on condition that the respondent is not found guilty of improper 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 4

The matter was a referral from the Inspections Committee. The respondent failed to document sufficient appropriate audit evidence on numerous aspects of an Attorneys' Trust Account audit engagement, and also failed to comply with the International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

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

Matter 5

This matter was a referral from the Inspections Committee. The respondent failed to identify

and assess the risks of material misstatement at the financial statement and assertion levels, as well as fraud risk. In addition, the respondent failed to document sufficient appropriate evidence on revenue, receivables, deferred tax, journals, goodwill, intangible assets, and presentation and disclosure of prior year restatements. Furthermore, the respondent did not document considerations regarding the impact on the group audit report that was signed off before the subsidiaries' financial statements were finalised.

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

Decision to Charge and Matters Referred for Disciplinary Hearings

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

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EDUCATION & TRANSFORMATION

WHY ARE WE LOSING FEMALE AUDIT MANAGERS ON THE JOURNEY TO BECOMING REGISTERED AUDITORS?

It cannot be disputed that people who make up the audit profession are its greatest strength. The technical and business acumen that gets enhanced by state-of-the-art technologies and the value-add that firms bring to clients would not be possible without the people within the firms.

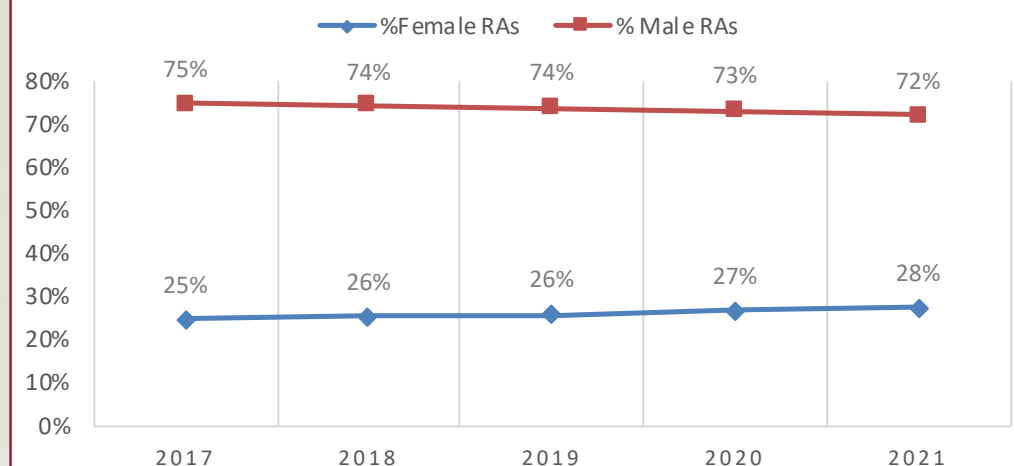
To highlight the importance of this human resource, in this issue we celebrate women in the profession, as we focus on this significant population of the auditing workforce.

While the audit profession has made strides in increasing the female composition of staff across the board, the percentage of female registered auditors (RAs) on our register has remained relatively static over the past five years, at a low average of 26%.



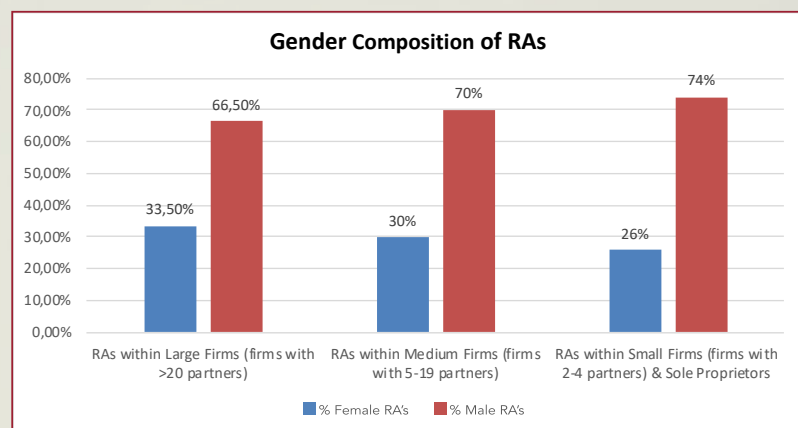
Nadine Kater
Director Education and Transformation

Overview of the Gender Demographic of South African RAs



Further analysis of this reveals that of the total RAs at the 10 largest auditing firms in South Africa, 33.5% are female. At medium-sized firms, there has been a decrease in the percentage of female RAs to just 30% of the total number; while the figure stands at 26% for firms classified as small. While it is evident that the work that large and medium-sized firms are doing to attract and

retain women is yielding success, as a profession we have certainly not made sufficient progress in this area.



Much has been written about the importance of women in leadership positions, as recently highlighted by the World Economic Forum in an article titled [“Having women in leadership roles is more important than ever, here’s why”](#). “The new service economy doesn’t rely on physical strength but skills that come easily to women, such as determination, attention to detail and measured thinking. The female brain is naturally wired for long-term strategic vision and community building.” The low numbers of women in leadership positions in the auditing profession would, therefore, signal that we are not sufficiently harnessing the value of our female talent.

However, not all is lost, even though we research indicates that females constituted only 28% of RAs in 2021. An [analysis](#) of the South African Institute of Chartered Accountants’ Assessment of Professional Competence (APC) candidate population shows that just over 55% of candidates that sat for the December 2020 APC exam were female – and this number has in fact been steadily growing over the past five years.

On the other hand, these statistics indicate that we are losing many of our female colleagues after the APC and before they register as RAs, i.e. as audit managers. “The often overlooked and sometimes maligned middle managers matter,” said Wharton management expert, Prof Ethan Mollick. “They are not interchangeable parts in an organisation.” It is in knowledge-intensive industries, he said, where variation in the abilities of middle managers has a particularly large impact on firm performance.

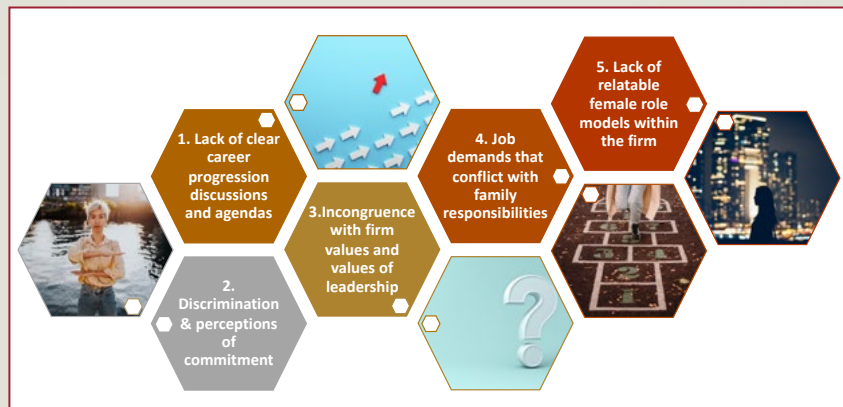
Furthermore, in the auditing environment, the role of managers is critical to successfully managing the operations of the firm and to achieving the firm’s objectives, including the objectives of high audit quality.

What We are Learning from Research

A number of studies have been undertaken globally and in South Africa to understand the factors that contribute to women leaving the auditing profession. Some of the key themes that have emerged from these studies, as the causes for female audit managers voluntarily leaving auditing firms, are depicted in the graph overleaf.

From the research conducted, it is noted that there is no single

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factor that motivates women to leave auditing firms, but rather a combination of factors and women's overall experiences within the firms.

- **Lack of clear career progression discussions and agendas**

While many women had career aspirations of becoming audit partners, a lack of formal and transparent discussions about their career progression played a significant role in the decisions to resign from firms. These discussions did not provide sufficient clarity on the likelihood of being promoted to partnerships, the career development required to reach this goal and the expected timelines for promotion, resulting in uncertainty regarding a future at the firm. Lack of a clear career progression within the firm was also cited as a reason for leaving, where there were ambiguous promotion structures and perceived unfair or inconsistent promotion practices, despite high levels of performance.

- **Discrimination and perceptions of commitment**

A number of studies indicate that females experience discrimination

within the audit firm environment. These include perceptions that women are not as committed to their careers as their male counterparts because they take advantage of flexible work arrangements, may not stay at the office beyond certain hours and may not participate in after-hours networking events. Some women also report that they are at

risk of losing their established client portfolios when they take maternity leave; and this, in turn, affects their performance ratings and revenue streams when they return from leave.

- **Incongruence with firm values and values of leadership**

Another factor that has contributed to females leaving auditing firms is an incongruence with the values of the firm and its leadership that developed during a career at the firm. This includes poor relationships between audit managers and their supervisors; insufficient support by leadership; and a perception that the firm is run by the "old boys club", which translates into opportunities, client exposure and advancement within the firm for some.

Relevant literature also indicates that managers are motivated to leave the firm where their experience within the firm does not meet their expectations. This could be in terms of the type of work that they would be doing and the reasons for them initially joining the profession, including individuals' goals and passions of developing people or making a difference.

- **Job demands that conflict with family responsibilities**

A career in auditing may be described as very demanding because it requires long working hours. Research into why women managers left the auditing firms indicates that the work overload and long hours were not sustainable, leading to constant stress and impaired health. The demands of the job were also noted to conflict with the responsibilities of women outside of work, contributing to their decision to leave the firm.

- **Lack of female role models within the firm**

Having a small number of diverse women in leadership positions results in few role models for women as their careers progress within the firm. In some instances, while there are women partners within firms, these women do not necessarily serve as role models to women progressing in their careers and may not be demonstrating that it is possible to move to partnership while fulfilling a woman's responsibilities outside of work. This may be because the women progressing in their careers do not aspire to have the same lifestyles that women partners appear to have that include, for example, a lack of work-life balance. As such, not having relatable female role models in terms of race, lifestyle and goals, for example, contributes to women deciding to leave audit firms as their goals do not seem to be attainable within the firm.

So, How Do We Retain Our Female Audit Managers?

While we have highlighted some common themes that underlie women's motivations for voluntarily leaving auditing firms, the nuances of each factor will be unique to individual firm

environments. On closer reflection, firms will also likely identify additional factors that are contributing to a significant number of female audit managers deciding to leave. Therefore, to fully harness the talent and skill that the auditing profession attracts, identifying and addressing the root causes of these motivators is of paramount importance. This identification may reveal that the structures, policies, behaviours and norms that are motivating female audit managers to leave may also be contributing to not attracting and retaining talent from the millennial generation and beyond.

In the spirit of this year's International Women's Day theme, #choosetochallenge, which we marked in this quarter, let us choose to challenge the structures, policies, practices, behaviours and norms within our organisations that are resulting in our female audit managers voluntarily choosing to leave the auditing profession. That way, we will be working towards building stronger teams and leveraging off the power of diverse thinking.

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In the interest of improved communication with registered auditors and other stakeholders, below is a list of the communiques sent by bulk e-mail during the reporting period for this issue. To access these and other communiques, go to [our website](#).

28 September 2021	Information from SARS (for tax practitioners)
28 September 2021	IRBA Staff Audit Practice Alert 6: Protection and Retention of Client Data
21 September 2021	Call for Nominations to Serve on The Education, Training and Professional and Professional Development Committee (EDCOM)
15 September 2021	Information from SARS (for tax practitioners)
3 September 2021	Consultation Paper - Enhancing Disclosures in Auditor's Reports in South Africa IRBA Webcast Recording is Now Available

30 August 2021	IESBA Proposes Conforming Amendments to the Code Following the Issuance of the IAASB's Suite of Quality Management Standards
30 August 2021	Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA (Revised August 2021)
16 August 2021	Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers
16 August 2021	Invitation to an IRBA Webcast: Unpacking possible enhanced disclosures in the auditor's report in South Africa
12 August 2021	IAASB Issues an Exposure Draft on the Proposed International Standard on Auditing of Financial Statements of Less Complex Entities
13 August 2021	IRBA Calls for Comments on the APAA Implementation Guides
11 August 2021	Information from SARS (for tax practitioners)

3 August 2021	Call for Nomination of Persons to Serve on the Inspections Committee (INSCOM) of the Independent Regulatory Board for Auditors (IRBA)
19 July 2021	Access to the Recording of South Africa's Launch Event of the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements
9 July 2021	Information from SARS (regarding the filing season)
8 July 2021	IRBA News Issue #54
6 July 2021	Assurance Fees Payable to the IRBA with effect from 1 April 2021
5 July 2021	8 th Inspections Cycle Manual of Information is Now Available
2 July 2021	IAASB Quality Management Standards Implementation Guides and Other Related Material
2 July 2021	IRBA Implements the Protection of Personal Information Act, 4 of 2013 [POPIA]

IRBA COMMUNICATIONS

If you would like to receive IRBA communications, or are aware of a non-auditor who would like to receive these, please get in touch with Lebogang Manganye by emailing her at lmanganye@irba.co.za.



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