



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

NEWS

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MARKING 10 YEARS OF GROWTH

And looking forward to more collaboration with our stakeholders

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FROM THE CEO'S DESK

The end of this first quarter of 2016 precedes a momentous occasion in the history of the Independent Regulatory Board for Auditors (IRBA) as 1 April marks 10 years since the organisation came into existence. As an organisation, we have developed and grown into an entity that we are proud of and continue to earn the respect of our global counterparts and local stakeholders. We also thank all our valuable stakeholders for their support, which has contributed to South Africa's number one ranking for its auditing and reporting standards in the Global Competitiveness Survey for six out of the past 10 years.

The IRBA is currently on a consultation programme with various stakeholders to get their views on different measures that are aimed at strengthening auditor independence. This is in line with the outcomes of our latest inspections report, which was published last year, in which auditor independence and ethics came out as some of the top inspections findings. We are currently engaging with audit firms, investors and users of services rendered by registered auditors. The process will culminate in the IRBA Board taking a decision on the best possible solution to strengthen auditor independence.

As you might have read in a communique that we recently issued, there will be changes in the role that the IRBA plays in the Broad-Based Black Economic Empowerment regulation space. The IRBA has been regulating B-BBEE approved registered auditors (BARs), in relation to their provision of B-BBEE assurance services, since their mandate to do so was defined in Statement 005, Broad-Based Black Economic Empowerment Verification, which came into effect on 1 October 2011. Statement 005 still remains in effect, as detailed in the communique issued on 26 January 2015, Clarification on B-BBEE Verification Engagements Performed in terms of the 2013 Codes of Good Practice.

During the B-BBEE workshops and the IRBA roadshows held in August and September 2015, we informed attendees that the IRBA Board was considering withdrawing from the regulation of B-BBEE assurance services. The IRBA has been engaging with the Department of Trade and Industry (DTI) and other stakeholders to obtain an understanding of their vision for regulation of the industry. Having consulted with the leadership of the DTI, the IRBA Board has now confirmed its approach, and has set up the steps to discontinue its regulation of BARs. As a consequence:

- No new BARs will be registered as from 1 April 2016.
- No B-BBEE annual fee will be levied in respect of BARs for the 2016/2017 year.
- Inspections of BARs will continue until the transition to a

new regulator is complete. These inspections will be charged at an hourly rate as defined in the IRBA schedule of fees with effect from 1 April 2016.

- BARs still need to declare the assurance fees invoiced for B-BBEE (category B assurance work) for the period January to December 2015 in their firms' Assurance Work Declaration. However, these fees will no longer be included in the calculation of the percentage of the total audit and other assurance work for which the firms will be invoiced.

We will continue to keep stakeholders informed of developments, particularly in relation to the requirements to register with a new regulator, when such requirements are known.

The IRBA will be hosting the IFAC International Accounting Education Standards Board meeting in Johannesburg in April 2016. This is the first time that this meeting will be hosted in Johannesburg and it will include an open forum to be attended by all professional bodies and other stakeholders. We look forward to hosting this event and to welcoming all the board members to South Africa. (See page 22 for more information.)

Finally, I would like to thank Laine Katzin, Director Education and Training, who left the IRBA at the end of March to pursue her business interests. Laine served the IRBA well over the years and was instrumental in developing the Audit Development Programme and ensuring that it is implemented. We wish her well for the future.

Robert Zwane has been appointed as the Acting Director Education and Training. He is currently a senior manager at the IRBA and will serve in this new role until the recruitment process is finalised. We want to assure all our stakeholders of a smooth transition during these changes and that we have full confidence in Robert to continue with Laine's sterling work.

Despite all the challenges that we face as a country, we need to work together to ensure that our profession remains credible and globally respected. And we look forward to the continued collaborations as we persistently work to maintain our standards, serve investors and the community, and protect the public.



Bernard Peter Agulhas
Chief Executive Officer

STANDARDS

Auditors are reminded that the new and revised Auditor Reporting Standards are effective for audits of financial statements for periods ending on or after 15 December 2016. A comprehensive list of resources to assist auditors with the implementation is available on the IRBA website (<http://www.irba.co.za/index.php/auditing-standards-functions-55/252-international-clarity-pronouncements-adopted-and-i/882-the-new-and-revised-auditor-reporting-standards>).

In this issue, the following topics are discussed:

- The IAASB's *Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*.
- ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; and ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.
- The audit implications of IFRS 9: Financial Instruments.
- Guide for Registered Auditors: *Reporting Responsibilities of the Reporting Accountant Related to Property Entities in Terms of the JSE Listings Requirements*.
- SAAPS 3 (Revised November 2015), *Illustrative Reports*.
- ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.
- SAAPS 6, *External Confirmations from Financial Institutions*.
- *Engagements on Attorneys' Trust Accounts*.
- Revision of SASAE 3502, *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates*.
- Effect of Government Gazette No. 39703 on Sector Codes.

IAASB Issues its *Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*

The IAASB released its *Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits* (the ITC) on 17 December 2015.

The ITC highlights the IAASB's discussions on three priority topics: professional scepticism, quality control and group

audits. It intends to facilitate responses on detailed aspects of these three priority topics, including:

- How the IAASB's auditing and quality control standards currently address various matters.
- Concerns the IAASB has noted about these topics.
- Possible actions the IAASB may take in response, including highlighting specific areas in the IAASB's auditing and quality control standards that might be improved to enhance audit quality.
- More specific questions the IAASB would like to be answered.

The IAASB has also released a companion document, an *Overview of the ITC*, designed to solicit feedback from investors, audit committees and preparers. It summarises the key areas the IAASB is exploring and the direction it may take. Readers of the ITC may find the *Overview* useful in facilitating outreach activities.

The IRBA welcomes high-level comments on matters addressed in the ITC, but does not seek responses to all the specific questions that are set out on pages 87-95 of the ITC. High-level comments should be submitted via email to standards@irba.co.za by 2 May 2016. The IRBA also welcomes engaging in bilateral discussions with registered auditors and other stakeholders on matters addressed in the ITC, and it encourages interested parties to contact the IRBA in this regard. All comments will be considered as a public record.

We invite registered auditors and other interested parties to submit comments directly to the IAASB by responding to the specific questions set out in the ITC via the IAASB [website](#) by 16 May 2016. We also encourage registered auditors and other interested parties to participate in any other forums, such as those established by the South African Institute of Chartered Accountants (SAICA), set up to discuss and comment on the ITC.

The ITC (<http://www.irba.co.za/index.php/auditing-standards-functions-55/75?task=view>) and the related communiqué (<http://www.irba.co.za/index.php/audit-news-news-42/923-25-january-2016>) are available on the IRBA website.

STANDARDS cont.

The IRBA Board adopts ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; and ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

The IRBA Board has approved the IAASB's ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, and related conforming amendments, for adoption, issue and prescription by registered auditors in South Africa. These revised standards are effective for audits of financial statements for periods ending on or after 15 December 2016.

The nature of the changes in ISA 800 (Revised) and ISA 805 (Revised) is as follows:

- Refinements to the requirements and corresponding application material, where applicable, to clarify auditor reporting responsibilities in light of new concepts established by the new and revised Auditor Reporting Standards.
- New application material relating to going concern, key audit matters, other information and naming of the engagement partner.
- Updated illustrative auditor's reports that:
 - o Align with the reporting requirements in ISA 700 (Revised) in terms of the layout and content, including the ordering of elements, use of headings and terminology; and
 - o Include more fulsome descriptions of the circumstances that are assumed for each of the illustrative auditor's reports and indicate the applicability of the auditor reporting enhancements.

The revised standards (<http://www.irba.co.za/index.php/auditing-standards-functions-55/111-auditing-standards/919-2015-auditing-standards>) and the related communiqué are available on the IRBA website.

Committee for Auditing Standards (CFAS)

Audit implications of IFRS 9: Financial Instruments

SAICA's Banking Project Group has established a subcommittee, the IFRS 9 Impairment Working Group, to address industry issues related to the implementation of IFRS 9, *Financial Instruments*, specifically the impairment requirements. The IRBA is represented on the working group. The IRBA, through the IFRS 9 Impairment Working Group, has determined that South Africa-specific auditing guidance may be required especially on the impairment requirements contained in IFRS 9. An IRBA task group will be established in due course to address this issue.

In addition, on 2 March 2016 the IAASB released a publication (<http://www.ifac.org/publications-resources/isa-540-revision-project-publication>) that highlights the auditing challenges arising from the adoption of Expected Credit Loss (ECL) models when accounting for loan losses. The publication also sets out initial thinking on how these challenges may be addressed under the current ISAs. ECL models will be required under IFRS 9, which will come into effect from 1 January 2018.

The publication also discusses how the IAASB's new project proposal (<https://www.ifac.org/publications-resources/project-proposal-revision-isa-540>) to revise ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* will seek to further address these and other challenges in respect of auditing accounting estimates, including those that are in relation to financial institutions.

Auditors are encouraged to prepare for the implementation and assess the impact of IFRS 9 on their audit procedures

Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Related to Property Entities in Terms of the JSE Listings Requirements

The CFAS approved the issue of the *Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Related to Property Entities in Terms of the JSE*

STANDARDS cont.

Listings Requirements in November 2015.

The Guide provides guidance to JSE-accredited reporting accountants of JSE-listed entities that report on property-related transactions, in accordance with the JSE Limited Listings Requirements (LR). Its purpose is to provide guidance to a JSE-accredited reporting accountant in the implementation of:

- ISAE 3400, *The Examination of Prospective Financial Information*, when engaged to report on an entity's forecast statement of profit or loss and other comprehensive income as well as the vacancy and lease expiry profile of the property portfolio as a whole (forecast information). This information is prepared in terms of paragraphs 13.12-13.14 and 13.18(d) and (e) of the LR and reported on in terms of paragraph 13.15 of the LR; and/or
- ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*, or ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, when engaged to report on the assets and/or liabilities acquired by the applicant issuer in terms of the transaction reflected in the adjustment column of an entity's pro forma statement of financial position. This information is prepared in terms of paragraph 13.16 of the LR and reported on in terms of paragraph 13.16(e) of the LR.

The resultant amendments to the LR were published in Government Gazette No. 39711 on 19 February 2016 and the amendments came into operation on 21 March 2016.

The Guide is effective for engagements commencing on or after 1 March 2016.

The Guide (<http://www.irba.co.za/index.php/auditing-standards-functions-55/92?task=view>) and the related communiqué (<http://www.irba.co.za/index.php/audit-news-news-42/931-22-february-2016>) are available on the IRBA website.

SAAPS 3 (Revised November 2015), Illustrative Reports

The CFAS approved the issue of the *South African Auditing Practice Statement (SAAPS) 3 (Revised November 2015), Illustrative Reports*, in November 2015.

This SAAPS is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No.26 of 2005), the Companies Act, 2008 (Act No.71 of 2008) and the Public Audit Act, 2004 (Act No.25 of 2004).

This SAAPS contains conforming amendments arising from the issue of the new and revised Auditor Reporting Standards and related auditing standards issued by the IAASB, which have been approved for adoption, issue and prescription by registered auditors in South Africa.

It also includes guidance contained in the communiqué, *IRBA Strengthens Auditor Independence by Mandating Disclosure of Audit Tenure*, (<http://www.irba.co.za/index.php/general-news-43/938-29-february-2016>) issued by the IRBA on 4 December 2015.

This SAAPS is effective for periods ending on or after 15 December 2016. If the registered auditor has decided on an early adoption of the new and revised auditor reporting and related auditing standards, then the early adoption of this SAAPS is also required.

The SAAPS (<http://www.irba.co.za/index.php/auditing-standards-functions-55/91?task=view>) and the related communiqué (<http://www.irba.co.za/index.php/audit-news-news-42/936-1-march-2016>) are available on the IRBA website.

ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information

Registered auditors are reminded that ISAE 3000 (Revised) is effective for assurance reports dated on or after 15 December 2015.

The ISAE (<http://www.irba.co.za/index.php/auditing-standards-functions-55/111-auditing-standards/919-2015-auditing-standards>) is available on the IRBA website.

STANDARDS cont.

SAAPS 6, *External Confirmations from Financial Institutions*

Registered auditors are advised that the status and authority paragraph contained in page 4 of SAAPS 6 has been updated to reflect the wording as per the *Committee for Auditing Standards (CFAS), Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* document that was issued in November 2013. This change is considered non-substantive by the CFAS, so it does not constitute a revision of SAAPS 6.

The SAAPS (<http://www.irba.co.za/index.php/auditing-standards-functions-55/91?task=view>) is available on the IRBA website.

Engagements on Attorneys' Trust Accounts

The CFAS approved a project for the revision of the *Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts*. The revision will be performed in two parts.

- Part one of the project will be to update the illustrative engagement letter, the management representation letter and the auditor's report for amendments to ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, which is effective for assurance reports dated on or after 15 December 2015. It is expected that the revised documents will be issued by July 2016.
- Part two will be to update the Guide and appendices for:
 - o The Uniform Rules;
 - o ISAE 3000 (Revised);
 - o Guidance on components of other entrusted property and all estate matters; and
 - o Other issues identified by the Task Group.

It is likely that the revised guide will be issued on exposure early next year.

The Uniform Rules (<http://www.issa.org.za/legal-practitioners/policy-documents/misc/uniform-rules-for-the-attorneys--profession>) were promulgated on 26 February 2016 and were published in Government Gazette No. 39740, General Notices and Notice 2 of 2016 and are effective from 1 March 2016.

The CFAS invites proposals for future standard-setting projects. Please submit such proposals to standards@irba.co.za, including information regarding the proposed project.

B-BBEE Verification Assurance

Revision of SASAE 3502, *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates*

A project is to commence shortly to revise SASAE 3502 for amendments to legislation. Minor changes to be effected to the SASAE are due to:

- Amendments to the B-BBEE Act, 53 of 2003, that will require a revision of references in terms of the B-BBEE Amendment Act, 46 of 2013.
- The definition of B-BBEE Codes of Good Practice (CoGP) as a result of the issue of the 2013 CoGP, which replaced the 2007 CoGP.
- The Sector Codes which are in the process of being amended, thus the effective dates of the amended codes would have to be revised.
- A revision of the illustrative verification certificates in the appendices of the SASAE to align with the amendments to the underlying criteria being audited in terms of the amended 2013 CoGP and the amended Sector Codes.

It is expected that the revised SASAE 3502 will be issued in July 2016.

Effect of Government Gazette No. 39703 on Sector Codes

The DTI issued Government Gazette No. 39703 on 17 February 2016, which has effected the repealing of the following Sector Codes:

- Construction Sector Code – Government Gazette No. 32305.
- Chartered Accountancy Sector Code – Government Gazette No. 34267.

Auditors are alerted to the fact that due to the above Sector Codes being repealed, these codes may not be used to determine the measured entity's (ME) B-BBEE status from 17 February 2016.

STANDARDS cont.

The ME is required to follow the requirements of Government Gazette No. 38764, paragraph 1(b), from 17 February 2016. This states that if the ME's financial year ends on or before 30 April 2015, the ME must use the 2007 CoGP (see Government Gazette No. 29617) to prepare its B-BBEE scorecard on condition that this financial year has not already been used to assess its B-BBEE status. If its financial year is after 1 May 2015, the ME will have to use the 2013 CoGP (Government Gazette No. 36928).

The following Sector Codes have not been repealed and remain valid until they are amended:

- Tourism Sector Code – Government Gazette No. 32259.
- Property Sector Code – Government Gazette No. 35400.
- Agri-BEE Sector Code – Government Gazette No. 36035.
- Forest Sector Code – Government Gazette No. 32320.

- Financial Services Sector Code – Government Gazette No. 35914.
- ICT Sector Code – Government Gazette No. 35423.
- Integrated Transport Sector Code – Government Gazette No. 34267.

Queries in connection with the application of B-BBEE legislation should be addressed to the DTI.

Auditors are alerted to the communiqué that was issued by the IRBA on 4 March 2016 providing an update on the IRBA's continued involvement in the B-BBEE Verification Industry. The communiqué is available on the IRBA website (<http://www.irba.co.za/index.php/audit-news-news-42/940-4-march-2016>).

ETHICS

Committee for Auditor Ethics (CFAE)

IRBA Approves Final Amendments to IRBA Code of Professional Conduct for Registered Auditors Relating to the Provision of Non-Assurance Services

The IRBA adopted the final amendments made to the IESBA Code of Ethics for Professional Accountants (the IESBA Code), issued during 2015, following their issue on exposure in South Africa on 20 November 2015 for public comment (Board Notice 254 of 2015).

The changes in the pronouncement enhance the independence provisions in the *IRBA Code of Professional Conduct for Registered Auditors* (the IRBA Code). These revisions include the following:

- No longer permitting registered auditors to provide certain prohibited non-assurance services to public interest entity (PIE) audit clients in emergency situations, as these were susceptible to being interpreted too generally.
- New and clarified guidance regarding what constitutes management responsibility, thus ensuring that they do not assume management responsibility when providing non-assurance services to audit clients.
- Clarified guidance regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.
- Corresponding changes to the IRBA Code's non-assurance services provisions with respect to other assurance clients (Section 291).

The changes will be effective on or after 15 April 2016, with early adoption permitted.

The final amendments (<http://www.irba.co.za/index.php/ethics-standards-functions-73/127?task=view>) and the related communiqué (<http://www.irba.co.za/index.php/generalnews-43/930-22-february-2016>) are available on the IRBA website.

IRBA Approves Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Definition of Public Interest Entities

The IRBA adopted the final amendments to the *IRBA Code of Professional Conduct for Registered Auditors relating to the*

Definition of Public Interest Entities (the IRBA Code), following their issue on exposure on 24 April 2015 for public comment (Board Notice 88 of 2015).

The CFAE has consulted with the Financial Services Board, the Johannesburg Stock Exchange, the South African Reserve Bank, the Council for Medical Schemes and the Auditor-General South Africa in drafting these amendments, particularly with regard to the entities that fall within their jurisdiction and that, in their view, are likely to be considered as PIEs.

The amendments to the IRBA Code relating to the PIE definition will allow for more consistent application by registered auditors. This is also in line with international ethical practices, and has resulted in the following significant changes:

- Provision of a list of entities that are likely to be considered as PIEs, including thresholds for certain regulated entities;
- Clarity on that it is the firm's responsibility to consider if an audit or review client is a PIE; and
- Allowance for an opportunity for a firm to consider the client not to be a PIE and the requirement for the firm to document the reasons (the rebuttable presumption) for such a decision.

In drafting these amendments the CFAE considered whether there is a relationship between the public interest score (PIS) in the Companies Act 2008 (Act No.71 of 2008) and the PIE definition in the IRBA Code. The proposed amendment clarifies the definition of a PIE. In doing so, it will distance the definition of PIE from the calculation of a PIS in the Companies Act 2008 (Act No.71 of 2008).

In order to facilitate the implementation of the amendments to the IRBA Code, including their impact on its inspections, investigations and disciplinary functions, the amendments will be effective on or after 1 July 2016.

The final amendments and the related communiqué are available on the IRBA website.

ETHICS cont.

The International Ethics Standards Board for Accountants (IESBA)

IESBA Releases Exposure Drafts on the Structure of the Code, Revisions to Safeguards and Limited Re-exposure Draft on Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client

The IESBA released, for public comment, three exposure drafts proposing enhancements to the *IESBA Code of Ethics for Professional Accountants* (the IESBA Code) in the last quarter. The exposure drafts are:

1. *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1* (commonly referred to as the IESBA Proposed Restructured Code – Phase 1 ED). The proposed restructured IESBA Code introduces a new drafting convention. The highlights of the restructuring include:

- Requirements that are clearly distinguished from application material;
- Increased clarity of responsibility for compliance with the IESBA Code's requirements;
- Increased clarity of language, especially relating to responsibilities;
- A reorganisation of the content of the IESBA Code; and
- A new guide to the Code.

2. *Proposed Revisions Pertaining to Safeguards in the Code – Phase 1* (commonly referred to as the IESBA Safeguards – Phase 1 ED). Key enhancements proposed in this exposure draft, which is presented in accordance with the new structure and drafting conventions, include:

- More robust and prominent requirements related to the application of the conceptual framework, including a required overall assessment of the judgements made and conclusions reached;
- A clearer and more robust description of the concept of safeguards, as well as clarified and streamlined examples of safeguards; and
- New guidance regarding the application of the concept of a “reasonable and informed third party” that is essential in applying properly the conceptual framework.

3. *Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client* (commonly referred to as the IESBA Long Association – Re-exposure). This project is aimed at

developing more robust and comprehensive provisions dealing with long association of personnel with an audit or assurance client. The re-exposure relates to:

- An increase from two to five years in the cooling-off period for the engagement quality control reviewer (EQCR) on the audit of a listed entity, and to three years on the audit of a PIE other than a listed entity;
- An alternative approach to the cooling-off requirements for PIE audits in the IESBA Code where jurisdictions have established different but robust legislative or regulatory safeguards to address the threats to auditor independence created by long association; and
- A revised approach to determining how long an individual should cool off after having served either as an engagement partner (EP) or an EQCR, or in a combination of roles, or having served only part of the seven-year period as a key audit partner.

As the IRBA Code adopted Parts A and B of the IESBA Code, these proposed changes, which could affect registered auditors, will be considered by the CFAE for possible amendments to the IRBA Code.

In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act (Act No.26 of 2005), the IRBA may, by notice in the Gazette and pursuant to the provisions of Section 4(1)(c) of this Act, publish for public information and comment an amendment to the IRBA Code. Accordingly, Board Notice 2 of 2016 and Board Notice 11 of 2016 were published in the Government Gazette for public comment for a minimum period of 30 days.

How to Comment

We invite registered auditors and others to submit for consideration any comments regarding the proposed changes to the IRBA Code as we prepare our response to the IESBA amendments. Comments should be submitted by e-mail to standards@irba.co.za in Word format or directly to the IESBA through its website, www.ifac.org. The closing dates for comments are, or were, as follows:

ETHICS cont.

	Due to the IRBA	Due to the IESBA
IESBA Safeguards – Phase 1 ED	4 March 2016	21 March 2016
IESBA Proposed Restructured Code – Phase 1 ED	1 April 2016	18 April 2016
IESBA Long Association – Re-exposure	22 April 2016	9 May 2016



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INVESTIGATIONS

With effect from November 2015, the Legal Department was split into two separate departments – Legal and Investigations. As a result, the Investigating Committee and Disciplinary Advisory Committee reports now reside with the Investigations Department.

As stated in the December 2015 *IRBA News*, due to the early publication of that issue the matters considered by the committees between October 2015 and December 2015 will appear together with matters from the first quarter of 2016. This report therefore covers the period October 2015 to March 2016.

Investigating Committee

The Investigating Committee met four times during this period and referred 71 matters to the Disciplinary Advisory Committee with recommendations.

Disciplinary Advisory Committee

The Disciplinary Advisory Committee met three times during this period and concluded on 48 matters as follows:

Decisions not to charge

Fifteen matters in terms of Disciplinary Rule 3.5.1.1 – the respondents were not guilty of improper conduct.

Two matters in terms of Disciplinary Rule 3.5.1.2 – there were reasonable explanations for the respondents' conduct.

Four matters in terms of Disciplinary Rule 3.5.1.3 – the conduct of which respondents may be guilty were of negligible nature or consequence.

Six matters in terms of Disciplinary Rule 3.5.1.4 – there were no reasonable prospects of succeeding with charges of improper conduct against the respondents.

Three matters in terms of Disciplinary Rule 3.5.1.5 – in all the circumstances it was not appropriate to charge the respondents with improper conduct.

Decisions to charge and matters finalised by consent order

Fifteen matters were finalised by consent order.

Matter 1 – The respondent was aware, prior to signing the modified audit opinions for two companies in the same group, of significant subsequent events in both companies which management had failed to disclose in the respective financial statements. In addition, the respondent failed to document considerations for concluding on the classification of a current loan as a non-current loan in both companies. Accordingly, the financial statements did not provide the classifications necessary to achieve fair presentation.

With respect to another company in the group, the respondent was aware, prior to signing the unmodified audit opinion, of significant subsequent events which management had failed to disclose in the financial statements. In addition, the financial statements did not in all material respects comply with the requirements of IAS 24. Accordingly, the respondent's audit opinion was inappropriate.

The respondent was sentenced to a fine of R150,000, of which R37,500 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, costs order of R5,000 and publication will not include the respondent's name.

Matter 2 – The respondent issued an unmodified limited assurance report on the pro forma financial information in a client's prospectus without performing adequate procedures and obtaining sufficient appropriate evidence to substantiate the conclusion in the report.

The respondent issued an unmodified reporting accountant's report on the profit forecast and capital growth in a client's prospectus without performing adequate procedures and obtaining sufficient appropriate evidence to substantiate the conclusion in the report.

In the audit of a client, there was a significant fair value adjustment of a loan book and the respondent did not document sufficient appropriate evidence to conclude thereon. In addition, the respondent did not detect a material error in the calculation of the client's deferred tax. There were also a number of disclosure issues that the respondent had not identified.

INVESTIGATIONS cont.

In the audit of another client, the respondent had not obtained sufficient appropriate audit evidence on certain specified aspects to support the unmodified audit opinion expressed.

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

Matter 3 – The respondent issued an unmodified limited assurance report on the pro forma financial information in a client's prospectus which did not comply with the requirements of ISAE 3000.

The respondent issued an unmodified reporting accountant's report on the profit forecast and capital growth in a client's prospectus without performing adequate procedures and obtaining sufficient appropriate evidence to substantiate the conclusion in the report.

In the audit of a client, the respondent relied on an expert to substantiate a significant fair value adjustment but did not document the procedures required to be performed as set out in ISA 620.

In the audit of another client, the respondent had not obtained sufficient appropriate audit evidence on certain specified aspects to support the unmodified audit opinion expressed.

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

Matter 4 – The respondent prepared an incorrect Broad-based Black Economic Empowerment (B-BBEE) score and status level on behalf of a client in that the relevant sector codes were not applied by the respondent. The respondent then issued the B-BBEE verification certificate, which contained material errors, together with an unmodified assurance conclusion.

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

committed during the period of suspension, no costs order and publication in general terms.

Matter 5 – The respondent issued a client with a B-BBEE verification certificate that contained misleading statements and had content that was not in accordance with SASAE 3502.

The respondent was sentenced to a fine of R20,000, of which R10,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Matter 6 – The respondent issued an Exempted Micro-Enterprise (EME) certificate for a client without performing all the relevant procedures as required in SASAE 3502.

The respondent was sentenced to a fine of R10,000, of which R5,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Matter 7 – In the case of two different clients, the respondent issued two review reports on the same date. With both clients, the respondent failed to withdraw the first review report and did not include a paragraph in the second review report drawing attention to the first review report with the reasons for its amendment. In addition, certain content in the review reports was not in keeping with ISRE 2410.

In addition, the respondent issued an inappropriate unmodified audit opinion with an emphasis of matter on going concern in that the material uncertainty was inadequately disclosed in the financial statements.

The respondent was sentenced to a fine of R150,000, of which R50,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, costs order of R135,000 and publication in general terms.

Matter 8 – The respondent failed to finalise the affairs of two testamentary trusts and pay out the beneficiaries on due dates. The respondent failed to timeously file the tax returns of the trusts, and in addition failed to retain copies of the annual

INVESTIGATIONS cont.

financial statements of the trusts. Also, the respondent failed to respond on a timely basis to communication from the beneficiaries.

The respondent was sentenced to a fine of R100,000, of which R80,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Matter 9 – The respondent failed to prepare audit documentation that provided a sufficient and appropriate record to support the auditor's opinion and failed to prepare evidence that the audit was performed in accordance with auditing pronouncements. The respondent issued an unmodified audit opinion in respect of the financial statements of the client, notwithstanding that there were material misstatements as a result of incorrect disclosures and/or omissions and/or instances of non-compliance with IFRS for SMEs in relation to the financial statements.

The respondent was sentenced to a fine of R150,000, costs order of R5,000 and publication in general terms.

Matter 10 – The respondent failed to obtain sufficient appropriate audit evidence relating to a liability and as a result did not detect the misclassification of this amount and the resultant misstatement of the group annual financial statements. The respondent issued an unmodified audit opinion in circumstances where it was inappropriate to do so.

The respondent was sentenced to a fine of R100,000, of which R25,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, costs order of R5,000 and publication in general terms.

Matter 11 – The clients of the branch believed that the branch manager was the person responsible for carrying out the audit and issuing the audit reports. The respondent failed to properly communicate the identity of the registered auditor to the clients of the branch. The respondent signed and issued audit reports on four clients of the branch without setting out the respondent's full name as part of the signature on the auditor's report.

The respondent was sentenced to a fine of R50,000, of which R50,000 has been suspended on condition that the respondent issues a letter to all clients of the branch clarifying the matter, costs order of R5,000 and publication in general terms.

Matter 12 – The respondent prepared an incorrect B-BBEE score and status level on behalf of the client in that the relevant sector codes were not applied by the respondent. The respondent then issued the B-BBEE verification certificate, which contained material errors, together with an unmodified assurance conclusion.

The respondent was sentenced to a fine of R30,000, of which R15,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Matter 13 – The respondent prepared an incorrect B-BBEE score and status level on behalf of two unrelated clients in that on the one client there were calculation errors on the certificate and on the other client the respondent did not apply the appropriate sector codes. The respondent subsequently issued the B-BBEE verification certificates, both of which contained material errors, together with unmodified assurance conclusions thereon.

The respondent was sentenced to a fine of R30,000, of which R15,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Matter 14 – With respect to two unrelated clients, the respondent prepared incorrect B-BBEE scores and status levels on behalf of those clients in that the calculation of an element in both instances was incorrect. The respondent then issued the B-BBEE verification certificates, both of which contained material errors, together with unmodified assurance conclusions thereon.

With respect to another client, the respondent prepared an incorrect B-BBEE score and status level on behalf of a client in that the relevant sector codes were not applied by the respondent. The respondent then issued the B-BBEE

INVESTIGATIONS cont.

verification certificate, which contained material errors, together with an unmodified assurance conclusion.

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

Matter 15 – With respect to two unrelated clients, the respondent prepared incorrect B-BBEE scores and status levels on behalf of those clients in that the relevant sector codes were not applied by the respondent. The respondent then issued the B-BBEE verification certificates, both of which contained material errors. In addition, the respondent did not include the prescribed content for certificates as set out in SASAE 3502.

The respondent was sentenced to a fine of R40,000, of which R20,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, no costs order and publication in general terms.

Decisions to charge and matters referred to disciplinary hearing

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

Use of the IRBA Logo

We continue to find that auditors are making use of the IRBA logo on B-BBEE verification certificates. Please note that the IRBA does not permit the use of its logo by anyone. Refer to pages 7-14 in the *Manual of Information* for more details on this matter.

Increase in Tax Matters Referred for Investigation

We have identified that there is an increase in the number of tax matters referred for investigation. These matters mainly relate to late submissions, which result in interest and penalties being incurred by clients without their knowledge. In this regard, we draw your attention to paragraph 130.4 of the Code of Professional Conduct which states: "Diligence encompasses the responsibility to act in accordance with the

requirements of an assignment, carefully, thoroughly and on a timely basis." Auditors are therefore advised to conduct their taxation services with caution, be mindful of SARS deadlines and communicate sufficiently and timeously with clients who have incurred or who might incur interest and penalties.

Registration with CIPC as Company Secretary

In the Companies Act of 1973, Section 275(3) allowed auditors of private companies to perform secretarial duties, if all shareholders agreed to this in writing. As a result, numerous auditors of private companies went so far as to have their clients register the auditor/audit firm as the company secretary at CIPC.

However, with the introduction of the Companies Act of 2008, it is imperative that those auditors ensure that their clients update their CIPC records and remove the name of the auditor/audit firm as the company secretary because this is now prohibited, among other things, by Section 90(2) of the Companies Act of 2008.



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Half Yearly Report for the Period 1 October 2015-31 March 2016

Due to the timing of the year-end deadline, the traditional Legal Department report could not be included in the last edition of 2015. However, all the details that would have been covered in the October-December 2015 edition are in this report.

In addition, certain functions have been re-arranged within the IRBA. The investigations matters (from the Investigations Committee and the Disciplinary Advisory Committee) will now be reported on by the Director Investigations while reportable irregularities (RIs) will be part of this report.

Disciplinary Committee

The committee sat eight times during this period to hear **five** matters.

The **first matter**, that of Mr MD, was a part-heard matter that resumed from 26-28 October 2015 and was concluded on 14 January 2016. We have been informed that the practitioner intends taking the matter on judicial review in the near future, hence it is not appropriate for us to report on the findings in this issue.

The **second matter**, also a part-heard matter against two practitioners, was continued on 9, 10 and 13 November 2015 and was concluded on 9 March 2016. As in the previous matter, we have been informed that the first practitioner intends launching review proceedings against the findings and sanction of the Disciplinary Committee pursuant to the disciplinary hearing. In the circumstances, we have agreed to suspend implementation of the sanction (which includes reporting the matter in this publication), pending conclusion of the review application, provided that the first practitioner institutes review proceedings within two calendar months from the date of sanction (24 March 2016) and prosecutes the judicial review proceedings expeditiously, including any appeals.

The **third case** of Mr JD was heard to finality on 23 November 2015, after being postponed on 26 November 2014 by agreement without any evidence being led. The practitioner pleaded guilty to two charges of negligence relating to the audit of an attorneys' firm's trust account. In respect of both the

charges he was fined R100,000, of which R40,000 was suspended for three years on condition that the practitioner is not found guilty of improper conduct relating to conduct during the period of suspension. In addition, the Disciplinary Committee ordered the practitioner to make a contribution of R125,000 towards the IRBA's legal costs and that publication occurs in general terms in the *IRBA News* without disclosing the name of the practitioner or the name of his firm.

The **fourth case** of Mr WP was heard on 23-26 November 2015 and 27 January 2016, at which sitting the matter was concluded. The practitioner faced four charges of improper conduct in respect of the audit of the consolidated annual financial statements of a multinational financial services listed company (the listed company) for the financial year ended 28 February 2009.

The essence of the **first charge** was that the practitioner had failed to detect that goodwill relating to a Cameroon subsidiary was impaired. This was despite the practitioner's own assessment, as reflected in the working papers, that goodwill impairment indicators did exist. IAS36 requires goodwill to be tested for impairment when impairment indicators exist or at least annually. The practitioner further failed to qualify the audit opinion accordingly and the consolidated annual financial statements of the listed company for the year ended 28 February 2009 were, as a result, materially misstated from a profit perspective.

The practitioner was found guilty of the first charge. The committee was of the view that the practitioner had failed to exercise the requisite level of care and skill when auditing the impairment testing done by management in respect of the subsidiary.

In respect of the remaining charges, the committee found that the pro forma complainant had not proven on a balance of probabilities that the practitioner was guilty of the second, third and fourth charges. Accordingly, Mr WP was acquitted of these charges.

Mr WP was ordered to pay a fine of R50,000, in respect of the first charge, and to pay a contribution towards costs of R100,000. The committee ordered that there must be publication of a summary in general terms of the decisions on guilt and sanction without reference to the name of the

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practitioner or the name of his firm.

The **fifth case** of Mr MS was heard on 22 March 2016. The practitioner pleaded guilty to the charge of contravening Rule 2.13 in that he failed to comply, within a reasonable time, with an order, requirement or request of the Regulatory Board; and Rule 2.15 in that he failed, after demand, to pay monies due to the Regulatory Board following a sanction imposed on him by way of a consent order; and Rule 2.17 of the 2011 Rules regarding Improper Conduct in that he conducted himself in a manner that tended to bring the auditing profession into disrepute.

The matter related to the non-payment of a fine imposed on the practitioner in 2010 pursuant to him pleading guilty by consent to improper conduct. Notwithstanding subsequent demand and legal action instituted for recovery of the sanction imposed, Mr MS failed to pay the outstanding amount of the fine, which resulted in the current disciplinary proceedings against him.

At the hearing, the practitioner pleaded guilty to the charge and was accordingly found guilty of contravening Rules 2.13 and 2.15 and 2.17 of the Rules regarding Improper Conduct.

The committee considered the issue of an appropriate sanction from three perspectives. First, the particular misconduct involved; second, the practitioner's personal circumstances and the practitioner's perspective on the matter; and third, the public interest and that from the perspective of both the auditing profession and the wider public that places reliance on the work that auditors do. The committee took into account that no dishonesty was involved in the offence; nonetheless the offence remained a serious one in that non-payment of the fine showed disrespect for the Regulatory Board and its disciplinary processes. The practitioner pleaded that economic circumstances had prevented payment of the fine and that he had several persons who are dependent on him.

Taking all of the above into consideration, the Disciplinary Committee ordered the cancellation of the registration of the practitioner as a registered auditor and the removal of his name from the register. The sanction is subject to the following conditions: first, the practitioner may only apply for re-registration upon payment of the outstanding amount of the fine in the sum of R71,550; and second, the cancellation of

registration and removal of the practitioner's name only becomes effective from 2 May 2016. No order was made as to costs. The committee ordered that a summary of the charge, the fact of admission of guilt, the sanction and a summary of the reasons be published in the *IRBA News* with no reference to the name of the practitioner.

Farewell

At the end of this quarter, we bid farewell to two long-serving members of the Disciplinary Committee. Charles Reid, a practising registered auditor, and Hussan Goga, a practising attorney, together served the committee in excess of 28 years. Their exceptional commitment and expertise will be missed and we wish them well with their "retirement" and express our sincere gratitude to them for their noble service to the auditing profession.



Hussan Goga and Charles Reid

Reportable Irregularities (RIs)

The function of administrating and managing the reportable irregularity process has moved from the Standards Department to the Legal Department, and in this regard we ask registered auditors to please continue sending all RIs to the rstandards@irba.co.za inbox. Furthermore, we ask that all RIs be addressed to the Director Legal, Jane O'Connor.

If you have any questions or comments relating to the RI process in general, we would like to hear from you. Please forward all such correspondence to our newly appointed Professional Manager, Louis Thom, at lthom@irba.co.za or to our RI Administrator, Retsibile Maboshego at

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rmaboshego@irba.co.za. She will be your first point of contact in the RI reporting process.

We do, however, wish to reiterate that the IRBA is not at liberty whatsoever to grant any form of extension to the maximum 30-

day timeframe as stipulated by the Auditing Profession Act for registered auditors to submit their second reports to us, determined from the date on which their first reports were submitted up to the date of submission of the second report.

Reportable Irregularities (RIs) for the Quarter October-December 2015 (Note that RIs are reported on quarterly in arrears)

114 second reports were received, of which:

RIs were continuing	54
RIs were not continuing	60
RIs did not exist	-

Of the 54 continuing reportable irregularities received, the top seven most frequent types of RIs reported, categorised by nature, were:

Financial statements not prepared/not approved	29%
Income tax returns not submitted	26%
VAT returns not submitted	11%
Contraventions of the Estate Agency Affairs Act	10%
UIF/SDL not declared and/or paid	5%
Trading while technically insolvent	4%
Contraventions of the Pension Funds Act	4%
Other (including non-establishment of a Social and Ethics Committee, contraventions of the Attorney's Act, etc.)	11%

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

Holding Outs

The IRBA received a complaint from the Cape Law Society in 2010 regarding an assurance report submitted to the Law Society in respect of a firm of attorneys. This report was allegedly signed by an individual who was not registered with the IRBA.

The IRBA referred the matter to the Commercial Crime Unit of the SAPS in Cape Town, and the matter proceeded to the Specialised Commercial Crime Court in Bellville on 15 February 2016.

The now former attorney was charged with contravening the Attorney's Act.

The individual who allegedly signed the assurance report was charged with contravening the Auditing Profession Act for representing herself, or holding herself out, as a registered auditor by signing the report without being registered with the IRBA.

Neither was asked to plead, and the matter is expected to proceed in July 2016.



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REGISTRY

Individuals Admitted to the Register of the Board from 30 Nov 2015 - 18 March 2016

Adams: Francois	Madzeke: Petronella	Rohlandt: Trudie
Bardien: Mogamat Zahid	Mamogwe: Thomas Shuping	Sewsanker: Ivan Jason
Bence: Danika	Manyosa: Rose Sello	Shanji: Takunda Terrence Sainos
Boakye: Mary-Ann Afua	Maphanga: Jetro Philani	Singh: Ashnee
Breetzke: Michael John	Mayet: Hoosain	Smit: Johannes Christiaan
Cruickshank: Diane Laura	McMaster: Christopher Steven	Solomons: Muhammad Rushdi
De Beers: Gerhard Johannes	Moodley: Natasha	Tarira: Esnath
Deva: Ghitesh	Moroamohwebedu: Mante Happy	Van den Berg: Gerhard
Dimairo: Tinashe	Mrwebi: Masixole	Van der Merwe: Candice
Dladla: Almon Caiphaz	Mudzengi: Takudzwa Wendy	Van der Merwe: Willem-Carel Stephan
Essa: Mohamed Uraaz	Murray Neil Christiaan	Van Dyk: Peter-John
Jina: Neelan	Nel: Helena Jacoba	Van Heerden: Iné
Kula: Ishak	Nkasana: Bongani	Vanmali: Kavita
Lötter: Helga	Oertli: Jonathan	Vos: Gerwin

Individuals Re- admitted to the Register of the Board from 30 Nov 2015 - 18 March 2016

Barnard: Jacqueline Melissa	Matloa: Octavia Matshidiso	Radebe: Nkululeko Mathubeszwe
Bester: Thomas	Nyajeka: Bernard Tawanda	Vlok: Gideon Jacobus
Leolo: Malose Edmund Ntlotlwane	Posthumus: Herman	Volschenk: Gert Jacobus

Individuals Removed from the Register of the Board from 30 Nov 2015 - 18 March 2016

Annandale: Elmare	Emigrated	Le Roux: Jacobus Petrus	Resigned
Basson: Lauren June	Resigned	Nathan: David Alan	Resigned
Brogden: Robin Gregory	Resigned	Prange: Eric	Resigned
Cavaleros: George	Resigned	Schäckermann: Ulrich	Emigrated
Clarke: Christopher Geoffrey	Resigned	Schoeman: Ockert Petrus Jacobus	Resigned
Dalton: Marjorie Joan	Resigned	Scorgie: Heidi Patricia	Resigned
De Kock: Anton	Resigned	Sewald: Mario	Emigrated
Deonarain: Danjay Jairaj	Resigned	Suleman: Yunus Goolam Hoosen	Resigned
Du Toit: Wynand	Emigrated	Tshesane: Anastacia Matome	Resigned
Duffy: Ryan Michael	Emigrated	Van der Horst: Ulrike	Resigned
Godden: Johnathan Mark	Resigned	Van der Merwe: Hendrik Jacobus	Resigned
Greef: Stephanus Gerhardus Johannes	Resigned	Van Zyl: Cornelis Johannes Petrus Gerhardus	Resigned
Ingram: Charl	Resigned	Venter: Coenraad Willem	Resigned
Jacobs: Richard James	Resigned	Wilson: Patricia Catherine	Emigrated
Krzychylkiewicz: Maciej Zbigniew	Resigned		

INSPECTIONS

Collaboration Efforts Will Produce Better Results

Increased collaboration between those who set auditing standards and those tasked with monitoring the practical application of those standards is vital in strengthening the competency of the auditing profession. As such, efforts to create a meaningful dialogue between these two functions will improve the measurability of standards by inspectors.

Recent moves aimed at closing the perceived gap between the two functions have resulted in inspectors calling for the incorporation of more examples and meaningful application material in standards. Having Standards and Inspections departments operating from different perspectives – with inspectors preferring measurable rules while standards focus on principles – has widened this apparent gap over the years.

However, gradual moves to collaborate are helping with the identification of areas that may require improvement or clarification, especially when inspections are undertaken. Also, this cooperation is steadily bridging the gap between theory and existing challenges with the practical application and monitoring of standards. In addition, it promotes a common understanding of not only the interpretation of the standards but also their intention (“spirit vs the letter”).

Ultimately, this should help with improving audit quality, which the International Forum of Independent Audit Regulators (IFIAR) recently classified as going “too slow”. This came out as the IFIAR was releasing its annual inspections findings survey at the beginning of March. “[The] IFIAR’s 2015 survey of findings from the inspections of the six largest global network audit firms ... indicates that 43% of inspected audits of listed public interest entities (PIEs) had at least one inspection finding during the survey period,” said IFIAR chairman Janine van Diggelen in a press release.

“While this is a four percentage point drop in deficient audits over last year, IFIAR is not yet satisfied that enough has been done by the audit profession to understand and address shortfalls in audit quality. The outcomes continue to show a lack of consistency in the execution of high-quality audits and highlight concerns over the robustness of the firms’ internal

quality management systems.”

Interestingly, there are a number of similarities in terms of inspections outcomes between what the IFIAR report reveals and what has been observed in South Africa, with both instances showing exactly the same failure rate of 43%, even though the two do not cover the same period. Another slight difference to bear in mind is that the IRBA also inspects small and medium practices (SMPs).

As such, there is now a global focus on the measurable improvement of audit quality and on developing and implementing meaningful audit quality indicators (AQIs) that can be used by other stakeholders, such as audit committees and regulators, in assessing the competence, capacity and experience of auditors. South Africa should look at developing relevant AQIs as soon as possible and start engaging various stakeholders so they can meaningfully use these indicators when assessing their auditors for appointment or accreditation.



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COMMUNICATIONS

In the interest of improved communication with registered auditors and other stakeholders, a list of communiqués sent by bulk e-mail during the reporting period for this issue is set out

below. These communiqués may be downloaded from the IRBA website at www.irba.co.za under the News section.

18 March 2016	IFIAR Issues Report on the 2015 Global Inspections Findings Survey
11 March 2016	Annual Fees Payable to the IRBA with Effect from 1 April 2016
4 March 2016	Update on the IRBA's continued involvement in the Broad-Based Black Economic Empowerment (B-BBEE) Verification Industry
4 March 2016	Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Definition of Public Interest Entities
3 March 2016	Individual Annual Return, Individual Annual Fees, Declaration of Assurance Work and Firm Return
1 March 2016	South African Auditing Practice Statement (SAAPS) 3 (Revised November 2015), Illustrative Reports
29 February 2016	Important Notice on Disclosure of Audit Tenure and Frequently Asked Questions on Audit Tenure
22 February 2016	Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements
22 February 2016	Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Provision Of Non-Assurance Services
28 January 2016	IESBA Releases Exposure Drafts on the Structure of the Code and Revisions to Safeguards
27 January 2016	Adoption of the International Handbooks – REMINDER
25 January 2016	IAASB Issues Its Invitation to Comment: Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits
17 December 2015	IRBA News #32
11 December 2015	Broad-Based Black Economic Empowerment (B-BBEE): Update on the Status of the Chartered Accountancy (CA) Sector Charter
4 December 2015	IRBA Strengthens Auditor Independence by Mandating Disclosure of Audit Tenure
3 December 2015	The IRBA Issues Its Public Inspections Report for 2015

GENERAL NEWS

IRBA to Host the IAESB Meeting

The IRBA will host the International Accounting Education Standards Board (IAESB) Consultative Advisory Group (CAG), and IAESB meetings taking place, in Johannesburg from 11-15 April 2016. The week-long meeting will, for the first time, include a forum that will be open to all stakeholders in the profession. The forum will consist of two panel discussions

and a keynote address by the World Bank.

For more information on this meeting, including the agenda, go to the IAESB website link at <http://www.iaesb.org/meetings/iaesb-meeting/april-13-15-2016/johannesburg-south-africa-0>.

Latest Public Compliance Communication

The Financial Intelligence Centre (FIC) has issued Public Compliance Communication No.34, which allows accountable and reporting institutions not registered as at 7 March 2016 to contact the FIC to obtain temporary login credentials. This will allow these institutions to submit a report to the FIC.

Using the temporary login credentials, accountable and reporting institutions will be able to submit the following reports to the FIC:

- Cash Threshold Reports in terms of Section 28 of the FIC Act;

- Terrorist Property Reports in terms of Section 28A of the FIC Act; and
- Suspicious and Unusual Transaction Reports in terms of Section 29 of the FIC Act.

All temporary login credentials will be valid until Friday 22 April 2016 at 17h00. Queries on this and other compliance matters can be logged in via the FIC website at <http://www.fic.gov.za/Secure/Queries.aspx> or you can call 0860-222-200.

Holding Out Update

Following the successful prosecution of ES Mzileni by the Commercial Crime Unit of the SAPS in Durban – as mentioned in the January-March 2015 *IRBA News* (Issue 29) – the Institute of Accounting and Commerce has informed the IRBA

that the individual has since been removed from the institute's register. The individual was prosecuted for contravening Section 41 of the Auditing Profession Act by creating an impression that he was a registered auditor.