



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

NEWS

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PROGRESSIVE STEPS TO MUTUAL GROWTH

*As we share our experiences as a continent and work
towards strengthening our regulatory processes*

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EDITORIAL

Africa is now widely seen as a market that offers investment opportunities. In fact, a recently published Forbes article ([African Consumer Market Growth Opportunity Stands to Reap Powerful Rewards](#)) refers to “the burgeoning African consumer sector” as offering “attractive opportunities to businesses looking to enter new markets”. However, for those opportunities to be fully realised, investors need to have confidence in our markets. The reliability of our audits is one way of building that confidence and protection.

“It is the flow of expertly vouched-for information in the marketplace that, when perceived as both reliable and relevant to investment decisions, gives uniformed, diverse and dispersed investors ... confidence to participate in a market,” to quote James Doty, the chairman of the Public Company Accounting Oversight Board in the United States.

While he might have been referring to the US market, the same is true for the African market. The challenge, however, for the African market is that we are not talking about one homogenous market – Africa is a continent of at least 54 countries; it is a true reflection of diversity. That multiplicity, however, can be used as an effective platform through which we share our different opinions and experiences.

We might not have a United States of Africa as yet, but it's only through a unified spirit that we, as Africa, will be able to put this continent on an economic growth trajectory. We need to effectively use all the resources and knowledge we have, if we are going to be globally competitive. We have to collectively

work towards getting our African regulatory environment to be on par with our global counterparts.

To quote the World Bank Group's *Report on the Observance of Standards & Codes (ROSC) Accounting & Auditing (A&A), Revision of the Diagnostic Tool – Summary Note*: “There is widespread recognition that implementation of robust standards not only helps financial stability, but also contributes to the economic functioning and efficiency of a country's institutions that underpin the market economic system. Ultimately, such standards enhance countries' resilience to shocks and support better risk assessment and investment decisions.”

So, to facilitate this information sharing drive, we, as the IRBA, will now be using our newsletter as a platform to share best practices across the continent. In this issue, for instance, we have a brief overview of this year's Pan African Federation of Accountants congress held in Uganda in April. In future, we plan to incorporate more content and opinions from our African counterparts who are also operating in the regulatory space.

If we stand together as an African community, we will be able to uplift our standards and maintain a regulatory environment that will help our economies grow. While Africa as a continent might be diverse, our traditional foundations are identical as they promote a communal spirit. “Sticks in a bundle are unbreakable,” according to a Bondei proverb. Also, “if you want to go quickly, go alone; but if you want to go far, go together.”



FROM THE CEO'S DESK

Finance Minister Malusi Gigaba hosted a media briefing on 2 June 2017, in Pretoria, where he announced that the IRBA could, with his agreement and support, gazette and set down a Mandatory Audit Firm Rotation Rule to address concerns with auditor independence and excessively long tenures with audit clients.

Prior to this, the Standing Committee on Finance (SCoF) had held public hearings in February and March on the matter of mandatory audit firm rotation (MAFR), allowing those opposing the measure to outline the reasons for their objections. However, what became clear during the hearings was that there is also a need for accelerated transformation and de-concentration in the audit profession. The members of SCoF expressed a need to not only move beyond just “de-racialising” the profession but to also create real empowerment through the advancement of black professionals and ownership.

Currently, most of the JSE-listed audit market is still retained by global networks; and this is despite 23 years of democracy and having more audit firms than before. This concentration has made it difficult for South African black-owned and other audit firms to gain access into the market.

In our meeting with the Minister, the Board reiterated that our primary concern is independence and that the best way to address concerns with long tenure is through mandatory rotation every 10 years. We agreed with the Minister that, while MAFR would address the independence concern, it might not immediately address the need to broaden capacity and increase access to opportunities. Consequently, the Board agreed that we would work to develop complementary initiatives to address the issue of broader transformation in the profession.

During the media briefing, the Minister was clear that in addition to protecting investors from compromised independence, he saw MAFR as a way to ensure that black firms might at least finally have a chance to tender for audits of JSE-listed companies. He appealed to South African business to consider the requirements of true economic transformation and show commitment to growing black business in the interest of the country.

The rule, gazetted on 5 June 2017, prescribes that auditors of public interest entities (PIEs) in South Africa must comply with MAFR with effect from 1 April 2023. It requires that auditors can serve for a maximum of 10 years before rotating off a client for a cooling-off period of five years before being eligible to audit the client again. Beyond 1 April 2023 no audit tenure may exceed 10 years.

Extending the rule to incorporate auditors of PIEs, which include certain non-listed pension funds and other organisations that operate in the public interest, was as a result of recommendations made in submissions received during the consultation process. The rule also has transitional provisions for situations where joint auditors are appointed to ensure that both audit firms need not rotate at the same time at the effective date.

The issuing of this rule is aligned to global concerns expressed by other international audit regulators on how the compromised independence of auditors can have a negative impact on audit quality, resulting in inappropriate audit opinions that may lead to flawed investment decisions.

In response to our correspondence to global regulators regarding issuing the rule, the CEO of the UK's Financial Reporting Council (FRC), Stephen Haddrill, said: “I commend South Africa for its decision to introduce mandatory rotation, and congratulate the IRBA for its leadership. This step builds on the leadership South Africa has already shown in corporate governance and reporting.

“The reforms of governance will in particular enable the success of rotation. They provide confidence that audit committees will take full ownership of tendering and put quality and the interests of investors above price in their objectives. Our own experience is that the retendering of longstanding audit contracts has driven innovation and improvements in audit quality and I look forward to the same experience in South Africa.”

The FRC incorporated mandatory audit tendering (MAT) into its UK Corporate Governance Code in 2012 for FTSE 350 companies. This provision is on a comply-or-explain basis and it requires these companies to put their audit out to tender every 10 years. Early this year the FRC published research

FROM THE CEO'S DESK cont.

covering the early successes following the implementation of MAT.

In other European Union jurisdictions, MAFR requirements became effective from June 2016, following the issuance of the European Commission's 8th Directive in April 2014. In Africa, provisions for MAFR are in effect in Nigeria, Kenya and Mauritius. Regulators in other countries on the continent have expressed interest in making MAFR rulings as well.

Meanwhile, interactions with our African counterparts in this quarter have included a visit from the Namibian regulator, which is in the process of strengthening its own independence from the profession. Another was a month-long secondment of a representative from the Botswana Accounting Oversight Authority (which you can read about in the next section of this newsletter), which has recently expressed an interest in the MAFR process and the way the IRBA strengthened its inspections process. Botswana, together with South Africa, Mauritius and Egypt, is a member of the International Forum of Independent Audit Regulators (IFIAR), an organisation with more than 50 members who get to share best practices in audit regulation from their respective jurisdictions. South Africa is represented on the board of IFIAR.

We must continue to protect the integrity of our financial markets as well as our number one ranking, which is a reflection and recognition of South Africa's ability to drive world-class standards and regulation. We look forward to supporting and working with our stakeholders and counterparts on the continent to implement measures that will achieve our common objectives.

In closing, I would like to welcome our new Board (see page 23 for more details), which was appointed by the Minister of Finance. I'd also like to congratulate the newly appointed Chairman of the Board, Mr Abel Dlamini, who was the previous Deputy Chairman.

We look forward to working with the Board as we continue to implement the Board's strategy to strengthen the auditing profession while protecting the financial interests of the public.



Bernard Peter Agulhas
Chief Executive Officer

THE FIRST IN THE IRBA'S SECONDMENT PROGRAMME

THE FIRST IN THE IRBA'S SECONDMENT PROGRAMME

As part of its Africa strategy to reach out to neighbouring countries and share best practices, the IRBA hosted Ms Ephifania Nkanga from the Botswana Accountancy Oversight Authority (BAOA). She was on a secondment for a month and during that time she was exposed to how the IRBA carries out its various functions. This marked the beginning of a strategy to reach out to the rest of the continent, according to Imran Vanker, Director Standards. The IRBA is planning to host more regional stakeholders to share knowledge and work towards mutually building strong regulators across the continent.

How did you find your secondment to the IRBA?

My secondment was a success. I learnt a lot during my one-month stay; it was a fruitful visit. I also got to meet a lot of professionals who are actively involved in the standard-setting process, such as people from the International Auditing and Assurance Standards Board (IAASB) whom I interacted with during an IAASB Information session. I also attended various internal and external meetings, and observed how issues are deliberated. These meetings included those of the Investigating Committee, the Committee for Auditing Standards and the Financial Reporting Standards Council (FRSC).

Was it beneficial to you?

I moved between the various departments at the IRBA and I was taken through their processes; they shared knowledge and some of their experiences to date. Through these sessions I learnt the following:

- There are more roles that we, as professionals, can play in the auditing and accounting profession, such as:
 - o Influence the standard-setting process through preparing comment letters on exposure drafts and discussion papers prepared by the IAASB, International Accounting Standards Board (IASB) and the International Ethics Standards Board for Accountants (IESBA).
 - o Work with others within the profession to develop guides/pronouncements that are relevant to our jurisdictional needs, i.e. with regard to local stakeholders and other regulators.
 - o Provide guidance for auditors in implementing

- international standards on auditing, review, other assurance and related services engagements.
- o Develop illustrative auditors' reports that meet local jurisdictional requirements while ensuring the consistency of auditors' reports with relevant international reporting standards.
- o Engage with international stakeholders, e.g. the IAASB and the International Forum of Independent Audit Regulators.

What did you learn during your secondment?

I had first-hand experience in writing three comment letters:

- International Standard on Auditing (ISA) 540, Auditing Accounting Estimates and Related Disclosures;
- Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2; and
- Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments.

The various processes that I was taken through, which I believe will help us, as the BAOA, to grow/improve one way or the other, include:

- The Audit Development Programme (ADP), through which a registered candidate auditor (RCA) works under a registered auditor (RA) for 18 months. During that time the RCA is expected to write reports every six months on their role and responsibilities. The IRBA corroborates these reports through inspecting the work that the RCA carries out during this period. At the end of the 18 months both the RA and the RCA make a declaration on the work carried out by the RCA; the latter is also expected to submit their professional curriculum vitae and a copy of the continuous professional development (CPD) hours undertaken during this programme. All these are taken into account in considering the RCA for registration.

This programme is of interest to us as it will improve our registration process and make it more rigorous. In addition to the ADP, I noted that audit firms are required to provide a copy of the Quality Control Manual and the Quality Control Reviewer agreement prior to registration.

- The inspection process, particularly the risk-based approach. The firm inspection process is restricted to audit firms whose client base includes audits of high-risk assurance engagements (i.e. listed companies, medical schemes, pension funds, public companies, trusts and state-owned companies). Firms classified as large firms and those that are accredited with the JSE Ltd are

THE FIRST IN THE IRBA'S SECONDMENT PROGRAMME cont.

subjected to inspection programmes that include all the elements of the International Standard on Quality Control 1 (ISQC 1). Firms classified as medium-sized may be subjected to inspection programmes that include only certain elements of ISQC 1. For small firms or sole practitioners, the IRBA normally inspects only the working papers of high-risk assurance engagements. For engagement file inspections, the inspection process focuses only on the risk areas. We believe that this approach will help us to focus on firms and on the areas of engagement files that are considered to be of high risk.

- The Remedial Action – a process whereby firms and practitioners that failed their inspections are requested to submit, together with their written undertaking, a root-cause analysis and action plan to address significant audit quality issues reported to them. These plans can be highly effective and can yield the necessary improvements needed, if the firms and practitioners buy into the remediation process through the development and implementation of appropriate prospective remedial plans. This process ensures that audit firms satisfactorily address inspection findings that were reported to them by the regulator, which, in turn, will promote high audit quality.
- Investigation and disciplinary processes carried out when an RA is suspected to have committed an act that may render him/her guilty of improper conduct. A desk-based investigation is carried out, whereby evidence is obtained

and assessed to determine whether the RA should be charged or referred for a disciplinary hearing. The disciplinary hearing is in the form of a court process, where both the RA and the IRBA bring in their attorneys. When the respondent is found guilty, the sentencing can either be a warning, a fine or removal from the register.

- Reportable irregularities are instances where an individual RA of an entity is satisfied or has a reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity. He/she is then expected to report this to the IRBA. In turn, the IRBA would have to notify the appropriate regulator of the reportable irregularity for it to take appropriate action. This process will help in improving compliance with laws and regulations.

Would you recommend other regulators to undertake similar secondment programmes to the IRBA?

Yes, I would recommend other people to do a similar visit as one gets to see and appreciate how things are done from a different perspective.

Thank you to the IRBA for making my secondment a success; for the time invested in me during my stay; and for your phenomenal support to BAOA as a whole. Continue raising the African flag high.

PAFA

THE SUN IS RISING ON OPPORTUNITIES FOR ACCOUNTANTS

African accountants gather every two years under the banner of the Pan African Federation of Accountants (PAFA) for a grand congress. The 2017 [congress](#) held in April on the Ugandan shores of Lake Victoria provided an opportunity to delve into the conference theme of Accountancy and Accountability: Transforming Africa's Economies. The connection between the profession and accountability, the profession and transformation, and the profession and our economies is a privileged position in which the profession finds itself. Attendees at the congress supported the connection and discussed how the links can be strengthened in all the professional areas of work.

If skilled human resources are the panacea that led other global regions to deliver growth and a better life for their people, then our profession, our institutions and the institutions that we manage and lead are a veritable treasure that is waiting to be discovered and then connected to the lifeblood of our economies.

The commitment of the profession to sharpen its strategy and execution was impressive. As a demonstration of this

commitment, the conference correctly focused on building blocks like education and professionalism, but also pushed the envelope by looking at the adoption of cutting edge themes such as integrated thinking, integrated reporting and the digital economy.

The message for auditors was that the adoption of the International Standards of Auditing (ISAs) is progressing strongly, and the new auditor reporting standards (see the [IAASB website](#) and the [IRBA website](#)) are gaining traction among private sector and public sector professionals.

Attendees were also informed of how small economies are in step with large global players in the adoption and implementation of these standards, with implementation supported through mandatory pilots, voluntary field testing, legislative changes and the interest of other regulators. Attendees also exchanged experiences about how they had dealt with preparing stakeholders for change; how public sector experiences could help private sector auditors (for instance, with long format reports and the naming of the engagement partner); and their commitment to remain connected with global standard-setting projects for the benefit of their economies.

IRBA COMMUNICATIONS

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

STANDARDS

The following topics are discussed in this issue:

- Reminder regarding effective dates of recent amendments to the IRBA Code.
- Exposure Draft: Proposed International Standard on Auditing 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.
- Reminder: Resources that can be used for applying Professional Skepticism.
- Withdrawal of the *Proposed Guide for Registered Auditors: Considerations for an Auditor or a Reviewer of a Company which is Factually Insolvent*.
- Revision of the *Guide for Registered Auditors: Access to Audit Working Papers*.
- *IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context*.
- Project on the assurance concepts of rational purpose, subject matter and criteria for sustainability assurance engagements.
- Revision of the *Guide for Registered Auditors: Auditing in the Public Sector Vol 1*.
- Estate Agency Affairs Board: 2017 Audit Reports Submission Reminder.
- IESBA Embarks on a Strategic Review.
- IESBA proposes New Guidance for Professional Skepticism and Professional Judgment.
- Custody of Client Assets.
- Reminder: Non-compliance with Laws and Regulations (NOCLAR).

Reminder: Effective Dates of Recent Amendments to the IRBA Code of Professional Conduct

Registered auditors and others are reminded that the following amendments to the IRBA Code of Professional Conduct were issued in 2016 and are already effective or will soon be effective:

| Amendments to the IRBA Code of Professional Conduct | Effective Date |
|---|--|
| Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Responding to Non-Compliance with Laws and Regulations (NOCLAR) | The changes will be effective as of 15 July 2017. Early adoption is permitted. |

| Amendments to the IRBA Code of Professional Conduct | Effective Date |
|--|---|
| Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Definition of Public Interest Entities | Effective on or after 1 July 2016, in other words, for financial years ending after 30 June 2016. The intention is not for the amendment to be applied retrospectively to earlier financial periods. However, it should be noted that paragraph 290.25 has been effective from 1 January 2011 and should be adhered to. |
| Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Provision of Non-Assurance Services | Effective on or after 15 April 2016. |

Exposure Draft: Proposed International Standard on Auditing 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

The International Auditing and Assurance Standards Board (IAASB) has issued the proposed International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (ED-ISA 540 (Revised)), for public comment.

Significant changes in how auditors evaluate accounting estimates and related disclosures have been proposed by the IAASB in ED-ISA 540 (Revised). The changes will require auditors to sharpen their focus on risks of material misstatements arising from accounting estimates and address those risks with more granular audit requirements.

ED-ISA 540 (Revised):

- Enhances requirements for risk assessment procedures to include specific factors related to accounting estimates, namely complexity, judgment, and estimation uncertainty;
- Sets a more detailed expectation for the auditor's response to identified risks, including augmenting the auditor's application of professional skepticism; and
- Is scalable regardless of the size or sector of the business or audit firm.

The IRBA's Committee for Auditing Standards welcomes

STANDARDS cont.

comments on all matters addressed in ED-ISA 540 (Revised), including responses to the specific questions set out in the Explanatory Memorandum.

Registered auditors and other interested parties can also submit comments directly to the IAASB via the [IAASB website](#) by **1 August 2017**. 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) set up to discuss and comment on ED-ISA 540 (Revised). They can also participate in pilot testing the requirements and guidance of ED-ISA 540 (Revised) during the exposure period.

A copy of ED-ISA 540 (Revised) is available in PDF format and may be downloaded from the exposure draft page of the [IRBA website](#).

Reminder: Resources that can be used for applying Professional Skepticism

Registered auditors are reminded that a [webpage](#) listing available resources regarding professional skepticism has been created. Auditors may find this summary of resources of use in applying professional skepticism in the course of their engagements.

The page includes a schedule of references to the term “professional skepticism” in the IAASB Handbooks. In addition, a list of links to resources on the IAASB’s website is provided.

Committee for Auditing Standards (CFAS)

Withdrawal of the Proposed Guide for Registered Auditors: Considerations for an Auditor or a Reviewer of a Company which is Factually Insolvent

The *Proposed Guide for Registered Auditors: Considerations for an Auditor or a Reviewer of a Company which is Factually Insolvent* (the proposed Guide) was issued on exposure in July 2016.

As a result of the commentary received, particularly regarding the interpretation of Section 128 and Regulation 29 of the Companies Act, 2008, the CFAS has decided to suspend the project until further notice. In the meantime, auditors are

advised to apply the relevant legal and regulatory requirements, and to seek specialist or legal advice where necessary, while the IRBA continues to support the efforts to address the issues of interpretation with the relevant ministry.

Revision of the Guide for Registered Auditors: Access to Audit Working Papers

The CFAS Steering Committee, at its meeting held in February 2017, approved a project proposal for the revision of the *Guide for Registered Auditors: Access to Audit Working Papers* (the Guide). The Guide deals with the circumstances in which registered auditors and firms are requested or required to grant access to audit working papers, which support an auditor’s opinion on financial statements or other financial or non-financial information, to the client, another auditor or a third party. Guidance is provided in respect of the following circumstances:

- Access required by law;
- Access required in compliance with the International Standards on Auditing and the IRBA’s Code of Professional Conduct for Registered Auditors; and
- Access requested by third parties.

The guide is to be updated for:

- Changes to legislation;
- Relevant revisions of the ISAs and the IRBA Code of Professional Conduct for Registered Auditors; and
- Any other changes that may be ascertained and considered viable to address.

IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context

The IRBA Chief Executive Officer has approved for issue the *IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context* (IRBA Staff Audit Practice Alert) for use by registered auditors of private sector entities. This IRBA Staff Audit Practice Alert has been prepared by a task group of the CFAS.

By developing this Staff Audit Practice Alert, the IRBA has responded to the interest raised regarding the determination of what constitutes other information, as defined in the International Standard on Auditing (ISA) 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*, which

STANDARDS cont.

is effective for audits of financial statements for periods ending on or after 15 December 2016.

This IRBA Staff Audit Practice Alert provides registered auditors with examples of reporting scenarios in South Africa. It addresses the IRBA's objective of consistent high audit quality by registered auditors, while it also takes the necessary measures to promote and protect the public interest by ensuring a consistent application of ISA 720 (Revised).

This IRBA Staff Audit Practice Alert does not constitute an authoritative pronouncement from the IRBA, nor does it amend or override the International Standards on Auditing, South African Auditing Practice Statements or South African Guides (collectively called pronouncements). Also, this IRBA Staff Audit Practice Alert is not meant to be exhaustive. Reading it is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the IRBA website at www.irba.co.za.

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 in 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)

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

The PSSC is revising the *Guide for Registered Auditors: Auditing in the Public Sector Vol 1* (the Guide), which was issued in March 2012.

The Guide was developed by the CFAS jointly with the Auditor-General South Africa (AGSA) to improve the understanding of,

and enhance the performance of, quality public sector audits by registered auditors in public practice. These are specifically registered auditors who are contracted by the AGSA or appointed as auditors of public entities or institutions where the AGSA has declined appointment in accordance with Section 4(3) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

Section 12(3)(a) of the PAA requires the AGSA to determine "the minimum qualifications, experience and competence of authorised auditors". Auditors performing public sector engagements have to ensure that they have the professional competence to perform such audit engagements, in accordance with the applicable professional standards, extensive legal and regulatory requirements and unique circumstances of the public sector. The Guide is intended to assist registered auditors with meeting these requirements and to enable the AGSA to fulfil its role more effectively.

The Guide will be updated for:

- Changes made to the AGSA's audit methodology;
- Further guidance on how political governance structures in the public sector should be dealt with;
- Changes to the financial reporting frameworks applicable to the public sector; and
- Changes to the International Standards of Supreme Audit Institutions.

Estate Agency Affairs Board (EAAB)

2017 Audit Reports Submission Reminder

The EAAB issued a reminder on 1 June 2017 regarding the 2017 audit reports submission process. The submission deadline for estate agency firms with a financial year-end of 28 February 2017 was 30 June 2017, and the EAAB has clarified some relevant issues for the benefit of registered auditors and the principals of their estate agency clients.

To download the detailed reminder, go to the [EAAB website](#).

For any further queries, please contact the EAAB directly.

ETHICS

The International Ethics Standards Board for Accountants (IESBA)

IESBA Embarks on a Strategic Review

The IESBA released an [online survey](#) seeking comments, views and insights from all stakeholders to help shape its future strategic direction. The survey closes on 18 July 2017. Responses to the survey will inform the IESBA's development of a formal consultation paper on its Strategy and Work Plan beyond 2018.

IESBA Proposes New Guidance for Professional Skepticism and Professional Judgment

The IESBA released for public comment the Exposure Draft, *Proposed Application Material Relating to Professional Skepticism and Professional Judgment*, on 11 May 2017.

The proposed amendments link key concepts in the IESBA Code of Ethics for Professional Accountants (IESBA Code) and clarify their application and emphasis, with a focus on:

- How compliance with the fundamental principles in the IESBA Code supports the exercise of professional skepticism by auditors and assurance practitioners for audit, review and other assurance engagements; and
- The importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework underpinning the Code.

Registered auditors and others are invited to submit any comments regarding the proposed changes to the IRBA for consideration as we prepare our response to the IESBA. Comments to the IRBA were due by 11 July 2017.

Alternatively, comments may be submitted directly to the IESBA through the www.ifac.org website, which has a "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on 25 July 2017.

The proposed changes to the IESBA Code of Ethics are available in PDF format and may be downloaded from the IRBA website at www.irba.co.za.

Committee for Auditor Ethics (CFAE)

Custody of Client Assets

The IRBA approved changes to the Code relating to the Custody of Client Assets.

The amendments alert registered auditors to the risks involved in holding client assets and provide examples of possible measures to protect client assets. These amendments relate to all professional services that the registered auditor performs and are not limited to audit or assurance clients only.

These amendments are available on the [IRBA website](#) and will be effective on or after 31 December 2017.

Reminder: Non-Compliance with Laws and Regulations (NOCLAR)

Registered auditors are reminded that the amendments to the IRBA Code relating to NOCLAR become effective on or after 15 July 2017. These amendments 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
- 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 being limited by the ethical duty of confidentiality.

The IESBA released staff-prepared Q&As to support the adoption and implementation of the NOCLAR pronouncement. The Q&As for Professional Accountants in Public Practice can be downloaded from the [IESBA website](#).



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INSPECTIONS

AN OVERVIEW OF INSPECTION FINDINGS: CONSOLIDATIONS

The quarter ended 31 March 2017 marked the end of the second year of the sixth cycle of inspections. An analysis of this quarter's inspection results found an increase in findings raised on non-compliance with the requirements of IFRS and IFRS for SMEs in the preparation of consolidated financial statements and the auditors' work thereon, as discussed here.

The information contained in this article is for information purposes only and does not constitute technical guidance or consultation. The findings discussed are only examples of insufficient audit work on potential non-compliance with the requirements to prepare consolidated financial statements. They do not represent all potential areas of non-compliance with the requirements of the standards.

Background and Reference to Standards

IFRS

Auditors are reminded that IFRS 10 paragraph 4 requires that an entity that is a parent shall prepare consolidated financial statements. A parent need not present consolidated financial statements if all the conditions in IFRS 10 paragraph 4(a) are met. IFRS 10 paragraph 4B also allows investment entities in certain scenarios to not present consolidated financial statements.

If an entity applies the consolidation "exemption" as discussed above, IAS 27 paragraph 16 and paragraph 16A require that entity to provide specific disclosures in its financial statements.

It is also important for auditors to note that IFRS 10, effective for periods beginning on or after 1 January 2013, has introduced a "new" control definition that requires the investor to have power over the investee; exposure, or rights, to variable returns from the investor's involvement with the investee; and the ability for the investor to use its power over the investee to affect the amount of the investor's returns (IFRS 10 paragraph 7). This assessment often requires the entity as well as the auditor to exercise judgment, which should be sufficiently and appropriately documented on the audit file.

IFRS for SMEs

IFRS for SMEs contains a similar requirement that an entity that is a parent should prepare consolidated financial statements. A parent need not present consolidated financial statements if both conditions in Section 9.3 of IFRS for SMEs are met.

Impact on the Audit Opinion

Auditors are reminded that ISA 700 and ISA 700 (Revised), paragraph 10, require that an auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. SAAPS 3 (Revised November 2015), *Illustrative Reports*, Example 16 (Misstatement: Non-consolidation of financial statements – adverse opinion) provides further guidance to auditors.

Examples of Findings Raised

During our inspections, we have raised findings on audits, where the auditor has not documented sufficient and appropriate audit evidence that supports a parent not preparing consolidated financial statements in accordance with IFRS or IFRS for SMEs. Examples of these findings are:

- A parent entity did not prepare consolidated financial statements. The auditor then did not document any considerations as to whether that constituted a contravention of the requirements of IFRS or IFRS for SMEs. The auditor failed to document the potential impact of this non-compliance, if any, on the audit report issued.
- A parent entity did not prepare consolidated financial statements. Then the auditor documented on the audit file that this was accepted because the entity had applied IFRS 10 paragraph 4(a). The auditor failed to document sufficient and appropriate audit evidence on the audit file supporting each of the requirements of IFRS 10 paragraph 4(a). On further review by the inspector it was noted that not all the requirements of IFRS paragraph 4(a) had been met. This could have been due to one or more of the following reasons:
 - o The parent entity did not have any equity instruments traded in a public market; however, it had debt instruments that were traded in a public market. This was in contravention of IFRS 10 paragraph 4(a)(ii).
 - o The parent entity applied IFRS in preparing its financial

INSPECTIONS cont.

statements, but its ultimate and/or any intermediate parent in which subsidiaries were consolidated produced financial statements that complied with IFRS as adapted and/or endorsed by another jurisdiction. The auditor failed to document sufficient and appropriate audit evidence as to whether the financial statements of the ultimate and/or any intermediate parent, in which subsidiaries were consolidated, also complied with IFRS as required by IFRS 10 paragraph 4(a)(iv).

- o The ultimate and/or intermediate parent of the entity, in which subsidiaries were consolidated, produced financial statements that complied with IFRS. The auditor had not documented sufficient and appropriate audit evidence as to whether these financial statements were publicly available as required by IFRS 10 paragraph 4(a)(iv).

In these scenarios, we identified that the auditor failed to assess the impact of the potential non-compliance with the requirements of IFRS or IFRS for SMEs on the audit opinion to be issued, in accordance with ISA 700/ISA 700 (Revised) and SAAPS 3/SAAPS 3 (Revised November 2015).

Other considerations

Auditors should also be alert to the possibility of reportable irregularities. While a failure to prepare consolidated financial statements would not automatically qualify as a reportable irregularity in all instances, auditors should be aware that compliance with the applicable financial reporting framework (IFRS/IFRS for SMEs) is a requirement of Section 29(1) of the Companies Act, 2008. Consequently, auditors should evaluate the particular circumstances of each case to determine whether a reportable irregularity has taken place and document their considerations and conclusions in this regard.

What should auditors look out for?

- Is my client a parent entity? If my client applies IFRS, has it considered the definition of control in IFRS 10 to determine if it is a parent entity?
- Has my client, that is a parent entity, prepared consolidated financial statements? If not, has my client applied the requirements in IFRS 10 paragraph 4(a), paragraph 4B or IFRS for SMEs Section 9.3?
- If my client, a parent entity, need not prepare consolidated financial statements by applying IFRS 10 paragraph 4(a),

paragraph 4B or IFRS for SMEs Section 9.3:

- Have all the requirements of IFRS 10 paragraph 4(a), paragraph 4B or Section 9.3 of IFRS for SMEs been correctly applied?
- Have I sufficiently and appropriately documented on my audit file my assessment of whether all the requirements of these standards have been met?
- Has my client complied with all the disclosure requirements of IFRS or IFRS for SMEs as applicable?
- If my client has not complied with the requirements of IFRS or IFRS for SMEs as applicable, and has incorrectly not prepared consolidated financial statements and/or has omitted required disclosures in its financial statements, what is the impact on my audit report in terms of ISA 700/ISA 700 (Revised) and SAAPS 3/SAAPS 3 (Revised November 2015)?

Revised ISA 700 and SAAPS 3 (Revised November 2015)

Auditors are reminded that International Standard on Auditing (ISA) 700 (Revised) became effective for audits of financial statements for periods ending on or after 15 December 2016. Based on ISA 700 (Revised), South African Auditing Practice Statement (SAAPS) 3 (Revised November 2015), Illustrative Reports, was prepared by the IRBA's Committee for Auditing Standards and was approved for issue in November 2015. SAAPS 3 (Revised) is also effective for the audits of financial statements for periods ending on or after 15 December 2016. There are significant changes to the previous requirements. It is also important to note that the layout of the audit report has changed, as it now, for instance, starts with the opinion paragraph.

SAAPS 3 (Revised November 2015) is aimed at providing practical guidance to auditors who report on financial statements both for compliance with the ISAs (or the ISREs, as applicable) as well as 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 SAAPS 3 (Revised), 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).



Imre Nagy

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DISCIPLINARY COMMITTEE

The Disciplinary Committee did not sit during this period.

REPORTABLE IRREGULARITIES

Reportable irregularities (RIs) for the quarter January to March 2017

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

| | |
|-------------------------|----|
| RIs were continuing | 47 |
| RIs were not continuing | 40 |
| RIs did not exist | 1 |

Of the 47 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 or not approved within the allotted timeframe. | 54.7% | South African Revenue Service (SARS); the Financial Services Board; the Companies and Intellectual Property Commission (CIPC); etc. |
| Tax and VAT-related contraventions (e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.). | 26.4% | SARS. |
| Allegations of reckless trading as per the Companies Act. | 7.5% | The CIPC. |
| Various other Companies Act contraventions, e.g. directors' conduct, breach of directors' fiduciary duties, etc. | 3.8% | The CIPC. |
| Contraventions of both the Financial Intelligence Centre (FIC) Act and of the Prevention and Combating of Corrupt Activities Act (PRECCA). | 1.9% | FIC and the Directorate for Priority Crime Investigation. |
| Non-compliance with JSE Listing Requirements. | 1.9% | The Johannesburg Stock Exchange. |
| Other (e.g. contraventions of the South African Schools Act, contravention of exchange control regulations, etc.) | 3.8% | The Department of Basic Education, the South African Reserve Bank, etc. |

AN INTERNATIONAL PERSPECTIVE ON COMBATING BRIBERY

The Organisation for Economic Co-operation and Development's (OECD) adoption in 1997 of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Convention) placed an enhanced focus on the use of domestic law within countries to criminalise the bribery of foreign public officials. In this regard, South Africa became the first African country to accede to the OECD Convention and join the OECD Working Group on Bribery in International Business Transactions. South Africa then adopted the Prevention and Combating of Corrupt

Activities Act 12 of 2004 (PRECCA), which provides for the criminalisation of all payments with the intent to bribe.

The OECD's Anti-Bribery Policy and Compliance Guidance for African Companies (the OECD Africa Guide) suggests that a four-step approach be followed by African companies in actively preventing the bribery of foreign public officials. This includes the development of an internal anti-bribery policy that should incorporate a mechanism for staff members to report such incidents to management. The mechanism, more commonly known as whistle-blowing, is internationally recognised and encouraged as a tool to enable governance

LEGAL cont.

structures to manage their respective organisations in an ethical and responsible manner.

Whereas the Protected Disclosures Act 26 of 2000 effectively encourages employers to have in place such a whistle-blower type policy, the Protected Disclosures Amendment Bill will result in an obligation being placed on the recipient of a protected disclosure to consider the disclosed information and decide whether it will be investigated or referred to another body for investigation within a turnaround time of 21 days. The establishment of an effective internal mechanism for receiving and processing such protected disclosures will therefore assist the recipient of such protected disclosures in meeting these report-back timeline requirements.

In addition to the identification of general risks when it comes to the risk of foreign public officials being bribed, the OECD Africa Guide also identifies certain high-risk sectors within which state-owned enterprises (SOEs) generally operate. These include the power generation, defence and infrastructure development sectors. The OECD Africa Guide warns that bribery risks could potentially occur at any stage of the procurement cycle within these high-risk sectors. The effective mitigation of these risks by SOEs is, therefore, considered by the OECD to be of paramount importance.

Registered auditors are, thus, encouraged to take cognisance of the principles contained in both the OECD Convention and the OECD Africa Guide regarding the combating of international bribery. They should also consider engaging in active discussions with their staff members as well as their clients on the requirements of both the Protected Disclosures Act and the Protected Disclosures Amendment Bill.

Registered auditors who wish to obtain more information on the OECD's publications on combating international bribery may contact Mr Salomon Hoogenraad-Vermaak at the Department of Public Service and Administration on either SalomonH@dpsa.gov.za or (012) 336-1281.

THE UNEMPLOYMENT INSURANCE FUND FOR VOLUNTEER FOOD HANDLERS

We held discussions with representatives from both the Department of Basic Education (DBE) and the Department of Labour (DOL) on the Unemployment Insurance Fund (UIF) for volunteer food handlers (VFHs) as initiated through the

National School Nutrition Programme (NSNP).

In terms of the NSNP, learners in designated secondary and special schools are served with one cooked meal prepared daily by individuals referred to as VFHs. These VFHs are, according to the DBE, employed on a rotational basis and include either parents of learners or community members, and they are paid a minimum stipend that requires them to be registered for UIF purposes. Even though these stipends are funded through a National Treasury grant, each of the schools affected are individually responsible for registering their respective VFHs for UIF purposes.

In terms of the actual payment of amounts due to the DOL for UIF on VFHs, the majority of provincial departments have opted to transfer the amounts owed directly to the DOL on behalf of the affected schools that operate within their jurisdictions. Other provincial departments have, however, already transferred funds directly to the affected schools that operate within their respective provinces for these schools to then pay these amounts over to the DOL themselves.

Whoever registers as an employer on the DOL's UIF system may possibly be held liable for any interest and penalties on late payments of amounts due to the DOL for UIF on VFHs, according to the DBE. This is irrespective of whether it is a particular school or a provincial department of education that has registered as such. In addition, any delayed registration or non-registration of an affected school's VFHs for UIF purposes will be regarded as non-compliance to the UIF Act by such a school. However, negotiations between the DBE and the DOL are in progress on the possible waiving of interest and penalties on the late payment of UIF for VFHs during the first year of implementation of the NSNP.

Registered auditors performing audits of secondary and special schools are therefore encouraged to take cognisance of these requirements relating to UIF for VFHs when encountering acts or omissions committed by the schools' governing bodies in relation to the NSNP. Registered auditors who wish to obtain more information on any NSNP-related audit matters may contact Ms Devoshum Moodley-Veera, the Director of Provincial Audit Monitoring and Support (Sector Audit Outcomes) at the DBE, on either Moodley.D@dbe.gov.za or (012) 357-3857.

She wishes to ask auditors to ensure that all ongoing RIs that

LEGAL cont.

are reported on educational institutions in general include as much detail as possible as well as the relevant information on the purported irregularities. Such detailed information will, according to her, assist towards enabling any investigations undertaken by her department to have a more clearly defined focus in terms of both its planned scope and intended purpose.

HOLDING OUTS

In 2010 we received a complaint from the Cape Law Society regarding an individual who had purportedly signed an audit report submitted to the society and who was not registered with the IRBA.

The matter was referred to the SAPS. Following a number of postponements, the accused, together with the former attorney who submitted the report, appeared in the

Specialised Commercial Crimes Court in Maitland, Cape Town, on 8 June 2017. Neither was asked to plead, and they are now expected to go on trial together on 23 October 2017.

The IRBA vigorously prosecutes cases of holding out, but the outcome of the matters is beyond our control. We, however, exhort people to report cases of holding out to us. We are also in ongoing communication with other accounting institutes to assist them in educating their members who sometimes transgress unintentionally, or to discipline those who do so intentionally or recklessly.



Jane O'Connor

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REGISTRY

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 1 DECEMBER 2016-30 JUNE 2017

| | | |
|-------------------------------|------------------------------------|----------------------------------|
| Aveling, Melissa | Lamprecht, Elene | Nawrattel, Mari-Louise |
| Barath, Shamona | Lavhengwa, Tumellano | Nene, Zwelihle Lindelani |
| Bayana, Yandeya Marcia | Lengert, Edgardo Andres | Noko, Tsoanetsi |
| Bhayat, Junaid Yusuf | Linde, Theunis Lodewyk | Oosthuizen, Schalk Willem |
| Botha, Christopher | Luck, Kathryn Ann | Phillips, Ana Cristina Magalhaes |
| Boyana, Nokulunga Nonkululeko | Lumley, Andrew | Potgieter, Inge |
| Sibusiswe | Maharaj, Vanuja | Rosa, Ricardo Jose Correia |
| Brady, Lawren Catherine | Makan, Priyesh | Saloojee, Ahmed |
| Brokensha, Michelle Kim | Makanza, Runyararo Catherine | Scott, Stephen ruce |
| Brueton, Terence Graeme | Makgoka-Owuso, Tebogo Portia | Shamu, Jesca |
| Coovadia, Faatema | Marlowe, Pamella Mandisa | Sigama, Nazrama Mohamed Hussain |
| Dullabh, Divyesh | Marshall, Charlotte Patricia Lynn | Sithole, Sandile Cyril |
| Dzivhani, Mulalo Jane | Marshall, Llewellyn Leslie | Siweya, Charles |
| Fraser, Candice Lee | Matham, Adrian Gerard | Solomon, Roxanne Linda |
| Gondo, James | Maunzagona, Liberty | Songca, Sabelo |
| Gumbo, Gugulethu Immaculate | Mbambale-Mathobo, Lindelani Lyneth | Steyn, Jennifer |
| Gumbo, Tawanda Lloyd | Mogapi, Eunivicia Matlhogonolo | Talke, Ingo |
| Hedder, Marlise | Mokwena, Nicholas | Toga, Albert |
| Jack, Givemore | Molomo, Matsobane Joshua | Uys, Theunis Oosthuizen |
| Jajula, Brenda Koliwe Pumeza | Motala, Zubair | Van Jaarsveld, Maria Elisabeth |
| Jonker, Mornay Fouden | Moyo, Lillian | Van Rensburg, Matthew Paul |
| Kana, Harshalkumar Suresh | Mphela, Ramatsimele | Van Wyk, Talita Cornelia |
| Kitching, Juliana Delia | Mudzimba, Darlington | Vorster, Ruan Bernard |
| Koen, Gert Hendrik | Mugugu, Tanyaradzwa Pearl | Vos, Mariette |
| Koen, Warren George | Munkuli, Charles | Zikalala, Zinhle Wendy |
| Kruger, Anneke | Mutiwasekwa, Happymore | |

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 1 DECEMBER 2016-30 JUNE 2017

| | | |
|---------------------------|------------------------|--------------------------|
| Cheadle, Roberta Louise | Kearns, Lindsay Duncan | Mistry, Gitesh Baloobhai |
| Davel, Bernardus Johannes | Lombard, Pieter Eduard | Motlhamme, Lesego |
| Frazer, Gino Earl | Madondo, Sibusiso | Pretorius, Garth |

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 1 DECEMBER 2016-30 JUNE 2017

| | | | |
|-------------------------------|-----------|-------------------------------|----------|
| Aley, Michael Robert | Resigned | Bester, Marthinus Steyn | Resigned |
| Anderson, Peter Colin | Resigned | Boake, Douglas Ian | Resigned |
| Baloyi, Vulani Price | Resigned | Britz, Pieter Jacobus Andries | Resigned |
| Bashala, Karine | Resigned | Butler, Dustin Clint | Resigned |
| Baumann, Chrislee | Emigrated | Carelse, Ernest John | Resigned |
| Beaumont, John Gilmoure | Resigned | Carrim, Aadila | Resigned |
| Beneke, Christopher Lauwrence | Resigned | Celliers, Jacqueline | Resigned |
| Beckwith, Gavin | Resigned | Chitsike, Nyaradzo Sami | Resigned |

REGISTRY cont.

| | | | |
|---|-----------|--------------------------------------|-----------|
| Christian, Jarrod Michael | Emigrated | Leenaars, Peter Anton | Resigned |
| Clow, Oliver Edward | Resigned | Lehapa, Sefenya Edick | Resigned |
| Coetzee, Erleen Melora | Resigned | Letho, Lehlohonolo | Resigned |
| Coetzee, Johannes Albertus | Resigned | Lewis, John Neville | Resigned |
| Comber, Michael John | Resigned | Looch, Ernest Michael | Resigned |
| Costello, Andrew | Resigned | Louw, Ian Daniel | Resigned |
| Dalling, Dudley Ernest | Resigned | Louw, Susann | Resigned |
| Date Chong, Douglas Charles | Resigned | Macrae, Hector William | Resigned |
| De Beer, Gerhardus Johannes Engelbrecht | Resigned | Maile, Gavin Ian | Resigned |
| De Villiers, Alison Portia | Resigned | Mbhele, Nontuthuko Rejoyce Consolate | Resigned |
| De Villiers, Daniel Gabriel | Deceased | Mao-Cheia, Simone | Resigned |
| Deysel Engelbrecht, Marieta | Resigned | Massey, Brian Mervin | Resigned |
| Dlamini, Njabulo Cyril | Deceased | McCallum, Diane | Emigrated |
| Downing, Mark Stuart | Resigned | Mellville, James Robert | Resigned |
| Esslemont, Colin | Resigned | Mothiba, Ngwanamago Shillyboy | Resigned |
| Fannin, Bruce Gower Campbell | Resigned | Moti, Firdause | Resigned |
| Flack, Denise Elizabeth | Resigned | Mtimkulu, Busisiwe Eugenia | Resigned |
| Fouche, Jonathan Roy | Resigned | Myburgh, Deon Andrew | Resigned |
| Fuller, Andrew | Emigrated | Myburgh, Johan Jacques | Resigned |
| Geeanpersadh, Praveck | Emigrated | Nel, Bianca Maureen | Resigned |
| Glass, Ronald George | Resigned | Nel, Cornelis | Resigned |
| Glazer, Victor | Deceased | Nel, Katriena Magdalena | Resigned |
| Gouws, Anri | Resigned | Newlands, James Alexander | Resigned |
| Govender, Michelle Neeveshnee | Resigned | Ngcobo, Linda Rose-Anne | Resigned |
| Govender, Pregalathan | Resigned | Nieuwoudt, Werner | Resigned |
| Greisdorfer, Mary-Anne | Resigned | Oates, Vivian Keith | Resigned |
| Grobler, Maria Johanna | Resigned | Osman, Abdool Gaffoor Suliman | Resigned |
| Hall, Robert Jerry | Emigrated | Pera, Emilio Lane | Resigned |
| Hannington, Andrew James | Resigned | Philippou, Theo | Resigned |
| Harvey, Traci Dorothy | Resigned | Phiri, Philani Stanley | Resigned |
| Hassim, Abdul Ganie | Resigned | Pieterse, Pieter Willem Adriaan | Deceased |
| Henning, Janita | Resigned | Pinnock, Geoffrey Michael | Emigrated |
| Honnet, Jennifer Louise | Resigned | Price, Wesley Dean | Resigned |
| Hurwitz, Michael | Resigned | Randall, Alan | Emigrated |
| Judelson, Seymour Joseph | Deceased | Rapote, Rachel Zanele | Deceased |
| Karodia, Zakiya | Resigned | Reuben, David Stephan | Resigned |
| Kempen, Elizabeth Johanna | Resigned | Ruppelt, Sven | Resigned |
| Kleinsmit, Michael Jacob | Resigned | Sahd, Barend Johannes | Resigned |
| Knott, David | Resigned | Saloojee, Ahmed | Resigned |
| Koekemoer, Mariska | Resigned | Scheepers, Frantz Frederik | Resigned |
| Kretzschmar, Andre Lennox | Resigned | Schleicher, Eberhardt | Emigrated |
| Kuhrau, Melanie | Resigned | Schoombee, Gerhard | Deceased |
| La Grange, Johan Petrus | Resigned | Schreuder, Johannes Wahl | Resigned |
| Laher, Mohamed Naeem | Deceased | Sibindi, Tinashe Matthew | Resigned |

REGISTRY cont.

| | | | |
|-------------------------------------|-----------|--------------------------------|-----------|
| Smith, Thomas Collins | Resigned | Van Nieker, Frederik Nienaber | Resigned |
| Smuts, Nelmarie | Resigned | Van Niekerk, Scha | Resigned |
| Steenkamp, Elizabeth Maria | Resigned | Van Rooyen, Adriaan | Resigned |
| Sterley, Waldo | Resigned | Van Ryswyck, Willem | Resigned |
| Stewart, Graham Maurice | Resigned | Van Tonder, Anthonius Frederik | Resigned |
| Stoman, Jacqueline Louise | Resigned | Vermaak, Franciscus Jozefus | Resigned |
| Strauss, Johann Egbertus | Resigned | Voigt, Garth Merrick | Resigned |
| Swart, Sunette | Resigned | Vos, Gerwin | Resigned |
| Tharratt, Glenn Leslie | Resigned | Wajoodeen, Imraan | Resigned |
| Theunissen, Bea | Resigned | Wells, Alfred Herbert Henry | Resigned |
| Trollope, Charles Edgar | Resigned | Witthoft, Vere Edmund | Resigned |
| Van der Merwe, Paul Jacobus | Emigrated | Wolfe-Coote, Gerald Eyre | Deceased |
| Van der Merwe, Willem-Carel Stephan | Resigned | Ye, Guanwu | Resigned |
| Van Heerden, Danie | Resigned | Yong, Tsz Ngai | Emigrated |

INDIVIDUALS WHOSE REGISTRATION LAPSED DURING 2016

| | | |
|---------------------------------|-----------------------------------|-----------------------------------|
| Adams, Zahira | Haasbroek, Pieter Gerbrand | Neethling, Jeanetta Petronella |
| Alberts, Anneliza | Hari, Chandrakant Govan | Nell, Delarey |
| Bashir, Zaheeda | Hess, Beat Josef | Nyangombe, Machaya |
| Bernard, Michelle | Jones, Kevin Anthony | Otto, Emile Bernard Michael |
| Bester, Thomas | Kiluba, Timothy | Roberts, Alwyn David |
| Botes, Alexis Marguerite | Mabhoza, Zwelodumo | Seobi, Mmabatho Mmatladi Victoria |
| Botes, Andre | Mahes, Natasha | Shanji, Takunda Terrence Sands |
| Burger, Norman Steytler | Makgeta, Malose Reginald | Singh, Camilla Jane |
| Chagonda, Vimbai Mary | Malahleha, Mosaletseng Relebohile | Taylor, Tina la Cour |
| Colyn, Daniel Petrus Christiaan | Mapfumo, Cordelia Ruvimbo | Thage, Morakile Michael Abiel |
| De Kock, Johannes Stephanus | Marule, Richard Diboneng | Van der Merwe, Belinda |
| Diale, Gaisang Paballo | Mbatha, Nosisa Dorothy | Vorster, Andre |
| Dollie, Ebrahim | Mokgabudi, Audrey Matshidiso | Weingartz, Bernice |
| Feni, Nolwandiso Portia | Selemagae | Welch, Christo |
| Ferreira, Walter Magnus | Mthembu, Ntombizodwa Patricia | |
| Goldberg, Anthony | Muller, Yolande | |

INDIVIDUALS WHOSE REGISTRATION WAS CANCELLED FOR NON-SUBMISSION OF ANNUAL RETURNS DURING 2016

| | | |
|--------------------------------|-----------------------------|-------------------------|
| Boshoff, Marthinus Christoffel | Kermis, Morne August | Mhlaba, Katekani Dion |
| De Beer, Lidia | Labuschagne, Christo Pieter | Nkasana, Bongani |
| Dickson, Mariska Helena | Limekaya, Cuma | Stretch, Robert William |
| Hanekom, Brandon Michael | Magner, Peter Sean | Taylor, Gerdileen |
| Hansjee, Denas Daya | Mchunu, Njabulo Freeman | Van den Berg, Gerhard |
| Hlongwa, Musawenkosi Sibusiso | Meyer, Ignatius Pietrus | |

EDUCATION AND TRANSFORMATION

A PROGRAMME THAT “RAISES ONE'S COMPETENCY LEVELS”

The Audit Development Programme (ADP), which was launched in 2015, has produced its first registered candidate auditor (RCA), Jason Bruhin, from JN Chartered Accountants. He recently spoke to IRBA News about his achievements and commitment to the profession.

After qualifying, most chartered accounts (CAs) leave the auditing profession to pursue careers in commerce or public service. Why did you stay in auditing?

The reason why I remained in the auditing profession instead of pursuing a career in commerce or public service was because I enjoy the auditing profession. I also wanted to give myself the opportunity to get exposure to as many aspects of the field as possible in order to broaden my competence and skill level within the field. I also wanted to have the option to work for myself or in a partnership in the future and have a satisfying career in the field where I can also be a leader for my colleagues and trainees.

The ADP is seen by many as an added time towards reaching one's goal. How did you find it?

I found the programme challenging in the sense that there are many competencies that need to be achieved in a relatively short time. I was, however, able to complete the programme successfully as I received sufficient assurance engagement exposure from various assurance engagements throughout my career, before and after completing my SAICA training contract.

I believe that the introduction of the programme was necessary as previously a newly qualified CA (SA), with not much exposure in managing assurance engagements at a high level, could immediately register as an auditor in public practice. This comes with its own risks as a newly qualified CA may lack the necessary experience required to manage assurance engagements at that high level.

I also believe that a prospective RA who has been exposed to very few assurance engagements during their SAICA training contract may not be able to achieve the necessary competencies required of the programme without being exposed to more assurance engagements and more sections of those assurance engagements at a high level, especially taking into account that exposure to many of the competencies doesn't come around often.



Would you encourage other CAs to participate in the programme?

I would encourage other CAs who have plans to work in public practice to participate in the programme, and not just because it is a requirement for entering public practice as an RA. Although it will now take at least 18 months longer to qualify as an RA, that extra time is important and beneficial to the career and future of prospective RAs. Also, it raises one's competency levels by providing the tools, skills and experience to practice as an RA.

What support did you get from your firm?

Our firm, JN Chartered Accountants, provided me with the environment, client portfolio and an experienced ORA (oversight registered auditor) to guide me in achieving the necessary competencies required by the programme. I believe that the firm is an inseparable part of a prospective RA's success and also believe that an employee of the firm, and especially a prospective RA, is a representation of his firm. Without the support and guidance of my firm I would not have been able to complete the programme successfully.

How has the ADP benefitted your career?

The programme has allowed me to not only qualify as an RA, but be subsequently appointed as a partner at a firm that has

EDUCATION AND TRANSFORMATION cont.

been in existence for more than 60 years.

The programme has benefitted my career in that I entered public practice as an RA that is better equipped and more experienced than I would have been had I not been on the programme. It encouraged me to always strive to obtain as much knowledge as I can and to always stay up to date and evolve with the profession. The programme also reminded me to never lose touch with aspects of the field that I do not practice on a day-to-day basis.

What is your passion outside of auditing?

I'm a family man and I enjoy spending time with my family and girlfriend. I'm also a big mixed martial arts fan; and although I'm absolutely useless at it, I enjoy watching others go at it!

What is your philosophy?

Throughout my career, I have always stuck to two quotes

when faced with adversity. The one is: "You will always have what you've always had, if you always do what you've always done." The other is: "You will always be out of your comfort zone when you're growing."

The accountancy and auditing profession is diverse and challenging at times, and whenever I am faced with a challenge I remind myself that it is in times of difficulty that you grow. I am a strong believer that if you want to change something in your life, you have to do something differently. Also, to achieve success and growth in any aspect of life, one must embrace the challenges and difficulties and not be afraid of them.



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Director: Education and Transformation

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COMMUNICATIONS

To improve communication with registered auditors and other stakeholders, a list of communiques sent by bulk e-mail during the reporting period for this issue is set out below. These

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

| | |
|---------------|--|
| 13 June 2017 | Withdrawal of the Proposed Guide for Registered Auditors: Considerations for an Auditor or a Reviewer of a Company which is Factually Insolvent |
| 12 June 2017 | Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors Relating to the Custody of Client Assets |
| 9 June 2017 | Estate Agency Affairs Board: 2017 Audit Reports Submission Reminder |
| 2 June 2017 | MAFR gazetted to enhance auditor independence and protect public interest |
| 2 June 2017 | Inspection Fees Payable to the IRBA with Effect from 1 April 2017 |
| 1 June 2017 | IESBA Proposes New Guidance for Professional Skepticism and Professional Judgement |
| 9 May 2017 | 2017 Annual Renewal Reminder |
| 4 May 2017 | IESBA Embarks on a Strategic Review – Seeks Input from Stakeholders |
| 4 May 2017 | Exposure Draft: Proposed International Standard on Auditing 540 (Revised), Auditing Accounting Estimates and Related Disclosures |
| 19 April 2017 | IRBA News Issue #37 |
| 11 April 2017 | IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context |
| 10 April 2017 | Annual Renewal Documents Available on the Website |
| 07 April 2017 | Annual Renewal 2017: Explanatory Memo |

GENERAL NEWS

NEW IRBA BOARD APPOINTED

The new IRBA Board was appointed by cabinet and announced during a post cabinet media briefing on 10 May 2017. Each Board member is appointed for a two-year term that is renewable for a further two years. Below are brief profiles of the new Board members.

Mr Thiru Pillay CA (SA), RA

Thiru is a Group Executive at Liberty Holdings Ltd, where he heads the Professional Shared Services business unit. He holds a BCompt (Hons) and is a qualified CA (SA) and a CIA. Prior to joining Liberty eight years ago, he was the Senior Executive Partner responsible for the Business Risk Services division at Ernst & Young for their African practice (including South Africa). He has also previously held senior executive positions at South African Airways and Transnet. He also chaired the audit committee and served as a non-executive director on the board of the Central Energy Fund and was a trustee of the Libcare Medical Aid for five years until his resignation.

Mr Abel Dlamini CA (SA), CIA (SA)

Abel is the Executive Chairman at SekelaXabiso. He was a founding member of Sekela Consulting, one of the partners in the merger that created SekelaXabiso. He played a key role in the establishment of Sekela Consulting as a market leader in the internal audit, IT audit, forensic audit and consulting services sector prior to its merger with Xabiso Chartered Accountants. Prior to establishing Sekela Consulting he was a partner at both KPMG and Arthur Andersen and served as the Chief Executive Officer at Dlamini Inc. He is a member of SAICA and the Institute of Internal Auditors (SA). He also received a national award in the Business & Professional Services category at the 2014 Titans Building Nations Awards.

Mr Joe Lesejane CA (SA) (CD SA) (FCMA)

Joe recently completed his term on the audit committee of National Treasury and is still chairman of Export Credit Insurance Corporation Ltd. He currently offers risk management consulting services. He also has a wealth of experience in internal audit, risk management, corporate governance and external audit in both the private and public sectors. As a corporate governance specialist with extensive board experience he will be an asset to the Board. He was

formerly employed at KPMG, Du Pont Internal, Eskom SOC Ltd and SAICA, and is an active member of the Institute of Directors SA.

Ms Matshepo More CA (SA)

Matshepo is currently the Chief Financial Officer and Executive Director at the Public Investment Corporation Ltd (PIC), one of the largest asset managers in Africa. She served her articles at Deloitte, specialising in financial institutions, before being seconded to the New York office for four months to handle a large asset management company. Upon returning to SA she was promoted to audit manager. She left Deloitte and in 2009 joined the PIC, where she was appointed as the Finance Manager. In 2011, she was appointed as the Chief Financial Officer, with her responsibilities including the corporation's finances and ensuring that the PIC complies with the Public Finance Management Act. She is also a member of the Financial Reporting Standards Council, a statutory body responsible for issuing financial reporting standards in South Africa.

Ms Nkabaneng Mashile CA (SA), MCOM

Nkabaneng is an experienced senior lecturer at Wits University where she started lecturing in the Financial Accounting Division in 2009. Prior to that she was an audit manager at KPMG where she also served her articles. During her time at KPMG she gained invaluable experience in the financial services sector, with major clients including banks, medical schemes, stock brokers and property companies. She currently heads the Girls' Mentorship Programme at Tsogo ya Bokamoso Foundation, an organisation that is focused on promoting academic excellence in the township of Alexandra.

Ms Zuziwe Ntsalaze CA (SA), CISA, MBA

Zuziwe has extensive experience in advisory, auditing, risk appraisals, compliance reviews and independent assurance in multinational companies. She is a technical specialist with solid expertise in building relationships with business leadership and soliciting buy-in from strategic stakeholders. She is a member of SAICA and is a certified information systems auditor (CISA). Her CISA qualification attests to her expertise in information technology audits, covering IT projects, IT governance, applications, databases and governance frameworks.

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Ms Martie Janse van Rensburg CA (SA)

Martie is an experienced executive and non-executive director with 17 years' experience serving in organisations that require strategic redirection and governance alignment in the public and private sectors. She has vast governance experience, which includes chairing organisations in the public and private sectors, and has served on board committees (Audit and Risk and Human Resources) for 17 years. She has a substantial understanding of and experience in good corporate governance practices; corporate strategy; shareholder management models; enterprise-wide risk management; regulatory compliance; financial reporting and analysis; human resource strategies; and performance management. She has also worked in various SADC countries, including Botswana, Lesotho, Mozambique, Namibia and Swaziland. Martie was a recipient of the inaugural Woman in Water Award in 2002 and a nominee for the BWA Business Woman of the Year award in 2006.

Mr Iqbal Motala, Attorney

Iqbal has extensive experience at management level, and this was acquired from his position as a partner at a law firm since

1985. He has also gained considerable experience at senior management level after having spent 10 years in government and acquiring knowledge over a wide spectrum of policies and procedures. He served as Head of the Department of Local Government and Housing in the North West from 2001 to 2009. During that time he acquired vast experience in the housing sector. In the 1990s he also served as the Regional Director for Lawyers for Human Rights.

Mr Madoda Petros CA (SA)

Madoda has extensive experience in the banking sector, having spent most of his career at the South African Reserve Bank in various capacities, including banking supervision, on-site supervision in the Analysis Department and as a Deputy Registrar of Banks. He is currently the Chief Risk Officer at uBank, a registered bank providing financial services to the low-end market, particularly mine workers. His responsibilities at uBank include overseeing the forensic investigations and credit departments. Madoda is the chair of the bank's Enterprise Risk Committee and the Credit Committee reporting to the CEO.

MAFR GAZETTED TO ENHANCE AUDITOR INDEPENDENCE

The IRBA has issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023. The rule is aimed at strengthening the independence of auditors from their clients, following concerns from the regulator. These concerns include the extended length of audit relationships, with some spanning more than 100 years.

The Standing Committee on Finance held public hearings on the matter of audit firm rotation during February and March this year. These hearings highlighted concerns not only around a lack of independence, but also regarding the need for accelerated transformation and de-concentration in the audit profession.

A third hearing was held to discuss Transformation and MAFR on June 21. At that hearing the IRBA said it had agreed with the Minister of Finance, Malusi Gigaba, that while MAFR was best

suited to address the independence of auditors and long tenure concerns, it would not necessarily facilitate the growth and participation of black audit firms in a market that has been historically dominated by only a few audit firms.

Therefore, prior to the 2023 implementation date, additional measures would be required to prevent the mere rotation of audits between the "Big Four". These measures would also need to ensure that meaningful black participation is increased through equity ownership; and that black-owned firms are given the necessary skills and capacity to take on the work of large listed entities.

The hearing noted that there was a real need to:

- Increase the number of qualification routes to becoming a registered auditor by increasing the number of accredited professional bodies.
- Enhance long-term career prospects for black accountants in auditing.
- Improve the attraction, retention and progression approaches for black auditors and ensure that they have

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equitable opportunities and access on par with their white counterparts.

- Advance the number of black partners in senior and executive roles.
- Increase the number of black partners with equity ownership in audit firms.
- Crack down on and expose discriminatory recruitment practices that limit opportunities and career path possibilities for black accountants.
- Create access to markets for black-owned firms and include

them in mainstream auditing.

- Hold broader governance structures accountable for transformation targets and goals through comprehensive regulation of the broader accounting environment.

The IRBA believes that the implementation of MAFR will be a first step towards forcing a breakdown of the barriers that have been restricting black professionals from accessing equal opportunities.