irba news
INDEPENDENT REGULATORY BOARD FOR AUDITORS

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IN THIS ISSUE

MESSAGE FROM THE CEO

I am writing this message en route from an international task force meeting which has a mandate to develop an international framework for Audit Quality.

You might ask how this is possible, either because you would have assumed that such a framework already existed, or because you wonder whether it is at all possible to develop such a framework. Whatever your perspective, we have only touched on the surface of defining an intangible which underlies the

effectiveness of measuring quality and ultimately the confidence which the public will place in the auditing profession.

The first challenge is that, depending on the stakeholder (and there are many stakeholders involved in achieving audit quality), everyone seems to have a different perception or perspective on what audit quality is. Regulators measure audit quality against auditors' adherence to auditing standards and codes of ethics, amongst others, while investors may view audit quality as the reliance they can place on the opinion on a set of financial statements. Audit committees, on the other hand, will consider an audit to have been effective and efficient if the costs were contained and deadlines have been met.

But there is still the ultimate user, the shareholder or investor, who has limited access to information to make an informed call on audit quality. Yet, it is the shareholder and investor who ultimately benefit from audit quality, because they make important decisions based on the outputs of the audit.

The second challenge is to separate the concept of Audit Quality from a Quality Audit. There are several inputs into Audit Quality, such as skills and competences, high quality auditing standards and good corporate governance. Audit Quality can also be influenced by factors like a strong regulatory environment and outputs such as high quality financial statements. On the other hand, a quality audit is largely dependent on how effectively and efficiently the auditor performs the audit.

While these are only some of the issues which must be further debated, it is recognised that an international framework will go a long way in ensuring consistency in measuring Audit Quality, and that such framework could hold benefits for many of the stakeholders. Ultimately, Audit Quality is only one of the cogs in a much larger chain of factors which influence financial reporting. But it remains an important factor to create the required confidence in the financial markets, as well as protect the financial interests of the investing public. So, we are confident that there will be a framework in the near future, and that the expected benefits will materialise for all parties.

The Audit Quality Task Force is a Task Force of the International Auditing and Assurance Standards Board of the International Federation of Accountants.

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STANDARDS

COMPANIES ACT, 2008, AS AMENDED, AND REGULATIONS PURSUANT THERETO

The CFAS Reports Standing Committee has issued audit reports for ISA 700, ISA 800 and independent review reports in accordance with ISRE 2400, that meet the requirements of the Companies Act for audit and independent review engagements performed by Registered Auditors.

APPROVAL OF THE IRBA FOR REGISTERED AUDITORS TO PROVIDE ASSURANCE ON B-BBEE

We understand the DTI Minister Rob Davies will shortly Gazette the *Notice for Amendment of the Codes of Good Practice* to issue **Statement 005: Broad Based Black Economic Empowerment Verification**, (Statement 005) containing the approval of the IRBA for registered auditors to provide B-BBEE Ratings Certificates with effect from 1 October 2011; to repeal Government Notice number 810 Gazetted on 31 July 2009; and to delete Section 10 of Code 000, Statement 000 *Framework for the Accreditation of BEE Verification Agencies*.

The training requirements and process to be completed by **registered auditors who wish to sign off on B-BBEE rating certificates** has been finalised by the DTI with its joint venture partners: UNISA Graduate School of Business Leadership (SBL) and Wits Enterprises. Indications at present are that the accredited programme, termed the *"Standardised National Training Programme for the B-BBEE Industry"* will be a B-BBEE Management Development Programme (PGMDP) at a SAQA Level 7, comprising the following 5 modules:

- Module 1: B-BBEE Legislative Framework;
- Module 2: Management Control, Employment Equity and Skills Development;
- Module 3: Enterprise and Socio-Economic Development through Procurement;
- Module 4: Public Finance and Principles of Accounting;
- Module 5: B-BBEE Ownership and Best Practices.

As an MDP programme, UNISA and Wits Enterprises allow for the recognition of prior learning (RPL) experience of applicants, in order to exempt them from certain of the modules. We are engaging with the DTI to determine those modules that Registered Auditors may be exempted from and the form of "portfolio of evidence" that may be required on application. The universities plan to offer the 5 modules over 5 full days (the Fast Track), or spread over a period of 6 months. Applications will open from 1 September 2011 - registration is centralised and done on-line through the DTI website at www.dti.za.gov.za.MDP.pdf and applicants may then register online at bbbee.traininggateway.co.za. Modules will be presented in the main city centres in the country, based on the geographic distribution of participants.

The IRBA is finalising its process for application by auditors for approval of "sign-off" audit partners and will communicate the details during September 2011. Recognising that valid B-BBEE Ratings Certificates are a matter of public interest, the DTI's training requirements support Registered Auditors' responsibilities under the IRBA *Code of Professional Conduct for Registered Auditors* to have the necessary knowledge, skills and resources regarding any professional services they are required to provide to clients. Auditors planning to extend their audit and assurance services to provide B-BBEE Ratings to their audit and other clients are advised to ensure that their staff participating in such engagements are adequately trained and supervised to provide such services. The CFAS will revise the guidance verification in consultation with the DTI to issue before the end of 2011.

Registered Auditors, other than those already accredited by SANAS as Verification Agencies, are not permitted to issue B-BBEE Rating Certificates until the DTI has published the *Code of Good Practice Statement 005*, duly signed by the Minister, have completed the training requirements of the DTI and the approval process with the IRBA. We understand that SANAS is declining any applications for accreditation by registered auditors who are advised to rather follow the IRBA approval process. Details will be communicated to all auditors as soon as it is finalised. If you have any further questions please contact the Director: Standards at 087 940 8871.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

CURRENT PROJECTS

The following proposed SAAPS and/or Guides were considered by the CFAS in August 2011 for approval to issue on exposure for a period of 30 days for public comment:

- A **Proposed SAAEPS 6 *Assurance Engagements on XBRL*** has been developed by CFAS and is expected to be approved at the November 2011 meeting for issue on exposure for 30 days. A CFAS task group was established to develop a proposed SAAEPS as guidance for practitioners requested to provide assurance services relating to XBRL tagging and instance documents. Guidance was requested by the JSE to

enable assurance to be expressed on audited financial statements of listed companies submitted in an XBRL format to the JSE as XBRL instance documents. It is expected that the final SAAEPS will be considered by CFAS in March 2012 for recommendation to the Board to issue.

- A **Proposed SAAPS 7 *Audit of Medical Schemes*** was approved by CFAS at its meeting in August 2011 for issue on exposure for a period of 30 days. The long awaited SAAPS will provide guidance regarding the audit risks commonly encountered and specific to audits of medical schemes, the compliance requirements of the Medical Council, the Medical Schemes Act, Regulations, Circulars and illustrative auditor's reports. We express our appreciation for the contributions of the Medical Council and those firms serving on the Task Group who have contributed to the various sections of the guide. The SAAPS will be issued for comment during September 2011 and comments and final changes considered by CFAS at its November 2011 meeting for recommendation to the Board to issue. It is hoped that the final approved SAAPS will be issued before the end of 2011 and will provide useful guidance for auditors performing their 2011 year end audits.

CFAS PUBLIC SECTOR STANDING COMMITTEE (PSSC)

- The following Proposed Guides developed by the Auditor General's (AGSA's) Audit Research and Development staff in consultation with the members of the CFAS Public Sector Standing Committee (PSSC) were approved by the CFAS for issue on exposure for a period of 30 days:
  - ***Proposed Guide for Registered Auditors Auditing in the Public Sector,*** released in September 2011; and
  - ***Proposed Guide for Registered Auditors in the Audit of Pre-determined Objectives,*** to be released in October 2011.

The Proposed Guides provide useful insights to the additional requirements and expectations when auditing in the public sector and the various governmental structures, financial reporting and auditing requirements that registered auditors may not always be aware of. The PSSC has played an important role in facilitating the development of useful guidance for registered auditors engaged in public sector audits. This relationship between the CFAS and the AGSA is unique and we believe will contribute to enhancing audit quality and reporting on public sector financial statements, governance and accountability. Comments received and final changes to the Guides will be considered by CFAS in November 2011 for recommendation to the Board to issue.

CFAS REPORTS STANDING COMMITTEE (RSC)

- The ***Revised SAAPS 3 Illustrative Independent Auditors Reports*** is proceeding and is expected to be issued during October 2011. It will incorporate the following:
  - Changes to the ISA 700 and ISA 800 reports arising from the Clarity ISAs and requirements of the Companies Act, 2008 and Regulations 2011;
  - Illustrative ISRE 2400 independent reviewers' reports that meet the requirements of the Companies Act and Regulations;
  - Illustrative reports on public sector entities and government departments, as required by the Auditor-General South Africa;
- In the interim, an example of the wording changes to the standard ISA 700 auditor's report arising from the Clarity ISAs has been communicated to auditors and made available for download from the IRBA's website.
- The RSC has also developed illustrative reports for independent reviewers that meet the requirement of the Companies Act and Regulations whilst also complying with the principles of ISRE 2400 ***Engagements to Review Financial Statements.*** These are available for download from the IRBA's website.
- A revised auditor's report on Estate Agents Trust Accounts has been agreed with the Estate Agency Affairs Board. The report is effective from 1 September 2011 and is available for download from the IRBA's website.
- A task group has been formed to consider and respond to the ***IAASB Consultation Paper – Enhancing the Value of Auditor Reporting: Exploring Options for Change***. The task group has prepared comments for submission by 16 September 2011.

RSC REGULATORY REPORTS

Financial Services Board (FSB)

- **Long Term and Short Term Insurance – SAM Project:** The IRBA continues to participate in this project and is appointed to the Steering Committee and the Pillar II and Pillar III working groups of the FSB - Solvency Assessment and Management (SAM) Project. Good progress is being made with this project which is expected to extend over the next three years. The IRBA has submitted comments on various discussion papers at a high-level impacting on future regulatory returns and audit and reporting requirements.
- **Retirement Funds:** Proposed changes to the auditor's reports in the annual return were considered at the IRBA Retirement Fund Task Group meetings in July and August 2011. Changes have been made to the annual return that affect the auditor's reports:
  - Schedule B – statement of responsibility by the board of trustees.

- Schedule D – report of the independent auditors.
- Schedule E – report of the board of trustees.
- Schedule HA – notes to the financial statements (basis of preparation).
- Schedule IB – assets held in compliance with Regulation 28 – assurance report.

These amended reports will be included in the annual return circulated by the FSB.

The IRBA continues to engage with the FSB Pension Funds and FAIS Departments regarding the Section 13B report in order to reach consensus regarding reporting requirements for auditors in respect of investment and benefit administrators, and holding companies and nominees respectively.

CFAS SUSTAINABILITY STANDING COMMITTEE (SSC)

- The SSC assisted CFAS with comments on Proposed ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* submitted in June 2011.
- The SSC met on 1 August 2011 and is focusing on providing assistance to the Integrated Reporting Committee's Working Group (IRCWG) on assurance aspects relating to Integrated Reports and development of guidance for auditors and assurance providers reporting thereon. The IRCWG guidance on assurance aspects will be conveyed to the International Integrated Reporting Council by September 2011 for its consultation paper and guidance currently being developed globally.

ACTIVITIES OF THE INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

The IRBA, assisted by the various relevant CFAS task groups have, or will submit comments on the following discussion papers and exposure drafts.

Project	Status
The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications	Comments on discussion paper submitted in June 2011
ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*	Comments on exposure draft submitted June 2011
Audit Quality: An IAASB Perspective	The IRBA CEO serves as a member of this IAASB Task Force
ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*	Comments on exposure draft submitted in September 2011
Enhancing the Value of Auditor Reporting: Exploring Options for Change	Comments on discussion paper due 16 September 2011
ISA implementation monitoring project	On-going project due to report by 30 September 2011

Details of progress on these projects, including comments received can be found at *www.ifac.org/IAASB/Projects.php*

ETHICS

REVISED CODE AND RULES

The IRBA Rules Regarding Improper Conduct (the "Rules") and Code of Professional Conduct for Registered Auditors (the "Code") have been in effect from 1 January 2011. It is expected that Registered Auditors have updated their firm's quality control requirements and audit methodologies to align with the Code and have provided training to all audit trainees and audit professionals employed within the audit firm regarding these updates. We encourage auditors to carefully consider the implications of the Code on their firms and not just implement a tick box approach.

Independence requirements for audits of companies and close corporations.

We are aware of concerns around the Independence Requirements in Sections 290 of the Code for an audit or review and Section 291 for other assurance engagements, and in particular the more stringent independence requirements applicable to public interest entities and related partner rotation requirements. The IRBA is engaging with the DTI with regard to the implications of the Public Interest Score in the new Companies Act for determining whether or not a company, or close corporation, require an audit, means the auditor must regard all companies as "public interest" to which the more stringent requirements of the IRBA Code apply. In response the Deputy Commissioner has indicated that where an audit is conducted voluntarily, the more stringent independence requirements for public interest entities in the IRBA Code do not apply. A legal opinion obtained by the IRBA does not agree that companies that require an audit by virtue of their type or by virtue of having a Public Interest Score (PIS) greater than 350 if externally compiled, or greater than 100 if internally compiled, will be subject to the independence requirements for public interest entities as per the IRBA Code.

The CFAE held a Strategy meeting on 16 July 2011 to guide and prioritise its activities for the period 2011 to 2013. The strategic imperatives identified will be considered at its August 2011 meeting and a Strategy Document and Work Programme developed to implement its strategic imperatives.

The CFAE continues to support the Inspections and Legal Departments on technical aspects in the implementation of the Code and Conduct of registered auditors.

Finally, I thought readers might find the following article interesting, which has relevance to the IRBA's ethics CPD.

ETHICS AND LEADERSHIP

By Martin Prozesky

Success in any profession or organisation depends heavily on having top-class leadership. Auditing firms are no exception. In them, as elsewhere, three qualities distinguish the best leaders: superior tactical intelligence, moral depth and multiplier leadership skills.

You don't have to be a genius to understand that a successful leader must be a really good thinker with the ability to plan ahead, read conditions and trends shrewdly and adjust the way the firm functions accordingly. But while tactical intelligence is necessary it is not enough. Stalin had it aplenty and turned his country into a murderously brutal police state. What he and leaders like him lacked brings us to the second of the three leadership qualities: moral integrity.

In the workplace, moral integrity means earning and keeping the respect and commitment of colleagues, clients and competitors. What earns such respect? Top-class professional skills and knowledge earn a leader admiration, but it is qualities like integrity, a strong sense of duty, honesty, moral courage, fairness of mind and action, and deep concern for one's staff that win and keep their respect. This raises their own performance.

The third requirement for sustained leadership success is what business leadership writer Christine Leonardi calls multiplier ability. Writing in the magazine Entrepreneur in February 2011 (p. 40), she distinguishes between multipliers, who create value in those they lead, and diminishers, who reduce it. This can happen in many ways but one is especially relevant to auditing firms if their members are to be a real team. As Leonardi puts it, multipliers tend "to develop, explore, challenge, consult and support people", whereas diminishers tend "to use, blame, tell, dictate and control people."

Since the heart of ethics is active concern for the good of those you affect, it is clear that multiplier leadership will be at its best in heads of auditing firms of great moral integrity. The IRBA has thus acted in the best interests of all Registered Auditors by requiring a minimum number of CPD ethics hours every three-year cycle, starting in 2011.

Professor Martin Prozesky is an independent ethics consultant and writer.

REPORTABLE IRREGULARITIES

Statistics

	April 2010 to March 2011		April 2011 to July 2011	
	Total	No. of Private Companies	Total	No. of Private Companies
Total number of RIs reported	806 (100%)	629 (78%)	234 (100%)	188 (80%)
Continuing RIs	468 (58%)	385 (82%)	78 (33%)	70 (90%)

Please note the following:

- Email reports to *ristandards@irba.co.za.*
- The IRBA has recently gone live with a new electronic system for recording of RIs that will trigger prompt reminders to auditors for submission of second reports, and other communications to auditors and regulators. If auditors or regulators experience any problems with these emails or have any questions, please contact the RI administrator.
- RAs must conclude whether the RI is continuing or not continuing and must please state this in their second reports. It is not acceptable to state that the RA is "not able to conclude".
- Please refer to the IRBA Reportable Irregularities Guide before contacting the IRBA with queries.

Please include the following detail in your reports:

- The registration number of the entity being reported on;
- The individual RA's name (i.e. the report is to be signed in the name of the individual RA responsible for the engagement as well as the audit firm);
- The RA's IRBA registration number;
- The individual RA's email address;
- The signed reports to be on the RA's letterhead;
- **For the first report** (section 45(1)): The information and such particulars of the reportable irregularity, as the registered auditor considers appropriate, are to be included; and
- **For the second report** (section 45(3)): Detailed particulars and information supporting the registered auditor's conclusion are to be included.
- Please make it clear if the RI is a Voluntary Disclosure Programme RI.

Reportable irregularities to be reported by independent reviewers

We draw to the attention of registered auditors appointed as independent reviewers in terms of the Companies Act, 2008 and Regulations, that Regulation 29(1)(b) requires an independent reviewer to report a reportable irregularity **to the Companies and Intellectual Property Commission (CIPC)**. The definition of a Reportable Irregularity is similar to that in the Auditing Profession Act, viz:

""reportable irregularity" means any act or omission committed by any person responsible for the management of a company, which –

(i) Unlawfully has caused or is likely to cause material financial loss to the company or to any member, shareholder, creditor or investor of the company in respect of his, her or its dealings with that entity; or

(ii) Is fraudulent or amounts to theft; or

(iii) Causes or has caused the company to trade under insolvent circumstances."

The third condition differs from that in the Auditing Profession Act and highlights the concern of the DTI for the sustainability of companies trading in insolvent circumstances.

Independent reviewers who are also registered auditors are **not required** to report such reportable irregularities to the IRBA. There is no indication at this stage whether or not the CIPC expects, or requires, the independent reviewer to deal with such reportable irregularities in their review report.

A communiqué was issued on 13 July 2011, containing important information regarding the administration of reportable irregularities. The communiqué may be viewed at *www.irba.co.za/index.php/registry-functions-52/576?task=view.*

Further information on reportable irregularities may be viewed on the IRBA website at *www.irba.co.za/index.php/reportable-irregularities-75.*

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DISCLOSURE REQUIREMENTS IN THE INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM SIZED ENTERPRISES – COMMON DEFICIENCIES AND FACTORS CONTRIBUTING TO NON-COMPLIANCE WITH THE STANDARD.

The implementation of International Financial Reporting Standard for Small and Medium Sized Enterprises has seen widespread use thereof. The Independent Regulatory Board for Auditor's inspection process, mandated in terms of Section 47 of the Auditing Profession Act, has also seen a significant increase in the number of inspections performed of practitioner files with audit reports issued in terms of the standard. This article highlights a few of the more common findings relevant to inadequate disclosure in terms of the standard.

There has not been a significant change identified in the quality of the audit working papers and consequently the number and nature of inspection findings relevant to the documented verification of the assertions supporting balance sheet and income statement items. Compliance with disclosure requirements, however, has been identified as an area in which the statement has not always been appropriately and consistently applied. In certain instances this has followed from a lack of sufficient consideration of compliance with the International Standards on Auditing, financial statement presentation requirements, circulars and the disclosure requirements of the accounting standard.

The inspection process, excluded from the scope of this article, has the fundamental overriding principle of assessing whether the audit documentation on file supports the audit opinion. The inspection process does not have a specific objective of identifying disclosure deficiencies however the performance of the process has identified weakness in the application of the standard in this regard. In achievement of this objective paragraphs 3.15 and 3.16 of the standard are considered to be of particular relevance to the inspection process. Specifically:

> *Paragraph 3.15 states: "An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial".*
>
> *Paragraph 3.16 states: "Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor".*

The variability in the nature and content of the disclosure is evident with certain sections having a higher frequency of deficiencies. The lack of compliance with disclosure requirements of the standard has been associated with insufficient consideration of the auditing standards and nature of the accounting treatment supporting the disclosure. The areas referred to below represent the areas commonly not considered by practitioners but the list certainly does not include all potential disclosure deficiencies.

Section 4 – Current / non-current distinction

- Long term loans (such as loans to/from shareholders and loans receivable) – frequently loans without any fixed terms of repayment disclosed as non-current. This generally follows from the lack of sufficient documented consideration of the classification of the loan as short term or long term or loan confirmations that state that there are no fixed terms of repayment.

Section 9 – Consolidated and separate financial statements

- Consolidated financial statements – frequently the requirements of paragraph 9.3(a), specifically where the parent is itself a subsidiary and the ultimate parent prepares general purpose financial statements in accordance with IFRS or IFRS for SMEs, is relied upon. Instances have been noted, however, where consolidated financial statements have not been prepared without adequately meeting the requirements for exclusion in accordance with paragraph 9.3.

Section 10 - Accounting policies

- Intangible assets other than goodwill –the accounting policy is not disclosed or lacking. There is frequently no documented annual assessment of impairment of intangible assets and the period over which the asset is depreciated (refer section 18).
- Impairment of assets – the policy is not disclosed or lacking. This generally follows from a lack of documented consideration of impairment. Typical examples include property, plant and equipment, intangible assets, investment in associates and loans receivable.
- Accounts receivable – the policy is lacking. Trade and other receivables at amortised cost using the effective interest method not defined.

Section 11 – Financial assets and financial liabilities

- Financial assets and liabilities measured at fair value (paragraph 11.43) - the disclosure

of the basis for the valuation is frequently lacking.

- Accounting policy choice – paragraph 12.2 either requires the first option of the application in full of sections 11 and 12 or the section option which is to apply IAS 39 and the disclosure requirements of sections 11 and 12. Discounting of debtors and creditors is frequently not considered and, if material, is not appropriately treated for accounting purposes.

Section 13 - Inventories

- Raw materials, work-in-progress and finished goods (paragraph 13.6) – the cost of inventory overstated due to the incorrect treatment of trade discounts and rebates. This follows from the disclosure of discounts received as other income and not in accordance with Circular 9/06 (refer section 23).

- Impairment - disclosure in terms of 13.22(d) of impairment losses is frequently not separately included in or reversed in the income statement.

Section 16 – Investment property

- Fair value model - Only investment property whose fair value can be measured reliably without undue cost or effort on an on-going basis should be accounted for at fair value through profit or loss. All other investment property should be accounted for as property, plant and equipment using the cost-depreciation-impairment model (paragraph 16.1). This consideration is frequently not documented and investment property that should be disclosed under cost-depreciation-impairment model is accounted for under section 16.

- Measurement after recognition – where section 16 is applied the movement in fair value and the relevant disclosure requirements is frequently lacking. The disclosure requirements of paragraph 16.10, specifically the methods and significant assumptions applied in determining the fair value is not disclosed. In addition to this there is no documentation of the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, this fact is also required to be disclosed.

Section 17 – Property, plant and equipment

- Cost model – the election of the cost model has not seen significant deficiencies in the disclosure requirements of paragraph 17.31. Where factors have been identified indicating that there is a change in how the asset is used (paragraph 17.19) and that the residual value or useful life may have changed, there is frequently limited documented verification supporting their application. The requirement to consider impairment under paragraph 17.24 is also frequently not adequately documented increasing the potential for a disclosure deficiency (refer section 27).

- Land and buildings - are separable assets, and an entity shall account for them separately, even when they are acquired together (paragraph 17.18). Instances have been noted where they have not been separated with no depreciation provided on buildings. Further to this the treatment of deferred tax on the land is frequently not appropriately applied (refer section 29)

Section 18 – Intangible assets

- Classification of computer software – frequently not disclosed separately as an intangible asset on the face of the balance sheet but included property, plant and equipment.

- Residual value, amortisation method or useful life - factors such as a change in how an intangible asset is used, technological advancement, and changes in market prices may indicate that the residual value or useful life of an intangible asset has changed since the most recent annual reporting date. There is frequently, however, no documented consideration of whether such indicators are present. Consequently should its previous estimates differ from current expectations any potential amendment to residual value, amortisation method or useful life would not be appropriately accounted (paragraph 18.24) for and disclosed (paragraph 18.27).

Section 21 - Provisions

- Short term employment liabilities (specifically provision for leave pay and bonuses) – the balances are generally accruals in nature. Instances have been noted in which they have been treated and deducted as provisions. The treatment is considered to be inappropriate including any notes associated with it.

- Provision for bad debt – disclosure as a provision has been noted. It is not considered to be appropriate. (paragraph 21.3).

Section 22 – Liabilities and equity

- Preference shares - A preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability (paragraph 22.5(e)). The consideration of the terms and conditions of the shareholder agreement and consequently appropriate disclosure of preference shares as a liability has been noted as an area lacking sufficient and appropriate documentation.

Section 23 – Revenue

- Discounts received – Discounts received is frequently disclosed as "other income". This does not meet the requirements of Circular 09/06.

Section 27 – Impairment of assets

- Impairment – General lack of consideration of impairment in accordance with paragraph 27.7. There is limited consideration of impairment indicators (internal and external). This is frequently of specific relevance to property, plant and equipment (refer Section 17 above).

Section 29 – Income tax

- Deferred tax – Paragraph 29.23(d) requires disclosure of the categories for each type of deferred tax. The disclosure of amount of and the analysis of the change in each type of temporary difference is frequently not sufficient.

- Deferred tax assets – Disclosed on the face of the balance sheet of deferred tax asset frequently has no documented justification for the existence of the asset.

Conclusion

The Inspections process has provided an indication of some of the areas lacking sufficient consideration when reporting to the users of the financial statements of small and medium sized enterprises. Audit opinions continue to provide assurance to users that the financial information is fairly presented and of a sufficient quality for general use. Appropriate application of the requirements of the ISAs, verification of relevant presentation and disclosure assertions and adequate consideration of the disclosure requirements of the standard will ensure that audit reports, supported by well documented audit files, can be relied upon.

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ANTI MONEY LAUNDERING

ANTI-MONEY LAUNDERING COMPLIANCE: RELEVANCE FOR THE SMALLER AUDIT FIRM

INTRODUCTION

In June 2003 the IRBA issued a Guide, "Money Laundering Control: A Guide for Registered Accountants and Auditors". This guide mainly provided guidance in complying with the requirements of the FIC Act, 38 of 2001. A revised and expanded guide, "Combating Money Laundering and Financing of Terrorism: a Guide for Registered Auditors"[1] was issued in January 2011 and replaced the former Guide. This guide also deals with the IRBA's supervisory obligations following the promulgation of the FIC Amendment Act 11/2008(FIC Act) in December 2010. In meeting these obligations, the IRBA is currently conducting Anti-Money Laundering (AML) Compliance Inspections at Registered Auditors (RAs). The current IRBA AML Guide has been expanded extensively beyond an interpretation of the earlier guide to now include discussions on the requirements for RAs who are not accountable institutions, as well as deal with the RA's obligations when conducting an audit. Discussions also include an emphasis on the reporting obligations in terms of other applicable laws, beyond the FIC Act and the Auditing Profession Act 26/2005 (APA (in respect of RI reporting).

[1] Throughout this article, the IRBA AML guide will be referred to as the Guide

INSPECTIONS HELD

The inspections currently being conducted, mainly focus on the smaller firms and includes attest as

well as non-attest practitioners. At the time of writing this article, a total of 55 inspections had been done and these are being conducted at an average of 12 per week. In the long term, these AML Compliance Inspections will form part of other categories of inspections conducted by the IRBA, including the firm as well as file inspections. What this practically means, is that all practicing auditors who are subject to inspections by the IRBA, will eventually be inspected for AML compliance.

PROVISIONAL FINDINGS

Most small and single practitioners have not yet implemented the Guide or have not implemented it in sufficient detail.

Some RAs, although a minority, erroneously registered with the Financial Intelligence Centre (FIC) as they regarded themselves obligated to do so by virtue of the fact that they are practising accountants: this interpretation, as demonstrated below, can be attributed to the earlier definition of an accountable institution and/or a misunderstanding of the current criteria. Many RAs were uncertain about the meaning of the definition of an accountable institution and some regarded themselves as reporting institutions.

A number of firms compiled and implemented an abbreviated document for the use of staff, as well as adapted current audit procedures to specifically include an emphasis on AML Compliance.

A general finding is that almost no training had been conducted on the content of the Guide. To some degree, reliance is placed on external training to have been received by clerks, or awareness is left to self-study. A general observation is that specific training is not regarded as a requirement and most firms do not conduct any training on AML whether this includes the Guide, or is of a more general nature.

Only a small number of firms had reporting procedures in terms of other applicable legislation which include section 29 of the FIC Act, POCDATARA and PRECCA. Similarly, only a few firms had specific procedures to ensure compliance with the FIC Act by clients who are accountable or reporting institutions.
Firms generally were found not to have appointed a Compliance Officer.

INTERPRETATION OF FINDINGS

The reasons given for not applying the Guide, range from not regarding the Guide as applicable to them, or to not having the capacity to spend time familiarising themselves, and implementing, the Guide. As for the first reason, it is important to note that such a perception is completely misguided - the Guide does not only apply to RAs who are accountable institutions. The Guide applies to all RAs and in reading the Guide, it should be apparent why that is the case. In three parts, the Guide deals with RAs who are not accountable institutions, those who are, and applicable International Standards of Auditing are discussed in respect of AML compliance guidance when conducting an audit. Earlier inspections conducted in terms of FICA, during 2010, also found that practitioners mainly rely on the Reportable Irregularity (RI) procedure (section 45 of the Auditing Profession Act (APA) 26/2005) to comply with AML Legislation. This notion was also confirmed during the current inspections. Again, RAs need to familiarise themselves with the broader application of the concept of money laundering as it is discussed in the Guide. Although reporting of money laundering detected during an audit will still be done by registering a RI with the IRBA, RAs should be aware to specifically detect money laundering during an audit and by implication create awareness in this regard within their firm.

As for misunderstanding the difference between an accountable and a reporting institution, these are defined in respectively Schedule 1 and Schedule 3 to the FIC Act. The definition of a reporting institution currently only includes dealers in coins and motor vehicles.Again, RAs must be familiar with interpreting the definition and understand the application also to ensure compliance by clients they have who may be accountable or reporting institutions.

The finding that training is not conducted, can be attributed to a lack of awareness and RAs will have to add specific training on the IRBA AML Guide to their curriculum.

SPECIFIC POINTS TO TAKE NOTE OF

The FIC Amendment Act amended the definition of an Accountable Institution. For ease of reference, these definitions, are quoted here:

The Old wording: "A person who carries on the business of rendering investment advice or investment broking services, including a public accountant as defined in the Public Accountants and Auditors Act, 1991 (Act 80 of 1991), who carries on such a business."

The New Wording: "A person who carries on the business of a financial services provider requiring authorisation in terms of the Financial Advisory and IntermediaryServices Act, 2002 (Act 37 of 2002), to provide advice and intermediary services in respect of the investment of any financial product (but excluding a short term insurance contract or policy referred to in the Short

term Insurance Act, 1998 (Act 53 of 1998) and a health service benefitprovided by a medical scheme as defined in section 1(1) of the Medical Schemes Act, 1998 (Act 131 of 1998)."

Two fundamental differences are: firstly, the words "public accountant" were removed from the definition and the definition is to be interpreted with reference to the type of services performed and not necessarily the profession of the person performing such services. As stated earlier, some RAs registered with the FIC even though they no longer are described in the definition and these RAs should probably deregister- if in doubt, please contact the IRBA as we are also able to assist with the de-registration process.

The second difference is that investment services, particularly in terms of rendering financial advice, have been clearly defined as resorting within the ambit of the FAIS Act.[2]

RAs may also have to register as accountable institution with the FIC in circumstances where they serve as trustee of a Trust: in this regard, RAs must take note of the guideline issued by the FIC[3] on the interpretation of trustees and whether they must register or not.

Training must be conducted in all firms. In the really small firms, this can even take on (informal) group discussions in order to create awareness and an understanding of the relevance of the existence, content and applicability of the Guide. It is also advisable to follow this up with updating current procedures to keep it relevant.

RAs must include reporting procedures to ensure awareness and if required, reporting, in terms of a number of Acts. The relevance of these Acts, in brief, is the following:

a) Section 28 of the FIC Act: (see par 3, 40, 66 of Guide) cash reporting to the FIC for transactions of R25 000.00 and above, are to be done by accountable institutions. RAs must also have procedures to ensure compliance by these clients.

b) Section 29 of the FIC Act: the relevance of reporting in terms of this section is discussed extensively in the Guide and compels all businesses or any employee of a business to report suspicious transactions to the FIC and the Guide requires (par 43-46) that RAs report suspicious transactions whether they were concluded or even if they were attempted transactions. Reporting in terms of this section is particularly relevant to the part of the RA's practice which does not include audit (where the RI procedure is available).

c) POCDATARA (Protection of Democracy and Terrorist and Related Activities Act 83/2004): (see par 34-35, 38, 128 of the Guide): reporting in respect of property associated with terrorist activities and terrorist financing must be done to a police official; failure to report is an offence.

d) PRECCA (Prevention and Combatting of Corrupt Activities Act 12/2004): section 34 compels a person in a position of authority to file a report in a number or circumstances (as discussed in par 62 the Guide) in respect of certain transactions over R100,000.00 and reporting is to be done to a police official; failure to report is an offence.

e) POCA (Prevention of Organised Crime Act 21/1998): (see par 22, 44-46 of the Guide) reporting in terms of POCDATARA in respect of transactions or property associated with terrorist financing, or reporting in terms of PRECCA in respect of corrupt activities, will be done in accordance with the requirements of POCA where this reporting relates to money laundering. The report is to be done to a police official for the purpose of reporting such money laundering.

Firms should also familiarise themselves with the recommendation to appoint a Compliance Officer - the main purpose of this appointment is twofold: on the one hand, the firm has a dedicated person to oversee implementation of policies and procedures which include compliance with the IRBA AML Guidelines and secondly, staff needs to know that the firm has a dedicated person, and who that person, is, who will perform the function of reporting in terms of the prescribed Legislation. The Guide also offers a list with recommended duties is to assist with the implementation.

FUTURE PLANNING

It is an important goal for the IRBA Inspections Department to ensure compliance by all RA's in terms of the application of the IRBA AML Guide. Various steps are taken to create awareness and a better understanding firstly of its relevance, and furthermore of the minimum standard that is to be applied in ensuring that the Guide is implemented regardless of the size of the firm.

CONCLUSION

Compliance with AML Legislation is becoming increasingly important and the IRBA must ensure that minimum standards are implemented. The IRBA also reports to the FIC on a quarterly basis on the supervision of RAs in respect of AML compliance. The IRBA Guide is intended as a guideline to assist RAs to develop a better understanding of the relevant legislation. It is envisaged that better compliance will reduce the RAs risk to criminal or even civil liability, and equally importantly, for the IRBA to ensure compliance with its own obligations as a Regulator.

Advocate Jeanetha Brink
Manager: AML Inspections
Inspections Department

[2] RAs may also be familiar with the guidelines issued by SAICA on this interpretation

[3] This guideline is available on the IRBA website as PCC06:"clarity on Item 2 of schedule 1 of FIC Act"

QUARTERLY REPORT FROM THE DIRECTOR: LEGAL FOR THE PERIOD 1 APRIL 2011 TO 30 JUNE 2011

INVESTIGATING COMMITTEE

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

In addition one matter was not referred to the Committee as it was mediated by the Directorate.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met twice during this period and disposed of 17 matters, as follows.

Decisions not to charge

- two matters in terms of Disciplinary Rule 3.5.1.1 (the respondent is not guilty of unprofessional conduct; this includes the situation where the conduct in question might be proved but even if proved does not constitute unprofessional conduct)
- seven matters in terms of Disciplinary Rule 3.5.1.2 (the respondent having given a reasonable explanation for the conduct)
- three matters in terms of Disciplinary Rule 3.5.1.4 (there being no reasonable prospect of proving the respondent guilty of the conduct in question).

Decision to charge and matter finalised by consent

Six practitioners were fined[1].

[1] In certain instances the imposition of sentence was postponed until such time practitioners, who had subsequently been removed from the register, were re-admitted.

- two matters were JSE referrals (R100,000 of which R25,000 was suspended on conditions; R20,000 plus R5,000 contribution to costs)
- one matter related to insufficient disclosure in financial statements (R5,000)
- one matter related to failure to finalise financial statements and hand over documents (R20,000 of which R10,000 was suspended on conditions)

One matter was referred for hearing by the Disciplinary Committee

DISCIPLINARY COMMITTEE

The Disciplinary Committee met once during this period to heat the case of Mr L. The matter is part heard and resumes on 3 October 2011.

JURISDICTION OF THE IRBA

There appears to be some confusion among RAs as to the disciplinary jurisdiction of IRBA. Practitioners are reminded that the IRBA exercises disciplinary jurisdiction over all RAs in respect of all professional work carried out by them (not just audit work), and regardless of the entity through which this work might have been done. If an RA has resigned his registration (or had it cancelled for whatever reason) we retain jurisdiction to hear matters where the conduct in question took place at the time that the RA was still registered, regardless of whether or not he or she is still registered at the time of the investigation. The fact that an RA is no longer registered could affect the sentence imposed, but does not remove the right to investigate the matter.

LEGISLATION

APPORTIONMENT OF DAMAGES ACT, 1956

Section 58(2) (which amends the above named Act) is a little known or understood section of the APA, but one of great importance. In an attempt to draw attention to it, IRBA set the task of writing a brief article on this section, for all attorneys wishing to be included on IRBA's current list of approved suppliers.

In the last edition we reproduced the article submitted by Deneys Reitz (now Norton Rose). All the other firms, with the exception of one, agreed with this interpretation. As promised, we now publish an article reflecting a dissenting view, as submitted by Carl Adendorff of Adendorffs (then of Eversheds).

DOES SECTION 58 OF THE AUDITING PROFESSION ACT OFFER AN AUDITOR WHO IS IN BREACH OF A DUTY OF CARE OWED IN CONTRACT RELIEF?

Section 58(2) of the Auditing Profession Act (Act 26 of 2005) reads as follows:
"With effect from the date on which this Act comes into force, and in respect of damages suffered by any person as a result of an act or omission of a registered auditor committed on or after that date, the reference in Section 1 of the Apportionment of Damages Act, 1956 (Act 38 of 1956), to "damage" must be construed as a reference also to damage cause by breach, by the registered auditor of a term of a contract concluded with the registered auditor."

It is a principle of our legal system that anyone who fails to observe a duty / legal responsibility to another may be responsible to him or her to make good that failure. Where more than one person is liable, or the individual who suffers damage is partly to blame for his or her own loss, and the Apportionment of Damages Act applies, the liability should be apportioned between the parties liable for the loss.

Historically, an auditor sued for breach of a duty of care owed in contract could not plead that the instructing client was partly to blame for the damages the instructing client sustained. The reason for this is that the Apportionment of Damages Act in its current form only finds application to joint wrongdoers in delict and not joint wrongdoers for breach of contract. This principle was confirmed by the Supreme Court of Appeal in Thoroughbred Breeders Association of South Africa vs. PricewaterHouse 2001 (4) SA 551 (SCA).

The client sued its auditor for breach of contract. It alleged that the auditors had failed to realise, in the course of a routine audit, that the plaintiff's financial manager had been stealing from the company. It contended that the auditors were contractually bound to exercise reasonable care in the execution of the audit and not to perform their duties negligently, and that they had been negligent, and had breached this duty. The matter was first heard in the Witwatersrand Local Division (now the South Gauteng High Court of South Africa) 1999 (4) SA 968 (WLD). Judge Goldstein found that the client's highly irresponsible employment of a convicted thief (of which conviction it was aware) as its financial manager, was in fact the predominant cause of the loss the client suffered. Goldstein ruled that the Apportionment of Damages Act is applicable to a claim for breach of contract and that the client's claim for damages was to be reduced by its degree of negligence. Goldstein's judgment was overturned in the Supreme Court of Appeal which held that the client's contributory negligence was irrelevant, as the Apportionment of Damages Act could not be applied to joint wrongdoers in contract.

Because of inter alia the Supreme Court's judgment in the Thoroughbred Breeders' case, a Law Reform Commission was set up aimed at suggesting reform to the Apportionment of Damages Act. A report was prepared for government in July 2003.

On this issue the Commission has recommended that:

"The Commission is of the opinion that the Act should be amended to extend the application of the Act to contractual claims where there is liability for breach of a duty of care owed in contract.."

In coming to its conclusion, the Commission asked for views from public stakeholders. The then Public Accountants' and Auditors' Board, now the Independent Regulatory Board of Auditors (IRBA) made representations and responded to the various discussion papers, which led to the 2003 report. The IRBA was and is still in favour of extending the Apportionment of Damages Act to include contractual claims. Unfortunately, nothing has come of the recommendations of the Committee.

The IRBA in an effort to advance this issue, and in an effort to assist and protect registered auditors, added Section 58(2) to the new act as recorded above. In my view, Section 58 does not provide auditors with any comfort. Until the Apportionment of Damages Act is amended, or the SCA overturns its decision in the Thoroughbred case, auditors sued for breach of a duty of care owed in contract cannot join joint wrongdoers for a contribution,

as the Apportionment of Damages Act does not apply.

Judge Goldstein continues to fight for a different interpretation, as he does not agree with the Supreme Court of Appeals finding. In the matter of **McCarthy** LTD v ABSA Bank LTD 2009 (2) SA 398, he states that, *"Moreover, finding such would deprive the defendant of the advantage of apportionment, and lead to the result arrived at in Thoroughbred Breeders' Association V Price Waterhouse 2001 (4) SA 551 (SCA)."*

Adendorff takes the view that if the Apportionment of Damages Act were indeed amended to reflect such a definition of 'damage', and Section 4(b), of the Apportionment of Damages Act, (which reads as follows. *"4. **Savings**.- (1)(b) The provisions of this Act shall not – operate to defeat any defence arising under a contract;") is deleted*, auditors would have the anticipated relief in law. However, he makes the point that the Apportionment of Damages Act has not in fact been amended, and queries the competence of one statute (the Auditing Profession Act) to dictate an interpretation of a definition in another statute (the Apportionment of Damages Act).

POLICY ON POSTPONEMENTS

At its meeting on 27 May 2011 the Board adopted the following policy on postponements:

THE IRBA'S GENERAL POLICY REGARDING POSTPONEMENTS OF DISCIPLINARY HEARINGS

For the sake of good order and transparency, and for the assistance of registered auditors and their advisors, the IRBA publicises hereby its policy regarding the postponement of Disciplinary Hearings. **The policy will be applied generally** unless the respondent can show good cause why in the circumstances of a particular case it ought not to be applied.

The IRBA recognises that **the question of entitlement to a postponement is one of procedural fairness (fair administrative process)**. A respondent has the right to apply for a postponement at law and in terms of the Constitution. The application for postponement might or might not be successful. The IRBA appreciates that in some instances there are compelling reasons which show that it is fair that a matter be postponed; in others it is not in the interest of the administration of justice that a matter be postponed. The IRBA will apply these principles of procedural fairness to the facts of the particular case.

It has become necessary to adopt this policy because it has become too expensive, cumbersome and time consuming to continue dealing with postponements at the last moment, and on an ad hoc basis. We have been met with an increasing number of frivolous and mala fide requests for postponements. Where a matter is postponed where postponement was not truly justified, the difficulty and expense incurred in convening a hearing has been wasted. The expense includes the expense of flying in disciplinary committee members from different parts of the country to attend the hearing. Time is also wasted this way, causing matters which should be heard expeditiously to become needlessly and unacceptably protracted. Certain respondents believe that a generic 'sick note' faxed through on the morning of the hearing – without giving any acceptable reasons as to why the respondent is too ill to attend – is sufficient to afford a postponement, without due regard for the time and costs wasted as a result.

Accordingly, to address these problems, IRBA seeks to explain **in advance** to all potential respondents that this policy will be applied on the basis set out above and below, to the question of postponements of disciplinary hearings.

The **unavailability of your preferred counsel to appear on the day of the hearing will not afford a basis for a postponement.** This is in line with the approach taken by the Courts and by other tribunals.

The application for postponement must be in writing and the evidence on

which it is based must be set out in a **sworn affidavit.**

The Director: Legal should be notified of the proposed application for postponement as well as full reasons for it **at the first available opportunity that you learn of the circumstances** that in your view necessitate an application for a postponement. This is necessary as the Director: Legal must decide whether it is appropriate for her to grant the Application (and this will depend on the grounds advanced, and the period of time until the date of the scheduled Hearing), or whether the postponement application should be heard by the Disciplinary Committee itself.

If it is to be heard by the Committee itself, a further decision needs to be taken as to whether the Committee, the pro forma complainant, the respondent and his or her representative need to be present in person, to present and hear argument on the application, or whether the Committee can hear the application by telephone, video, or similar conference. (This too will depend on the grounds advanced for the postponement and the period of time until the date of the scheduled hearing).

In granting the application for postponement consideration will be given, inter alia, to the following:

- the existence of any exceptional circumstances for allowing the application;
- whether good cause has been shown by the respondent in the application for postponement;
- when the respondent made the application;
- the time the respondent had to prepare for the hearing;
- the efforts made by the respondent to be ready for the hearing;
- any previous delays / requests for postponement and the reasons for these;
- whether allowing the application would unreasonably delay the proceedings or be likely to cause an injustice.

Under no circumstances should you simply assume that a postponement will be, or has been, granted unless this is specifically communicated to you.

The IRBA is careful not to schedule hearings which might coincide with a respondent's **religious holy days**. However, in the event that a hearing is inadvertently scheduled on a religious holiday, we expect you to raise this immediately you are notified of the date. The excuse that you only realised shortly before a hearing that it falls on a religious holiday is not acceptable. We expect adherents of religious faiths to be fully aware of the holy days which they observe well in advance.

Where a date has been **set by agreement** with you or your legal representative, anything else that arises after the date has been confirmed will not generally be, of itself, an excuse for a postponement. For example, we would not expect you to schedule an important social event, or non-urgent surgery for the date of the hearing.

The IRBA will not accept vague and general 'sick notes'. These are **not generally a form of evidence that will be accepted by the committee in an application for a postponement.** Better evidence will be required. At least, the doctor must be available to answer questions about the Respondent's inability to attend. The respondent is also required to inform the doctor at the time of the consultation that he (the respondent) is expected to appear before a Disciplinary Committee during the period covered by the 'sick note', that the doctor will be required to provide evidence regarding the status of the respondent's health for the purposes of the intended application for postponement and that the doctor has the respondent's consent to provide this evidence. It might be sufficient that the doctor is examined by telephone, but on occasion it could be necessary for him or her to appear before the Committee in person to answer questions under oath. The unavailability of the doctor to be questioned could prejudice the application.

If an application for a postponement is granted, the respondent will ordinarily be required to pay the costs incurred by the IRBA as a result of the postponement, albeit that these may usually only be imposed at the end of the hearing.

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REGISTRY

INDIVIDUALS ADMITTED TO THE REGISTER OF THE BOARD From 1 APRIL TO 30 JUNE 2011

Ally Muhammad Haroon Tar
Banyard Melanie-Ann
Bardopoulos Basil George
Benjamin Royston
Bester Mariska
Bold Jamie Shaw
Brand Johannes Frederick
Brummelkamp Marius
Burrows Stiaan
Cadman Anthony Robert
Coetzee Adriaan Hendrikus
Cohen Gregory Shane
Combrink Justine Claire
Delport Johannes Hendrik
Du Preez Johanna Wilhemina
Du Preez Juli-Ann
Du Toit Antoinette Maria
Du Toit Jakobus Stefanus
During Gavin
Faber Jochem
Fouche Dirk Johannes
Futshane Lerato
Goosen Jana
Govender Umshaveni
Griessel Gert Diederick
Grobler Chane
Grobler Zita-Mari
Haji-Christorou Socratis
Hassim Naeem
Hauptfleisch David Carel Louis
Havinga Elanie Nachtegaal
Hlakudi Ramphelane Edward
Hofmeyr Francois Gie
Ismail Shameema
Janse Van Rensburg Albertus
Jesson Gary Richard
Johnson Marcia Olivia
Kearney Nicolaas Johannes
Kleovoulou Sophocles Charalambous
Klopper Maret
Laburn Samantha
Loliwe Thando
Lombard Anneke
Louw Minette
Makda Sumaya
Marais Jenny-Lee Chantel
Marshall Jonathan Maxwell
Marx Wian
Mchunu Njabulo Freeman
Meiring Gerhardus Sybrand
Mgobozi Bulela Noluthando
Mhlaba Katekani Dion
Mitchel Freddie
Mokone Boas
Moodley Leeandran
Moosa Rizana
Moyana Gladman
Muir Quinton Paul
Munyamela Aluwani Obrey
Murdoch Glenn Gilmour
Musona Precious
Musundwa Mandla Peter
Naicker Thagaraj
Naicker Yergenthren
Nel Jacques
Ngobese Nkanyiso Percival
Nobatyi Andile Enoch
Noormohamed Muneer
Nowak Nicole Beata
Ntuli Rivalani Glen
Olivier Juan
Oosthuizen Marisa
Oosthuysen Juan
Phillips Michael
Prins Ansu
Rademeyer Cornelius Raadt
Schneider Inghe Esthia
Segon Cheryl Amanda
Shezi Ntobeko
Smith Ashley Shaun
Steenkamp Dawid Jacobus
Steenkamp Johannes Benjamin
Steenkamp Marnus T I H
Stemela Sphiwe Titus
Stols Gerhardus Petrus
Tachiona Aaron
Van Coller Sean
Van Der Merwe Belinda
Van Der Merwe Elmarie
Van Eeden Karin
Varoy Vincent Leendert
Venniker Jeremy Anthony
Viljoen Santa
Watson John David
Xaba Kopano Mpolokeng

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE BOARD From 1 APRIL TO 30 JUNE 2011

Botha Johannes Petrus
Claassen Jacob Willem Stephanus
Coombes Christopher
Dias Paul Edward
Lombard Tonita
Marais Anthony Ian
Mia Rafik Ahmed
Preskovsky Raphael Saul
Salanje Gerald Mfanyana
Schutte Daniel Petrus
Van Zyl Pieter Hendrik
Vorster Maria Sophia

INDIVIDUALS REMOVED FROM THE REGISTER OF THE BOARD From 1 APRIL TO 30 JUNE 2011

Adam Hoosain, *Resigned*
Ashforth Stephen James, *Resigned*
Bailey Brian Dennis, *Resigned*
Baker Norman Walter, *Resigned*
Basson Johannes Hendrik, *Resigned*
Bendel Anthony, *Resigned*
Brits Josua Johannes, *Resigned*
Christmas Leigh Elizabeth, *Resigned*
Crichton Patrick James, *Resigned*
De Beer Andre Jacques, *Resigned*
De Souza Tommy Clement, *Retired*
Devonport John Norman, *Retired*
Els Warren Gordon, *Resigned*
Engelbrecht Lindie, *Resigned*
Esrock Bruce Alexander, *Resigned*
Fourie-Van Zyl Antea, *Resigned*
Geldenhuys Marisa, *Resigned*
Gerber Neil, *Resigned*
Greef Francois Johannes, *Resigned*
Harrison Hugh Brian, *Resigned*
Houze Joanna Ruth, *Resigned*
Jordaan Gert Daniel Johannes, *Resigned*
Kamps Tjerk, *Resigned*
Khan Faizal, *Resigned*
Kruyshaar Willem Jan Harm, *Resigned*
Loubser Johannes Hubertus, *Resigned*
Matthee Antoinette, *Resigned*
Mayet Azhar Haroon, *Resigned*
Mcclarty Janet Elizabeth, *Resigned*
Miliotis Elias, *Resigned*
Naidoo Ugandra Ishvara, *Resigned*
Oliver Michael Jeffrey, *Deceased*
Pappas Jonathan Peter, *Removed*
Pearce Alistair Harvey, *Resigned*
Pillay Pravashni, *Resigned*
Rahiman Safeea, *Resigned*
Render Theresa Heidi, *Emigrated*
Seedat Imraan Goolam Mohamed, *Resigned*
Smith Kalman, *Resigned*

Van Der Meulen Floris Nicolaas, *Resigned*
Van Der Westhuizen Julian, *Resigned*
Viljoen Cornelia Dorothea, *Resigned*
Viljoen Gerrit Van Niekerk, *Resigned*

Viljoen Johannes Hendrikus, *Resigned*
Walker Leonard William, *Resigned*
Warmington Peter, *Resigned*
Wiid Siebert Christiaan, *Resigned*

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SOUTH AFRICA ADOPTS IFIAR CORE PRINCIPLES

At the Board Meeting on 27 May 2011 the CEO, Bernard Agulhas, reported that a set of Core Principles for Independent Audit had been approved at a Plenery meeting of the International Forum of Independent Audit Regulators (IFIAR). The IRBA Board agreed to adopt the above-mentioned principles. News of the adoption was published in an article in the Business Day on 27 July 2011.

A core set of principles recently adopted by the International Forum of Independent Audit Regulators will promote investor confidence and improve the quality of audit practices worldwide.

This comes in the wake of different legal and regulatory structures internationally, which have made effective co-operation between audit regulators globally difficult. The core principles are aimed at fostering high-quality audits and promoting public trust in the financial reporting process.

The framework includes well- defined accounting and auditing standards, legal backing for the preparation of financial statements in accordance with internationally accepted standards, an enforcement system for noncompliance, a well- established corporate governance structure and educational requirements for auditors and accountants.

The introduction of the core principles by the international forum for auditors is a step towards increased international co-operation and consistency between audit regulators internationally.

COMMUNICATIONS

In the interests of improved communication with Registered Auditors and other stakeholders, a list of Communiqués sent by bulk e-mail during the period April to June 2011 is set out below. These communiqués may be downloaded from the IRBA website, under the various "News" tabs.

17 May 2011	Public Practice Examination - 2011 • General information • Examinable pronouncements Phasing out of the Public Practice Examination (PPE) - 2014
19 May 2011	Annual returns

20 May 2011 -	The Controlling Body of Strate Issues 05P/2011
20 May 2011	IAASB issues the Proposed ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*
02 June 2011	Companies Act and Regulations - feedback on independent review
22 June 2011	Illustrative ISA 700 Auditor's Report on Statutory Financial Statements
29 June 2011	Revised Preferential Procurement Regulations
29 June 2011	The Department of Justice and Constitutional Development Chief Masters Directive 4 of 2011 – Administration of Estates Act, 1965: Section 28(1)(c)
29 June 2011	Audit of the Subsidiaries of Listed Companies
13 July 2011	Important Information Regarding the Administration of Reportable Irregularities

GENERAL NEWS

BERNARD PETER AGULHAS: ACCOUNTABLE TO GOOD GOVERNANCE

Mr Bernard Peter Agulhas (CEO: IRBA) accepts an Honorary Patronship from Terry Booysen (CGF: CEO)

In the contemporary environment there is the undeniable need for organisations to be adequately informed and equipped in order for them to meet the increasing demands to adopt and implement sound governance practices. This includes benchmarking against both local and international best practices. The significance of having good governance practiced by the fiduciaries found within the nations' leadership of both governmental and corporate spheres cannot be downplayed. These individuals fly high the flag for good governance and set an example to encourage those around them.

CGF strives to support and advise its constituents to function soundly and sustainably, in line with good governance practices.

Central to this is looking at Corporate Governance, Risk and Compliance (GRC) as related to the strategy, people, processes and technologies of an organisation.

This is no small mission and assisting CGF in its role as educator are key individuals who have been carefully selected to stand as Honourary Patrons. CGF regards its Honorary Patrons as iconic people; each one being highly regarded for the important contribution they make to society as well as for their ideals and their ethical leadership. The Honourary Patrons exemplify accountable citizenship and serve as models of good governance.

In partnering with CGF, these individuals play an essential part in assisting CGF's campaign to see more people and organisations evolving to embrace and effectively implement sound governance practice. They support CGF in its drive to ensure that good governance is laid down as a strong foundation within both the public and private sector.

Bernard's extensive knowledge and experience, particularly related to the field of auditing, allows him to provide – among other contributions – an invaluable oversight function to CGF.

HELEN THRUSH IS APPOINTED SAICA CHAIRMAN

Helen Thrush has replaced Jan Labuschagne as the new SAICA chairman at the annual general meeting on Thursday, 26 May 2011.

Outlining her aspirations for the new SAICA board, Helen reiterated that SAICA's members were its most important stakeholders; adding that she wished to bring the board closer to the SAICA management, closer to the members and closer to SAICA's staff.

Helen has a distinguished history within SAICA structures. She has served as chairman of the Lowveld District Committee as well as president of the Northern Region Council. Immediately prior to accepting the SAICA chairmanship Helen was the co-opted vice-chair to the SAICA board.

An enthusiastic horse rider and mother of two, Helen believes that CAs(SA) have a duty to put something back into the profession and plans to encourage members to increase their support for SAICA initiatives such as the Thuthuka Bursary Fund in their personal capacity.

The IRBA congratulates Helen on her appointment.

ANNUAL REPORT FOR 2011

The IRBA's Annual Report for 2011 has been tabled in Parliament by the Minister of Finance. A copy can be found on the IRBA website at *www.irba.co.za/publications/annualreports*

CONSUMER PROTECTION ACT AND COMPANIES ACT - INDEPENDENT REVIEW IMPLICATIONS

The IRBA held training sessions on the above topics countrywide during August 2011, which were attended by more than 800 Registered Auditors.

Overall feedback and evaluation from the sessions indicate that it was a useful and informative initiative.

RAs indicated that they value the training given, and there are numerous requests for similar sessions on Ethics and B-BBEE in the near future.

irba
INDEPENDENT REGULATORY BOARD FOR AUDITORS

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