



**irba**

INDEPENDENT REGULATORY BOARD FOR AUDITORS

**NEWS**

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## To protect investors and our investment credibility

We'll take the necessary steps as we find our way into 2017 after having traversed a 2016 littered with uncertainty

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## FROM THE CEO'S DESK

The late Allister Sparks, renowned editor of the Rand Daily Mail, a liberal voice of opposition, an advocate of change to majority rule through the 1970s and the one noted by many as the most influential South African journalist to challenge apartheid, in December 2015 wrote: *“As we enter the last month of 2015, we must brace ourselves for the year ahead. It is going to be tough. I am not by nature a scaremonger or doomsayer. I have always been optimistic about the future of this country – even through our darkest years when a race war loomed. But I want to sound the alert that next year is going to be the most challenging year since our liberation from apartheid. I do so because I believe the country, its people and its leaders are sleepwalking towards a crisis. It's an economic crisis. We are spending and wasting too much money and earning too little. The national coffers are running towards empty. The auditor-general tells us another R25.7-billion has just been wasted. Sometime this coming year, the international ratings agencies are going to give us junk status ratings.”*

The experience of the wise seems prophetic in hindsight, but what is certain is that there have been some changes at all spheres in the country as well as globally. At a macro level, local government elections brought leadership changes for a number of our major metropolitan areas. At a local level, we were repeatedly rocked by a series of socio-political and financial crises, which the rand managed to endure as it had strengthened at year-end. At an international level, a new administration in the United States and the decision to create borders all over again in the United Kingdom will also create consequences for South Africa. At times it has felt as if we are walking the edge of a precipice with bated breath.

As November drew to a close, the country waited for the credit rating firms Fitch, Moody's and Standard & Poor's to give their verdict on South Africa's credit status. While Moody's decided to leave South Africa's sovereign rating unchanged, Fitch revised its outlook from stable to negative. Standard & Poor's left the country's foreign currency debt status unchanged, with a negative outlook.

Therefore, it becomes more critical than ever that as a leading audit regulator, the IRBA must continue to lead the way in changing the audit landscape in response to this increasing pace of change and crises. What has been done for years is no longer adequate, the stakes have been raised. It is the IRBA's

responsibility to look ahead – whatever the future holds, with all its risks and possibilities – and to take the necessary steps to continue to protect investors and our investment credibility. The IRBA is cognisant that it will take only one major failure in the system to destroy all the trust and credibility we have built. We don't need a string of failures to reveal any weaknesses in the system. In the current climate of economic contraction, rising unemployment, drought, increasing food prices and commodities that are under pressure, the loss of foreign direct investment and the real risk of investment flight, following a failure or crisis, is a risk the country does not have the wherewithal to withstand.

The World Economic Forum's Global Competitiveness Report has once again ranked South Africa as the world's number one for auditing and reporting standards, making it a seventh consecutive year that South Africa holds the ranking. This ranking is measured on the quality of our standard-setting process, our adherence to global audit standards and the strength of our enforcement measures for noncompliance. In this regard, complacency with a world number one ranking is not an option. We must continue to pay attention to standard setting, compliance and increasingly strengthening enforcement. We are not alone in this – around the world regulators are responding to various economic scenarios with a variety of measures that are aimed at strengthening the credibility and quality of audit.

In an audit context, the IRBA has become increasingly concerned with the number of high profile cases in this country currently under investigation, which raises questions about audit quality and the role of the auditor in detecting and revealing what is increasingly being seen by the nation as widespread corruption. As the audit regulator, it is necessary to respond appropriately.

We believe it is our responsibility to highlight to all charged with governance that their primary stakeholders are investors, not management. And this applies equally to the external auditor, whose primary responsibility is to the shareholder. Is it not the governance structures that are entrusted with breaking the fall should the system go awry? Still, the auditing profession continues to be expected to play a bigger and more proactive role in identifying potential areas of risk and alerting investors in good time.

With significant change, there often arises more questions

## FROM THE CEO'S DESK cont.

than answers. Without challenging the status quo, significant improvement is not possible. We have to ask for change, since change is not made willingly. In South Africa, we have never shrunk from difficult tasks or from leading the way into what many might see as impossible.

Achieving a vision for any company, let alone a country, is no easy task. Nelson Mandela once said: *"It always seems impossible until it's done."*

Sparks wrote in the final page of his memoirs, *The Sword and the Pen*, published in March: *"All of us in this shrinking world have to learn to live in harmony with 'the other'. Nelson Mandela and Archbishop Desmond Tutu, both Nobel Peace Prize winners, have given South Africans the vision of a 'rainbow nation' at peace with itself and the world. Now we have to conjure up the vision of a 'rainbow world'.*

*"Not easy. It's going to require instilling a great deal of tolerance, empathy and human understanding. And we South Africans have been assigned the role of showing the way. The polecat of the world has become the pathfinder."*

As we find our way into 2017, and stay on course, the IRBA and I wish you good health, happiness and peace over the holiday season.



*Bernard Peter Agulhas*  
**Chief Executive Officer**



# STANDARDS

## THE NEW AND REVISED AUDITOR REPORTING STANDARDS BECOME EFFECTIVE

The new and revised Auditor Reporting Standards for audits of financial statements have become effective 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](#) and on the [IAASB website](#).

### The following topics are discussed in this issue:

- Professional skepticism resources;
- IAASB's discussion paper on Exploring the Demand for Agreed-Up Procedures Engagements and Other Services;
- IAASB's discussion paper on assurance engagements on emerging forms of external reporting (EER);
- Illustrative SARB Banks Act regulatory auditor's reports;
- *Proposed Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts*;
- Revision of the IRBA Guide on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements;
- Sustainability Standing Committee project on the assurance concepts of rational purpose, subject matter and criteria;
- IAASB's Data Analytics Project and other IAASB projects;
- Tools and resources for small and medium-size practices;
- Call for the nomination of registered auditor members to serve on the CFAE; and
- Final Amendments to the IRBA Code for auditors responding to non-compliance with laws and regulations (NOCLAR).

### Professional Skepticism Resources

A webpage providing a summary of resources on professional skepticism has been included on the IRBA website. Auditors may find the following summary of information useful when applying professional skepticism in the course of their engagements:

- A schedule of references to the term "professional skepticism" in the 2014 IAASB Handbook and in the new and revised Auditor Reporting Standards (still to be updated for the 2015 handbook).
- Project page: The IAASB page dedicated to the Professional Skepticism project.

- IAASB meeting, December 2015, and agenda attachments.
- IAASB meeting, June 2016, and agenda attachments.
- Article: Research Insights – Auditor Professional Skepticism Part I: Incentives and Time.
- Article: Research Insights – Auditor Professional Skepticism Part II: Mindset, Prompts, and Environmental and Contextual Factors.
- Staff Questions & Answers – Professional Skepticism in an Audit of Financial Statements (note that this document was issued in 2012 and may not be up to date, but may still be of use to auditors).

These resources are available [here](#).

### Exploring the Demand for Agreed-Up Procedures Engagements and Other Services

The IAASB's Agreed-Up Procedures (AUP) Working Group released the Discussion Paper, Exploring the Demand for Agreed-Up Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards (the Discussion Paper), for exposure in November 2016.

The Discussion Paper sets out the key features of an AUP engagement and explores how AUP engagements are undertaken, including the extent to which practitioners find existing requirements and guidance helpful or challenging. In addition, the IAASB is seeking an understanding of how reports on factual findings are used to determine the needs of users of these reports.

The Discussion Paper also explores the demand for engagements that combine reasonable assurance, limited assurance and non-assurance engagements, and whether the IAASB's existing International Standards are appropriate. Comments are due to the IAASB by 29 March 2017. The IRBA communique is available [here](#). The Discussion Paper and comment submission tool are available on the [IAASB website](#).

### IAASB's Working Group Discussion Paper on Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

The IAASB has extended the comment deadline to 3 February 2017.

## STANDARDS cont.

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

The Discussion Paper is of particular relevance in the South African environment due to the integrated reporting requirements for listed companies, as per the JSE Listings Requirements and the King Code of Corporate Governance IV.

The IRBA held an outreach forum in Johannesburg on 18 October 2016, with a further task group meeting held on 26 October 2016. Both events were attended by a variety of stakeholders, and comments from the events will inform the IRBA's comment letter to the IAASB.

The following two articles on this topic have been published in the November 2016 edition of the *Accountancy SA* magazine:

- [Is Your EER Credible and Trustworthy?](#)
- [Gearing Up for Assurance on External Reports.](#)

### Committee for Auditing Standards (CFAS)

#### Revised Illustrative South African Reserve Bank (SARB) Banks Act Regulatory Auditor's Reports

The CFAS approved the issue of the revised illustrative SARB Banks Act regulatory auditor's Reports A-H on the Banks Act Returns (revised illustrative reports) for use by registered auditors for banks with year-ends on or after 15 December 2016. In terms of Regulations 39, 40 and 46 of the Banks Act (No. 94 of 1990), the external auditor of a bank is required to report to the SARB on various regulatory matters.

In terms of Regulation 46(6) of the Banks Act, the illustrative reports have been rendered in accordance with the wording and practices agreed from time to time between the Registrar of Banks, the South African Institute of Chartered Accountants (SAICA) and the IRBA.

The Banks Act Regulations were amended during July 2016. These amendments have resulted in changes being made to the illustrative reports in that the line item numbers referred to in the regulatory reports have been changed and updated in line with the amended Banks Act Regulations.

In addition, Reports A and F have been updated to be aligned to ISA 800 (Revised), *Special Considerations – Audits of*

*Financial Statements Prepared in Accordance with Special Purpose Frameworks*, that is effective for financial periods ending on or after 15 December 2016. The reports are available on the [IRBA website](#).

#### **Proposed Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts**

The CFAS approved the release of the *Proposed Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts* (the proposed Revised Guide) in November 2016, for exposure for public comment until 31 January 2017.

The proposed Revised Guide has been updated by a CFAS Task Group comprising representatives of the relevant Law Societies, technical staff from the IRBA and auditors with experience in reporting on attorneys' trust accounts.

The proposed Revised Guide provides guidance to the registered auditor when performing a reasonable assurance engagement on whether an attorney's trust accounts comply with sections 78(1), 78(2)(a) and (b), 78(2A), 78(3), 78(4) and 78(6) of the Attorneys' Act, No. 53 of 1979 (the Act), the Uniform Rules of the Attorneys' Profession and guidance to report on the Attorney's Annual Statement on Trust Accounts.

The proposed Revised Guide has been updated for the:

- International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; and
- Rules for the Attorneys' Profession (known as the Uniform Rules) as published in the Government Gazette No. 39740 on 26 February 2016 (effective from 1 March 2016).

The exposure draft of the proposed Revised Guide is available on the [IRBA website](#).

A warning statement has been included on the IRBA website and on the front page of the extant IRBA Guide alerting registered auditors that the Guide has not been updated for the International Standard on Assurance Engagements (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.

# STANDARDS cont.

## **Revision of the IRBA Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements**

The CFAS has commenced a project to revise the *IRBA Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements* (the IRBA Guide).

During 2015, the Johannesburg Stock Exchange (JSE) proposed amendments to the JSE Listings Requirements. Part of the 2015 amendments were issued by the JSE on 26 September 2016 with an effective date of 24 October 2016. However, the effective date for the amendments made regarding the distribution of annual financial statements has a lead time of 12 months from that effective date and therefore commences with year-ends on or after 30 September 2017. In addition, Reports 4-8 of the IRBA Guide are prepared in terms of extant ISA 810, *Engagements to Report on Summary Financial Statements*.

The IRBA Guide is therefore required to be updated for the amendments to the JSE Listings Requirements and Reports 4-8 will be updated and aligned to ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*, which is effective for financial periods ending on or after 15 December 2016.

A warning statement has been included on the IRBA website and on the front page of the extant IRBA Guide alerting registered auditors that the IRBA Guide is not up to date.

## **CFAS Sustainability Standing Committee (SSC)**

### **Assurance Concepts: Evaluating the Rational Purpose, the Appropriateness of the Underlying Subject Matter and the Suitability of Criteria in a Sustainability Assurance Reporting Environment**

The SSC has established a task group to develop guidance for registered auditors on evaluating the rational purpose, the appropriateness of the underlying subject matter and the suitability of criteria in a sustainability assurance reporting environment.

## **CFAS Public Sector Standing Committee (PSSC)**

The PSSC met on 27 October 2016. The key item on the agenda was working on finalising its work programme for 2017/2018. One of the projects that the PSSC will be working on is updating the *Guide for Registered Auditors: Guidance for Auditing in the Public Sector*, in order to align it with the Auditor-General of South Africa's (AGSA) recently released new audit methodology.

## **IAASB Projects**

### **IAASB's Data Analytics Project**

Reminder: The IAASB's Data Analytics Working Group has released a *Request for Input: Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics*. The request for input is available on the IAASB website. Comments are due by 15 February 2017.

### **IAASB's Projects in Progress**

The IAASB's projects in progress are:

- Accounting estimates (ISA 540);
- Quality control (ISQC 1 and ISA 220);
- Group audits (ISA 600);
- Professional skepticism;
- Auditor risk assessments (ISA 315 (Revised)); and
- New auditor reporting implementation.

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

## **Small and Medium-size Practices**

SMPs in South Africa may find the publications available on the IRBA website useful in running their practices and in the audit of small and medium enterprises (SMEs).

Note that these publications have not been issued as guidance in South Africa as they have not gone through the IAASB's due process for the development of International Standards.

# ETHICS

## Committee for Auditor Ethics (CFAE)

### Call for the Nomination of Members to Serve on the Committee for Auditor Ethics

The CFAE was established in terms of sections 20 and 21 of the Auditing Profession Act, Act 26 of 2005 (the Act). Detailed information that pertains to the CFAE can be found on the [IRBA website](#).

The functions of the CFAE are to assist the IRBA to:

- Determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a Code of Professional Conduct;
- Interact on any matter relating to its functions and powers with professional bodies and any other body or organ of state with an interest in the auditing profession; and
- Provide advice to registered auditors on matters of professional ethics and conduct.

The CFAE meets at least four (4) times a year and members are appointed for a period of three (3) years. CFAE members must attend all four (4) meetings; be prepared to put in approximately five (5) hours of preparation for each meeting; and participate on CFAE Task Groups, when necessary.

In terms of Section 21 of the Act, the CFAE must consist of the following categories of members:

- Three registered auditors;
- Three persons representing users of audits;
- One person representing an exchange that is the holder of a stock exchange license issued under the Securities Services Act, 2004; and
- One advocate or attorney with at least 10 years of experience in the practice of law.

There are vacancies, which the CFAE wants to fill, in the “registered auditors” category. Therefore, these positions are being advertised only to IRBA registered auditors.

In order to achieve as wide a representation as possible, nominations are particularly sought from candidates who will advance the racial transformation of the industry. Additionally, the following criteria will be considered:

- Relevant skills and experience;
- Objectivity;
- Size of firm represented;

- Gender; and
- Geographical representation.

Eligible persons who meet the criteria and who wish to be considered for appointment to the CFAE are invited to submit applications to:

The Chairman  
Nominations Committee  
Independent Regulatory Board for Auditors  
c/o the Director: Standards

A [Nominations Form](#) may be downloaded from the IRBA website and must be completed by applicants and submitted, together with the applicant's curriculum vitae detailing their knowledge, experience and suitability as a committee member.

The closing date for applications is 15 January 2017. Please note that the IRBA will contact only successful applicants.

### Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Responding to Non-Compliance with Laws and Regulations

The IRBA draws the attention of all registered auditors to changes to the IRBA Code of Professional Conduct (IRBA Code) for Registered Auditors Responding to Non-Compliance with Laws and Regulations (NOCLAR).

The IRBA adopted the amendments made to the IESBA Code of Ethics for Professional Accountants (IESBA Code), issued during 2016, following the issue of the final amendments on exposure in South Africa on 9 September 2016 for public comment (Board Notice 153 of 2016).

The amendments to the IRBA Code relating to NOCLAR resulted in the following main changes:

- An introduction of a framework for registered auditors to act in the public interest against non-compliance with laws and regulations;
- An introduction of a proportional approach that recognises the different capacities and spheres of influence, and the different levels of public expectations, for the different types of professional services offered, and that scales the responsibilities accordingly;
- A renewed emphasis on the tone at the top; and

## ETHICS cont.

- A provision for an expanded auditors' "toolkit" for the disclosure of serious, identified or suspected NOCLAR to an appropriate authority under the appropriate circumstances, without the ethical duty of confidentiality standing in the way.

Board Notice 188 of 2016, included in Government Gazette 40480 and issued on 9 December 2016, advised on the publication of the amendments to the IRBA Code pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005).

The changes will be effective from 15 July 2017. Early adoption is permitted.

The [amendments](#) to the IRBA Code may be downloaded from the website.



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# INVESTIGATIONS

## Investigating Committee

The Investigating Committee met twice during this period and referred 42 matters to the Disciplinary Advisory Committee with recommendations.

## Disciplinary Advisory Committee

The Disciplinary Advisory Committee met once during this period and concluded on 18 matters.

### Decisions not to charge

Two matters in terms of Disciplinary Rule 3.5.1.3 – the conduct of which the respondent may be guilty is of a negligible nature or consequence.

### Decisions to charge and matters finalised by consent order

Fifteen matters were finalised by consent order.

**Matter 1** – The matter arose from a referral by the Inspections Department. The respondent failed to obtain sufficient appropriate audit evidence relating to the selected engagement as there were numerous instances of noncompliance with International Standards on Auditing.

The respondent was sentenced to a fine of R180,000, 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 cost order and publication in general terms.

**Matter 2** – The respondent did not refer to a recognised reporting framework in the audit opinion expressed and, in addition, the audit report format was outdated.

The respondent was sentenced to a fine of R80,000, of which R40,000 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 matter arose from a referral by the Inspections Department. A party related to the respondent prepared financial statements for a client, while the respondent was

appointed as the auditor of the client, in contravention of Section 90(2) of the Companies Act.

The respondent was sentenced to a fine of R80,000, of which R40,000 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 matter arose from a referral by the Inspections Department. The respondent provided accounting services and prepared financial statements for a client, while appointed as the auditor of the client, and in doing so contravened Section 90(2) of the Companies Act.

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 matter arose from a referral by the Inspections Department. The respondent failed to identify a material misstatement, which resulted in an inappropriate assurance report being issued by the respondent.

The respondent was sentenced to a fine of R80,000, of which R40,000 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 matter arose from a referral by the Inspections Department. The respondent failed to obtain sufficient appropriate evidence to support the assurance opinion expressed.

The respondent was sentenced to a fine of R80,000, of which R40,000 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** – The matter arose from a referral by the Inspections Department. The respondent provided accounting services and prepared financial statements for a client, while appointed

## INVESTIGATIONS cont.

as the auditor of the client, and in doing so contravened Section 90(2) of the Companies Act. In addition, the respondent failed to appropriately evaluate a material misstatement noted on the engagement file.

The respondent was sentenced to a fine of R80,000, of which R40,000 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 8** – The matter arose from a referral by the Inspections Department. The respondent failed to obtain sufficient appropriate audit evidence to support the assurance opinion expressed.

The respondent was sentenced to a fine of R80,000, 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. In addition, a R15,000 suspended portion of a previous fine has been imposed, with payment of the full amount of the fines being postponed until such time that the respondent re-registers with the IRBA.

**Matter 9** – The matter arose from a referral by the Inspections Department. The respondent failed to obtain sufficient appropriate audit evidence relating to the selected engagement as there were numerous instances of noncompliance with International Standards on Auditing.

The respondent was sentenced to a fine of R50,000, of which R25,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, with payment of the full amount being postponed until such time that the respondent re-registers with the IRBA, no costs order and publication in general terms.

**Matter 10** – The matter arose from a referral by the Inspections Department. The respondent did not provide sufficient appropriate evidence to support the modified opinion expressed.

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.

**Matter 11** – The respondent was informed of a number of allegations pertaining to senior employees at a client. In investigating the allegations, the respondent made enquiries with management, who provided explanations and supporting documentation in response to the enquiries. Based on the explanations and documentation, the respondent concluded that there was no need to take further action in relation to the allegations. Before concluding that no further action was required, the respondent failed to resolve apparent inconsistencies between the explanations and documentation that management had provided.

The respondent was sentenced to a fine of R200,000, 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, with payment of the full amount being postponed until such time that the respondent re-registers with the IRBA, no costs order and publication in general terms.

**Matter 12** – The respondent failed to communicate on a timely basis with a client on various tax matters.

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

**Matter 13** – The matter arose from a referral by the Inspections Department. The respondent did not document sufficient appropriate evidence to support the audit opinion expressed.

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.

**Matter 14** – The respondent took three months to correct a newspaper advert that represented an accounting firm as auditors. In addition, the respondent did not ensure that the accounting firm's website explained clearly that audit services

## INVESTIGATIONS cont.

were provided by a separate firm of registered auditors.

The respondent was sentenced to a fine of R50,000, of which R25,000 has been suspended for three years on condition that the respondent is not found guilty of unprofessional conduct committed during the period of suspension, with payment of the full amount being postponed until such time that the respondent re-registers with the IRBA, no costs order and publication in general terms.

**Matter 15** – The respondent's firm website incorrectly reflected that a certain individual was a director and a registered auditor.

The respondent was sentenced to a fine of R50,000, of which R40,000 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 for a disciplinary hearing**

One matter was referred to the Legal Department for a disciplinary hearing.



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# LEGAL

## Disciplinary Committee

The Disciplinary Committee did not sit during this period.

## Reportable Irregularities

### Reportable Irregularities (RIs) for the quarter July-September 2016

(Note that RIs are reported on quarterly in arrears)

#### 266 second reports were received, of which:

RIs were continuing	168
RIs were not continuing	96
RIs did not exist	2

#### Of the 168 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature, were: (Note that in many cases, a second report received would identify more than one RI)

Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
Financial statements not prepared/not approved within the allotted timeframe.	44%	South African Revenue Service (SARS), Financial Service Board (FSB), Companies and Intellectual Property Commission (CIPC), etc.
Tax-related contraventions (e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.).	15%	SARS
VAT related contraventions.	10%	SARS
Trading while technically insolvent/reckless trading.	8%	CIPC
Companies Act Contraventions: Loans and/or other financial assistance to directors.	7%	CIPC
Suspected fraud and/or corruption.	3%	Directorate for Priority Crime Investigation, Department of Basic Education, etc.
Other (e.g. contraventions of the Pension Funds Act, the Attorneys Act, FICA, the Companies Act).	7%	CIPC

### Reporting of RIs: When auditors are caught in the crossfire

We recently came across a scenario in which auditors found themselves in the unenviable position of being caught in the crossfire of factional infighting among the directors of a company. It is an unfortunate reality that not all directors necessarily act in the best interest of a company, despite their fiduciary responsibilities to the company. Such fiduciary responsibilities should, by law, trump their own personal agendas – and these responsibilities should act as a buffer to prevent them from acting in a manner that serves their own interests.

Circumstances such as these are testing and present an independent auditor with a unique challenge in maintaining independence in the face of such animosity among those charged with governing a company or any other similar legal entity. Some directors might, in order to strengthen their own cause, decide to confront the auditors with information pertaining to the alleged misconduct of other directors or individuals with whom they have had some kind of fallout.

Auditors should therefore take the necessary steps to avoid a situation where they might be pressured to report an RI to the IRBA. In this regard, we wish to remind our auditors to always revert to the Revised Guide for Registered Auditors on Reportable Irregularities when deciding on whether an RI does in fact exist.

If an auditor concludes that after having considered the circumstances – together with all of the information at hand – an RI has taken place, the auditor should use his/her discretion in ensuring that the RI is reported so as to avoid any possible perception of bias in any manner or form. This will help to avoid a situation where either of the warring factions might wish to try to misuse an RI that was reported by the auditor for their own personal benefit.

In a situation where an auditor decides to terminate the professional relationship with a client due to the fact that those charged with governance are no longer perceived to be acting in the best interest of the company, auditors are reminded of their duty to complete the reporting of an RI before resigning from any such audit. In addition, the circumstances and details regarding the reporting of an RI should be properly



## LEGAL cont.

communicated to a successor auditor.

### Holding Outs

On 4 October 2016 an IRBA official travelled to Mogwase, North West, to testify in a holding out matter, along with the complainant, an attorney and a senior official from the Northern Provinces Law Society. At the commencement of the trial the magistrate indicated that he was conflicted, so the matter did not proceed and was postponed until 15 November 2016.

On 15 November she travelled to Mogwase again. Due to unforeseen circumstances with regards to the magistrate's availability, the matter was postponed once more until 9 February 2017.

### Nomination of RAs for Third Parties

We are at times requested by various outside parties to provide nominations of RAs regarding court orders, settlement agreements, shareholders' agreements and the like.

The requests range from valuations of shareholdings, partnerships and members' interest regarding audits of joint ventures, formal arbitrations and splitting of assets.

Any RA who wishes to be included in the register of RAs that we can call upon in this regard is requested to please submit their CV, together with their language preference, geographic area and area/s of specialisation to [registry@irba.co.za](mailto:registry@irba.co.za).

As and when such requests for a nomination are received, we will draw from this register to select a suitable RA.

Please be aware that inclusion on this register is not a guarantee that we will call upon you as requests for nominations are received sporadically.



*Jane O'Connor*

**Director: Legal**

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# REGISTRY

## Individuals Admitted to the Register of the Board from 1 October 2016 - 30 November 2016

Barnard, Jarred Andre	Katekwe, Genius	Pretorius, Christie Rene
Bester, Willem Jacobus Abraham	Kuutsi, Rangarirai	Rushwaya, Tinotenda Tozvirevasei
Chanda, Silvester Tatenda	Maharaj, Vivek	Sibanda, Stephen
Daver Rampersadh, Piloshini	Makowe, Angella	Steyn, Donet
Essop, Faizal	Mangole, Nontsikelela Khomboshe	Tucker, Carla Rae
Foster, Kerry-Anne	Mashele, Millycent	Van der Merwe, Petrus Carolus
Francis, Valerie	McGregor, Henry Roystan	Van Tonder, Jared Hugo
Grove, Marli	Ndiweni, Bryton	Zeelie, Andrea Benline
Haskins, Joseph Daniel		

## Individuals Re- admitted to the Register of the Board from 1 October 2016 - 30 November 2016

Abrie, Willem

## Individuals Removed from the Register of the Board from 1 October 2016 - 30 November 2016

Cooper, Francois	Resigned	Mokou, Nompumelelo	Resigned
Du Plessis, Daniel Hendrik	Resigned	Nicha, Manish Harischandra	Resigned
Hefer, Johan	Resigned	Read, Carol Margaret	Resigned
Heslinga, Pieter Isebrand	Resigned	Stoler, Ryan Brett	Resigned
Kleingeld, Jan Du Plessis	Resigned	Vorster, Johan	Resigned
Maritz, Christo	Resigned		

# EDUCATION AND TRANSFORMATION

## A First in New Director Appointment



His journey into the world of accounting started in 2005 when he was granted a Thuthuka Bursary to pursue a BCom Accounting degree, which he completed cum laude. He then spent some time at the University of Johannesburg in various positions, which included being a student tutor, academic clerk, house warden and a senior lecturer. As a trainee accountant, he served his articles at PwC: Metals and Mining.

Robert, in the short time that he has been at the IRBA, has played a key role in driving awareness about the auditing profession and the registered auditor brand. His efforts are partly realised through continued engagement with students from various universities and initiatives that are aimed at encouraging them to pursue a career as registered auditors.

On a global scale, Robert sits on the International Federation of Accountants' International Accounting Education Standards Board as a technical advisor to the South Africa representative.

Robert looks forward to the impact of the ADP in enhancing audit quality and public protection as well as the role that the IRBA can play in driving transformation in South Africa, in addition to its influence on the continent.

### Education and Transformation Department

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Robert Zwane's appointment as Director Education and Transformation, with effect from 1 October 2016, made him the IRBA's youngest and first black director. He has been with the IRBA for four years and has been instrumental in a number of initiatives, including leading the implementation of the Audit Development Programme (ADP).

"I am passionate about education and transformation and also driven by the passion to change the education landscape to positively influence the mind-sets of young people of South Africa," he says.

# COMMUNICATIONS

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

below. These communiques may be downloaded from the IRBA website at [www.irba.co.za](http://www.irba.co.za) under the News section.

13 December	Frequently Asked Questions on Public Interest Entities in the IRBA Code of Professional Conduct
12 December	Clarification of the Definition of Public Interest Entity and Public Interest Score
05 December	Discussion Paper: Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards
01 December	Revised Illustrative South African Reserve Bank (SARB) Banks Act Regulatory Auditor's Reports A-H
01 December	Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Responding to Non-Compliance with Laws and Regulations
29 November	Proposed Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts
18 November	Call for the Nomination of Members to Serve on the Committee for Auditor Ethics
18 November	CIPC Survey on Independent Review
11 November	Clarifying messages attributed to the AGSA
11 November	IRBA News issue #35
10 November	Reportable Irregularities: Notification in the Auditor's Report – Special Voluntary Disclosure Programme
02 November	SARS End of Year Arrangements
26 October	The IRBA issues a consultation paper on Mandatory Audit Firm Rotation



# GENERAL NEWS

## Corporate Reporting Keeps Improving

Over the past few years, the application of JSE Listing Requirements and the King Code of Governance has placed South Africa in a leadership role when it comes to corporate governance and corporate reporting. Testament to this is the latest review of integrated reporting among the Top 100 JSE-listed companies that shows some improvement in the adoption of the <IR> Framework, with those ranked in the Top 10 “exceeding the expected minimum disclosure requirements”.

The ratings were revealed in the sixth annual review published by the assurance and advisory firm Nkonki recently. “This review ... provides insights into the extent to which South African listed companies applied the IIRC’s International Integrated Reporting <IR> Framework to their 2015 reports. It reveals both the achievements and areas of improvement by these companies,” writes partner Thuto Masasa in the report’s introduction.

Companies that performed well were recognised at an Integrated Reporting Awards ceremony that was also attended by Stephen Haddril, CEO of the Financial Reporting Council in the UK, who was a guest at the IRBA. Companies that claimed the top three spots this year were ArcelorMittal SA, Barloworld and Nampak.

“Overall, the results indicate that the adoption of the Framework is improving, although the best performance remains in Consistency and Comparability (95% vs 2014: 84%), meaning that almost all the companies ensured consistency over time, enabling comparisons with other organisations (and with prior years of the same company) to the extent material to the organisation’s ability to create value,” writes Masasa. “The disclosure of Strategic Focus also received a high score, increasing from 78% in 2014 to 87% in 2015. Other categories showing good improvement were the overall Content Elements, increasing from 72% in 2014 to 79% in 2015, and the Fundamental Concepts, Business Model and Value Creation Model, increasing from 45% in 2014 to 56% in 2015.”



Stephen Haddril, left, with Bernard Agulhas



**HARD-EARNED ACCOLADES:** The IRBA has once again received the PFMA Clean Audit Award, left, from the Auditor-General for achieving a clean audit opinion for the 2015-2016 period. The regulator also received a special recognition award, right, that SAICA gives to public entities that have maintained clean audits for five consecutive years. From left to right: Nazeer Essop, chairman of SAICA’s Public Sector Committee; Terence Nombembe, SAICA CEO; Eugene Zungu from the AGSA; as well as Willemina de Jager and Marius Fourie from the IRBA.