

IRBA NEWS

ISSUE 62 APRIL - JUNE 2023

BEYOND THE RIPPLES OF CHANGE, NEW PROSPECTS BECKON

**While we mark the triumphs,
we also continue to seek
solutions to the challenges
faced by our profession**

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An Overview of High-Profile Charges and Sanctions for Improper Conduct

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A Glimpse at the Critical Role of an Inspector

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INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

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Imre Nagy
Chief Executive Officer

CEO'S PERSPECTIVE

STRIVING FOR PROGRESS AMIDST CHALLENGES

This year, so far, has been filled with remarkable achievements and formidable challenges. As we navigate this landscape, let me share the progress we have made and the new opportunities that lie ahead, enabling us to elevate the auditing profession's value to investors and the economy.

Building Confidence and Trust through “Right-Touch” Regulation

Our unwavering commitment to instilling confidence and trust in the profession and the regulator remains at the forefront of our endeavours. Through our “right-touch” regulatory activities and intensified engagements with stakeholders, we aim to seize new opportunities and address the challenges confronting our profession, both locally and globally.

Introducing New Maximum Fines

In response to longstanding criticism regarding the inadequacy of our fines, the Minister of Finance recently published [new maximum fines](#) after a thorough public consultation process. These fines signify a positive step in the right direction, encouraging auditors to fulfil their crucial role in safeguarding the financial interests of the public and ensuring accountability in financial reporting.

It is important to emphasise that while these fines may appear to be mostly punitive in nature, the intention is to promote ethical behaviour and professional due care among registered auditors. Globally recognised as a necessary regulatory tool, fines play a vital role in fostering accountability, particularly within the auditing profession where investor trust heavily relies on auditor opinions for investment decisions.

It is worth noting that these maximum fine limits are not fixed. The Enforcement Committee and the Disciplinary Committee retain the authority to impose a range of other sanctions for misconduct, including non-monetary penalties, within their respective jurisdictions. Furthermore, the committees possess the discretion to scale monetary sanctions in accordance

with the gravity of the charges, ensuring that not every instance of improper conduct incurs the maximum fine. We are currently finalising an implementation framework that will take relevant factors, including proportionality, into account when determining an appropriate fine.

Enhancing the Attractiveness of the Profession

During my recent participation at the International Forum of Independent Audit Regulators (IFIAR) plenary meeting in Washington DC, it became evident that the profession's attractiveness and its subsequent impact on audit quality represent a significant global challenge. Various factors were identified as drivers of the profession's attractiveness, and these include the allure of non-traditional career opportunities; work pressure and the environment; work-life balance; remuneration levels; high entry requirements; high tuition fees; and media coverage of high-profile business and audit failures.

To counter these elements, it was agreed that the auditing profession still holds significant appeal and can be promoted effectively by highlighting the auditor's traits, including integrity, trust, respect, independence and stewardship. Additionally, showcasing the intellectually stimulating aspects, such as artificial intelligence, advanced data science and the social value proposition of sustainability assurance, will emphasise the profession's vital role in fostering trust in financial reporting, a key driver of investor confidence in financial markets.

As the Independent Regulatory Board for Auditors (IRBA), we have embarked on an increased involvement in events and deeper engagements with professional bodies, universities and firms, to enhance the attractiveness of auditing as a career. Admittedly, we have observed an overall decline in the number of registered auditors (RAs) over time. However, the consistent number of assurance RAs signing audit opinions over the past three years and the encouraging year-on-year growth in the number of registered candidate auditors coming through the Audit Development Programme underscore our efforts to sustain a pipeline of future RAs, while prioritising transformation.

Update on the Mandatory Audit Firm Rotation (MAFR) Rule

The recent ruling by the Supreme Court of Appeal (SCA) to set aside the MAFR rule on 31 May 2023 represents a setback for both the IRBA and the investing community. However, we reassure stakeholders that in the short term, the risks to investors remain minimal, as the majority of auditors for listed and public interest entities voluntarily rotated in the five years leading up to the effective date of 1 April 2023. The benefits of these rotations will continue to be observed for at least the next five to 10 years.

Maintaining the independence of registered auditors from their clients remains a pivotal principle in conducting effective external audits. In addition to the five-year rotation of partners, we firmly believe that rotating audit firms further strengthens the independence of both auditors and firms. While the MAFR rule has been set aside, the independence provisions outlined in the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) are still in effect. Moving forward, we will continue to collaborate with National Treasury and the parliamentary committees to reinforce the independence aspects related to firm rotation in our legislation.

A Responsive Regulator

We value and acknowledge the comments received from stakeholders concerning the maximum fines and the MAFR rule in recent weeks. As a responsive regulator, we have diligently addressed these critical matters to the best of our abilities and within our mandate. It remains vital for us to actively listen and respond to feedback as we work collectively to nurture, sustain and restore confidence in the profession, while upholding objectivity and our independence in executing our mandate to protect the public interest. Lastly, I extend my gratitude to our staff and our valued stakeholders for their ongoing support and collaboration. Together, we will forge a path of progress, ensuring a robust and resilient auditing profession in South Africa that upholds the highest standards of integrity and quality.

Imre Nagy

Chief Executive Officer



Imran Vanker
Director Standards

STANDARDS

TOPICS COVERED IN THIS ISSUE

- Standards:
 - Updates to IRBA Pronouncements Arising from Narrow-Scope Amendments to International Accounting Standard 1 – SAAPS 3 and Other Illustrative Reports.
 - IAASB Issues an Exposure Draft on Proposed International Standard on Auditing 570 (Revised), Going Concern.
 - IAASB Projects in Progress.
- Ethics:
 - Revisions to the IRBA Code of Professional Conduct (Revised April 2023) to Strengthen and Clarify the Independence Requirements for Group Audits.
 - IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023).
 - IESBA Consults on Its Proposed Strategy and Work Plan for 2024-2027.
 - IESBA Projects in Progress.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Updates to IRBA Pronouncements Arising from Narrow-Scope Amendments to International Accounting Standard 1 – SAAPS 3 and Other Illustrative Reports

The IRBA published a [communique](#) last year on guidance issued by the International Auditing and Assurance Standards Board (IAASB) on narrow-scope amendments to International Accounting Standard (IAS) 1, Presentation of Financial Statements. The communique indicated that the IRBA was in the process of considering the implications of the IAASB guidance on our reporting templates and guides.

The narrow-scope amendments to IAS 1 now require preparers that use the International Financial Reporting Standards (IFRS) to disclose their “material accounting policy information”, instead of “a summary of significant accounting policies”. These changes to IAS 1 became effective for annual reporting periods beginning on or after 1 January 2023.

Subsequently, three IRBA pronouncements that contain illustrative auditor's reports have been updated, as indicated in the table below.

NO.	UPDATED ILLUSTRATIVE REPORT	REFERENCE	PAGE NO.	WEBSITE LINK
1.	South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), <i>Illustrative Reports</i>	Illustrative Report 1	13	South African Standards and Practice Statements - IRBA
		Illustrative Report 2	19	
		Illustrative Report 4	26	
		Note 4: Notes to the Illustrative Reports in Part A	33	
		Illustrative Report 5	48	
		Illustrative Report 8	61	
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		Illustrative Report 15	94	
		Illustrative Report 16	98	
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		Illustrative Report 18	107	
		Illustrative Report 19	111	
		Illustrative Report 20	116	
		Illustrative Report 21	121	
		Illustrative Report 22	125	
		Illustrative Report 23	130	
		Illustrative Report 24	134	
		Illustrative Report 25	140	
		Illustrative Report 26	145	
		Illustrative Report 28	149	
2.	Revised Guide for Registered Auditors (Revised November 2018), <i>Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme</i>	Appendix 5 - Report on the Financial Statements (ISA 700 (Revised) Report)	65	Medical schemes engagements - IRBA or Guides and Circulars for Auditors - IRBA
3.	Auditor's report template: Audit of the Financial Statements of a Large Retirement Fund (Schedule D)	Auditor's report template: Audit of the Financial Statements of a Large Retirement Fund (Schedule D)	2	Retirement Fund Reports - IRBA or Guides and Circulars for Auditors - IRBA

The key updates made to the illustrative auditor's reports are as follows:

1. The Illustrative Reports (in SAAPS 3 and Appendix 5 of the Revised Guide for Registered Auditors (Revised November 2018), Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme), that assume the application of IFRS have been updated to reflect the IAS 1 amendments by replacing the phrase "a summary of significant accounting policies" with "material accounting policy information".

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of ABC Limited (the group and company) set out on pages ... to ..., which comprise the consolidated and separate statements of financial position as at 31 December 20X1, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including **a summary of significant accounting policies material accounting policy information**.

2. The Illustrative Report 4: Illustrative Auditor-General of South Africa's (AGSA) report on a complete set of general purpose financial statements in SAAPS 3 (the audits conducted in terms of Section 4(3) of the Public Audit Act 25 of 2004) will not only include IFRS financial statements. As a result, an option to cater for IFRS and other frameworks has been added as follows:

INDEPENDENT AUDITOR'S REPORT

To [the appropriate addressee]^[N1] on the [name of entity]

Report on the Audit of the [Consolidated and Separate] Financial Statements⁶

Opinion

We have audited the [consolidated and separate] financial statements^[N2] of the [name of entity] [and its subsidiaries (the group)] set out on pages ... to ...^[N3], which comprise the [consolidated and separate] statement of financial position as at 31 March 201X, the [consolidated and separate] statement of [financial performance / profit or loss and other comprehensive income], statement of changes in [net assets/equity] [,] [and] [cash flow statement/statement of cash flows] [and] [insert title of the statement of comparison of budget information with actual information?] for the year then ended, as well as notes to the [consolidated and separate] financial statements, including [a summary of significant accounting policies/**material accounting policy information**]^[N4].

3. For consistency, Illustrative Reports contained in SAAPS 3 that assume the use of a special purpose financial reporting framework have also been updated to include an option similar to the one mentioned in paragraph 2 above. Likewise, an option has been included in the Schedule D Auditor's report template: Audit of the Financial Statements of a Large Retirement Fund.

4. Note 4 in SAAPS 3 has been updated as follows:

Identification of the Title of Each Statement that Comprises the Financial Statements

N4. The introductory paragraph in the Opinion section of the auditor's report identifies each statement that comprises the complete set of financial statements.¹³ A complete set of financial statements is identified by the applicable financial reporting framework¹⁴ and may also include legal and regulatory requirements. For instance, the illustrative reports on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) identify the statement of financial position as at the end of the period; statements of profit or loss and other comprehensive income; changes in equity for the period and cash flows for the period; and notes to the financial statements, including material accounting policy information (where the financial reporting framework is IFRS) or a summary of significant accounting policies (where the financial reporting framework is IFRS for SMEs).

Effective Date

The updated IRBA pronouncements are effective for audits and reviews of financial statements ending on or after 31 December 2023, with early adoption permitted.

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD

IAASB Issues an Exposure Draft on Proposed International Standard on Auditing (ISA) 570 (Revised), *Going Concern*

The IAASB issued the Proposed ISA 570 (Revised), *Going Concern*, (ED-ISA 570 (Revised)), and consequential amendments to other ISAs for public comment.

In its media release on the consultation process, the IAASB stated that high-quality audits support the smooth functioning of capital markets, overall economic performance and financial stability. However, the ongoing uncertainties in the broader economic environment, corporate failures across the globe in recent years and the ensuing turmoil in the financial services sector have put a spotlight on the topic of going concern. Also, conditions such as war and the global pandemic have heightened risks and focused attention on the challenges and issues related to auditors' responsibilities and work associated with management's assessment of an entity's ability to continue as a going concern.

"Investors, regulators and other stakeholders have repeatedly called for more robust audit procedures related to going concern and for increased transparency regarding that work in the auditor's report," noted IAASB Chair Tom Seidenstein. "The revisions proposed are a step in that direction. The proposals seek to strengthen going concern requirements by substantially enhancing the auditor's work effort in relation to going concern and providing enhanced, entity-specific information in the auditor's report."

As the audit regulator, the IRBA views this as an important project that addresses issues related to restoring confidence in the auditing profession and the audit product in South Africa. Consequently, the proposed changes in ED-ISA 570 (Revised), which will ensure that ISAs continue to form the basis for high-quality, valuable and relevant global audits, aim to:

- Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
- Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
- Enhance transparency with respect to the auditor's responsibilities and work related to going concern, where appropriate, including strengthening communications and reporting requirements.

Request for Comments

The CFAS welcomes comments on all matters addressed in ED-ISA 570 (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 **28 July 2023**. All comments will be considered as a public record.

Alternatively, we invite registered auditors and other interested parties to submit their comments directly to the [IAASB](#) by **24 August 2023**.

A PDF copy of ED-ISA 570 (Revised) is available and may be downloaded from the exposure draft page of the [IRBA website](#). Should you have any other queries or experience any technical difficulties in downloading the document, please do not hesitate to email the [Standards Department](#).

IAASB Projects in Progress

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

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

ETHICS

COMMITTEE FOR AUDITOR ETHICS (CFAE)

Revisions to the IRBA Code of Professional Conduct (Revised April 2023) to Strengthen and Clarify the Independence Requirements for Group Audits

The IRBA draws the attention of all registered auditors to revisions in the IRBA Code (Revised April 2023) related to the [Final Pronouncement: Definition of Engagement Team and Group Audits](#).

These revisions holistically address the various independence considerations in an audit of group financial statements. They also deal with the independence and other implications of the changes made to the definition of an engagement team in the IRBA Code, to align with changes to the definition in the IAASB's ISA 220 (Revised), Quality Management for an Audit of Financial Statements. Specifically, the alignment clarifies the application of the Independence Standards in Part 4A of the IRBA Code, in the context of an audit of group financial statements, in accordance with ISA 600 (Revised), Special Considerations – Audit of Group Financial Statements (Including the Work of Component Auditors) (ISA 600 (Revised)).

The IRBA adopted the revisions made to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) published in February 2023. This followed the local issue of the proposed amendments on exposure for public comment via Government Gazette No. 46088 on 25 March 2022 (Board Notice 229 of 2022).

Key Revisions

Among other matters, the revisions:

- Strengthen and clarify the independence principles that apply to:
 - Individuals involved in a group audit, including those within or engaged by firms that audit components within a group.
 - Firms engaged in the group audit, including firms within and outside the group auditor firm's network.
- Specify the need for, and the content of, appropriate communication on independence matters between the group auditor firm and the component auditor firms participating in the group audit.
- More explicitly set out the process to address a breach of an independence provision at a component auditor firm, reinforcing the importance of transparency and appropriate communication with those charged with governance of the group.
- Amend the definitions of the terms "engagement team" and "audit team" in the IRBA Code, to recognise the different and evolving engagement team structures, and address the implications of the amendment.

- Provide guidance to facilitate the determination of who is included in an engagement team or audit team.
- Revise the definitions of a number of existing terms and establish new defined terms with respect to independence in a group audit context.

Enablement Material

The following enablement material is available on the IESBA website:

- IESBA's Engagement Team - Group Audits Independence Webinar - [YouTube](#)
- IESBA [Basis for Conclusions](#)

Effective Date

The final pronouncement is available on the [IRBA website](#) and effective for audits and reviews of financial statements and audits of group financial statements for periods beginning on or after 15 December 2023. Early adoption is permitted. The effective date aligns with that of ISA 600 (Revised).

Transitional Provision

For non-assurance services engagements, a component auditor firm outside the group auditor firm's network that has entered into an engagement with a component audit client before 15 December 2023, and for which work has commenced, may complete such an engagement under the extant provisions of the IRBA Code, based on the original engagement terms.

A Board Notice will be released in the Government Gazette, advising on the publication of the revisions to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act 26 of 2005, as amended (APA).

IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023)

The IRBA draws the attention of all registered auditors to the publication of the [IRBA Code of Professional Conduct for Registered Auditors \(Revised April 2023\)](#), including Independence Standards. The purpose of its publication is to incorporate all the amendments and additions that have been made to the IRBA Code (Revised November 2018) into a single edition. It should be noted, however, that the IRBA Code (Revised April 2023) does not include any new amendments or revisions and does not change the previously communicated effective dates of any of the amendments and additions made to the IRBA Code (Revised November 2018).

Subsequent amendments and additions incorporated into the latest publication include:

- Quality Management-Related Conforming Amendments;
- Revisions to the Non-Assurance Services Provisions;
- Revisions to the Fee-Related Provisions;
- Revisions to Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers;
- Final Amendments to Subsection 115, Professional Behaviour: Signing Conventions for Reports;
- Revisions to Part 1 - Complying with the Code, Fundamental Principles and Conceptual Framework, to promote the role and mindset expected of registered auditors;

- Revisions to Part 4B - Independence for Assurance Engagements Other Than Audit – and Review Engagements, to reflect terms and concepts used in International Standard on Assurance Engagements 3000 (Revised);
- Final Amendments relating to Registered Candidate Auditors; and
- Final Amendments in respect of Section 321 – Second Opinions.

Board Notice 438 of 2023 appeared in Government Gazette No. 48660 on 26 May 2023, announcing the publication of the IRBA Code (Revised April 2023), pursuant to the provisions of Section 10(1)(a) of the APA.

Status of the IRBA Code

The IRBA Code (Revised April 2023) is based on Parts 1, 3, 4A and 4B of the IESBA Code published by the International Federation of Accountants (IFAC) in September 2022 and used with the permission of IFAC. South African adaptations and amendments to the IESBA Code are underlined and in italics in the IRBA Code.

The IRBA Code is applicable to all registered auditors. A contravention of, or failure to comply with, any requirements in it may be regarded as improper conduct within the ambit of Section 21 of the APA or the [IRBA Rules Regarding Improper Conduct](#). As such, a contravention of, or failure to comply with, any requirements in the IRBA Code may be investigated and, if appropriate, the registered auditor might be charged in terms of Section 48 of the APA.

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

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

The IESBA recently issued a public [Consultation Paper](#) for its 2024-2027 Proposed Strategy and Work Plan, to obtain views from stakeholders.

In recent years, the IESBA Code has been significantly strengthened. However, the IESBA believes that it is important to continue to evolve this Code with developments in business and the external environment, to maintain its robustness and relevance. The need for this has been further emphasised by continuing corporate failures around the world that erode public trust in the accountancy profession.

To achieve its strategic vision, the IESBA plans, among others, to devote significant efforts to expanding and strengthening its working relationships with a wide range of stakeholders. Furthermore, it intends to continue strengthening its coordination with its sister board, the International Auditing and Assurance Standards Board, as well as other international and national standard setters, to enhance the IESBA Code's interoperability with reporting and assurance standards within the financial and sustainability reporting ecosystems.

The proposed strategy recognises the public commitment the IESBA has made to developing timely ethics (including independence) standards for sustainability reporting and assurance, to meet the increasing needs of investors, customers, workers, government agencies and other stakeholders for sustainability information.

Relevance to South Africa

The IRBA adopted Parts 1, 3, 4A and 4B of the IESBA Code and incorporated them into the IRBA Code, together with certain South African adaptations and amendments. As a result, the IESBA Strategy and Work Plan drives the IRBA statutory Committee for Auditor Ethics' work plan for 2024-2027.

Request for Comments

The public consultation period for the proposed strategy and work plan had been set to run until early July 2023.

IESBA Projects in Progress

- Tax Planning and Related Services;
- Sustainability; and
- Use of Experts.

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

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

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Director Legal

LEGAL

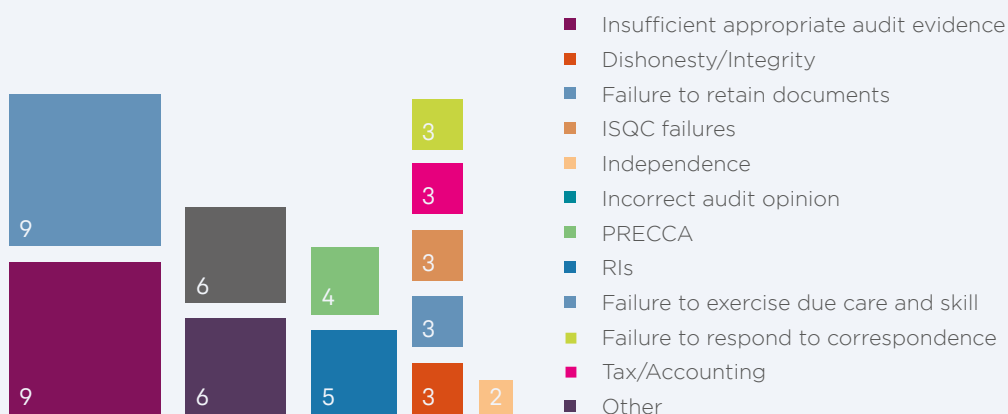
DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

There are 27 open cases that have been referred to the Legal Department for disciplinary hearings, and three of these were referred during the current reporting period.

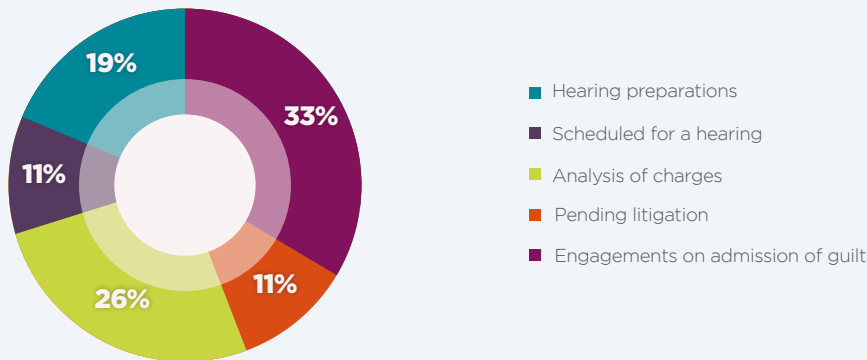
Open matters are at various stages of the disciplinary process. The graphics below outline the nature and status of all such matters referred.

ANALYSIS OF CHARGES



Note: Overall, the open matters involve 12 categories of improper conduct. While each matter may involve numerous charges, the charges most common among the matters are ones relating to insufficient appropriate audit evidence; failure to exercise due care and skill; incorrect audit opinion; failure to report reportable irregularities (RIs); and failure to report in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA). These are followed closely by dishonesty and integrity charges; accounting and tax breaches; quality control deficiencies; failure to retain audit documentation; and failure to respond to correspondence. Other charges relate to failure to exercise professional scepticism, failure to obtain an understanding of client business, fraud, as well as independence, executor and trustee breaches.

STATUS OF DISCIPLINARY MATTERS



Note: As reflected in the chart, most of the pending matters are undergoing engagements on admission of guilt processes and/or settlement (33%). Merits analyses are ongoing in respect of 26% of the matters, with 19% of the matters at the hearing preparation stage. Of the matters, 11% have been scheduled for hearings in the upcoming quarter, with the remaining 11% pending litigation outcomes.

Finalised Matters

During the period under review, three matters previously referred for disciplinary hearings were finalised. Two matters were finalised after the respondents admitted guilt in respect of the charges, and sanctions originally recommended by the Investigating Committee and approved by the Enforcement Committee were imposed, with one other matter having been finalised following a disciplinary hearing. Below is a summary of the finalised matters.

IRBA vs GDJ

The respondent issued an unmodified opinion in relation to an entity's financial statements. Following an investigation, the respondent was charged with improper conduct, as a result of having failed to:

- (a) Extrapolate and project cut-off errors to the revenue population, to document these errors and perform additional procedures to demonstrate that the deviations were not a representation of the population;
- (b) Obtain sufficient audit evidence as to why the cut-off errors were not projected, despite the projected errors being over the materiality set for the audit and resulting in material misstatements; and
- (c) Document considerations on the true nature of the "inter-company sales" account and to obtain sufficient audit evidence to support his audit opinion.

The respondent admitted guilt and was fined R80 000, with no order as to costs and publication by the IRBA in general terms only.

IRBA vs Denis Balthasar Von Hoesslin

The respondent was the engagement partner for a listed company and, following an investigation, was charged with improper conduct, in relation to the services rendered, specifically, as a result of having:

- (a) Failed to properly evaluate material misstatements relating to equity, revenue and costs of sales, which were above the total audit materiality; and
- (b) Issued an incorrect audit opinion in relation to the financial statements of the entity.

The respondent admitted guilt and was fined R150 000, and a R50 000 cost order was imposed on him. In addition, and in light of the fact that he is no longer registered with the IRBA, the matter was referred to the South African Institute of Chartered Accountants' (SAICA) Professional Conduct Committee, to determine whether the respondent continues to meet SAICA's fit and proper requirements. Publication was ordered in specific terms.

IRBA vs Mitesh Mohanlal Patel

The respondent, a previous director, shareholder and Chief Executive Officer of Nkonki Incorporated (Nkonki) was, following an investigation and subsequent to a disciplinary hearing, found guilty of the following three charges of improper conduct preferred against him:

- (a) Fronting for a third party (i.e. Trillian/Essa), to acquire majority shareholding in Nkonki, an audit firm previously registered with the IRBA, in breach of Sections 38(3) and 41(6)(e) of the APA;
- (b) Failure to act in the public interest by entering into professional relationships with companies implicated in state capture, thus breaching the provisions of the IRBA Code; and
- (c) Breach of the independence requirements of the IRBA Code by allowing Nkonki to accept an appointment as auditors of a company related to a company from which he had obtained and owed a significant loan, which loan was utilised to buy shares in Nkonki.

The following sanction was imposed on the respondent:

- (a) Payment of a fine of R600 000 for the three charges of improper conduct in respect of which he was found guilty;
- (b) Permanent disqualification from registration as a registered auditor;
- (c) Payment of the sum of R2 309 601.25 towards the IRBA costs; and
- (d) Publication of the matter in specific terms.

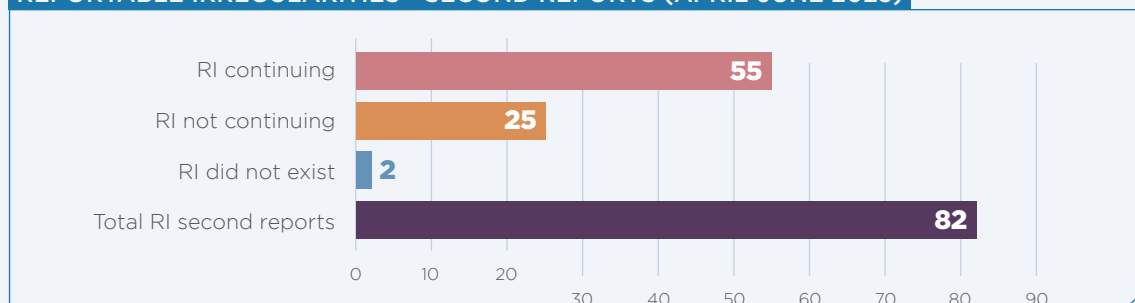
Conclusion

As indicated in the graphics above, of the 27 pending matters, three have been scheduled to be heard by the Disciplinary Hearing Panel in the upcoming quarter.

REPORTABLE IRREGULARITIES

The IRBA received 152 first reports on RIs during the current reporting period. In addition, 82 second reports, the nature of which is highlighted below, were received and processed.

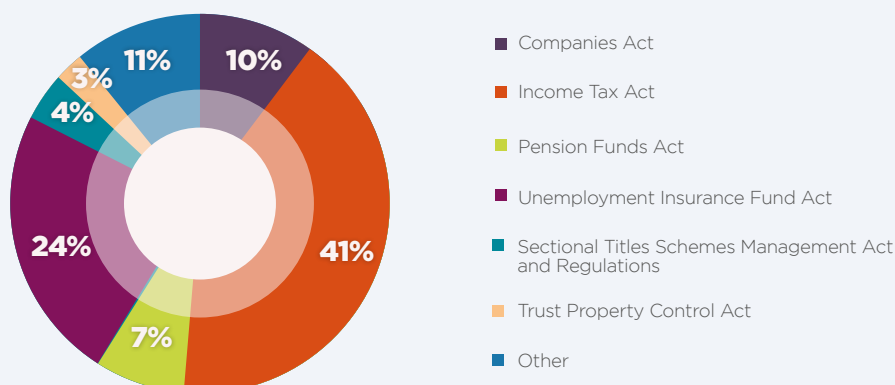
REPORTABLE IRREGULARITIES - SECOND REPORTS (APRIL-JUNE 2023)



Note: The difference of 70 reports between the first and second reports received is due to the timing differences in reporting timelines.

The chart below reflects the 55 continuing RIs received, categorised by nature.

CONTINUING RIs



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

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

GUIDANCE ISSUED BY THE FINANCIAL INTELLIGENCE CENTRE REGARDING ADDITIONS TO THE LIST OF PERSONS QUALIFYING AS ACCOUNTABLE INSTITUTIONS

The Financial Intelligence Centre (FIC) has been in discussions with representatives from the accounting profession regarding the need for guidance on the additions made to Schedule 1 to the Financial Intelligence Centre Act 38 of 2001, and to address industry concerns in this regard.

Pursuant to the above detailed engagements, the FIC has undertaken to update and finalise its Draft Public Compliance Communication 6A – Guidance on Trust and Company Service Providers for the Purpose of Schedule 1 of the FIC Act during the latter part of July 2023. This will be to provide additional guidance not only to professional accountants but also to the broader marketplace. The guidance will thus assist the market participants in determining whether the professional services they render qualify them for registration with the FIC.

The FIC has emphasised that neither auditors nor professional accountants are named as such in the FIC Act's revised Schedule 1. The additions to the Schedule are aimed at persons who render certain types of services, and this is irrespective of whether the persons rendering these services are professional accountants, qualified lawyers or any other type of professional service providers.

The FIC has then also cautioned that those service providers/professionals who are of the opinion that they need to register with it, should preferably commence with their registration on the FIC's goAML platform as soon as possible, given that the registration deadline was 31 May 2023.

REGISTRY

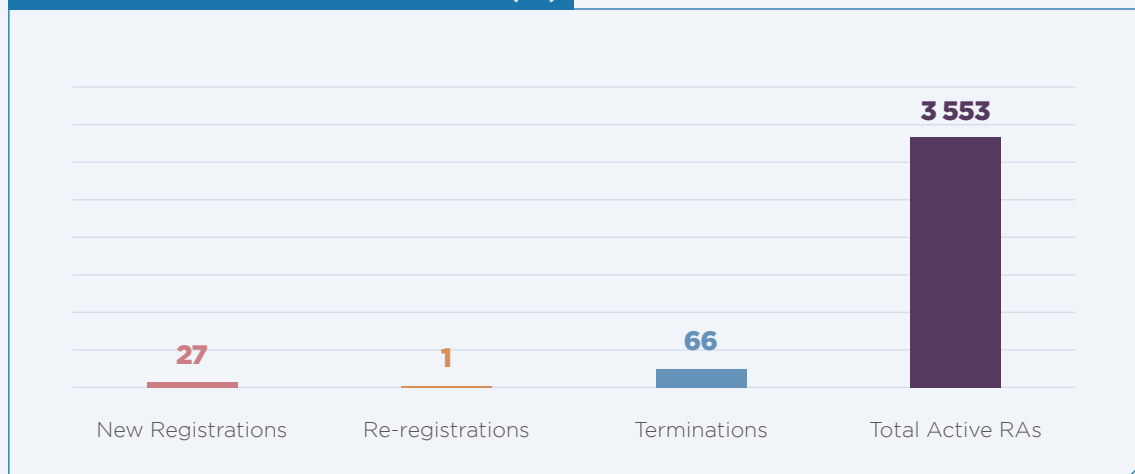
REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

Overview of Registry Movements

As at the end of the first quarter, there were 3 553 registered auditors, following the registration of 28 and the termination of 66 RAs.

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

STATISTICS ON REGISTRY MOVEMENTS (Q1)



New Registrations and Re-registrations

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

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA	
Baragwanath, Mari	Myeza, Mashudu
Bassa, Imran Ahmed	Noor Mahomed, Ebrahim
Botha, Michelle	Pambayi, Herbert
Dyani-Sapula, Thembakazi	Ruche Sieberhagen
Esterhuizen, Fazlin	Schoeman, Sonica
Govender, Shanice	Sekoaila, Kholofelo Matlou
Kajongwe, Thelma Kudakwashe	Shumba, Courage
Khan, Fatima	Tregoning, Michelle Lesley
Lungani Trevor Shinga	Truter, Dirk Jacobus Petrus
Lutrin, Daniel Zev	Van Coller, Carla
Marewasei, Kuipa Kudzai	Van Eeden, Cornell
Mathebula, Tshepang Remembrance	Van Zyl, Rachel Anri
Moyo, Bethisani	Vermaak, Kelly Michelle
Mthembu, Siyabonga	
INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA	
Van der Laan, Wiebe Willem	

RA Terminations

As indicated above, 66 RAs were removed from the register during the current reporting period. Below is a list of these RAs, as well as the reasons for their removal.

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA	
Barnard, Pieter Schalk	Resigned
Benadie, Hugo	Resigned
Bloch, Raymond	Resigned
Bloch, Robert Leslie	Resigned
Botha, Barend Jacobus	Resigned
Broome, Richard Ernest	Passed away
Green, Christopher Terence	Resigned
Coelho, Myles Jay	Resigned
Collins, Brian Stanley	Resigned
Craven, Anna Maria Susanna	Resigned
Dannhauser, Johann Andre	Resigned
De Kock, Cormarie	Resigned

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA (CONTINUED)

De Wet, Bonita Jade	Resigned
Desai, Rohit Kantilal	Resigned
Ditta, Salman Allah	Resigned
Dryden, Clive Malcolm	Passed away
Du Raan, Leonie Trudie	Resigned
Mothibe, Pule Joseph	Resigned
Engelbrecht, Pieter Jacobus	Resigned
Fourie, Maria Magdalena	Resigned
Fraser, Gino Earl	Resigned
Geyer, Gustav Wilhelm	Resigned
Griessel, Gert Diederick	Resigned
Grobbelaar, Morne	Emigrated
Hari, Joshila Ashokkumar	Resigned
Hewson, Charlene	Resigned
Hlajoane, Kelello	Resigned
Hodgson, Michael Basil	Resigned
Hoogwerf, Pieter Mark	Emigrated
Hugo, Jacobus Stephanus	Emigrated
Jacobs, Johannes Francois	Resigned
Janse Van Rensburg, Johannes Clifton	Resigned
Katzenstein, Mandi Lara	Resigned
Khan, Feroz	Resigned
Koch, Coenraad Hendrik	Resigned
Lalla, Paresh Amratlal Hira	Resigned
Le Grange, Carmen Lee-Ann	Resigned
Le Roux, Eugene Frederik	Resigned
Liebenberg, Lindi	Resigned
Lourens, Philippus Jacobus	Resigned
Marti-Warren, Tania Cheryl	Resigned
Mashifane, Andrew Walter	Resigned
Mhlongo, Ntombifuthi Precious	Resigned
Miller, Alexander Kenneth Neilson	Resigned
Moolman, Cornelius Richard	Passed away
Naicker, Mahendra	Resigned
Naidoo, Magendren	Resigned
Olckers, Michelle Claire	Resigned
Olivier, Christiaan Stephen	Resigned

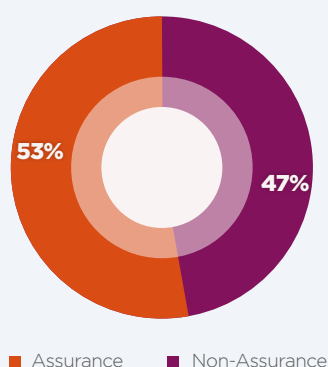
INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA (CONTINUED)

Oosthuizen, Nico Francois	Resigned
Pretorius, Muller	Resigned
Salejee, Junaid Ebrahim	Resigned
Sarembock, Philip Charles	Resigned
Saunders, Don Luthando	Resigned
Schoombie, Elma	Resigned
Silber, Tanya	Resigned
Simmons, Wendy Joy	Resigned
Sims-Handcock, Howard Charles	Resigned
Strydom, Sarel Jacobus Johannes	Resigned
Trollip, Layle Bianca	Resigned
Vaghela, Chetan Chhagan	Resigned
Van Brakel, Albertus Gabriel	Resigned
Van Der Ahee, Hendrik Hugo	Resigned
Van Der Smit, Nico Anthonie	Resigned
Van Niekerk, Trevor Graham	Passed away
White, Bradley Gilbert	Emigrated

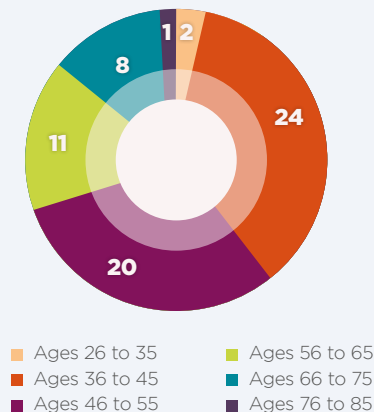
The most prevalent reasons for removal from the register appear to be individuals who are no longer performing assurance work, emigrations and RAs leaving firms.

The graphs that follow provide the age and assurance status split in respect of those RAs who were removed from the register, the majority of whom were non-assurance RAs and between 36 and 55 years of age.

ASSURANCE STATUS



AGE GROUP



RA Registration Lapses and Cancellations

As at 31 March 2023, as shown in the tables below, 20 RA registrations were lapsed for the non-payment of annual renewal fees, with 11 registrations cancelled for the non-submission of annual returns.

INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD FOR THE NON-PAYMENT OF FEES	
Classen, Karen	Mpyatona, Maria Tsholofelo
De Villiers, Izak Johannes	Muskat, Jonathan Brian
Diyo, Benias	Niehaus, Jarrad Charles
Els, Frederik Christi	Nkosi, Dingane Otto
Hand, Handra	Olivier, Chris Tiaan
Horonga, Brian Munyaradzi	Ranchhoojee, Sanjay
Johansson, Laura	Savage, David Wayne
Mackenzie, Bruce Victor	Steyn, Hermanus Petrus
Magondo, Mphedziseni Edson	Thrush, Helen
Mahoney, Rentia	Van Wyk, Michael Andre

INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD FOR THE NON-SUBMISSION OF ANNUAL RETURNS	
De Bruyn, Petrus Jacobus	Pretorius, Garth
Essop, Nazeer Ahmed	Spanner, Bernard Edward Thomas
Klaver, Jenny	Thomas, James Crawford
Kuzwayo, Boitumelo	Van Zyl, Josua Pieter
Moraka, Tebogo Ronald	Xulu, Sakhe
Motlhamme, Lesego	

ANNUAL RENEWAL

The 2023/2024 annual renewal cycle began on 1 April 2023. The due date for the payment of annual fees and the submission of the Individual Annual Return was **31 May 2023**.

In view of the above, RAs who have not as yet paid their annual renewal fees or submitted their Individual Annual Returns are urged to please do so immediately, to avoid the lapsing or cancellation of their registration.

Rebecca Motsepe

Director Legal

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Jillian Bailey
Director Investigations

INVESTIGATIONS

The matters reported in this issue took place between April and June 2023.

INVESTIGATING COMMITTEE

During the period under review, this committee met once and referred 23 matters to the Enforcement Committee.

ENFORCEMENT COMMITTEE

This committee met once during this period and concluded on 20 matters.

Decision Not to Charge

There were two matters finalised where the respondents were not charged with improper conduct. In the one matter, the respondent was not guilty of improper conduct, while in the other there were no reasonable prospects of succeeding with a charge of improper conduct against the respondent.

Decision to Charge and Matters Finalised through an Admission of Guilt Process

There were 15 matters finalised by fines issued through an admission of guilt process.

Matter 1

The respondent, Mr James Andrew Robb Welch, failed to ensure adequate documentation of the audit work performed and failed to identify errors relating to inventory, joint venture elimination and foreign operations depreciation, and to consider the impact thereof on the audit opinion.

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

Matter 2

The matter was a referral from the Inspections Committee (INSCOM). The respondent, Mr Allister Jon Carshagen, failed to appropriately address material uncorrected misstatements identified during the audit. Furthermore, he failed to verify and document the differences between the uncorrected misstatements presented to management and the uncorrected misstatements on the summary of unadjusted audit differences on the engagement file.

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

Matter 3

The matter was a referral from the INSCOM. The respondent failed to appropriately address material uncorrected misstatements relating to the prior period during the audit.

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

Matter 4

The matter was a referral from the INSCOM. The respondent, Mr Andrew Walter Mashifane, was the engagement partner of a holding company with numerous subsidiaries. He failed to appropriately address the impact on the group of material uncorrected misstatements identified during the audit of the company's subsidiaries and holding company.

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

Matter 5

The matter was a referral from the INSCOM. The respondent did not obtain sufficient appropriate audit evidence regarding the Statement of Cash Flows and, as a result, failed to identify material non-cash items included in the Statement of Cash Flows and to evaluate the effect on the audit opinion expressed.

The respondent was sentenced to a fine of R60 000, of which R30 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 6

The matter was a referral from the INSCOM. The respondent, Mr Keeran Ramnarian, did not obtain sufficient appropriate audit evidence regarding the Statement of Cash Flows and, as a result, failed to identify material non-cash items included in the Statement of Cash Flows and to evaluate the effect on the audit opinion expressed.

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

Matter 7

The matter was a referral from the INSCOM. The respondent, a firm, accepted an audit client without documenting the conclusions reached regarding the evaluation of safeguards as required by the IRBA Code of Conduct. In the year preceding the audit opinion, the firm performed internal audit services and the audit proposal document emphasised the continued involvement of the internal audit director in the newly acquired external audit. Accordingly, the firm breached the requirements of ISQC1 and the IRBA Code of Conduct.

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

Matter 8

The matter was a referral from the INSCOM. The respondent, Mr Warren Kenneth Kinnear, failed to evaluate the impact of aggregated uncorrected misstatements identified on total assets.

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

Matter 9

The matter was a referral from the INSCOM. The respondent failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on various aspects of the audit. Furthermore, the respondent failed to obtain sufficient appropriate audit evidence, as required by the International Standard on Assurance Engagements 3000, on the audit of reported information on performance against predetermined objectives.

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

Matter 10

The respondent, Mr Andrew Walter Mashifane, failed to obtain sufficient appropriate audit evidence for an investment in an equity accounted associate and non-controlling interest. Furthermore, he failed to identify that a loan was not discounted in line with the applicable reporting framework.

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

the findings of the investigation and the sanction imposed. In addition, the respondent must arrange and ensure that he attends external training on the practical application of the Auditing Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 11

The matter was a referral from the INSCOM. The respondent failed to address material uncorrected errors that affected opening retained earnings, and a further qualification was omitted from an already qualified opinion in this regard. Also, the respondent did not obtain sufficient appropriate audit evidence regarding the Statement of Cash Flows and, as a result, failed to identify material non-cash items included in the Statement of Cash Flows and to evaluate the effect on the audit opinion expressed.

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

Matter 12

The matter was a referral from the INSCOM. The respondent was the audit engagement partner for the separate and consolidated financial statements of the company. However, the respondent failed to provide an audit opinion on the separate financial statements of the company.

The respondent was sentenced to a fine of R60 000, of which R30 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their staff attend external training on the practical application of the Auditing Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 13

The matter was a referral from the INSCOM. The respondent identified that there was a material misstatement in the prior period annual financial statements relating to total assets. The corresponding amounts were not appropriately restated in the current year, and the respondent failed to modify the audit opinion in this regard.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 14

The matter was a referral from the INSCOM. The respondent's audit firm provided non-audit services to the audit client. The respondent failed to identify and evaluate the self-review and advocacy threats to independence created by the provision of the non-audit services, and failed to apply appropriate safeguards to eliminate or reduce the threats to an acceptable level.

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

Matter 15

The matter was a referral from the INSCOM. The respondent, Mr Shaun Vorster, failed to obtain sufficient appropriate audit evidence, as required by the ISAs, on various aspects of the audits relating to the main trading subsidiary and the consolidated financial statements of the company.

The respondent was sentenced on the two charges to a total fine of R350 000, of which R175 000 has been suspended for five years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed. In addition, the respondent must arrange and ensure that he and his staff attend external training on the practical application of the Auditing Standards and the International Financial Reporting Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Decision to Charge and Matters Referred for Disciplinary Hearings

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

Jillian Bailey

Director Investigations

E-mail: investigations@irba.co.za



Ntlambi Gulwa
Director Inspections

INSPECTIONS

A GLIMPSE AT THE CRITICAL ROLE OF AN INSPECTOR

One of the primary foundational principles before work begins on any audit engagement should be a commitment to do everything possible to perform a reliable and justifiable high-quality audit that meets the highest standards. To help monitor and continually strengthen this determination to improve the quality of the work that auditors do, inspections are an essential tool – and the IRBA has a group of highly skilled inspectors who carry out these reviews.

The regulator has a fundamental responsibility with regard to developing an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets and promotes sound practices. Its mandate, in fact, is to protect the public and the integrity of the auditing profession in South Africa; and the Inspections Department is just one function through which it fulfils this obligation. Section 47 of the Auditing Profession Act, as amended, empowers the IRBA to perform inspections of registered auditors (individuals and audit firms), to assess their compliance with professional standards, regulations and applicable laws. In line with this, the department's objective statement highlights the critical nature of inspections as follows:

Inspections are a crucial regulatory function that gives effect to the IRBA's mandate and strategy to protect the public interest by monitoring compliance and influencing auditors and relevant stakeholders in pursuing consistent sustainable high audit quality that adheres to the highest standards, while maintaining good professional relationships. This is achieved by employing adequate and competent staff, and effectively deploying available resources, tools and technology to perform high-quality independent inspections of predominantly public interest entity (PIE) audits, but also smaller assurance engagements, selected on a risk basis. Furthermore, this is achieved through performing and reporting on the outcomes of inspections in an objective and fair manner that promotes transparency, accountability and remediation by auditors, where required; and helping drive broader proactive audit quality improvement strategies with relevant stakeholders on areas where these are most needed.

The IRBA is a founding member of the IFIAR, and our inspections processes are frequently benchmarked against international best practice. As a member of the forum – and also with the Director Inspections as a member of the IFIAR Inspections Workshop Working Group – the IRBA is involved in determining the topics for the annual inspection workshop and webinars. It also attends and presents on different topics at the IFIAR Inspection Workshop (the Workshop) and webinars. The Workshop is aimed at developing a robust and sustainable inspection model, to enhance investor protection by improving audit quality. With member countries from all continents, the forum offers a platform for independent audit regulators to meet and discuss inspections processes; learn from and leverage off each other's strengths; as well as consider similarities and differences in their practices and methodologies.

Essential Competences to be an Effective Inspector

Inspectors must possess the relevant competence and experience, in addition to their own unique skillset and specialist knowledge gained from years of experience. Moreover, they are expected to have experience in public practice. Our inspectors form part of dynamic teams, and this allows them to constantly upskill each other from the strength of their individual areas of expertise. In addition, inspectors are provided with formal technical training on a regular basis in areas that are deemed to be of most importance and relevance.

Also, they frequently engage with colleagues from other IRBA departments, which adds robustness to the overall inspections process as multiple viewpoints are considered on matters that may be open for interpretation in practice.

An inspector is required to uphold the highest levels of integrity, independence and objectivity. The role inherently involves confrontational situations, and it is imperative that inspectors maintain their objectivity and sense of calm. While reviewing each other's work can be seen in a negative light, it is always encouraged that the inspector and those that are being reviewed should adopt an attitude of development. The inspector, therefore, must have the ability to give and receive constructive feedback in a professional manner.

The work environment for our inspectors is mobile and flexible, as they visit audit firms across the country to perform detailed reviews of their audit files, methodologies and systems. While we had to conduct inspections remotely at the height of the pandemic, the lifting of restrictions early in 2022 allowed for some face-to-face inspections to resume. This was significant as physical interactions are considered as critical to the enhancement of discussions on the journey towards improved audit quality. Currently, inspections are performed on a hybrid basis.

Meet Two of Our Inspectors



Lionell van Onselen

Lionell van Onselen, CA (SA), RA

"I am proud to be part of team IRBA. #Trustismycurrency"

With over 10 years of experience in the profession, he began his career at the AGSA, where he developed a passion for protecting the public interest through auditing. "This passion and sense of responsibility is deeply embedded in my values as a person. I am proud to have worked at the AGSA, as that enabled me to develop both personally and professionally, and also empowered me to excel as a professional. This drive has only grown over the years, with the IRBA being the best choice to further my passion and do what I enjoy."

Lionell joined the IRBA in 2022 as an inspector and it has been an absorbing journey thus far. "I get to engage with various professionals, and am exposed to different industries, ways of thinking and ways to audit. Working with a highly skilled and passionate team challenges me daily to be

Lionell van Onselen (continued)

the best I can be and also supports my development even further. Being an inspector does not only require you to be technically strong, but interpersonal skills are vital. We don't just inspect audit files, we also engage extensively with many stakeholders, from individual RAs and firm leadership to standard-setting bodies.

"The inspection process is not always easy, but then again, nothing worth doing is easy. It is a very demanding but extremely rewarding role. An inspection is not about finding fault in an audit, but aims to identify deficiencies that will assist auditors to improve, and ultimately enables an environment in which auditors can deliver high-quality audits. Our profession is filled with people who give it their all to not fail; however, no one is perfect. So, an inspection provides an opportunity for RAs to learn and improve."

Lionell also appreciates the broader standard-setting role that is afforded to inspectors, who are uniquely positioned to appreciate the practical implications of standards and regulations. "The inspector role also enables me to be part of different standard-setting committees.

"I currently participate in the Sustainability Standards Committee and the Public Sector Standing Committee, which are subcommittees of the Committee for Auditing Standards. Being part of these structures is extremely interesting, as I get to engage with professionals from across the country, all with a shared goal of improved audit quality.

"Overall, being an inspector affords me the opportunity to impact not just individual RAs and firms, but to be part of initiatives and committees that help enhance what we do and how we audit."



Fhumulani Netshivhale

**Fhumulani Netshivhale, CA (SA), RA,
Senior Inspector**

"I have had a fulfilling and valuable learning experience within the Inspections Department"

This chartered accountant, with more than nine years' experience in auditing and financial services, started her career at Deloitte, where she completed her articles. While at the firm, she had the opportunity to be seconded to the Deloitte Boston office, in the United States, as the audit senior in charge of a large listed mutual fund. "My passion for auditing and coaching made it easy for me to decide to stay on as an audit manager at Deloitte, where I was subsequently promoted to senior manager."

Having a vested interest in the profession and wanting to make a positive contribution, Fhumulani

Fhumulani Netshivhale (continued)

joined the IRBA in 2020 as an inspector. “I wanted to make an impact in the auditing profession in a different way – and the role has allowed me to grow as a professional.” She was promoted to senior inspector in 2022.

The department has a risk focus on financial services audits, specifically banks and insurance companies. Fhumulani’s extensive experience was therefore instrumental in getting her the role of the financial services inspections champion. “As a senior inspector, I lead inspections and get an opportunity to interact with firm leadership. These engagements provide a unique perspective of each firm’s audit quality journey and initiatives to achieve audit quality. Being part of the Inspections team means I am exposed to different firm audit methodologies and engagements across different industries. No inspection is the same; and this is one of the main things I love about my role.”

On one of her recent assignments, Fhumulani led the teams on joint engagement reviews. In performing joint audit inspections, the team reinforces the joint auditor’s responsibility for the audit and the joint auditors’ opinion that is expressed on the financial statements. “Joint audit inspections can be challenging, as the inspection is performed, in most cases, concurrently between two firms, and we must consider the work of both firms. Our team composition for these inspections, comprising financial services and IT inspectors, ensures that we perform the inspections efficiently.” Leveraging off of each other’s skills is vital to promote efficiency and effectiveness, and enhance the robustness of the inspections process. “The Inspections team is made up of highly skilled professionals, with different backgrounds and vast experiences. We challenge each other on technical matters and also get challenged by the audit firms. I always look forward to these technical discussions, as we all get to learn and enhance our technical knowledge.”

Fhumulani recalls her early interactions with the previous Director Inspections (Imre Nagy) as being a defining moment in her motivation and drive as an inspector. “Imre said that ‘being an inspector at the IRBA is a calling and we are public servants’. Though the work of an inspector can be challenging, knowing that I am serving the public motivates me to keep doing what I do. Our role as inspectors may be perceived as negative, in that the result of our work is reporting deficiencies to the audit firms. However, the outcome of our work plays a big part in the auditing profession, as we work in collaboration with the audit firms (still maintaining our independence) to achieve audit quality. It is therefore always encouraging when the firms and the individual RAs we inspect are positive and receptive to our process.”

Ntlambi Gulwa

Director Inspections

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Nadine Kater
Director Education and Transformation

EDUCATION AND TRANSFORMATION

TRANSFORMATION DRIVES FOR 2023/2024 OFF TO A GREAT START

One of the IRBA's key strategic objectives is to facilitate transformation in the auditing profession through targeted initiatives that are aimed at identifying and addressing barriers. This also involves being mindful of the fact that these barriers are often different at each stage of the registered auditor (RA) pipeline. As such, our approach to identify, design, develop and execute the targeted initiatives needs to be tailored to specific barriers at each stage of this pipeline.

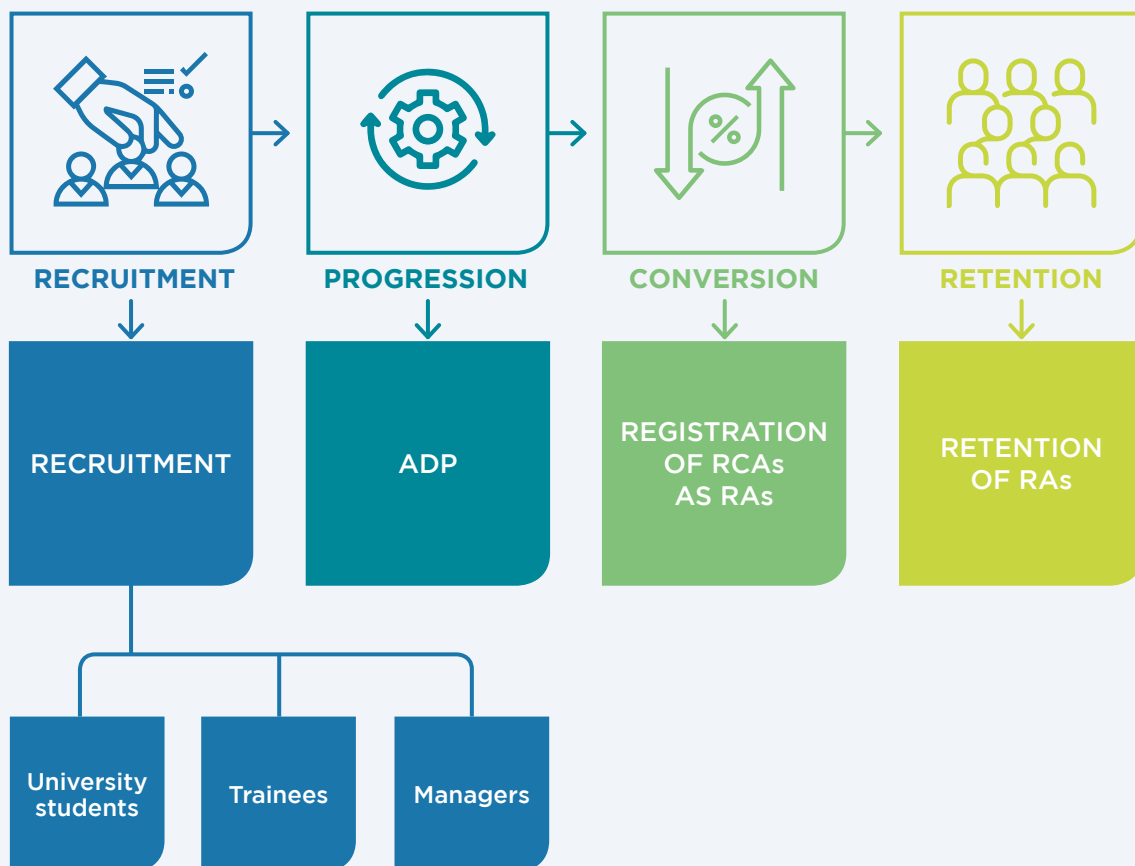


Figure 1: A linear presentation of the RA pipeline

The desired outcomes of the transformation initiatives are to increase and improve:

- Awareness of the auditing profession among students;
- Interest in the auditing profession from students, trainees and managers;
- Awareness of the career path to become an RA among students and trainees;
- The number of registered candidate auditors (RCAs) registering on the Audit Development Programme (ADP);
- Completion rates of RCAs;
- The conversion rate of RCAs to RAs; and
- The retention rate of RAs.

Recruitment

This is the most critical and complex stage of the pipeline to address, as it includes various stakeholders that experience accounting and auditing from different viewpoints. For young accounting students, it is the beginning of their career paths; for academics and lecturers, this stage requires them to keep abreast of the fast-paced technological changes; and for trainees and managers at the audit firms, it is about navigating a challenging training environment.

In our attempts to play a meaningful role in helping some of these stakeholders to effectively navigate this terrain, the Education and Transformation (ET) Department focused on introducing new initiatives in the university space and also engaged directly with students and audit lecturers. We gave talks and presentations, awarded auditing prizes and sponsored the Southern African Accounting Association (SAAA) conference, to name a few.

Top Performing Auditing Students Get Acknowledged

The IRBA participated in prize giving ceremonies at the University of the Witwatersrand on 17 March 2023 and the University of KwaZulu-Natal on the 19th of May 2023. Our congratulations go to the students, listed below, who were recognised as top achievers in auditing at the institutions.

UNIVERSITY OF THE WITWATERSRAND	
Student	Award
Ryan Hogg	Auditing II (2019)
Jarred Venter	Auditing III (2019)
Mishka Naidoo	Auditing IV (2019)

UNIVERSITY OF KWAZULU-NATAL	
Student	Award
Phiwokuhle Mjokovana	Auditing 200 (Pietermaritzburg campus)
Shreya Maharaj	Auditing 200 (Westville campus)
Banele Siphile Mdlalose	Auditing 3A (Pietermaritzburg campus)
Humairaa Moosa	Auditing 3A (Westville campus)
Zubeir Mahomed	Auditing 3B (Pietermaritzburg campus)
Humairaa Moosa	Auditing 3B (Westville campus)
Salmaan Moosa	Advanced Auditing (Pietermaritzburg campus)
Nathan Joash Lutchmanan	Advanced Auditing (Westville campus)

Prospects for Our Transformation Initiatives

To further our transformation drive in the current financial year, ET will focus on consolidating the insights gained from our outreach activities and the IRBA brand survey, to harness current relationships and build new ones. There will be closer engagements with audit firms, trainees and audit managers, as we work together to attract and retain young professionals and aspiring RAs.

Our focus will be on the areas that are highlighted in the table below. These initiatives will be with various stakeholders, ranging from students and lecturers to SAICA, the Association for the Advancement of Black Accountants of Southern Africa (ABASA) as well as the Finance and Accounting Services Sector Education and Training Authority (FASSET).

AREA OF THE PIPELINE	INITIATIVES
Recruitment University Students	<ul style="list-style-type: none"> ■ Engagements with university students on auditing topics, the value of the RA, the path to become an RA and the ADP. ■ Sponsorship of prizes for top auditing students. ■ Marketing of the RA profession. ■ Research into the root causes of the throughput differential between Black and White candidates in academic programmes and the Initial Test of Competence. ■ Collaborations with SAICA and ABASA on initiatives.
Recruitment University Auditing Lecturers	<ul style="list-style-type: none"> ■ Develop opportunities to engage regularly with auditing academics, through webinars, sessions and conferences, among others. ■ Develop/collaborate on projects to make auditing more practical for students. ■ Participate in University Audit Days.
Recruitment Audit Trainees	<ul style="list-style-type: none"> ■ Host ADP workshops with audit trainees at firms. ■ Engage with firms on factors that are impacting transformation target groups and creating barriers to the progression of trainees. ■ Analyse trainee survey results and develop action plans. ■ Profile ADP candidates. ■ Market the RA profession. ■ Research into the root causes of the throughput differential between Black and White candidates in the Assessment of Professional Competence. ■ Collaboration with SAICA on initiatives.
Recruitment Managers	<ul style="list-style-type: none"> ■ Host ADP workshops with audit managers at firms. ■ Analyse the survey results relating to audit managers and develop action plans. ■ Engage with firms on factors that are impacting transformation target groups and creating barriers to the progression of managers and firm transformation strategies. ■ Market the RA profession.

AREA OF THE PIPELINE	INITIATIVES
Progression ADP	<ul style="list-style-type: none"> ■ Develop a Learner Management System. ■ Profile RCAs. ■ Provide bursaries to ADP candidates through a FASSET partnership.
Conversion RCAs to RAs	Analyse the conversion rate and engage with firms/RCAs on reasons for not registering candidates as RAs on completion of the ADP.
Retention of RAs	Registry collation and reporting on reasons for deregistering.
Stakeholders FASSET	<ul style="list-style-type: none"> ■ Participation in the FASSET FY 2024/2025 Sector Skills Plan. ■ Fund ADP candidates through a FASSET partnership.
Stakeholder ABASA	Advanced Auditing (Pietermaritzburg campus)
Stakeholder ABASA	<ul style="list-style-type: none"> ■ Member of the ABASA National Council. ■ Collaborate on transformation initiatives with the ABASA student chapters, Education Committee, Trainee Forum and Business Forum.

PROFESSIONAL BODY ACCREDITATION

The evaluation of the accreditation application lodged by the Association of Chartered Certified Accountants (ACCA) South Africa neared its finalisation as this quarter drew to a close. To contextualise the journey with ACCA, it is important to reflect briefly on the IRBA's accreditation process.

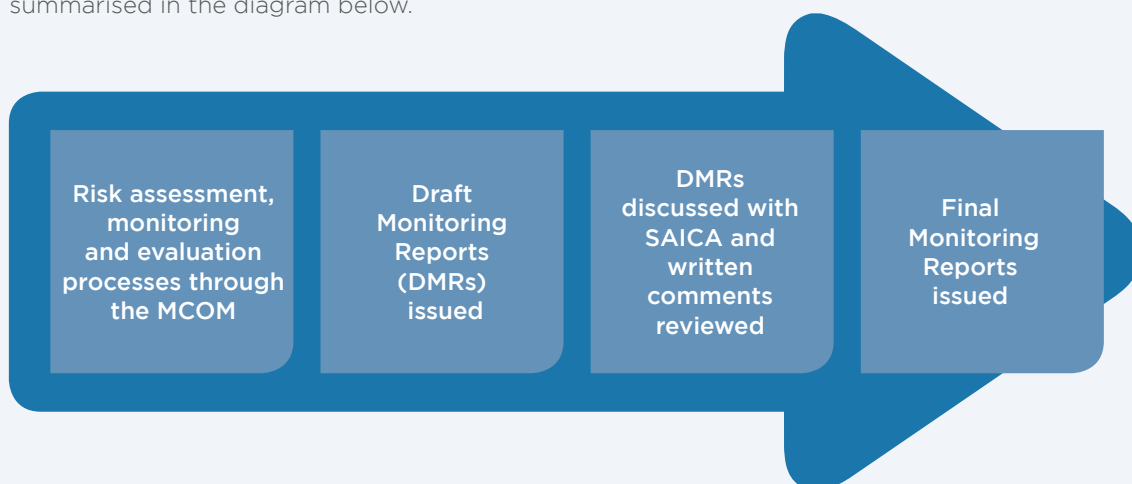
- **Mandate:** The accreditation of professional bodies is mandated by the APA, which also outlines the requirements. The responsibility and duty to consider and recommend the accreditation of professional bodies to the Board is delegated and assigned by that same structure to the Education and Transformation Committee (EDCOM).
- **Accreditation Model:** The process to accredit and monitor professional bodies is executed through the [IRBA Accreditation Model](#), which stipulates the specified requirements for accreditation, and the Competency Framework, to ensure consistency in the development of competencies for RAs in South Africa. ACCA's application for accreditation was evaluated based on these requirements and this involved a multi-layered process, meetings, workshops and iterative decision-making across the relevant governance structures.
- **Accreditation Committee (ACCOM):** The EDCOM established the ACCOM to evaluate the ACCA accreditation application and this focused on the institutional requirements, the academic programme, core assessment and the professional development programme, as defined in the Accreditation Model. To conduct a thorough evaluation, the ACCOM formed specialist working groups and appointed subject matter experts who reviewed specific aspects of the accreditation submission based on their expertise and knowledge.
- **Conclusion:** The involvement of multiple committees and stakeholders demonstrates a comprehensive and diligent approach to accreditation.

PROFESSIONAL BODY MONITORING – SAICA

As a professional body accredited by the IRBA, SAICA is monitored according to the requirements of the Accreditation Model.

Monitoring Process Overview and Status

The IRBA undertakes an annual review of SAICA's accreditation through an evaluation by the Monitoring Committee (MCOM). The outcomes are reported in detail in the monitoring reports that are issued to SAICA. As described previously, the monitoring and reporting process is as summarised in the diagram below.



The Draft Monitoring Reports were issued to SAICA on 23 May 2023. After a meeting and discussion with the professional body, it submitted its final comments on 26 June 2023. These are being evaluated by the MCOM as part of the finalisation of the reports. The outcome and themes of the monitoring will be reported once the Final Monitoring Reports have been issued.

There has been ongoing engagement with the professional body at various levels, to focus on the key themes that require attention in the interest of the profession and the growth of the pipeline. These discussions have also been on some identified constraints that might have an impact on its stakeholders (academics, students, trainees and firms).

UPDATE ON THE REVIEW AND REVISION OF THE COMPETENCY FRAMEWORK

The IRBA Competency Framework sets out the competencies that aspiring auditors are required to develop and demonstrate across the various phases of the following learning continuum.



A taskforce has been established to review the framework and develop recommendations to revise it. The current phase includes the development of a roadmap to guide the review process. The roadmap will contain the following:

- An introduction to the RA profession.
- The role of the RA and the competencies required of a future RA.
- Insights to attract and inspire young professionals to consider auditing as a profession.
- Factors that have contributed to the Competency Framework revisions.
- The role of the IRBA in prescribing competencies for aspiring RAs and its mandate in this regard.
- The pathway to qualify as an RA.
- The competencies required as the building blocks to the RA profession.
- The conducive environment required in the academic, professional development and the audit development programmes, to enable aspiring RAs to develop the necessary competencies.

ADP: BUILDING ON THE POSITIVE RESULTS FROM THE REFRESHED STRATEGY

The implementation of ADP Reloaded is underway and we continue to see an increase in the number of audit managers taking an interest in becoming RAs by registering on the programme. In the period under review, the ADP registration numbers increased by 33 and five Portfolios of Evidence were approved. In addition, 20 ADP completions were reviewed and approved by the relevant panel and will be presented for final approval at the Audit Development Committee meeting set for July 2023. There have only been three de-registrations in the past three years, due to RCAs who resigned from their firms and subsequently left the auditing profession.

ADP STATS FOR APRIL-JUNE 2023	
Opening	550
Registrations	33
De-registrations	-3
Completed	-5
Total RCAs currently on the ADP	575

The ADP team's focus is to ensure a smooth, timely and efficient process for all candidates until completion, as we embark on phase 2 of ADP Reloaded. In this phase, we will introduce a Learner Management System, in line with our focused strategy to increase interest in the profession by growing the pipeline to RAs.

STAKEHOLDER ENGAGEMENT

IFAC International Panel on Accountancy Education (IPAE)

The IPAE has initiated the Sustainability Reporting Project (SRP) that is focused on the skills needed by professional accountants to enable them to perform an effective role in sustainability-related reporting and/or related assurance services. The emphasis is on professional competence, the evolution of technical competence, professional skills, professional values, ethics and attitudes as well as practical experience. The IPAE is also responsible for the maintenance of the International Education Standards (IESs) for professional accountants. As such, the SRP has started information-gathering activities to inform its decision on whether there is a need for the IESs to be revised in response to sustainability-related reporting. These activities will include extensive global stakeholder outreach. As part of these activities, the IPAE has requested an opportunity to hold a roundtable discussion with members of the IRBA's Sustainability Standing Committee in July 2023. Further details will be provided in the next report.

Zimbabwe PAAB Launches the ADP

The Public Accountants and Auditors Board (PAAB) of Zimbabwe launched its ADP on 1 June 2023. At the event, the IRBA CEO gave the keynote address virtually, while the ADP Professional Manager attended the launch in person. The other attendees included the board of the PAAB Zimbabwe, the Auditor-General of Zimbabwe, audit partners and audit managers with a keen interest to register on the ADP. The IRBA aims to maintain a strong relationship with the PAAB Zimbabwe, as one of the key stakeholders, through the ADP by sharing insights, collaborating and offering support to ensure the successful implementation of the new ADP.

Southern African Accounting Association

The SAAA held its Biennial International Conference from 28-30 June 2023 and the theme was "in pursuit of accountability in an integrated world" and the IRBA attended and participated. The session presented an exciting and well curated opportunity for academics to showcase their research papers in the presence of other academics, professional bodies and the regulator. This facilitates the potential for research and practice to integrate in a valuable and impactful way. The IRBA sponsored two auditing prizes at the conference and the winning papers were titled Good Corporate Governance in Central Government: A Decision Tree Classification and Prediction Analysis and Reasons for Committing Economic Crimes in South Africa. The IRBA was also part of a panel discussion to discuss the future of accountants and auditors in the context of the World Economic Forum's forecasts.

The IRBA congratulates the SAAA on the conference and recognises the critical role that academics play in the development of the profession.

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COMMUNICATIONS

It is important to us that we improve how we communicate with our registered auditors and other stakeholders. For that reason, below we list all the communiques that were issued via bulk email during this reporting period.

23 June 2023	Updates to IRBA Pronouncements Arising from Narrow-Scope Amendments to International Accounting Standard 1 – SAAPS 3 and Other Illustrative Reports
19 June 2023	Minister of Finance Publishes Maximum Monetary Fines
8 June 2023	Revisions to the IRBA Code of Professional Conduct (Revised April 2023) to Strengthen and Clarify the Independence Requirements for Group Audits
1 June 2023	MAFR Supreme Court of Appeal Judgement
1 June 2023	Media Release: MAFR Supreme Court of Appeal Judgement
1 June 2023	Assurance Fees Payable to the IRBA with Effect from 1 June 2023
24 May 2023	Call for Nominations for the Financial Reporting Standards Council
15 May 2023	IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023)
9 May 2023	Exposure Draft: Proposed International Standard on Auditing 570 (Revised), Going Concern
24 April 2023	Confirmation of the IRBA's Bank Account Details
21 April 2023	IESBA Consults on Its Proposed Strategy and Work Plan for 2024-2027
19 April 2023	Issue 61 of IRBA News is Now Available
18 April 2023	IRBA Issues Its First Enforcement Report
6 April 2023	Removal of IRBA as an RCB
5 April 2023	FASSET Invites Stakeholders to Attend Sector Skills Plan Focus Groups
3 April 2023	CPD Policy
1 April 2023	2023 Annual Renewal
31 March 2023	Removal of IRBA as an RCB
28 March 2023	IESBA Proposes Revisions to Its Code Addressing Tax Planning and Related Services
27 March 2023	REMINDER: Online Submission of Firm Assurance Work Declarations and Firm-Related Information 2023
25 March 2023	IFIAR Calls for a Further Reduction in the High Level of Findings and More Consistency in High-Quality Audit Performance
20 March 2023	REMINDER: Online Submission of Firm Assurance Work Declarations and Firm-Related Information for 2023
17 March 2023	Illustrative Reports to be Used by Independent Assurance Practitioners When Required to Report in terms of the Property Practitioners Act

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

GENERAL NEWS

MINISTER OF FINANCE APPOINTS TWO NEW BOARD MEMBERS

The Minister of Finance has approved the appointment of two new Board members, which brings the total number to 10, in line with the Auditing Profession Act, as amended. These Board members bring with them a wealth of experience from academia, finance, auditing, risk management and supply chain management.

- **Precious Sibiya** has more than 20 years of experience at junior and senior management levels, mainly within finance (financial reporting), auditing (external and internal), risk management and supply chain management in the private and public sectors. She is currently serving as a non-executive director and on various governance committees of public and private sector boards (for example, in audit, risk, investment, ICT governance and human resources committees).
- **Mojalefa Mosala**, a senior lecturer at Wits University, with a focus on financial accounting, has been in other academic positions at a number of academic institutions. He also serves as a non-executive director of the Free State Cricket Union and is the chairperson of the SAICA Free State Bloemfontein region.

We welcome the new Board members and wish them well in their roles at the IRBA.

WATCH A BRIEF DISCUSSION ON UPCOMING CODE AMENDMENTS

In May 2023, the Committee for Auditor Ethics held a meeting where the upcoming IRBA Code Amendments to the Definition of Engagement Team and Group Audits were discussed. An overview of the pertinent discussions and key outcomes from the meeting is available from a [highlights video](#) that the Standards Department has put together. Look out for dates and invitations to upcoming public meetings of the committee and other planned Code amendments for 2023.