INDEPENDENT REGULATORY BOARD FOR AUDITORS

annual report 2010

PROUD TO PROTECT THE PUBLIC

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WHO WE ARE, WHAT WE STAND FOR

Legislative mandate

The Independent Regulatory Board for Auditors (IRBA) is established in terms of section 3 of the Auditing Profession Act, 2005, (No. 26 of 2005), (the Act) which had an effective date of 1 April 2006. The objects as set out in section 2 of the Act are as follows:

- To provide for the establishment of an Independent Regulatory Board for Auditors;
- To protect the public in the Republic by regulating audits performed by registered auditors;
- To improve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession, and
- To provide for procedures for disciplinary action in respect of improper conduct.

HIGHLIGHTS OF THE YEAR

- The proposed Code of Professional Conduct and Rules Regarding Improper Conduct were issued on exposure for public comment.
- South Africa is ranked 2nd out of 133 countries for its "Strength of Auditing and Reporting Standards" in The Global Competitiveness Report 2009 – 2010, produced by the World Economic Forum.
- Of the 2 798 candidates who wrote the 2009 PPE, 2 320 passed, resulting in a record pass rate of 83%.

MEMBERS OF THE BOARD

Ms Tantaswa Fubu, 38

Qualifications

PG Dip Acc, B Admin Hons, B Admin, HDip Banking Law, Certificate of Proficiency in Short term insurance

Designation

CA (SA)

Date Joined IRBA

01 April 2009

Directorships

KPMG

Matador Refrigeration (Pty) Ltd

Soul City

Mr Deepak Dalpat Nagar, 39

Qualifications

BCom, BCompt (Hons)

Designation

CA (SA)

Date Joined IRBA

01 April 2006

Directorships

Grant Thornton (Durban) Professional Practice (Partnership)

Basfour 2721 (Pty) Ltd

Grant Thornton Consulting (Natal) (Pty) Ltd

HBC Nominees (Pty) Ltd

Nine Eight Eight Investments (Pty) Ltd

The X Funds Financial Services (Pty) Ltd

Vanquish Financial Services (Pty) Ltd

Prof Amanda Dempsey, 50

Qualifications

MCom, BCom Hons (Acc), BCom (Accounting)

Designation

CA (SA)

Date Joined IRBA

01 April 2009

Directorships

Accounting Education Board

Mr Patrick Roy Mnisi, 33

Qualifications

LLB, Certificate in Compliance Management

Designation

Attorney

Date Joined IRBA

01 April 2009

Directorships

Freedom Park - Board Member

Windybrow Theatre - Board Member

Ms Nomzamo Nomfundo Nomkosi Radebe, 33

Qualifications

BCom, PG Dip Acc, Commercial Property Practitioners

Designation

CA (SA)

Date Joined IRBA

01 April 2009

Directorships

Munich Reinsurance Company of Africa Ltd & EsS

Pareto Ltd - Financial Director

Soul City

Mr Dines Chandra Manilal Gihwala, 57

Chairman

Qualifications

BProc, HDip Tax Practice

Designation

Attorney

Date Joined IRBA

01 April 2007

Directorships

FirstRand Empowerment Trust

Cliffe Dekker Hofmeyr

Makalani Holdings (Pty) Ltd

Ngatana Property Investments (Pty) Ltd

Outward Investments (Pty) Ltd

Redefine Income Fund Ltd

Sando Holdings (Pty) Ltd

Santam

Seena Marena Financial Services(Pty) Ltd

Mr Temba Stanley Zakuza, 46

Qualifications

BCom

Designation

CA (SA)

CIA

Date Joined IRBA

01 April 2006

Directorships

Housing Association East London (Hael)

Mr Bread (Bakery)

SAICA TBF - Trustee

Prof Linda Elizabeth Rachel de Vries, 53

Deputy Chairman

Qualifications

BCom Hons, Hons Bus. Admin, Masters Bus. Admin, PG Teachers Diploma, ILO Accredited Trainer, Certificate Board Governance

Date Joined IRBA

01 April 2007

Directorships

Broad Cape Pty (Ltd)

National Gambling Board

OREEPS Pty (Ltd)

Vuya Pty (Ltd)

Prof Suresh Parbhoo Kana, 55

Qualifications

MCom, BCompt (Hons)

Designation

CA (SA)

Date Joined IRBA

01 April 2009

Directorships

PricewaterhouseCoopers Inc.

Mr Wynand Petrus Du Plessis, 55

Qualifications

BCom, BCom (Hons)

Designation

CA (SA)

Date Joined IRBA

01 April 2006

Directorships

3632 Bellegings (Edms) Bpk

Craib Avenue Investmemts (Edms) Bpk

Drie Plus Finansiële Dienste (Pty) Ltd

Introdeals 120 (Pty) Ltd

Jacksu Properties (Pty) Ltd

Primed (Edms) Bpk

Ralber Riebeeckstad (Edms) Bpk

COMMITTEES OF THE BOARD

The following committees assist the Board in the performance of its functions:

Statutory Committees	Chairman	Chairman's Report (page)
Education, Training and Professional Development Committee	TS Zakuza	14
Committee for Auditing Standards	F Timmins	16
Committee for Auditor Ethics	E Kieswetter	20
Inspection Committee	DD Nagar	22
Investigating Committee	KN Kooverjee	24
Disciplinary Committee	WHG van der Linde SC	28

Other Committees		
Disciplinary Advisory Committee	WP du Plessis	26
Audit and Risk Management Committee	A Dempsey	34
Operations Committee	WP du Plessis	

EXECUTIVE STAFF OF THE BOARD

Mr Bernard Peter Agulhas, 47
Chief Executive Officer
CA(SA)
Date Joined IRBA
June 2003

Ms Willemina Hendrika de Jager, 51
Director: Operations
CA(SA), ACMA
Date Joined IRBA
May 2009

Mrs Laine Katzin, 41
Director: Education, Training and Professional Development
M.Ed Educational Psychology
Date Joined IRBA
July 2009

Mrs Patricia Jane O'Connor, 53
Director: Legal
BA, LLB
Date Joined IRBA
June 1986

Mrs Sandra Dawn Van Esch, 60
Director: Standards
CA(SA)
Date Joined IRBA
August 2009

Mr Paul Van Helden, 58
Director: Practice Review
CA(SA)
Date Joined IRBA
January 1997

ABOUT THE IRBA

Strategic focus

The strategic focus of IRBA is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethical standards.

The IRBA Vision

Our vision is to be an internationally recognised and respected regulator of the auditing profession, relevant to the South African environment.

Translating the vision, it means that IRBA has to create an enabling environment to facilitate suitably qualified auditors to enter and remain in the profession. It also means that IRBA should grow and maintain the number of auditors who, through the maintenance of excellent standards, become world class auditors that will protect the financial interests of the public. Given the myriad of external changes that may impact on the number of auditors, it is important that IRBA remains focused on strategies to sustain the profession. It is equally important that South Africa retains its status as an internationally recognised standard setter and regulator, a position which it has earned over the past few years.

The IRBA Mission

Our mission is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

IRBA Objectives

In line with our legislative mandate, IRBA objectives are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors, and to support registered auditors who carry out their duties competently, fearlessly and in good faith.

Furthermore, we shall strive to create an enabling environment which allows suitably qualified audit firms to grow and contribute to the protection of the public.

The IRBA Goal

The goal is to help create an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets and promotes sound practices.

This is done by:

- Developing and maintaining auditing and ethical standards which are internationally comparable;
- Providing an appropriate framework for the education and training of properly qualified auditors as well as their ongoing competence;
- Registration of auditors who meet the registration requirements;
- Monitoring compliance with reportable irregularities and anti-money laundering legislation;
- Monitoring registered auditors' compliance with professional standards;
- Investigating and taking appropriate action against registered auditors in respect of improper conduct;
- Developing and maintaining stakeholder relationships to enhance performance, accountability and public confidence;
- Strengthening IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically efficient and effective manner, in accordance with the relevant regulatory frameworks.

The IRBA Values

As overall custodians of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament and all its members and staff subscribe to the following core values:

Independence, integrity and objectivity

It is imperative that we are not just independent of the auditing profession in our composition and membership, but also reflect independence in the perception of our key stakeholders, through our actions and behaviour. It is therefore important that we act with integrity and objectivity in our deliberations, decisions and actions.

Commitment
We recognise the scope and extent of our mandate in respect of both the public and the profession and undertake to execute and deliver on this mandate with diligence and commitment in terms of our vision.

Transparency and Accountability
As a public entity in the overall delivery structure of the South African government and a beneficiary of public funds, we promote transparency in our interactions with relevant stakeholders, and recognise our accountability to the Parliament of South Africa and the Minister of Finance as our Executive Authority.

2009 PPE - OUR TOP ACHIEVERS

All top ten candidates were awarded honours for achieving a pass mark of 75% and over. The names of the top ten candidates are:

1.	Mr Ruan Greeff
2.	Ms Carmen Lindsay Krull
3.	Ms Tessa Alice Germishuizen
4.	Ms Andrea Jane Osborne
5.	Ms Cara Lee Botha
Joint 6th	Mr Carel Johannes Malan Mr Akash Dowra Mrs Lisa Claire Beattie

Joint 7th	Ms Birte Schneider Ms Claudia Hein Ms Saadiya Adam
Joint 8th	Ms Freda Venter Ms Karine Kakoma
9.	Mr Jacques van Ravesteyn
10.	Mr James John De Smidt

A further six candidates were also awarded honours.

The top candidate from the Support Programme was Agnes Gomolemo Dire.

REPORT OF THE CHAIRMAN

Dines Gihwala
Chairman

It is my pleasure to present the fourth Annual Report of the Independent Regulatory Board for Auditors (IRBA).

In terms of its statutory mandate, IRBA continued to protect the investing public while rolling out projects to ensure that registered auditors deliver high quality services in the public interest. The projects and activities of the various IRBA Committees are set out in greater detail in the Committee Chairmen's reports.

One of the more important projects on the Board's agenda has been to monitor developments and provide input to the new Companies Act and the Regulations thereto. This important piece of legislation impacts the auditing profession going forward. IRBA has worked closely with the Department of Trade and Industry (dti) to ensure that the Act and Regulations cater appropriately for the auditing profession. The Regulations are still in draft format at the time of this report. We also kept the Minister of Finance, to whom IRBA is accountable, informed of developments in this regard. IRBA's comments are centred around the need to protect the public interest and the financial markets of South Africa. As this objective is similar to that of dti and government, we are quietly confident that the final Regulations will contain the necessary provisions which will serve the best interests of the public.

IRBA embraces government's initiatives to build and improve skills and competencies for the wider community, which will benefit the greater economy. In this regard, IRBA has an important role to play in sustaining a pipeline of potential auditors, given the changes in training options now available to trainees registered with the South African Institute of Chartered Accountants (SAICA). We are pleased with the record pass rate achieved in the last Public Practice Examination. While growing the number of accountants and auditors remains high on our agenda, it is equally important that we continue to evaluate programmes and initiatives to increase the number of Black accountants and auditors. The Support Programme offered to repeat candidates has once again delivered satisfactory results.

As an internationally recognised standard setter and regulator, IRBA continued to participate in international debates and forums where experiences and best practices are shared and developed to strengthen audit quality. Although it is important that we remain at the cutting edge in respect of the most recent developments which impact the auditing profession and audit regulation, we ensure that our initiatives accommodate local circumstances. We engage with other international audit regulators on an ongoing basis to achieve mutual recognition between the various countries.

Appreciation

I wish to express my sincere thanks to the Minister of Finance, the board members, the CEO, Directors and staff of IRBA, and the various committees for their support and valuable contribution in the past year, which enabled us to deliver on our mandate.

REPORT OF THE
CHIEF EXECUTIVE OFFICER

Bernard Peter Agulhas
Chief Executive Officer

It is a pleasure to present my second report in my position as CEO. It is now four years since the implementation of the Auditing Profession Act, and I believe that the initial 'growing pains' are mostly behind us. This was made possible by a committed management team and a stable staff complement that remained focused on delivering on our mandate.

The 'dust has also settled' in our new building, and while the relocation provided some challenges in the previous year, we were now free to concentrate on new and exciting projects which are reported on in more detail in the various Chairmen's reports.

It cannot be said that the auditing profession is not dynamic; not because of the constant new developments in standards, codes and legislation, but because it has to be responsive and adaptable to the ever-changing environment to which auditors are exposed. These changes are caused by international trends and indigenous demands.

On the international level, IRBA continued to derive benefit from serving as a member on the International Forum of Independent Audit Regulators. This is a forum which provides a platform for sharing experiences and best practices on audit regulatory matters, and necessarily keeps a close watch on issues such as audit quality, audit concentration in the market and how audit firms respond to the commercial environment. This was particularly relevant during the global financial meltdown and how auditors responded thereto. IRBA also continued to participate in international projects such as research on alternate assurance services and the International Federation of Accountants' (IFAC) new project on Audit Quality.

On the home front, Black Economic Empowerment and the verification of compliance with Broad Based Black Economic Empowerment Codes and Legislation continued to keep us busy, and we made good progress, together with the Department of Trade and Industry (dti), on how to best ensure that practices meet the objectives of government. We also spent substantial time on liaising with the dti on the new Companies Act and Regulations thereto, to ensure that the implementation will not put the public interest at risk, which remains the ultimate objective for all projects undertaken by IRBA.

In respect of our African footprint, we are slowly making inroads on the continent, and if our international sporting event in 2010 is anything to go by, it has to be accepted that Africa must stand together and create the necessary frameworks to be heard as a united voice. In this regard, we have made initial contact with the Eastern, Central and Southern African Federation of Accountants (ECSAFA) to start debates on how South Africa can support Africa to strengthen independent regulation and implement high quality auditing standards.

From an operational perspective, we made great strides in ensuring that we run operations effectively, efficiently and economically, by instituting the necessary governance structures and processes that will provide the Accounting Authority with the assurance that IRBA complies with relevant legislation and best practice. The operational aspects are covered hereunder.

Stakeholder management

IRBA continued with the process of maintaining an effective stakeholder management plan to facilitate its interaction with the appropriate stakeholders during the implementation of the new Act and beyond. The stakeholder management plan is driven by the CEO with the support of the directors.

The past year has seen some benefits from the good stakeholder relations with important role players such as the JSE Ltd, the BEE Unit at the dti and the banking fraternity. Several projects were successfully completed through continuous dialogue and constructive discussion between the various parties, which demonstrated that positive outcomes can be achieved when everyone works towards the same goals in the interest of the general public.

During the 2009/10 year the CEO and management had ongoing interactions, including meetings and discussions, with a large number of local and international stakeholders. These interactions are set out in more detail in the Performance Information Section of this report.

IRBA also considers its community, staff, Board, committees and general public as key stakeholders.

National road show

The annual road show was held during the period June – August 2009, with presentations to over 1500 Registered Auditors at 16 locations around the country. The information sessions were presented by the CEO and/or IRBA directors and comprised a broad overview of developments and changes in both the profession and the secretariat, and included, amongst others:

- IRBA strategy;
- corporate legislation;
- ethics;
- raising awareness of the auditing profession;
- transformation of the profession;
- practice review philosophy;
- continuing professional development, and
- funding of IRBA.

We monitor the interest in, and benefits from these road shows in planning future events.

Participation in international forums

The following International Forum of Independent Audit Regulators (IFIAR) plenary sessions were attended by the CEO:

- Basle 27 – 29 April 2009
- Singapore 14 – 16 September 2009
- Abu Dhabi 22 – 24 March 2010

The CEO was invited to present at an accounting and auditing conference arranged by the European Union in Brussels in February 2010 and was joined by the Director: Practice Review at the IFIAR inspection workshop in Paris where experiences and best practices on the performance of inspections were shared.

In addition, the CEO was elected as the chairman for the IFIAR Standards Coordination Working Group. This Working Group considers technical developments in the auditing environment and its impact on audit regulation.

The CEO and the Acting Director: Standards attended the inaugural meeting of the International Ethics Standards Board for Accountants (IESBA) National Standard Setters' (NSS) meeting in Vancouver on 22 April 2009, as well as the International Auditing and Assurance Standards Board (IAASB) NSS meeting on 23 and 24 April 2009.

IRBA continues to engage with the Public Company Accounting Oversight Board (PCAOB) and European Commission (EC) to seek recognition of the robustness and reliability of our inspections processes, thereby alleviating the need for those regulators to perform additional engagement reviews on auditors of South African companies listed on their securities exchanges.

Media

During the period the IRBA ensured that it had a strong presence in the media. Media releases included news on the completion of another round of firm reviews, news on the rising number of irregularities reported to the IRBA and the release of the Public Practice Examination results.

In addition, there was ongoing media activity on a number of topics, most prominently the proposed changes to the Company Law and the implications thereof, liability and governance.

Social responsibility

IRBA adopted a more formalised approach to its corporate social responsibility and involvement with charitable institutions in the past year. An internal committee was established which identified three local organisations that will each benefit twice a year from donations by individual staff members, that, in turn, is matched by IRBA. These organisations are:

- **The Thembalami Care Centre**
  Located on the border of Alexandra in Gauteng, the centre provides sheltered accommodation to frail pensioners of limited means, primarily persons receiving a social or disability grant from the Government.
  Over a two month period staff donated non-perishable food items and toiletries and a handover was done just before Christmas 2009.

- **SPCA Sebenza**
  Staff members contributed a large consignment of pet food, blankets and newspapers, which were delivered to the local branch of the NSPCA in March 2010.

- **All Stars (Child Welfare Kempton Park)**
  This is a shelter in Kempton Park for boys between the ages of 12 and 18 who are in need of a temporary shelter until they can be reunited with their families. IRBA staff members undertook to provide the boys with warm winter clothing, and hope to be able to build awareness of the auditing profession with the youngsters and their peers.

In addition to these initiatives, IRBA linked its corporate Makro account with a benefits programme which will donate a portion of all purchases to the Ekurhuleni School for the Deaf and Blind in Katlehong.

Environmental and 'green' awareness are also growing, and IRBA participates in numerous recycling initiatives, including one for toner cartridges whereby all cash received for recycled cartridges is donated to Child Welfare South Africa on IRBA's behalf.

The year ahead sees an exciting development as we plan to plant trees and shrubs to offset the carbon footprint generated by travel of IRBA management, reviewers and committee members.

Other activities include regular contributions by the staff members to campaigns such as Dress Red, Casual Day, International AIDS day, the 16 Days of Activism campaign and similar ad hoc awareness campaigns.

Human resources

Staff complement

The staff complement increased by 8 to 68 employees during the reporting period. Although the organisation has not experienced high turn-over levels during the year under review, the market is becoming increasingly competitive.

Employment equity

IRBA made significant progress on its Employment Equity strategy. The Employment Equity Forum has confirmed a constitution as agreed with management. An Employment Equity Plan was also prepared by management and approved by the Board and the Forum.

Staff Complement Reported in Occupational Levels For The Period Ending 31 March 2010

The current recruitment environment is highly competitive, especially with the high skills shortage in specialised areas. IRBA managed to attract a number of individuals to assist it in delivery of its mandate.

The workforce was as follows:

	31 March 2010	%	31 March 2009	%
Male – African	11	16%	11	18%
Male – Coloured	2	2%	2	3%
Male – Indian	3	4%	1	2%
Female – African	20	29%	13	22%
Female – Coloured	4	6%	4	6%
Female – Indian	2	3%	3	5%
Female – White	16	23%	15	25%
TOTAL	58	85%	49	82%
Male – White	10	15%	11	18%
TOTAL	68	100%	60	100%

Recruitment and selection

A total of 19 permanent positions were filled at the following occupational levels between the period 1 April 2009 and 31 March 2010:

	Male		Female		TOTAL
	African	Indian	African	White	
Senior Management	-	-	-	3	3
Middle Management	1	2	2	-	5
Junior Management	3	-	1	-	4
Semi skilled	-	-	4	1	5
Unskilled	-	-	2	-	2
TOTAL	4	2	9	4	19

Employees who resigned from the organisation between the period 1 April 2009 and 31 March 2010:

	Male		Female		TOTAL
	African	White	Indian	White	
Middle Management	1	2	-	1	4
Semi skilled	-	-	1	2	3
TOTAL	1	2	1	3	7

Performance management

IRBA has, based on its performance management policy and job profiles, carried out performance evaluations of all employees. Individual performance bonuses were paid out during the year, on the basis of the evaluation results.

Training

IRBA employed two trainees on a contract basis for three years on special conditions, to assist them in their post graduate qualifications. A total of R345 000 was spent on various training programmes during the period under review.

Employee wellness programme

IRBA recognises that the physical, mental and emotional wellbeing of its staff contribute to IRBA being a successful organisation that is able to meet its mission and objectives. The annual wellness day consists of an overall wellness assessment and counselling; HIV/Aids voluntary counselling and testing (VCT), vision screening, elements of stress management and change management programmes. Diet, exercise and a healthy lifestyle are also promoted.

Information technology

Information technology plays an essential role in the daily functions of IRBA by providing access to information and services. Due to the low staff level the maintenance of IRBA services were outsourced to ensure that maximum benefit can be obtained. Minimal downtime was experienced during the year.

During the year a new database and workflow system for the activities of IRBA was approved for development. Once fully implemented, registered auditors will be able to submit and update most of the annual information online.

Financial report

The financial performance, cash flows and financial position are set out in the annual financial statements on pages 38 to 73

Appreciation

I wish to thank the directors, staff, committees and Board for their support in keeping IRBA relevant as a recognised standard setter and regulator.

EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT COMMITTEE

Temba Zakuza
Chairman

Members	Meetings attended
TS Zakuza (Chairman)	5 of 5
H Wessels (Deputy Chairman)	5 of 5
NP Dongwana	1 of 5
L Engelbrecht	3 of 5
HR Gowar	4 of 5
MY Ismail	4 of 5
CF Lane	5 of 5
SE Lehapa	5 of 5
MR Naidoo	3 of 5
F van den Berg	5 of 5
SPJ von Wielligh	5 of 5
SAICA has two representatives who have full membership rights:	
V Paino	3 of 5
D Steyn	2 of 5

The period under review has proven to be the most challenging in recent years. The auditing profession is on the brink of many exciting challenges and opportunities. These included the review of the registration requirements for Registered Auditors (RAs), revision of the Continuing Professional Development (CPD)Policy, hosting the Public Practice Examination (PPE) and constantly being in a position to respond to the changing external environment.

The Public Practice Examination

The Public Practice Examination (PPE) was written on 18 November 2009. Entry to the PPE is the culmination of a long and rigorous academic, training and assessment process aimed at developing the core and professional competence of prospective auditors. Success in the PPE allows a candidate the opportunity to register as an auditor.

Of the 2798 candidates who wrote the 2009 PPE, 2320 passed, resulting in a record pass rate of 83%. Of the 1849 candidates who wrote for the first time, 1595 passed, representing a first time pass rate of 86%.

The Chairman of the Examinations Committee (EXAMCOM), his committee and the question composing teams are commended for their efforts in preparing and marking the 2009 PPE.

Accreditation

The accreditation of professional bodies is intended to give rise to long-term partnerships between IRBA and relevant bodies that share an interest in advancing an appropriate standard within the auditing profession in South Africa.

The Association of Chartered Certified Accountants (ACCA) made application for full accreditation in 2008. The ACCA suspended its application in 2009 and re-instated it in 2010. EDCOM appointed an Accreditation Committee to review ACCA's application and make recommendations to the Board in this regard.

Monitoring

Central to achieving the objectives of IRBA is the monitoring of the institutional and programme requirements to be complied with by accredited professional bodies. The institutional requirements and the recognised programmes were monitored during the period under review.

Transformation of the Profession

IRBA takes the issue of transformation very seriously and facilitates a programme for Black repeat candidates who have been unsuccessful in previous attempts to pass the PPE. The 2009 Support Programme was offered from June to November 2009. Of the 131 candidates who attended the programme and wrote the PPE, 104 passed, resulting in a pass rate of 79%. Black, repeat candidates who did not attend the Support Programme achieved a pass rate of 75%, thus indicating that the Support Programme offers repeat candidates an improved chance of passing the PPE. IRBA will continue to support its transformation candidates in 2010.

Continuing Professional Development (CPD)

The Continuing Professional Development (CPD) policy prescribed by IRBA was established in terms of the Auditing Profession Act, No. 26 of 2005. The policy came into effect on 1 January 2007 and the first three-year reporting cycle ended on 31 December 2009. In terms of IRBA's practice of ongoing reflection, the last year of the CPD reporting cycle represented an opportune time for EDCOM to reflect on the CPD policy. In this regard, EDCOM proposed certain changes to the CPD policy. The revised policy was approved by the Board and will be effective from 1 January 2011. A guide and relevant information will be made available to all RAs in August 2010.

Membership of EDCOM

In terms of the founding resolutions of EDCOM, committee members are appointed for a period of three years and the Chairman and Deputy Chairman are appointed on an annual basis. The Chairman and Deputy Chairman were re-appointed for 2009.

Appreciation

My sincere gratitude is extended to the committee members for their valuable contributions. Without the commitment of all members our achievements this year would not have been possible.

I also wish to thank the staff of the Education, Training and Professional Development Department for their dedication and commitment.

COMMITTEE FOR AUDITING STANDARDS

Frank Timmins
Chairman

Members	Meetings attended
F Timmins (Chairman)	4 of 4
K Bowman	4 of 4
M Bourne	4 of 4
L de Beer	3 of 4
WH de Jager (Resigned 1 May 2010)	0 of 0
M Engelbrecht	3 of 4
DB Heymans	4 of 4
D Manana	4 of 4
M Petros	2 of 4
FE Prinsloo	3 of 4
A Ramakosi	4 of 4
EM Southey	4 of 4
D Spavins	2 of 4
G Tweedy	3 of 4
J van Schalkwyk	3 of 4
P Ward (Appointed June 2009)	1 of 3

It is my pleasure to present this fourth Annual Report on the activities of the Committee for Auditing Standards (CFAS).

Ms W de Jager, the representative of the Financial Services Board, was appointed as Director: Operations at IRBA from 1 May 2009 and was therefore replaced on the committee by Mr P Ward from June 2009. Ms S van Esch, who had been on secondment from KPMG to the IRBA as acting Director: Standards from 1 July 2008, was appointed as Director: Standards from 1 August 2009.

It is pleasing to note South Africa's second place ranking out of 135 countries surveyed in the 2009 Global Competitiveness Survey, in terms of the strength of its auditing and financial reporting standards. This ranking bears testimony to the respect which international investors hold for our high standards of auditing and quality of financial reporting.

CFAS Sub-Committees

In order to deal with demands for guidance for auditors, the CFAS has established the following Standing Sub-Committees comprised of CFAS members and industry experts:

- The CFAS Steering Committee which guides the CFAS Agenda and considers proposals for new projects;
- The CFAS Reports Standing Committee (RSC) which addresses all aspects of financial statement reporting and regulatory reporting matters and maintains the currency of SAAPS 2 and SAAPS 3. During the year the functions of the Regulated Industries Standing Committee (RISC) were incorporated into the Reports Standing Committee which continued to engage with any regulators having regulatory reporting requirements of registered auditors;
- A new CFAS Public Sector Standing Committee (PSSC) was established during the year at the request of the Auditor General - South Africa (AGSA) and it will be responsible for developing guidance for private sector auditors performing audits of public sector entities with respect to additional audit and reporting requirements;
- A new CFAS Sustainability Standing Committee was established during the year to address the demands for guidance on assurance engagements and additional reporting expected of auditors arising from the recommendations in the King III Report on Corporate Governance applicable to all entities, inter alia, an Integrated Sustainability Report and reporting on audit committee activities.

CFAS Strategy

Following the completion of the IAASB Clarity project and publication of the revised and redrafted International Standards on Auditing (ISAs) the CFAS met in October 2009 to consider its strategy as the National Standard Setter for the three years from 2010 to 2013. The following imperatives were identified for this period:

- Development of guidance for auditors to address new legal and regulatory developments, inter alia, in response to the Companies Act, 2008, and draft regulations pursuant thereto, including proposals regarding reviews of companies' financial statements by professional accountants other than registered auditors;
- Re-establishing IRBA's Consultative Advisory Group and through the participation of Ms L de Beer on the International Consultative Advisory Group provide input to the development and focus of the CFAS Strategy;
- Development of guidance for private sector auditors performing audits of public sector entities and providing assurance on performance information;
- Development of guidance for other legal and regulatory requirements, such as:
  - Guidance for auditors in response to increasing demands for assurance reports on sustainability including the new Integrated Report recommended in the King III Report on Corporate Governance for all entities and which listed companies are required by the JSE Ltd to report on from 31 March 2010;
  - Review and revision of the present SAICA "JSE Guides" for auditors and accountants of listed companies to take account of changes to the ISAs and revisions to the listing requirements;
- Contribution to International Audit and Assurance Board Projects and Strategy, including:
  - Implementation monitoring of the Clarity ISAs;
  - Revision of the ISRE 2400 Review and ISRS 4410 Compilation Standards; and
  - Developments of other ISAE 3000 assurance standards such as the proposed ISAE 3402, Reporting on the Process to Compile Proforma Information and proposed ISAE 3420, Reporting on Assurance on Greenhouse Gas Statements.

Participation in international projects

In line with one of the key strategies of the CFAS to influence and participate in international standard-setting activities, the CFAS continued to participate in an IAASB Task Group together with the members from the United Kingdom, United States, Denmark, France, Hong Kong, Australia and the EU – CESR representative, to develop the proposed International Standard on Assurance (ISAE) 3420, Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus, that was approved for exposure at the March 2010 meeting of the IAASB and issued in April 2010 for comment by 30 September 2010. A CFAS task team will submit comments on the proposed ISAE 3420.

The CFAS Sustainability Standing Committee submitted comments on the IAASB Consultation Paper, Assurance on a Greenhouse Gas Statement, as part of the process of developing a proposed new International Standard on Assurance - ISAE 3410, Assurance on a Greenhouse Gas Statement.

The CEO and Acting Director: Standards attended the IAASB National Standard Setters (NSS) meeting in Vancouver on 23 and 24 April 2009. Participants included standard setters from 21 countries. Highlights from the meeting were reported at the CFAS meeting in June 2009 and provided input to the activities of CFAS during the year.

Board Projects

CFAS members have assisted the Board with the following strategic projects:

- Negotiations with the JSE Limited in consultation with the Financial Services Board, the Regulator of the JSE Limited, and National Treasury to effect amendments to the JSE Listing Requirements regarding the IRBA's concerns with the 2009 Listing Requirements for "Registration of Auditors". These were concluded successfully and have been addressed in the Revised JSE Listing Requirements published on 17 April 2010;
- Comments on the Companies Act, 2008 and draft Regulations pursuant thereto, including the proposed exemption of certain companies from the requirement for an audit and proposed reviews of annual financial statements of companies to be performed by members of member bodies of IFAC who are not registered auditors;
- Assistance with proposed amendments to the Auditing Profession Act No 26 of 2005;
- A project to research and evaluate the present auditor liability regime in South Africa for the capping of auditor liability (still in progress); and
- Assisting the dti with developing a framework for approval of registered auditors and other professional bodies whose members might be suitably qualified to provide BEE Rating Certificates to entities that comply with the BEE Act and Codes of Conduct and the development of a Code of Conduct, dealing with key aspects to be followed by all BEE verification providers.

CFAS Exposure Drafts

The Proposed Guide: Access to Audit Working Papers: A Guide for Registered Auditors, was issued for public comment. The revised Proposed Guide was re-exposed in January 2009 with a comment period closing on 30 April 2009. Comments received were considered and changes made. The project was also impacted by the issue of the Clarity ISA 600, Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors), effective for audits of entities with financial years commencing on or after 15 December 2009, due to the implications for group auditors' rights of access to audit working paper of components audited by other auditors. The final revisions to the Guide were approved by CFAS at its February 2010 meeting and the Guide will be issued during 2010.

Auditing pronouncements issued

a) **Practice statements, guidance and circulars issued or in progress during the period under review:**

- South African Auditing Practice Statement (SAAPS) 3 - Illustrative Independent Auditor's Reports: two updates were issued during the year:
  - New appendix 6 with illustrative Afrikaans reports added to SAAPS 3 and *Omsendbrief* with Afrikaans translation of the IAASB Glossary of Terms, issued August 2009.
  - Revision of SAAPS 3 for example reports for IFRS for SMEs and IAS 1 update ("pre-clarity"). "Pre-clarity" SAAPS 3, issued March 2010.
- Assurance engagement in respect of Attorneys' Trust Accounts – the Interim Transitional Assurance Report was issued in July 2008 in agreement with the Provincial Law Societies and Attorneys' Fidelity Fund and continues to apply for the 2009 financial year end. The Proposed Guide on the assurance engagement in respect of Attorneys Trust Accounts was put on hold to accommodate the Law Society's work on a Common set of Rules for all Provincial Societies. This is now expected to take some time to finalise, and consequently the Guide will be finalised and issued during 2010 and will apply to auditors' reports issued from 2011;
- The revised auditor's reasonable assurance ISA 800 report on parts 4 to 10 of the Medical Schemes' Regulatory Return and the auditor's limited assurance ISAE 3000 report on medical schemes compliance with certain sections of the Medical Schemes Act for the year ended 31 December 2009 were issued in March 2010;
- The Agreed-upon Procedures - Factual Findings report required by the Retirement Funds

Department of the Financial Services Board in terms of section 15 of the Pension Funds Act for reporting on smaller umbrella funds, retirement annuity funds, general funds and preservation funds was finalised and published in 2010;

- The Revised Strate Circular 04P/2009, Agreed Upon Procedures For Registered Auditors Reporting On Factual Findings in Terms of the Central Securities Depository (CSD) Rules and the Securities Services Act (SSA), was issued in November 2009.

b) **International Standards on Auditing and Assurance**

During the period under review the Clarity ISAs became effective and the new IAASB Handbook 2009 containing these was published in May 2009. The IFAC copyright contract was finalised in August 2009 with Board approval in September 2009 and the adoption of ISAs and IFAC IAASB Handbook prescribed for use by registered auditors was published in Government Gazette No. 32615 of 9 October 2009.

During the period under review, ISAE 3402, Assurance Reports on Controls at Service Organisations, that was approved by the Public Interest Oversight Board (PIOB) and issued by the IAASB in December 2009 was recommended by CFAS in February 2010 and approved by the Board in March 2010 for use by registered auditors.

c) **Staff Practice Alerts**

The IAASB Staff Practice Alert issued to help auditors plan more effective use of External Confirmations was circulated to auditors on 25 November 2009.

Standing Committees

The following projects are in progress:

- Revision of SAAPS 2, Financial Reporting Frameworks and the Auditor's Reports – this revision provides guidance to auditors regarding the acceptability of financial reporting frameworks applied by both the private and public sector entities in South Africa and the resultant effect on the audit report in light of the changes to the Clarity ISAs;
- Revision of SAAPS 1, Quality Control, to provide implementation guidance for auditors in respect of the Clarity ISQC 1, Quality Control;
- Reporting requirements for auditors in terms of the Home Loan and Mortgage Disclosure Act;
- Guide on the Auditor's Assurance Engagement and Report on Attorneys' Trust Accounts;
- Medical Schemes Audit Guide;
- Revision of South African Assurance Practice Statement (SAAPS) 1100, Bank Confirmations;
- Guidance and Auditor's report on Estate Agents Trust Account audit engagements;
- Factual findings report on the income and expenditure statements to the dti for the Film Incentive – Film and Television Production Rebate; and
- Assisting the dti in developing a Guide for accountants and auditors on the requirements of the Co-operatives Act.

Appreciation

I wish to express my appreciation to the members of CFAS, its Standing Committees, the various Task Groups tasked with the Projects, and the staff of the Standards Department for their commitment and support in delivering on the mandate of CFAS.

COMMITTEE FOR AUDITOR ETHICS

Edward Kieswetter
Chairman

Members	Meetings attended
E Kieswetter (Chairman)	3 of 3
S Davies	3 of 3
AK Hoosain	2 of 3
V Jack	2 of 3
J Kuzwayo	0 of 3
NN Malefane (resigned November 2009)	2 of 2
P Naidoo	3 of 3
G Paris (resigned July 2009)	1 of 3
U Schäckermann	2 of 3
N van Graan	1 of 3

Proposed Rules regarding improper conduct and Code of professional conduct for registered auditors

The Committee for Auditor Ethics (CFAE) is mandated in terms of section 21(2) of the Auditing Profession Act, Act No. 26 of 2005 to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct.

The CFAE met three times during the year under review, and the CFAE sub-committee held four meetings during which it completed its work on the development of the proposed new Code of professional conduct for registered auditors (the Code) and Rules regarding improper conduct (the Rules) for consideration of the CFAE and Board.

The CFAE recommended that the proposed Code adopt Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA) of the International Federation of Accountants (IFAC) in July 2009, but with specific additional requirements for South African auditors. The existing "Old Disciplinary Rules" updated as the proposed Rules, were aligned with the proposed Code changes to address experiences of the Board with regard to disciplinary actions against auditors in the changing legal and regulatory framework in the country.

The proposed Code and Rules recommended by the CFAE were presented to the Board at its meeting in October 2009, where they were approved for issue as an exposure draft. They were published as Board Notice

157 in Government Gazette No. 32742 on 27 November 2009 with a comment period of three months, ending on 31 March 2010. Comments received on the exposure draft will be considered by the CFAE during April 2010 and it is planned for the final Rules and Code to be approved by the Board during May 2010 for issue by June 2010. The effective date of the new Rules and Code will be determined once the comments received have been considered.

Participation on the IESBA and International Meetings

The CEO, Mr B Agulhas, and the Acting Director: Standards attended the inaugural meeting of the IESBA at the National Standard Setters (NSS) meeting in Vancouver on 22 April 2009. The NSS was presented with information on the IESBA's Terms of Reference, method of operations and composition. The agenda focused on the revisions to the independence sections and drafting conventions of the revised IESBA Code of Ethics (subsequently published in July 2009). It also addressed implementation and convergence of national and international ethics standards. Insights were obtained from the NSS and regulators from other countries regarding differences in legal and regulatory structures that present one of the more significant challenges to convergence. This provided useful input to the later deliberations of the CFAE before recommending the adoption of parts A and B of the IESBA Code plus specific additional requirements in the course of developing the proposed Code for South Africa.

The former CEO, Mr Kariem Hoosain completed his term as a public member of the IESBA representing South Africa. His appointment as a member on the IESBA served as a useful conduit for bringing the South African perspective within the international ethics standard setting arena and in turn providing insights regarding the revised IESBA Code that assisted the CFAE deliberations in finalising the proposed IRBA Code. Mr Hoosain attended the IESBA meetings from 27-28 April 2009 in New York and from 19-20 October 2009 in Tokyo.

Resignations from the CFAE

Adv Malefane and Mr G Paris resigned during the year and are thanked for their contribution to the CFAE. Three vacancies exist on the CFAE, for two registered auditors in public practice and an advocate or attorney with at least 10 years' experience in the practice of law, to serve on the CFAE for a term of three years. The secretariat will call for nominations in the next financial year to fill these positions for a three year period.

Appreciation

I wish to express my appreciation to the members of the CFAE and its sub-committee, as well as the Standards Department, for their commitment and support in delivering on the mandate of the CFAE.

INSPECTIONS COMMITTEE

Deepak Nagar
Chairman

Members	Meetings attended
DD Nagar (Chairman)	2 of 3
T Abdool-Samad	3 of 3
PJ Brink	3 of 3
RP Brussow	3 of 3
N Griffith	3 of 3
E Hamman	3 of 3
BJ Olivier	3 of 3
FF Scheepers	2 of 3

Inspections are performed in terms of Section 47 of the Auditing Profession Act, No. 26 of 2005. One of the objectives of the Act is to protect the South African public by regulating audits performed by Registered Auditors (RAs). The functions of IRBA include promoting the integrity of the auditing profession through conducting inspections. Inspections are performed by qualified professional staff employed by IRBA on a full time basis. As at 31 March 2010, the Practice Review Department employed 13 Chartered Accountants, one Lawyer, one Human Resource Consultant and three Administrative staff. There are two types of inspections, being engagement inspections and firm inspections.

The objective of a firm inspection is to monitor compliance by firms to current standards of quality control, while the objective of an engagement inspection is to monitor compliance by individual RAs with appropriate levels of professional standards in the performance of the attest function.

Engagement inspections are either on a three-year (public interest) or a 6-year (non-public interest) inspection cycle, depending on the classification of the RA's attest portfolio. An engagement inspection assesses the sufficiency and appropriateness of evidence obtained, the appropriateness of key audit judgments made and compliance with appropriate Auditing Standards.

Findings from inspections are reported quarterly, on an anonymous basis, to the Inspection Committee, which is responsible for determining the final result of an inspection. Final results of inspections are in terms of pre-determined criteria, applicable to the inspection cycles. A decision would be either:

- Satisfactory, meaning an inspection only in the next cycle; or
- Inspection pending, meaning some matters still require attention before a satisfactory result is achieved and a follow-up inspection will be scheduled; or
- Referral to the Investigating Committee, meaning possible disciplinary action by the IRBA.

Engagement inspections

During the current financial year 868 engagement inspections were performed (9294 since inception). About 10% of the engagements showed deficiencies and were scheduled for re-inspections. The major reason for inspection results not being rated as satisfactory relates to documentation being insufficient and/or inappropriate. Non-documentation of audit evidence does not necessarily imply that an inappropriate audit opinion was expressed.

Areas identified on engagement inspections as not having sufficient and appropriate audit evidence documented include:

- Fraud and ethical considerations;
- Independence considerations;
- Analytical reviews;
- Risk assessment and responses thereto;
- Use of an expert, another auditor or a service organisation;
- Related parties;
- Testing for impairment;
- Carrying value of fixed assets;
- Fair value considerations;
- Going concern considerations;
- Conclusions on audit opinions expressed.

Firm inspections

All registered firms which perform audits of public interest entities are subjected to firm inspections at least once in a three-year inspection cycle. The objective of a firm inspection is to inspect the design and implementation of a firm's quality control system, organised under the following elements: leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring. To date a total of 40 firm inspections have been performed.

The 4th inspection cycle for firms started in the current year and three firm inspections have been performed to date. A significant improvement in the documented policies and procedures of those firms, the enforcement of those policies and procedures as well as implementation of our recommendations made during the first three-year cycle were noted.

Appreciation

I record my thanks to the staff of the Practice Review Department, who have performed diligently and consistently throughout the period, and to the Inspection Committee members for their time and dedication to the inspection process. I also thank the RAs and firms who were subject to inspection for their co-operation.

INVESTIGATING COMMITTEE

Kishore Kooverjee
Chairman

Members	Meetings attended
KN Kooverjee (Chairman)	7 of 8
AR de Valence	7 of 8
IJ de Villiers	8 of 8
EH du Plooy	7 of 8
MI Khan	6 of 8
R Morar	4 of 8
CM Read	4 of 8
M Sindane	5 of 8
BW Smith	8 of 8
TP van der Mescht	8 of 8
H Wadiwala	7 of 8

Investigations

An investigation is initiated once a complaint is received either from an external party, or it may be initiated from within the IRBA. Complaints can be:

Externally originated

Complaints lodged by a member of the public, or matters referred by a court or other regulator.

Internally originated

Complaints lodged by the IRBA itself, such as those arising out of the practice inspection process, or matters where investigations are initiated by the IRBA itself as a result of information which comes to its attention.

Complaints lodged with the IRBA are required (by the Disciplinary Rules) to be on affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, it is essential where the information is solely within the knowledge of the complainant. If the information which forms the subject of the investigation is a matter of public record, it is not necessary for this to be on an affidavit. The Disciplinary Rules also stipulate that the affidavit should make it perfectly clear exactly what it is that is being complained of.

Once a complaint is received, a check is made to ascertain that the respondent is an RA and the complaint is then perused by the Department's forensic investigator to ascertain if further information is needed from the complainant, or specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director: Legal must decide in terms of S48(1) whether or not to refer the matter to the Investigating Committee (Invesco). Most cases will be referred and Invesco must then investigate the matter in terms of S48(3).

Period under review

During the course of the 12 months under review 84 new investigations were initiated. These include enquiries or allegations of improper conduct received by the directorate, as well as investigations initiated by the IRBA itself. This figure represents only matters where a case file is opened, and excludes matters conciliated on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned practitioners across the spectrum from the smallest to the largest firms, and across a wide spectrum of conduct.

Of these matters, 19 were finalised after a case file had been opened but before the matter was tabled before the Invesco, usually after resolution with the assistance of the directorate, as follows:

- 15 matters were withdrawn; and
- In four matters the complainant did not furnish information necessary for the investigation of the matter.

The Committee met on eight occasions to consider complaints brought forward from the previous year, as well as the remaining 65 new complaints.

Investigations concluded

13 matters were finalised by the Investigating Committee, usually after resolution with the assistance of the committee, as follows:

- One matter was postponed until the finalisation of concurrent litigation;
- 11 complaints were withdrawn; and
- In one matter eight partners in a firm were fined, and the firm was ordered to make a contribution to costs. It was possible for Invesco to finalise the matter by way of a Consent Order, as it fell to be finalised under the old Act, which permitted this.

The balance were referred to DAC with recommendations.

Concluding remarks

The specific requirement of the Auditing Profession Act (No. 26 of 2005) that every guilty finding requires a charge sheet, besides being cumbersome, continues to impact negatively on the cost of investigations. The committee is of the view that future amendments to the Act will address this.

As part of the ongoing rotation of committee members, the Invesco will have a number of vacancies at the beginning of the new financial year, being 1 April 2011. Members of this committee are appointed for a period of five years and are required to have 10 years' practical professional experience in their fields. The committee comprises RAs, CAs and lawyers. The committee meets seven times a year for a full day, and approximately another day's preparation is required for each meeting. The Board will be advertising these vacancies and calling for nominations in due course. Anybody interested in offering their services on the Committee should monitor the Board's website at www.irba.co.za.

As will be deduced from my comments above, the case load of the Invesco requires a significant contribution by members of the committee. I record my appreciation to all the Committee members for their commitment and especially their willingness to contribute many hours of preparation before each meeting.

Appreciation

Finally, I wish to record my sincere gratitude to the Director: Legal and her staff in the legal department, without whose able assistance and support the Committee would be unable to function effectively.

DISCIPLINARY ADVISORY COMMITTEE

Wynand du Plessis
Chairman

Members	Meetings attended	
	In person	By telephone
WP du Plessis (Chairman)	7 of 7	
LER de Vries	7 of 7	
DCM Gihwala	3 of 7	3 of 7
NNN Radebe (joined 10 June 2009)	3 of 6	

The Disciplinary Advisory Committee (DAC) consists of four members of which one is a Registered Auditor. The DAC functions independently from the Investigating Committee (Invesco) and the Disciplinary Committee and reports to the Board only.

In terms of the Auditing Profession Act (No. 26 of 2005), Invesco investigates all complaints and then recommends to the Board whether or not to charge the practitioner.

Invesco meets every six weeks, but the Board does not meet frequently enough to consider recommendations from Invesco after each of their meetings. Therefore, the Board has delegated this function to DAC. This committee consists of Board members only.

DAC meets about three weeks after each Invesco meeting and considers all matters where Invesco has made a recommendation upon finalisation of its investigation. DAC will not act contrary to a recommendation but rather refer matters back to Invesco if it does not agree with the recommendation. DAC will therefore either not charge, charge by Consent Order or refer the matter to the Disciplinary Committee for a full hearing in line with Invesco's recommendations, or refer it back to Invesco for re-consideration, if they disagree with their recommendation.

Period under review

During the twelve months under review, there was a slight decrease in the number of matters considered by the committee, although the number of cases considered remains high. This is indicative of the continued awareness regarding the disciplinary processes amongst users of services provided by registered auditors. Furthermore, I believe, it is an indication of trust in the Auditing Profession Act and the ability of the Board effectively to discipline its members.

DAC met seven times during the reporting period to consider files brought forward from the previous year, as well as new referrals from Invesco.

Matters finalised

During this period 74 matters were finalised. Of these:

- One was withdrawn;
- 42 were not prosecuted:
  - Seven in terms of Rule 3.5.1.1 (The practitioner is not guilty of unprofessional conduct).
  - 18 in terms of Rule 3.5.1.2 (The practitioner having given a reasonable explanation for the conduct).
  - 13 in terms of Rule 3.5.1.4 (There being no reasonable prospect of proving the practitioner guilty of the conduct in question).
  - Four in terms of Rule 3.5.1.5 (In all the circumstances it is inappropriate to charge the practitioner with unprofessional conduct); and
- 31 practitioners were found guilty by consent:
  - Two practitioners were cautioned.
  - 29 practitioners were fined.

Matters referred

Four matters were referred to Disciplinary Committee. Some of these have been heard and are reported on in the report of the Chairman of the Disciplinary Committee, and others still await set down.

Appreciation

The disciplinary process is complicated but very effective. The time and effort put into it by the Director: Legal and the department is invaluable. I record my appreciation to them and to my fellow Committee members for their commitment and especially for their willingness to contribute many hours of preparation for meetings.

DISCIPLINARY COMMITTEE

Willem van der Linde, SC
Chairman

During the period under review the committee which performed the statutory functions comprised: Adv WHG van der Linde, SC (Chairman) and two vice-Chairmen, Adv A Dodson and T Bruinders, SC.

The Registered Auditors who served on the committee were Messrs A Jagga, CF Reid, C Qually, LP Fourie and N Russouw. The non-auditor members were two lawyers, Messrs H Goga, and LJ Lekale, and a businesswoman, Ms R van Wyk CA(SA).

The following table reflects the number of sessions attended by these individuals. A session may extend over more than a day.

Members	Sessions attended
W van der Linde SC (Chairman)	4 (all as Chairman)
T Bruinders SC (vice Chairman)	0
A Dodson (vice Chairman)	5 (2 as Chairman)
LP Fourie	4
H Goga	5
A Jagga	3
LJ Lekale	4
CR Qually	2
CF Reid	2
N Russouw	5
R van Wyk	5

During the period concerned six matters were dealt with. One matter, that of Mr Preller, is also reported on here although it was disposed of in the previous reporting year. The Abakah-Gyenin matter was part heard from the previous year.

The first matter was that of Mr V. It related to the audit of financial statements of various public (but not listed) property companies. The respondent was charged with 13 counts of improper conduct. After an amendment to the charge sheet the respondent pleaded guilty to the charges as amended and was found guilty on the basis of his plea. The respondent did not lead any evidence or make any submissions regarding sentence, but by consent a report by a forensic investigator dated 20 April 2009 was handed in. The report examined ten annual financial statements in respect of which the respondent had issued unqualified audit reports, and had also prepared the directors' reports. These all followed the standard going concern template. The financial statements were held to have been materially incorrect in nine instances, in that an accumulated loss that had resulted from a devaluation of the property concerned, which was the only meaningful asset in each of the companies, had not properly been accounted for. Had this been done, the financial statements would in each instance have reflected an insolvent company. It was common cause that investors had lost money. The committee imposed a fine of R100 000, and the respondent was directed to contribute R300 000 towards the costs of the prosecution.

The second matter was that of Ms EN Oelofse. She was neither present nor represented at the hearing. Ms Oelofse had previously practised as a registered auditor in Bloemfontein. Numerous complaints were made against her. These centred around grants that had been made available by the Department of Trade and Industry (dti) under its small and medium enterprises development project, which targeted the tourism industry. The complaints resulted in 14 formal charges of improper conduct, which included charges of dishonesty, as well as discreditable, dishonourable and unprofessional conduct in various respects. The evidence revealed widespread abuse of the scheme of the dti. This included applications in respect of non-existent tourism developments, developments which manifestly did not qualify in terms of the scheme, and the submission of applications which were fraudulently generated through the use of templates populated with standardised information. Ms Oelofse was found guilty on seven counts of dishonesty, and five counts of discreditable conduct. She was found not guilty on one of the charges of dishonesty, and one charge of discreditable conduct could not be proceeded with, as it had been based on hearsay evidence.

Ms Oelofse was fined a total of R600 000, but the fines were suspended not as a mark of leniency, but to serve as a pre-condition to registration should Ms Oelofse ever in the future seek to re-register as an auditor. The committee also recommended that the matter be brought to the attention of the relevant director of public prosecutions.

The third matter was that of Mr Abakah-Gyenin. The charges against him were finalised on 20 July 2009, after the matter had been postponed to that date due to his non-attendance at the previous hearing as a result of ill health. Mr Abakah however did not attend the hearing on 20 July 2009 either, nor was he represented.

Ten charges of improper conduct were preferred against the respondent. Two of them arose from a practice review, four from reports that he had submitted to the Cape Law Society concerning the trust account of attorneys, and four arose from the alleged failure on the respondent's part to deal appropriately within a reasonable time with correspondence and other communications from IRBA. The respondent was found guilty of the following charges: the first charge concerning the report of an attorney's trust account, the second that of an educational college, the third that of an attorney's trust account, the fourth that of a failing to deal appropriately and within a reasonable time with correspondence from the law society and from IRBA, the sixth the same as the fourth, the seventh again relating to the trust account of an attorney, the eighth relating again to failure to appropriately deal with correspondence from the Law Society and IRBA, and the tenth likewise.

The sanction imposed upon the respondent was that his registration as a registered auditor was cancelled and his name was removed from the register. His name and that of his firm, as well as the charges against him and the finding in respect of those charges, and the sentence, were published in *IRBA News*. All the Law Societies in the Republic were copied with the information.

The fourth matter, that of Mr Preller, was finalised last year but is simply being reported on here, briefly, because of the appeal.

Mr Preller had been found guilty of charges of improper conduct for repeatedly failing practice reviews. We reported last year that Mr Preller was seeking to review the decision by making submissions to IRBA itself under Section 19(4) of the Auditing Profession Act, 26 of 2005, read with Section 19(3), and Section 19(1) of the Act. IRBA heard the submissions but dismissed Mr Preller's appeal. The sanction that had been imposed on Mr Preller was that his registration was cancelled and his name was removed from the register referred to in Section 6 of the Act and he was prohibited from reapplying for registration before 4 February 2018. The order was suspended until 4 February 2018, for so long as Mr Preller undertook not to perform the attest function, and signed an affidavit to that effect annually; and in addition that Mr Preller annually delivers the affidavit to IRBA on or before a date determined by IRBA. He was directed to contribute to the costs of the proceedings to the amount of R20 000 and it was ordered that publication of the facts of the case, the judgment, the name of the firm concerned and that of Mr Preller was to take place in the *IRBA News*.

The fifth matter was that against Mr T. He was present but unrepresented. A complaint had arisen regarding the liquidation of a company and following on that, two charges were preferred. The first was that the respondent conducted himself in an improper or discreditable or unprofessional manner. The facts that gave rise to this charge were that the respondent who was in possession of documents relating to a close corporation of which he was the accounting officer, failed to deliver these documents to the liquidators. The respondent was found guilty of this charge. The second main charge was that the respondent failed to deal appropriately with correspondence emanating from IRBA. He was found guilty also of this charge. The respondent was fined R25 000 in respect of both charges and was directed to contribute 50% of the overall costs. It was directed that publication of the conviction, the circumstances of the conviction, the penalty imposed, but not the name of the respondent, nor that of his firm, was to take place in *IRBA News*.

The sixth matter was that of Mr L. The respondent was present and represented on the 26th of January 2010; he pleaded guilty to and was found guilty of improper conduct in having failed to perform his work with the required degree of care and skill. The respondent admitted the facts giving rise to the charge; this related, essentially, to the failure to keep appropriate audit evidence. The respondent was suspended from the right to practice for a period of one year, but that suspension was itself suspended on condition that he was not found guilty of a similar offence committed during the period of suspension. He was further sentenced to a fine of R50 000 with R20 000 of the fine suspended for three years on condition that he was not found guilty of a similar offence during the period of suspension. He was ordered to pay a contribution of R25 000 towards the costs of the proceedings. It was directed that publication of the offence, the sanction, and the reasons for the sanction was to take place in *IRBA News*, but not that of the respondent's name, nor that of the practice with which he was associated.

The seventh matter was that of Mr Whitelaw. It was heard on the 1st of March 2010 and the respondent was neither present nor represented. The matter arose out of complaints by a client regarding tax work that had been performed by the respondent. After hearing evidence the committee found the respondent guilty on two charges and made an order cancelling his registration as a registered auditor, and directing that his name be removed from the register referred to in Section 6 of the Act. He was also fined R100 000 in respect of the finding of guilty on the first charge, as well as R100 000 on the finding of guilty on the second charge. Payment of these two fines was suspended on condition that they would only become payable should Mr Whitelaw apply for re-registration as a registered auditor.

It was also ordered that publication of his name, the material facts of the charges, the evidence, and the findings relating to the charges, and the sentence, was to occur once in *IRBA News,* and once in a newspaper circulating in Bedfordview.

Mr Whitelaw was found not guilty of the third charge, which related to assertions that he had procured that members of close corporations had misrepresented the affairs of the close corporations in their annual financial statements. The finding of not guilty was based on the fact that it could not be held that the members of the close corporations concerned had intended to misrepresent anything.

The essential facts were that Mr Whitelaw had prepared two sets of financial statements for close corporations in relevant years, designed to misrepresent to the members of the close corporation the amount of income tax which they had to pay, and in so doing he succeeding in extracting payments from them which they thought were destined to SARS, but which in the event Mr Whitelaw stole. Mr Whitelaw had admitted to the theft in a high court civil application, and had agreed to repay the amounts stolen, but never did so. That deals with the matters disposed of during the year under review.

Last year we reported on four issues that had arisen during the course of the year regarding the functioning of the disciplinary committee. These were whether the committee acted too much like a court; whether its sentences were too light; whether the prosecution should be "losing" cases; and finally the role of lawyers on the committee. Some members called to say that they agreed with the sentiments expressed.

This coming year will probably see the introduction of much needed amendments to the Act as well as the introduction of new Rules regarding Improper Conduct and a new Code of Professional Conduct for registered auditors. The adoption of the new Code will conclude the repeal of the "old" disciplinary rules, in that the procedural aspects of the "old" disciplinary rules are incorporated into the new disciplinary rules, and rules 2.1.1 to 2.1.21, which contain the substance of the definition of improper conduct, will now be included in the new Rules regarding Improper Conduct.

The main body of the new Code is taken almost directly from Part A and Part B of the revised IFAC Code but incorporates some requirements of the "old" Code. The new Rules regarding Improper Conduct reflect some changes compared with the "old" disciplinary rules 2.1.1 to 2.1.21.

Appreciation

We conclude every Annual Report by expressing our gratitude to the efficiency of the Director: Legal and the staff. We do the same this year but would like to add this: Through the initiative of the Director, and the unstinting support of the staff, a legal stakeholders' meeting takes place every year. At that meeting the legal department succeeds not only in airing and ironing out any problems that might have arisen during the course of the year relating to the work of the committees involved in the disciplinary process, but also in bringing together the individuals involved in a less than formal atmosphere. This stakeholders' meeting is not prescribed by any rule or regulation, and illustrates the extent to which the department goes beyond the call of duty.

Governance Structures

The Board

The Board is the designated accounting authority and governs the Independent Regulatory Board for Auditors (IRBA) in accordance with the provisions of the Auditing Profession Act, No. 26 of 2005 (the Act), the Public Finance Management Act, 1999 (PFMA) and good corporate governance principles.

The members of the Board are all non-executive members appointed by the Minister. The Minister appoints competent persons, who include registered auditors, to effectively manage and guide the activities of the Regulatory Board, based on their knowledge and expertise.

The Board met six times during the year to review the operations and performance of the IRBA and to approve strategies, polices, budgets, major contracts and commitments.

A materiality framework is in place. No instances occurred during the year that needed the required disclosure, in terms of the PFMA and Treasury Regulations, to the National Treasury of certain defined transactions, losses through criminal conduct, or fruitless or wasteful expenditure.

Audit and Risk Management Committee

The objective of the committee is to assist the Board with its responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee operates in accordance with terms of reference authorised by the Board and the external auditors have unrestricted access to the committee members. The committee is also responsible for risk management. The committee ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee met four times during the period to review the matters arising from internal risk analysis, the external audit plan and budget, the matters arising from the completed audit, and the fair presentation of the financial statements presented to the Board.

Operations Committee

The objective of the committee is to assist the Board with the following:

- **Human resources**
  - the annual review of the performance and remuneration of the CEO;
  - making recommendations on the performance bonus of the CEO and senior staff;
  - regularly assessing staff benefit plans, including trends, and reviewing changes to personnel policies of the Board;
  - monitor trends for remuneration and benefits for the CEO, senior management and staff;
  - reviewing succession plans for senior management; and
  - reviewing the overall results of staff performance appraisals.

- **Nominations**
  - receiving nominations for appointments to all IRBA committees and IRBA. After consideration it makes the appropriate recommendations to the Board;
  - removing of committee or task force members for non performance or other good cause; and
  - the filling of vacancies on any committee or task force as they may arise.

- **Operations**
  - considering the operational requirements of the organisation, including IT, human resources, and cash resources;
  - considering IRBA's performance against budget;
  - considering the management accounts and any major deviations from budget;
  - reviewing the processes followed for major tenders; and
  - ensuring that operations are in terms of the policies of the Board.

- **Functional**
  - considering quarterly reports from departments; and
  - taking any measures they consider necessary for the proper performance and exercise of their functions or duties to achieve the objects of the Act.

Internal audit

Internal Audit performed the activities as per the three year rolling audit plan. The risk assessment was reviewed and updated and new significant risks have been identified and will be reviewed by Internal Audit in the subsequent year. A new three year rolling audit plan has been developed.

Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. The Board has ultimate responsibility for ensuring that adequate accounting records and effective systems of internal control are being maintained. To enable the Board to meet its responsibilities, it employs adequately trained and skilled personnel to implement and maintain the accounting records and systems of control.

Strategic plan and budget

Management of the IRBA prepares the business plan, strategic plan and budget of the IRBA for Board consideration and approval. The strategic plan and budget are duly submitted to National Treasury for consideration and approval. Quarterly reports are submitted to National Treasury as per the requirements of the PFMA and Treasury Regulations.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Amanda Dempsey
Chairman

Members	Meetings attended
A Dempsey (Chairman)	4 of 4
SP Kana (Appointed 21 September 2009)	2 of 3
S Kharwa	3 of 4
V van der Linde	3 of 4

Terms of reference

The committee is a sub-committee of the Board and consists of non-executive Board members. The committee's overall objective is to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, ensuring that the assets are safeguarded, assessing the going concern status, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies significant risks associated with the environment within which IRBA operates, and that they develop a framework for managing these risks. The Risk Management Strategy, which incorporates a Fraud Prevention Plan, has been developed accordingly.

The committee must meet at least three times per annum, as per its approved terms of reference. Members of management, internal auditors and external auditors attend these meetings by invitation. Since the committee is an advisory committee, it does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective advisor and it operates as an overseer, making recommendations to the Board for final approval.

Meetings

Four meetings were held during the year under review.

Committee responsibility

The committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the Public Finance Management Act of 1999 (PFMA) and Treasury Regulation 3.1.

The committee also reports that it has operated within its terms of reference, has regulated its affairs in compliance with the terms of reference and has discharged its responsibilities as contained therein.

Effectiveness of internal control

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient, effective and transparent.

Risk management

A Risk Management Strategy, incorporating a Fraud Prevention Plan, is in place. Given the dynamic environment within which IRBA operates, the effectiveness and relevance of these plans are assessed on a regular basis. Risks identified as significant to IRBA are periodically evaluated and the risk management plan is reviewed accordingly.

The quality of management and quarterly reports submitted in terms of the PFMA

The committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of IRBA during the year under review.

Evaluation of financial statements and management reports

The committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer; and
- reviewed the Auditor-General's management report and management's response thereto.

Internal audit

The committee is satisfied that the internal audit function is operating effectively and that its internal audit procedures have addressed the risks pertinent to the IRBA.

Meetings with auditors

The committee has met with the Auditor-General South Africa and Internal Audit to ensure that there are no unresolved issues.

Going concern

The financial statements of IRBA were prepared on a going concern basis and the Board is satisfied that IRBA is financially sound and has adequate resources to continue operating for the forseeable future.

Appreciation

I wish to express my appreciation to the members of the committee and to the Director: Operations and the department for their commitment and support.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF INDEPENDENT REGULATORY BOARD FOR AUDITORS FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Independent Regulatory Board for Auditors, which comprise statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, accounting authority's report as set out on pages 40 to 72.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in *Government Gazette* 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors for the year ended 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) described in note 1 to the financial statements and in the manner required by the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, Treasury Regulations, Audit Professional Act and financial management .

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, Treasury Regulations, Audit Professional Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

No matters to report.

Auditor - General

Pretoria

30 July 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINANCIAL STATEMENTS OF THE
INDEPENDENT REGULATORY BOARD FOR AUDITORS
for the year ended 31 March 2010

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

for the year ended 31 March 2010

The Accounting Authority is required by the Public Finance Management Act (Act no. 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of IRBA as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with Statements of Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by IRBA and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, IRBA sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout IRBA and all employees are required to maintain the highest ethical standards in ensuring IRBA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in IRBA is on identifying, assessing, managing and monitoring all known forms of risk across IRBA. While operating risk cannot be fully eliminated, IRBA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Authority has reviewed IRBA's cash flow forecast for the year to 31 March 2010 and, in the light of this review and the current financial position, they are satisfied that IRBA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on IRBA's annual financial statements. The annual financial statements have been audited by IRBA's external auditors and their report is presented on page 36.

The annual financial statements set out on pages 40 to 73, which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 July 2010 and were signed on its behalf by:

DCM Gihwala
Chairman of the Board

1. Introduction

The Accounting Authority presents its report, which forms part of the Annual Financial Statements of IRBA for the year ended 31 March 2010, to the Minister of Finance, the Executive Authority in terms of section 55 (1)(d) of the Public Finance Management Act No. 1 of 1999 as amended (PFMA).

2. Principle activities of IRBA

IRBA is established in terms of section 3 of the Auditing Profession Act No. 26 of 2005 ("the Act"), which had an effective date of 1 April 2006. The objectives of the Act as set out in section 2 of the Act are as follows:

- to provide for the establishment of an Independent Regulatory Board for Auditors
- to protect the public in the Republic by regulating audits performed by registered auditors;
- to improve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- to provide for procedures for disciplinary action in respect of improper conduct.

3. Analysis of Financial Statements

Revenue

The operations of IRBA are funded by revenue from exchange transactions and government grants.

Revenue from Exchange Transactions

Revenue from exchange transactions is primarily comprised of licence fees, examination fees, practice review fees, registration fees and revenue derived from the administration of training contracts. During the year under review, the revenue from exchange transactions increased from R33 million to R38 million. The practice review fees increased from R10,5 million to R16,5 million. This was the result of a full staff compliment for most of the year and the maximum hours for practice reviews were booked. The income from training contracts decreased to R5 million from R6,1 million as a result of less training contracts registered during the year. The number of students writing the PPE exam increased and resulted in an increase of examination income from R3,6 million to R4,3 million.

Government Grants

During the year, IRBA received government grants amounting to R22 million (2009: R20,2 million). The funding from National Treasury was primarily used to continue with the implementation of the Auditing Profession Act (the Act) and also to ensure delivery on IRBA's mandate in terms of the Act.

Expenses

Operating expenses increased to R58,9 million from R56,5 million, representing an increase of 4,3%. The employment cost increased by 11% as a result of an average salary increase of 7,5% and appointments in vacancies, especially at senior management level. The lease cost of the building increased to R4 million from R2,6 million as the new premises were occupied for the full 12 months. The depreciation, amortisation and impairment costs increased to R2,7 million from R1,1 million because of a full year depreciation on the lease hold improvements and impairment of certain software.

The other operating expenses decreased to R21,4 million from R25 million, a decrease of 14,7%. The savings were achieved with the implementation of an effective supply chain management process and adequate cost control during the year. This saving was achieved despite the fact that an additional cost of R3,5 million was incurred due to the deregistration of VAT during the year.

Other income

During the 2010 financial year the land and building at stand 201 Bruma Township was sold for R10 million, resulting in a gain of R6,3 million.

Assets

Limited replacement was done for property, plant and equipment and the decrease in the net assets are therefore due to the depreciation for the year. The intangible assets decreased due to the impairment of the development cost for the workflow implementation. The processes have been changed and needed adjustment; the useful value could not be fairly valued and therefore the total cost was impaired in the current financial year.

A major portion of current assets are comprised of trade receivables. Most of the outstanding balance was collected subsequent to year end.

The cash balance increased to R5,3 million from R1,5 million mainly due to the savings in cost in the year under review.

Liabilities

Non-current liabilities include the operating lease incentive of R2,9 million, which represents an amount received from the landlord for leasehold improvements to be amortised over the lease, as well as accounting for lease instalments on the straight line basis.

Trade and other payables consist primarily of trade payables, fees received in advance and accruals, including an accrual for leave pay.

Surplus

The surplus of R8,6 million (2009: deficit of R2,4 million) arose mainly due to the gain on the sale of the building and savings in the year.

Reserves

Reserves include two funds: the Disciplinary Fund and Education Fund. The Disciplinary Fund was established to protect the operating capacity of IRBA against the impact of unforeseen, exceptional disciplinary costs. The Education Fund was established to fund education activities of Registered Auditors and students. In the year under review a new trust fund was established consisting of R10 million resulting from the proceeds of the sale of the building. The transfer of the R10 million to restricted cash as a non-current asset resulted in a decrease in the accumulated reserves of R2,7 million.

4. Members of the Board

DCM Gihwala (Chairman)
LER De Vries (Deputy Chairman)
A Dempsey
WP Du Plessis
T Fubu
SP Kana
PR Mnisi
DD Nagar
NNN Radebe
TS Zakuza

5. Ministerial representative

SF Nomvalo

6. Business and regtistered address

Physical address

Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein

Postal address

IRBA
PO Box 751595
Garden View
2047

7. Auditors

The Auditor-General of South Africa

STATEMENT OF
FINANCIAL POSITION
as at 31 March 2010

	Notes	2010 R	2009 R
Assets			
Non-Current Assets			
Property, plant and equipment	3	6,931,834	8,365,578
Intangible assets	4	501,067	1,309,651
		7,432,901	9,675,229
Restricted cash	5	10,000,000	-
Current Assets			
Inventories	6	128,946	-
Trade receivables	8	4,231,802	4,735,374
Other receivables	9	-	1,364,538
Loans receivable	10	120,856	173,576
Cash and cash equivalents	11	5,307,442	1,553,192
		9,789,046	7,826,680
Non-current assets held for sale	12	-	3,640,839
Total assets		27,221,947	21,142,748
Net Assets and Liabilities			
Net Assets			
Reserves		17,898,124	7,125,896
Accumulated surplus		1,877,776	4,018,189
		19,775,900	11,144,085
Liabilities			
Non-Current Liabilities			
Finance lease obligation	13	651,504	535,426
Operating lease	14	2,994,717	2,507,801
		3,646,221	3,043,227
Current Liabilities			
Finance lease obligation	13	89,994	243,798
Trade and other payables	15	3,709,832	6,711,638
		3,799,826	6,955,436
Total liabilities		7,446,047	9,998,663
Total net assets and liabilities		27,221,947	21,142,748

STATEMENT OF
FINANCIAL PERFORMANCE
for the year ended 31 March 2010

	Notes	2010 R	2009 R
Revenue	17	**60,673,847**	53,899,387
Operating expenses		**(58,985,836)**	(56,512 295)
Operating surplus/(deficit)		**1,688,011**	(2,612,908)
Investment revenue		**714,546**	353,658
Profit / (Loss) on sale of assets		**14,418**	(90,497)
Gain on non-current assets held for sale	19	**6,359,162**	-
Finance costs		**(144,322)**	(68,147)
Surplus/(deficit) for the period		**8,631,815**	(2,417,894)

STATEMENT OF
CHANGES IN NET ASSETS
for the year ended 31 March 2010

	Trust fund	Education fund	Disciplinary fund	Total reserves	Accumulated surplus	Total net assets
Balance at 01 April 2008	-	1,530,417	5,140,580	6,670,997	6,890,982	13,561,979
Transfer to disciplinary fund	-	-	834,571	834,571	(834,571)	-
Transfer from education fund	-	(379,672)	-	(379,672)	379,672	-
Deficit for the period	-	-	-	-	(2,417,894)	(2,417,894)
Balance at 01 April 2009	-	1,150,745	5,975,151	7,125,896	4,018,189	11,144,085
Transfer to disciplinary fund	-	-	765,000	765,000	(765,000)	-
Transfer to education fund		7,228	-	7,228	(7,228)	-
Transfer to trust fund consisting of:	10,000,000	-	-	10,000,000	(10,000,000)	-
• Profit on sale of Land and Building	6,359,162	-	-	6,359,162	(6,359,162)	-
• Book value of Land and Building sold	3,640,838	-	-	3,640,838	(3,640,838)	-
Surplus for the period		-	-	-	8,631,815	8,631,815
Balance at 31 March 2010	**10,000,000**	**1,157,973**	**6,740,151**	**17,898,124**	**1,877,776**	**19,775,900**

STATEMENT OF
CASH FLOWS
for the year ended 31 March 2010

	Notes	2010 R	2009 R
Cash Flows from Operating Activities			
Cash receipts from members and other sources		**62,541,957**	54,278,824
Cash paid to suppliers and employees		**(58,913,702)**	(49,623,107)
Cash generated from operations	**20**	**3,628,255**	4,655,717
Interest income		**714,546**	353,658
Finance costs		**(144,322)**	(68,147)
Net cash from operating activities		**4,198,479**	4,941,228
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	**3**	**(458,233)**	(7,983,590)
Proceeds on sale of non-current assets held for sale		**10,000,000**	-
Proceeds on sale of property, plant and equipment		**46,630**	259,938
Acquisition of intangible assets	**4**	**(47,620)**	(1,234,736)
Net cash generated from/(utilised in) investing activities		**9,540,777**	(8,958,388)
Increase in non-current financial instrument		**(10,000,000)**	-
Repayment of loans receivables		**52,720**	43,009
Finance lease payments		**(37,726)**	83,998
Net cash (utilised in)/generated from financing activities		**(9,985,006)**	127,007
Total cash movement for the period		**3,754,250**	(3,890,153)
Cash at the beginning of the period		**1,553,192**	5,443,345
Total cash at end of the period	**11**	**5,307,442**	1,553,192

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act no. 29 of 1999). The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Presentation currency

The financial statements are presented in South African Rand, which is the functional currency of the entity. Unless stated otherwise, all figures have been rounded off to the nearest Rand.

Going concern assumption

The annual financial statements have been prepared on the assumption that the entity will continue to operate as a going concern for at least the next twelve months.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.1 Significant judgements

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Loans and Receivables

The entity assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of financial performance, IRBA makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by IRBA is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. IRBA uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Effective interest rate and deferred payment terms

The entity uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

Useful lives and residual values

The entity re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment, management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of goods or services, or for administrative purposes, and are expected to be used during more than one year. Items of plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost, if any, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to IRBA; and
- the cost of the item can be measured reliably.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation commences when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Equipment held under finance lease	3 to 5 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Computer equipment	3 - 5 years
Leasehold improvements	7 years

The residual value, useful life and the depreciation method of each asset are reviewed at each financial period-end and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased; however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

An item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance and includes computer software, licences, and development costs.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. Amortisation commences when the asset is ready for its intended use. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software and development cost	3 - 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

IRBA tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased; however, not to an amount higher than the carrying amount that would have been determined (net of amortisation) had no impairment been recognised in prior years.

An intangible asset is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

1.4 Financial instruments

Initial recognition

IRBA classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on IRBA's statement of financial position when IRBA becomes party to the contractual provisions of the instrument.

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through surplus or deficit, held-to-maturity, loans and receivables, or available-for-sale. Financial liabilities are categorised as either financial liabilities at fair value through surplus or deficit or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), IRBA establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

At reporting date, IRBA determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The credit quality of a financial asset or group of financial assets that is neither past nor impaired is assessed / monitored by reference to historical information about counterparty default rates. The following are the criteria and indicators that are applied to assess whether or not the financial asset or group of financial assets may be impaired:

- counterparty has evidenced a trend of defaults that indicates that the recoverability of the outstanding balance of the financial asset or group of financial assets is doubtful; and
- financial difficulties identified from an analysis of the counterparty's financial position that would indicate that the recoverability of the outstanding balance of financial asset or group of financial assets is doubtful.

Derecognition

A financial asset is derecognised only when:

- the right to receive cash flows from the asset has expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a 'pass through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

Trade and other receivables

Trade and other receivables are categorised as loans and receivables and are initially recognised at fair value plus direct transaction costs and subsequently carried at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other payables and borrowings

Financial liabilities consist of trade and other payables and borrowings. They are categorised as financial liabilities at amortised cost and are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. This liability is not discounted.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

1.6 Inventories

Inventories comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of stationery, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.7 Impairment of assets

IRBA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, IRBA estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, IRBA also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount (or recoverable service amount) is estimated for the individual asset. If it is not possible to estimate the recoverable amount (or recoverable service amount) of the individual asset, the recoverable amount (or recoverable service amount) of the cash-generating unit to which the asset belongs is determined.

The recoverable amount (or recoverable service amount) of an asset or a cash-generating unit is the higher of its fair value less costs to sell, and its value in use.

If the recoverable amount (or recoverable service amount) of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount (or recoverable service amount). That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount (or recoverable service amount) of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts (or recoverable service amounts) of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement benefits

The Board contributes to a retirement fund. The retirement fund is a defined contribution plan. Contributions in terms of defined contribution plans are charged against income as incurred.

1.9 Provisions and contingencies

Provisions are recognised when:

- IRBA has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of a provision shall be the present value of the future cash flows or expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed (in note 22) unless the possibility of an inflow/outflow of resources embodying economic benefits is remote.

1.10 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to IRBA;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 29 of 1999) and is recognised when the recovery thereof from the responsible board members or officials is virtually certain.

1.11 Interest income

Interest income is accrued on a time proportioned basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.12 Reserves

Disciplinary fund

This is a fund established to protect the operating capacity of IRBA against the impact of unforeseen, exceptional disciplinary costs which may result in the future. Disciplinary fines levied during the year are transferred to the disciplinary fund at the end of each financial year.

Education fund

This fund is established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors. Any surplus or deficit arising out of these activities is transferred to or out of this fund at the end of each financial period.

Trust Fund

This fund is established to ring-fence the capital proceeds of the sale of the building as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantaged students who aspire to become Registered Auditors and to raise awareness of the auditing profession at various levels, and therefore transferred to the Education Fund.

1.13 Unauthorised, fruitless and wasteful and irregular expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 29 of 1999). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No. 29 of 1999), the State Tender Board Act (Act No. 86 of 1968) or is in contravention of the entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as being individuals within the authority and who has the responsibility for planning, directing and controlling the activities of the entity. IRBA regards all individuals at senior management level as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that is considered arms length are not required in accordance with IPSAS 20, Related Party Disclosure.

2. Statements and interpretations not yet effective

The following standards, amendments to standards and interpretations, with their estimated effect on the financial statements, have been issued but are not yet effective as at 31 March 2010:

- **Standards expected to be implemented in the next financial year in accordance with its effective date and where the impact of implementing the standard is expected to be immaterial in the context of this entity's operations:**

  - Revised **IFRS 7(AC 144) Financial Instruments: Disclosures
    IASB Issue date: August 2009 APB Issue date: N/A Effective date: 1 January 2011
    Clarifications of disclosures.

  - Amendment to IAS 32(AC 125) Financial Instruments: Presentation
    APB Issue date: January 2010 Effective date: 1 February 2010
    Rights issues (rights, options or warrants) to acquire a fixed number of the entity's own equity instruments for a fixed amount, which is denominated in a currency other than the functional currency of the issuer will be accounted for as equity instruments.

  - Amendment to IAS 39(AC 133) Financial Instruments: Recognition and Measurement
    APB Issue date: March 2009 Effective date: 1 July 2009
    Clarifies two hedge accounting issues:
    - Inflation in a financial hedged item
    - A one-sided risk in a hedged item.

  - Amendment to IAS 39(AC 133) Financial Instruments: Recognition and Measurement
    APB Issue date: April 2009 Effective date: 1 July 2009
    Amendments for embedded derivatives when reclassifying financial instruments

  - Revised *IAS 39(AC 133) Financial Instruments: Recognition and Measurement
    APB Issue date: May 2009 Effective date: 1 January 2010
    - Treating loan prepayment penalties as closely related embedded derivatives
    - Scope exemption for business combination contracts
    - Cash flow hedge accounting.

- **Standards that are not applicable to the entity's operations**

  - Amendment to IFRS 3(AC 140) Business Combinations
    APB Issue date: February 2008 Effective date: 1 July 2009
    Amendments to accounting for business combinations.

  - Revised **IFRS 3(AC 140) Business Combinations
    IASB Issue date: August 2009 APB Issue date: N/A Effective date: 1 July 2010

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests
- Un-replaced and voluntarily replaced share-based payment awards.

- *IFRIC 9(AC 442) Reassessment of Embedded Derivatives
  APB Issue date: May 2009 Effective date: 1 July 2009

- **IFRIC 13(AC 446) Customer Loyalty Programmes (Fair value of award credit)
  IASB Issue date: August 2009 APB Issue date: N/A Effective date: 1 January 2011

  IFRIC 14(AC 447) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  (Prepayments of a minimum funding requirement) Effective date: 1 January 2011
  APB Issue date: January 2010

- IFRIC 17(AC 450) Distributions of Non-cash Assets to Owners
  APB Issue date: March 2009 Effective date: 1 July 2009

- IFRIC 18(AC 451) Transfer of Assets from Customers
  APB Issue date: March 2009 Effective date: 1 July 2009

The following GRAP standards have been approved but are not yet effective and the impact of implementing these standards is expected to be immaterial in the context of this entity's operations:

GRAP 18 - Segment Reporting

ASB Issue date: March 2005 Effective date: To be determined by the Minister

New standard of GRAP: Establishes principles for reporting financial information by segments.

GRAP 21 - Impairment of Non-cash-generating Assets

ASB Issue date: March 2009 Effective date: To be determined by the Minister

New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

ASB Issue date: February 2008 Effective date: To be determined by the Minister

New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.

2. Statements and interpretations not yet effective (continued)

GRAP 24 - Presentation of Budget Information in Financial Statements

ASB Issue date: November 2007 Effective date: To be determined by the Minister

New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1.

GRAP 25 - Employee Benefits

ASB Issue date: November 2009 Effective date: To be determined by the Minister

New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits.

GRAP 26 - Impairment of Cash-generating Assets

ASB Issue date: March 2009 Effective date: To be determined by the Minister

New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures

GRAP 103 - Heritage Assets

APB Issue date: July 2008 Effective date: To be determined by the Minister

New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements.

GRAP 104 - Financial Instruments

ASB Issue date: October 2009 Effective date: To be determined by the Minister

New standard of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments.

*****Improvements to standards of GRAP**

ASB Issue date: N/A Effective date: Proposed: 1 April 2011

Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project.

***Standards affected by the Improvements Project of the ASB issued in an exposure draft as ED 63 - Improvements to the Standards of GRAP

3. Property, plant and equipment	2010 Cost / Valuation	2010 Accumulated depreciation	2010 Carrying value	2009 Cost / Valuation	2009 Accumulated depreciation	2009 Carrying value
Furniture and fixtures	**1,471,649**	**(225,710)**	**1,245,939**	1,439,636	(84,974)	1,354,662
Motor vehicles	**228,796**	**(122,700)**	**106,096**	228,796	(79,405)	149,391
Computer equipment	**1,940,666**	**(1,129,826)**	**810,840**	2,130,843	(760,846)	1,369,997
Equipment held under finance lease	**1,117,582**	**(446,347)**	**671,235**	834,169	(78,420)	755,749
Leasehold improvements	**4,901,826**	**(804,102)**	**4,097,724**	4,844,758	(108,979)	4,735,779
Total	**9,660,519**	**(2,728,685)**	**6,931,834**	9,478,202	(1,112,624)	8,365,578

Reconciliation of property, plant and equipment – 2010	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and Fittings	**1,354,662**	**52,734**	**(18,504)**	**(142,953)**	**1,245,939**
Motor vehicles	**149,391**	**-**	**-**	**(43,295)**	**106,096**
Computer equipment	**1,369,997**	**65,018**	**(12,559)**	**(611,616)**	**810,840**
Equipment held under finance lease	**755,749**	**283,413**	**-**	**(367,927)**	**671,235**
Leasehold improvements	**4,735,779**	**57,068**	**-**	**(695,123)**	**4,097,724**
	8,365,578	**458,233**	**(31,063)**	**(1,860,914)**	**6,931,834**

Reconciliation of property, plant and equipment – 2009	Opening Balance	Additions	Disposals	Depreciation	Total
Land	990,000	-	(990,000)	-	-
Buildings	2,798,380	-	(2,650,838)	(147,542)	-
Furniture and Fittings	277,841	1,254,307	(89,936)	(87,550)	1,354,662
Motor vehicles	160,940	24,034	-	(35,583)	149,391
Computer equipment	829,115	1,026,322	(35,037)	(450,403)	1,369,997
Equipment held under finance lease	495,551	834,169	(318,451)	(255,520)	755,749
Leasehold improvements	-	4,844,758	-	(108,979)	4,735,779
	5,551,827	7,983,590	(4,084,262)	(1,085,577)	8,365,578

4. Intangible assets	2010 Cost / Valuation	2010 Accumulated amortisation	2010 Carrying value	2009 Cost / Valuation	2009 Accumulated amortisation	2009 Carrying value
Computer software and development cost	**730,850**	**(229,783)**	**501,067**	1,570,501	(260,850)	1,309,651

Reconciliation of intangible assets - 2010	Opening Balance	Additions	Disposals	Amortisa-tion	Impairment loss	Total
	1,309,651	**47,620**	**(1,150)**	**(48,582)**	**(806,472)**	**501,067**

Reconciliation of intangible assets - 2009	Opening Balance	Additions	Disposals	Amortisa-tion	Impairment loss	Total
Computer software and development cost	181,877	1,234,736	(19,843)	(87,119)	-	1,309,651

	2010	2009
4. Intangible assets (continued)	**R**	R

Other information

Computer software includes the licence cost of a workflow software programme that will support IRBA statutory and operational processes.

The impairment loss is due to development cost incurred for the workflow implementation. The processes have been changed and need adjustment and the useful value could not be fairly valued and therefore the total cost was impaired in the current financial year.

5. Restricted cash

An amount of R10,000,000 was received from the sale of land and building owned by IRBA. The Minister of Finance restricted the use of the capital amount.

6. Inventories

	2010	2009
Current assets		
Stationery	**128,946**	-

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	2010	2009
Other receivables	**-**	1,364,538
Trade receivables	**4,231,802**	4,735,374
Loans receivable	**120,856**	173,576
Cash and cash equivalents	**5,307,442**	1,553,192
	9,660,100	7,826,680

Credit quality of financial assets

The credit quality of trade, other and loans receivables, and cash and cash equivalents are assessed as follows:

Low credit grade - The counter party has evidenced high instances of defaults and / or re-negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the low credit grade category pose a high credit risk to the entity.

Medium credit grade - The counter party has evidenced instances of defaults and / or re-negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the medium credit grade category pose a medium credit risk to the entity.

High credit grade - The counter party has evidenced no or minimal instances of defaults and / or re-negotiations of contractual terms in prior periods on the repayment of outstanding amounts. As such the counter parties included in the high credit grade category pose a low credit risk to the entity.

8. Trade receivables	2010 R	2009 R
Fines, penalties and legal cost recoveries outstanding	**329,088**	858,887
Sundry	**792,869**	1,383,923
Practice review	**3,268,693**	2,836,839
Less: Impairment provision	**(158,848)**	(344,275)
	4,231,802	4,735,374

Trade and other receivables pledged as security

The entity does not hold any collateral as security.

Fair value of trade and other receivables

The fair value of trade receivables is equal to the invoice amounts related to these receivables.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due - 30 days (Medium credit grade)	**4,390,650**	5,079,649

Reconciliation of provision for impairment of trade and other receivables

Opening balance	**(344,275)**	**(348,000)**
Release of provision for impairment	**185,427**	3,725
	(158,848)	(344,275)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

9. Other receivables		
Prepaid expenses	-	50,000
VAT	-	1,167,421
Sundry receivables	-	223,157
Provision for impairment	-	(76,040)
	-	1,364,538

The provision for impairment represents an amount that needs to be recovered for the over payment of rental charges on machines.

10. Loans receivable	2010 R	2009 R
At beginning of the period (High Credit Grade)	**173,576**	130,567
Movement for the period	**(52,720)**	43,009
	120,856	173,576

Loans receivable consist of study loans and travel advances paid to staff members. The loans are not interest bearing and the effect of discounting is not material.

11. Cash and cash equivalents

The credit quality of cash and cash equivalents are ensured by only contracting with highly reputable financial institutions, as endorsed by National Treasury.

The credit quality rating of these cash and bank balances are as follows:

Cash on hand (High Credit Grade)	**97**	4,000
Bank balances (High Credit Grade)	**4,422,569**	664,416
Restricted cash (High Credit Grade)	**884,776**	884,776
	5,307,442	1,553,192

Fair value of cash and cash equivalents
The carrying value of cash and cash equivalents as disclosed, approximates the fair values. The maximum exposure to credit risk, as a result of carrying cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

Impairment of cash and cash equivalents
None of the cash and cash equivalents are considered to be impaired and consequently no provision was raised for the irrecoverability of these financial assets.

Restriction on the use of cash and cash equivalents
The cash and cash equivalents held by the entity may only be used in accordance with its mandate. No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity. However, an amount of R884,776 has been pledged as a guarantee in terms of the lease agreement for the new premises.

12. Non-current assets held for sale	2010 R	2009 R

Approval was received from the Minister of Finance to sell the land and building at stand 201 Bruma Township for R10,000,000. The carrying amount of these assets was R3,640,838 in 2009.

13. Finance lease obligation

Minimum lease payments due		
- within one year	**490,563**	354,238
- in second to fifth year inclusive	**367,922**	619,917
	858,485	974,155
less: future finance charges	**(116,987)**	(194,931)
Present value of minimum lease payments	**741,498**	779,224
Non-current liabilities	**651,504**	535,426
Current liabilities	**89,994**	243,798
	741,498	779,224

The average lease term was 5 years and the average effective borrowing rate was 13% (2009: 13%).

IRBA's obligations under finance leases are secured by the lessor's charge over the leased assets. (Refer to note 3). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The fair value of IRBA's lease obligations approximates its carrying amount.

14. Operating Lease

Total lessor incentive	**1,873,728**	2,225,050
Less: Current liabilities	**(351,322)**	(351,322)
Lessor incentive	**1,522,406**	1,873,728
Operating lease accrual	**1,472,311**	634,073
	2,994,717	2,507,801

The lessor gave an incentive on occupation of the new building. The incentive is set off against the rent payable over the term of the lease.

15. Trade and other payables

	2010 R	2009 R
Trade payables	**815,259**	2,109,018
VAT accrued on payment basis	**-**	519,007
Operating lease incentive	**351,322**	351,322
Accrual for leave pay	**950,994**	947,394
Other accruals	**1,592,257**	2,784,897
	3,709,832	6,711,638

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average age credit period is less than 30 days. IRBA considers that the carrying amount of trade and other payables approximates the fair value.

Included in trade and other payables is an accrual for leave pay. Employees' entitlement to annual leave is recognised when it accrues to the employee. An accrual is recognised for the estimated liability for annual leave due as a result of services rendered by employees up to reporting date.

16. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Operating lease liability	**2,994,717**	2,507,801
Finance lease obligation	**741,498**	779,224
Trade and other payables	**3,709,832**	6,711,638
	7,446,047	9,998,663

17. Revenue

Government grants	**22,018,000**	20,258,000
Rendering of services	**38,406,731**	33,639,237
Other income	**249,116**	2,150
	60,673,847	53,899,387

17. Revenue (continued)	**2010** **R**	2009 R

The amount included in revenue arising from exchange transactions are as follows:

Licence fees	**9,600,542**	9,103,315
Disciplinary expense contributions	**407,220**	454,890
Disciplinary fines	**765,000**	834,571
Examination fees	**4,297,781**	3,629,770
Monitoring fees	**275,000**	730,916
Practice review fees	**16,550,108**	10,582,623
Registration fees	**957,166**	802,009
Support programme	**539,048**	724,795
Training contracts and levies	**5,014,866**	6,776,348
	38,406,731	33,639,237

18. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Lease rentals on operating lease - building	**4,049,366**	2,646,984
Amortisation of intangible assets	**48,582**	87,119
Impairment of intangible assets	**806,472**	-
Depreciation on property, plant and equipment	**1,860,914**	1,085,577
Employee costs	**30,809,049**	27,745,657

19. Gain on non-current assets held for sale

Approval was received from the Minister of Finance to sell the land and building at stand 201 Bruma Township for R10 million. The funds from the sale are held in trust and the interest income is used for the development of previously disadvantaged students who aspire to be Registered Auditors, and to raise awareness of the auditing profession. The carrying amount of these assets was R3,640,838 in 2009.

During the 2010 financial period the non-current assets held for sale were sold for R10,000,000 and the profit of R6,359,162 is reflected in the statement of financial performance.

Due to the restrictions placed on the use of the funds from the sale of the building, the total amount received of R10,000,000 was transferred out of the accumulated surplus to a trust fund.

20. Cash generated from operations	2010 R	2009 R
Surplus/(deficit)	**8,631,815**	(2,417,894)
Adjustments for:		
Depreciation, amortisation and impairment	**2,715,970**	1,172,695
(Profit)/Loss on sale of assets	**(14,418)**	90,498
Profit on sale of non-current assets	**(6,359,162)**	-
Interest received	**(714,546)**	(353,658)
Finance cost	**144,322**	68,147
Movements in operating lease	**486,916**	2,507,801
Changes in working capital:		
Inventories	**(128,946)**	-
Trade receivables	**503,572**	(100,430)
Other receivables	**1,364,538**	479,867
Trade and other payables	**(3,001,806)**	3,208,691
	3,628,255	4,655,717

21. Commitments

Minimum lease payments due:		
- within one year	**4,076,444**	4,055,587
- In second to fifth year	**22,181,009**	21,629,799
	26,257,453	25,685,386

IRBA leases its office accommodation in terms of an operating lease. The operating lease is for a period of seven years ending July 2015. The operating lease rentals include charges for rental, parking and operational costs.

22. Contingencies

In terms of the PFMA, all surplus funds at the reporting date may be forfeited to National Treasury. Approval has been obtained from National Treasury to retain prior year accumulated funds. The total accumulated funds as at 31 March 2010 is R1,877,776.

23. Key Management's and Board members' remuneration

Key management 2010	Annual Remuneration	Performance - bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas - CEO	**1,532,105**	**150,000**	**145,901**	**-**	**1,828,006**
PJ O'Connor – Director: Legal	**927,192**	**40,178**	**122,559**	**3,000**	**1,092,929**
P Van Helden – Director: Practice Review (from 1 April 2009)	**915,233**	**29,775**	**84,518**	**-**	**1,029,526**
WH de Jager – Director: Operations (from 1 May 2009)	**962,515**	**21,311**	**91,527**	**4,500**	**1,079,853**
L Katzin – Director: Education, Training and Professional Development (from 1 July 2009)	**583,604**	**9,430**	**53,937**	**4,500**	**651,471**
SD van Esch – Director: Standards (from 1 August 2009)	**699,801**	**8,412**	**66,866**	**4,500**	**779,579**
	5,620,450	**259,106**	**565,308**	**16,500**	**6,461,364**

2009	Annual remuneration	Contributions to retirement fund	Total
AK Hoosain - CEO until 31 July 2008	552,911	-	552,911
BP Agulhas - Director: Standards (until 31 August 2008), Acting CEO (until 30 November 2008) and CEO (from 1 December 2008)	1,136,324	178,485	1,314,809
J Bailey - Director: Practice Review (until 30 November 2008)	510,280	119,744	630,024
PJ O'Connor - Director: Legal	790,989	110,292	901,281
UI Naidoo - Director: Education, Training and Professional Development (until 30 October 2008)	433,055	76,255	509,310
R Ally - Director: Operations (until 30 November 2008)	498,747	87,256	586,003
	3,922,306	572,032	4,494,338

Board member's fees	2010	2009
DCM Gihwala	**65,340**	53,500
LER De Vries	**57,210**	78,000
A Dempsey	**45,168**	-
WP Du Plessis	**107,233**	92,750
SP Kana	**29,045**	-
G Marcus	**-**	13,000
P Mnisi	**15,960**	-
JDR Modise	**-**	13,000
HG Motau	**-**	3,250
DD Nagar	**23,978**	26,250
NNN Radebe	**24,538**	-
SE Sono	**-**	46,850
TS Zakuza	**54,271**	58,000
	422,743	384,600

24. Risk management

In the course of IRBA's operations it is exposed to credit, liquidity and market risk. IRBA has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. The Internal Audit function reports quarterly to the Audit and Risk Management Committee, an independent committee that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk
As IRBA has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk
IRBA manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Maturity analysis

Financial instrument	Current interest	Due in less than a year	Due in two to five years
Trade and other receivables	10,50%	4,231,802	-
Cash in current banking institutions	9,25%	5,307,442	10,000,000
Inventories	-%	128,946	-
Trade and other payables – extended credit terms	-%	(3,709,832)	-
Operating lease	-%	-	(2,994,717)
Finance lease obligations	13,00%	(89,994)	(651,504)

Credit risk
Financial assets, which potentially subject IRBA to the risk of non-performance by counter parties consist mainly of cash and accounts receivable.

IRBA limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury.

Trade receivables consist of registered auditors spread over a wide geographical area. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk with respect to registered auditors paying licence fees is limited due to the nature of the income received. IRBA's concentration of credit risk is limited to the audit profession in which IRBA operates. No events occurred in the profession during the year that may have an impact on accounts receivable that have not been adequately provided for.

24. Risk management (continued)	2010 R	2009 R

Market risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. IRBA cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, IRBA is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes.

The entity reviews its foreign currency exposure, including commitments, on an ongoing basis.

25. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

26. Post reporting date events

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

27. Irregular expenditure

Irregular expenditure in current year	-	11,352,482
Approved by Accounting Authority or condoned	-	(11,352,482)
Irregular expenditure awaiting condonement	-	-

28. Taxation

No provision has been made for taxation as IRBA is exempt from tax in terms of section 10(1)(cA) of the Income Tax Act, 1962 (Act No. 58 of 1962).

29. Reclassification of Comparative Figures

Certain comparative figures have been reclassified to facilitate a more meaningful comparison.

30. Reconciliation of budget surplus with the surplus in the statement of financial performance

	Actual	Approved Budget	Variance against approved budget	Adjusted Budget	Variance against adjusted budget
Revenue	**67,761,973**	**72,925,000**	**(5,163,027)**	**59,530,000**	**8,231,973**
Government Grants	22,018,000	22,018,000	-	22,173,000	(155,000)
Investment revenue	714,546	775,000	(60,454)	270,000	444,546
Rendering of services	38,670,265	50,132,000	(11,461,735)	37,087,000	1,583,265
Gain on sale of non-current asset	6,359,162	-	6,359 ,162	-	6,359,162
Expenses	**59,130,158**	**70,157,000**	**11,026,842**	**59,530,000**	**399,842**
Compensation of employees	30,809,049	40,454,000	9,644,951	32,707,000	1,897,951
Services	25,605,139	27,221,000	1,615,861	25,008,000	(597,139)
Depreciation	2,715,970	2,482,000	(233,970)	1,815,000	(900,970)
Surplus	**8,631,815**	**2,768,000**	**5,863,815**	**-**	**8,631,815**

After the budget was submitted and approved as part of the Medium Term Expenditure Framework (MTEF) process IRBA was informed that the proposed funding model in terms of which this budget was prepared, was not approved. Subsequently, IRBA submitted an adjusted budget that was approved by the board of IRBA and submitted to Treasury in April 2009.

The major part of the variance from budget (approved and adjusted) is the result of the profit on the sale of the Land and Buildings.

ANNEXURE A
DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2010

	Notes	2010 R	2009 R
Revenue			
Government grants		**22,018,000**	20,258,000
Other income		**249,116**	2,150
Rendering of services		**38,406,731**	33,639,237
	17	**60,673,847**	53,899,387
Other income			
Interest received		**714,546**	353,658
Profit on sale of assets		**14,418**	-
Gain on non-current assets held for sale		**6,359,162**	-
		7,088,126	353,658
Operating expenses			
Public relations		**869,887**	1,809,849
Bad debts		**230,487**	8,406
Computer expenses		**756,527**	399,861
Consulting and professional fees		**103,740**	2,086,410
Depreciation, amortisation and impairments		**2,715,970**	1,172,696
Proficiency test		**65,356**	-
Employee costs		**30,809,049**	27,745,657
Support programmes and education fund expenses		**826,158**	1,104,467
Auditor's remuneration - external		**924,906**	651,420
Auditor's remuneration - internal		**595,375**	522,384
Building operating expenses		**768,476**	795,282
Committee expenses		**3,070,094**	3,123,082
Legal fees		**2,834,096**	3,280,287
Publications		**756,732**	533,057
Workman compensation		**64,119**	76,373
Other expenses		**1,963,402**	2,280,373
Placement fees		**662,189**	1,075,092
Examination expense		**3,194,936**	2,832,067
Insurance		**170,689**	317,770
Lease of building		**4,049,366**	2,646,984
Printing and stationery		**532,626**	1,009,953
Staff welfare		**894,692**	787,334
Travel - local		**1,735,668**	1,610,806
Travel - overseas		**391,296**	642,684
		58,985,836	56,512,294,
Operating surplus/(deficit)	**18**	**8,776,137**	(2,259,249)
Finance costs		**(144,322)**	(68,147)
Loss on sale of assets		-	(90,498)
		(144,322)	(158,645)
Surplus/(deficit) for the period		**8,631,815**	(2,417,894)

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Performance Against Measurable Objectives

The following summarises the activities planned for 2009/10, and actual delivery.

No	Output	Output Performance Measure / Service Delivery Indicators	Actual Delivery
1.	**Auditing Standards**		
1.1	Develop and maintain auditing standards which are internationally comparable and perform related functions	Strategy and work plan for the CFAS	CFAS Strategy for period 2010 to 2013 approved in November 2009 - Work plan updated for each quarterly CFAS meeting and Resource Planning managed to achieve CFAS Strategy
		Practice Statements, Guidance and circulars on the implementation of ISAs	**IAASB 2009 Handbook with new Clarified ISAs published 1 May 2009.** IFAC Copyright contract finalised August 2009, Board Notice prescribing ISAs etc. approved by Board at meeting on 21 September 2009 and publication by IRBA in Government Gazette 9 October 2009 **Negotiations with dti for accreditation of RAs to provide BB-BEE Ratings Certificates** - mapping document with comparison of ISA and Code of Professional Conduct to SANAS R0-47 and IRBA proposal submitted for consideration of Director-General in December 2009. Request by dti to revise Guide on Verification for RAs in 2010. Advised in April 2010 that B-BBEE Proposal accepted and accreditation approved by Minister of dti. **Issue of Guide on Access to Audit Working Papers** put on hold due to issue of **new Clarified ISA 600 Special Considerations - Audits of Group Financial Statements (including the work of component auditors)** that have significant implications for rights of access by group auditors effective for audits of group financial statements for periods beginning on or after 15 December 2009.
			ISAE 3402 Assurance Reports on Controls at a Service Organisation approved by CFAS and the Board in March 2010 for use by registered auditors in South Africa.

No	Output	Output Performance Measure / Service Delivery Indicators	Comment
1.	**Auditing Standards** (continued)		
		Participation in International Standard Setting activities	CEO and Acting Director Standards attended annual **IFAC National Standard Setters Meeting of the IAASB in Vancouver in April 2009** Participation during the year in several International Conference Calls as Correspondent Member of IAASB Task Team developing the **ISAE 3420 - Assurance on Proformas** - approved by the IAASB in March 2010 for issue as an exposure draft. Comments submitted on **Consultation Paper on Assurance on Greenhouse Gas Statement in February 2010**.
		Reporting	**SAAPS 3 Illustrative reports for auditors:** Two revisions during year - (1) New Appendix 6 with Afrikaans Illustrative Reports and Omsendbrief with Glossary translated into Afrikaans Approved and **Issued in August 2009** and (2) SAAPS 3 Revised with updates for changes to IAS 1 and IFRS for SMEs, Going Concern Decision Tree and Afrikaans Reports similarly updated and **issued March 2010**. **Regulatory Reports** developed and agreed with other Regulators: Medical Schemes audit and assurance reports for year ending December 2009 and Agreed upon Procedures; Factual Findings Report agreed with dti; EIP, MIP and TSP Grany Claims Incentives - March 2010; Revision of SAAPS 2 Financial Reporting Frameworks and effect on auditors' reports to accommodate the Clarity ISAs; and Public Sector Requirements of the AGSA - work in progress for exposure in 2010.
		Conduct research, attend and present at relevant conferences	**Presentations by Director: Standards** at the SAICA Financial Services Conference on 5-6 November 2009 on "Cost of Regulation" and at SAICA Workshop on the effect on the audit of Medical Schemes of Clarified Standards in Cape Town on 16 November 2009 & by Director: Practice Review in Johannesburg on 17 November 2009. **Comments prepared on draft Regulations to Companies Act, 2008.** Participation in dti workshops regarding the draft regulations and engaging with other Regulators affected by the Draft Regulations regarding shared concerns affecting, inter alia, the audit and review requirements for companies and implications for the auditing profession.

No	Output	Output Performance Measure / Service Delivery Indicators	Comment
1.	**Auditing Standards** (continued)		
		Conduct research, attend and present at relevant conferences (continued)	**Public Sector Standing Committee established** to develop Guidance for Private Sector Auditors engaged in performing audits of Government Departments and Public Entities for the AGSA - two projects approved and in progress due for completion in 2010. **Presentation by CEO at audit and accounting conference in Brussels in February 2010**.
1.2	Establish the Committee for Auditor Ethics (CFAE) to develop rules and guideline, including a code of professional conduct and the performance of related functions	Strategy for the Ethics Committee	The strategy of the CFAE to finalise and publish for public comment the Proposed Revised Code of Professional Conduct and Rules regarding Improper Conduct by November 2009 was achieved.
		Standards for Auditor Ethics, including a Code of Professional Ethics	Explanatory Memorandum, Proposed Rules Regarding Improper Conduct and Revised Code of Professional Conduct Approved at Board on 29 October 2009 and CFAE meeting on 4 November 2009 for issue in Government Gazette No 32742 on 27 November 2009 for Public Comment by 31 March 2010.
		Participation in International Standard Setting activities, including issuing of comment letters	CEO and Acting Director: Standards attended IFAC IESBA National Standard Setters meeting in Vancouver in April 2009.
2.	**Legal**		
2.1	Investigations of improper conduct & disciplinary action taken	Investigation of Improper Conduct	97 new matters were tabled at Invesco in this period
		Investigating Committee - Recommend a course of action to be taken as a result of investigations	73 matters were referred to the DAC in this period
		Disciplinary Advisory Committee decide on the course of action to be taken	67 matters have been finalised in this period
		Disciplinary Committee to convene disciplinary hearings and rule on matters brought before the Committee	6 matters have been finalised in this period
3.	**Operations**		
3.1	Successful operation of the IRBA	Annual Report submitted timeously	Annual Report submitted to Parliament on 31 August 2009.
		PFMA compliance	The PFMA compliance was achieved and the quarterly reports were submitted to National Treasury before the PFMA deadlines.

No	Output	Output Performance Measure / Service Delivery Indicators	Comment
3.	**Operations** (continued)		
		Submission of budget and strategy	Strategic plan with objectives and budget submitted on 30 September 2009. The revised Strategic Plan and final budget were submitted on 31 March 2010.
		Adequate IT Support	The ICT systems were available on average 96% of the available time. An ICT reporting support system was introduced and response times were within agreed time.
		Performance management	The performance contracts were completed and the first full performance measurement was completed as a basis for the performance bonuses awarded.
		Recruitment & selection	100% of the staff requirements were achieved.
		Employment equity	The employment equity plan was updated and approved by the Board.
		Succession planning	In progress. Preliminary plans identified during performance appraisals of Directors.
		Staff retention	The staff turnover for the period was 5%.
4.	**Stakeholder Management**		
4.1	Comprehensive stakeholder management program	Media relations	*IRBA News* was published four times during the year and distributed to all stakeholders and communicated via the IRBA website. Various media releases were prepared and issued in consultation with public relations consultants.
		Stakeholder management with RAs	The road shows were successful, with high attendance figures. A report has been compiled based on evaluation feedback received.
		Stakeholder management with international organisations	IAASB & IESBA NSS Meetings (Canada) April 2009 IFIAR Plenary Meeting (Basle) April 2009, (Singapore) September 2009, (Abu Dhabi) March 2010. IFIAR Standards Coordination Working Group Teleconferences IFIAR Inspections Workshop (France) February 2010
		Stakeholder management with other national stakeholders	Stakeholder meetings held according to Stakeholder Management Plan and included the following stakeholders: • Professional institutes • Audit firms • Government departments • Other regulators • Senior audit partners • National Treasury • Students
5.	**Practice Review**		
5.1	Inspect Registered Auditors' compliance with professional standards at an engagement level and at a firm level	Perform engagement reviews	868 engagement reviews completed and 80% of capacity utilised.
		Produce reports on reviews	830 reports delivered (38 reviews not completed)

No	Output	Output Performance Measure / Service Delivery Indicators	Comment
5.	**Practice Review**		
		Review quality controls of firms involved in audits of listed companies at least once in a review cycle	3 big firm reviews and 3 medium firm reviews completed or in process.
		Perform firm reviews	2 big firm reports and 2 medium firm reports delivered (the balance still in process).
		Produce reports on reviews	Hours achieved and billed 16,621(target 18,197 but 3 reviewers resigned as at 31/12/2009).
		Recommend policy decisions to the Board regarding inspections	Changes to review cycle policies approved and communicated prior to implementation.
		Participate in review process	Appropriate decisions taken on reviews supported as evidenced in minutes of meetings.
6.	**Registry and Compliance**		
6.1	Scrutinise and register prospective auditors in compliance with the Auditing Profession Act	Registration of individuals and firms	215 individuals and 67 firms were registered for this period
		Termination of registration of individuals and firms	86 individual and 24 firm terminations were recorded for this period.
		Dealing with holding outs	8 holding outs were reported during this period.
6.2	Successful administration, monitoring and reporting of Reportable Irregularities in terms of the Auditing Profession Act	Administer RIs in line with the Act	1099 RIs were received during this period.
		Review and update the RI guide where appropriate	In progress. Task team members identified and preliminary strategies identified during CFAS meeting held.
		Analyse RI trends and make any necessary recommendations to IRBA	Statistics provided at Board meeting.
		Follow up RIs reported to other regulators and make appropriate recommendations to IRBA	Ongoing reporting to regulators. Turn around time as quickly as possible.
6.3	Monitor and enforce registered auditors' compliance with the Financial Intelligence Centre Act	Regulating and monitoring FICA compliance	2 FICA Reviews were conducted for this period.
7.	**Education, Training & Professional Development**		
7.1	Evaluate and make recommendation on accreditation status of Professional Body	Evaluate compliance with all elements of the accreditation and reporting to IRBA in this regard	The ACCA suspended its application for accreditation in May 2009. On 11 November 2009 ACCA communicated its intention to re-instate its application for accreditation.

No	Output	Output Performance Measure / Service Delivery Indicators	Comment
7.	**Education, Training & Professional Development** (continued)		
		Review and update the accreditation model if appropriate	EDCOM constituted a task team to review the qualification process for Registered Auditors (RAs) in June 2009. EDCOM considered and approved the Audit Qualification task team's recommendations on 18 March 2010. EDCOM will present its recommendations for the qualification of RAs to the Board on 27 May 2010.
7.2	Successful exam conducted	Set and administer a successful and credible Public Practice Examination	The 2009 PPE was written on 18 November 2009. 2798 candidates wrote the PPE at 24 venues (locally and internationally). Of the 2798 candidates who wrote the PPE, 2320 passed resulting in an 83% pass rate. Of the 1094 Black candidates who wrote, 849 passed resulting in a pass rate of 78%.
7.3	Monitoring procedures followed by professional bodies regarding training contracts	Monitor compliance with regard to registration and approval of training contracts as undertaken by professional bodies	All monitoring reports for 2008 were issued within the agreed timeframe, except the Final Core Assessment Programme Report which received an extension. The following reports were issued: 1. The Institutional programme - 30 October 2009 2. Academic Programme - 30 October 2009 3. Education Programme - 30 October 2009 4. Training Programme - 30 October 2009
7.4	Training contracts and training officers approved	Approved training contracts and training offices	3 177 training contracts were approved and registered in the period under review 19 Training Offices were approved and registered in the period under review.
7.5	Successful application of CPD policy	CPD records	IRBA monitored the CPD activities of all RAs for the period under review. 229 Registered Auditors are not yet fully compliant and are required to update their CPD records and become compliant with IRBA's CPD policy within six months or have their registration with IRBA cancelled. Non-compliant RAs must report to IRBA on a monthly basis to retain their registration with IRBA.
		CPD policy	EDCOM reviewed and revised the current CPD policy and presented the revised policy to the Board for approval. The Board approved EDCOM's recommended changes to the CPD policy on 26 March 2010. The revised policy will be effective from 01 January 2011.
7.6	Progress being made on increasing number of Black RAs	Develop and implement a detailed strategy for The Education Fund	IRBA provided a Support Programme for all Black repeat candidates in 2009. The Support Programme proved to be a success and yielded a pass rate of 79%. Without exception, the Support Programme candidates performed significantly better in each question in comparison to repeat candidates who did not attend the programme.
7.7	Commence the Audit Profession BEE Charter process	Develop and implement a detailed strategy for BEE Charter	IRBA participated in the CA BEE Charter. The Charter was signed in 2009.

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