







FROM THE CEO'S DESK

The calendar year is almost over, with less than three months to conclude the business of the year.

We are delighted to announce that the World Economic Forum has once again ranked South Africa number one for the strength of its auditing and reporting standards for six years in a row. The ranking brings confidence to local and foreign investors that they can trust and rely on our auditing strength, despite the economic meltdown and other challenges that the country and the auditing profession have been experiencing.

There have been a lot of comments in the media in the past few weeks, with the profession being criticised for lack of transformation and growth. However, as you might have seen in our annual report, the number of registered auditors has been growing steadily over the past few years and the number of black registered auditors, specifically, has grown by almost 12% in the last decade.

Transformation is not the responsibility of only the IRBA, but it is for all of us to make sure that the profession transforms and grows. The IRBA, through the Audit Development Programme, will now have direct influence and interaction with registered candidate auditors, which will also help us to drive the transformation of the profession. It will take each one of us in the profession to do the right thing to be able to make the change that we would like to see in our profession.

I have just completed our annual roadshows for this year. In total, the directors and I visited 17 centres across the country and interacted with more than 1,000 registered auditors. Thank you all for taking the time to come and meet with us and share your concerns.

Allow me to share a few insights from the roadshows.

We shared our strategy and the developments in the profession since our last roadshows in 2013. The most important thing to keep in mind is that the world is changing and the profession and regulation need to keep up with, and respond to, these changes.

This year we also brought on board one of our stakeholders,

the Competition Commission, to speak to auditors about competition laws and what auditors can look out for when they suspect that competition laws are being contravened. Their presentations also linked the importance of being aware that clients could be involved in anticompetitive activities and the risk factors that auditors should be alert to.

Other important issues to take away included how to raise the profile and value of audit and the need to address issues that are peculiar to small and medium practices.

Thank you to all who gave us feedback, including Robert Jewell, who wrote:

"Dear all at the IRBA. Thank you for a most inspiring event today in Pretoria. It has given me more reasons to build a topquality audit practice knowing what a positive impact we make on our society and how our work benefits communities. I will be taking this message to market when we present some of the events we are planning to hold for our current and future clients. We are proud to be members of the IRBA."

It will take each one of us speaking highly of the profession to make it attractive and more appealing to young professionals so they can aspire to be part of it.

Let our global ranking be an inspiration to all of us to embrace the changes and challenges of our profession, and to work together to strengthen the institutions and professions that must contribute to improving the economy and the country. It is especially in difficult times and economic crises that we need to embrace the mettle.



Bernard Peter Agulhas **Chief Executive Officer**





EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT

Reflections on being a profession

The IRBA presented its information sessions nationally in August and September. The theme was "responding to a changing environment". The sessions provided numerous examples of how the environment in which auditors work is changing and the IRBA challenged auditors to respond to this by staying up-to-date and remaining competent for the work that they undertake.

However, remaining up-to-date and relevant is only one aspect. Reflecting on what defines a profession becomes even more important when we consider the role that the auditing profession will play in the development and determination of professional competence in the Audit Development Programme (ADP).

This led me to think about what characterises a profession. In my search for answers I came across a list of characteristics developed by Bob Kizlik (see below). The list reminded me that a profession is made up of much more than just knowledge and skills. It is also defined by attitudes, values and ethics. Also, a profession's public regard is largely determined by its perceived value and trustworthiness.

In a survey conducted by GFK (Gesellschoft Fur Konsumforschung) – titled Trust in Professions 2014 – South Africa ranked as the country most trusting of its professions, with doctors as the most trusted and politicians the least. Unfortunately, auditors were not featured as a category on the survey so it is difficult to know the level of trust given to the auditing profession. However, I encourage you to reflect on the characteristics below and determine if you, your firm and the profession make the grade.

Characteristics		Yes/No
1.	Professions are occupationally related social institutions established and maintained as a means of providing essential services to the individual and the society.	
2.	Each profession is concerned with an identified area of need or function.	
3.	The profession collectively, and the professional individually, possesses a body of knowledge and a repertoire of behaviours and skills (professional culture) needed in the practice of the profession.	
4.	Members of the profession are involved in decision-making in the service of the client. These decisions are made in accordance with the most valid knowledge available, against a background of principles and theories, and within the context of possible impact on other related conditions or decisions.	
5.	The profession is based on one or more undergirding disciplines from which it builds its own applied knowledge and skills.	
6.	The profession is organised into one or more professional/regulatory associations, which, within broad limits of social accountability, are granted autonomy in control of the actual work of the profession and the conditions that surround it (admissions, educational standards, examination and licensing, career line, ethical and performance standards, professional discipline).	
7.	The profession has agreed-upon performance standards for admission and continuance within it.	
8.	Preparation for and induction into the profession is provided through a protracted preparation programme, usually at a university and on-the-job.	
9.	There is a high level of public trust and confidence in the profession and in individual practitioners, based upon the profession's demonstrated capacity to provide service markedly beyond that which would otherwise be available.	
10.	Individual practitioners are characterised by a strong service motivation and lifetime commitment to competence.	
11.	The professional accepts responsibility in the name of his or her profession and is accountable through his or her profession to the society.	

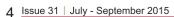
So, do you think the RA profession makes the grade?



Laine Katzin

Director: Education, Training and **Professional Development** Telephone: (087) 940-8800 Fax: (087) 940-8875 E-mail: edutrain@irba.co.za











STANDARDS

Registered auditors who attended the information sessions hosted by the IRBA recently would have received a half-hour update on recent developments in auditing standards. The topics that were covered were:

- New auditor reporting covered in this newsletter;
- Reportable irregularities the new 2015 Guide (http://www.irba.co.za/index.php/reportable-irregularities-75);
- · Audit of attorneys trust accounts the 2014 Guide (http://www.irba.co.za/index.php/regulated-industriesfunctions-74/104?task=view);
- The five fundamental principles in the IRBA Code (http://www.irba.co.za/index.php/ethics-standards-functions-73/127?task=view);
- · The suite of joint IRBA/AGSA public sector audit guides (http://www.irba.co.za/index.php/public-sector-standingcommittee); and
- Developments in B-BBEE assurance covered in this newsletter.

New and Revised Auditor Reporting Standards

On its website, the IRBA has a dedicated webpage (http://www.irba.co.za/index.php/auditing-standardsfunctions-55/252-international-clarity-pronouncementsadopted-and-i/882-the-new-and-revised-auditor-reportingstandards) that contains a comprehensive list of resources to promote awareness and understanding as well as assist registered auditors with the effective implementation of the reporting standards.

Registered auditors are also referred to the International Auditing & Assurance Standards Board's (IAASB) dedicated Reporting Page (http://www.iaasb.org/new-auditors-report) on the new auditor's report. The page is a source for tools and resources to promote awareness, understanding and effective implementation of the reporting standards.

The IRBA Board Adopts the IAASB's ISA 720 (Revised), The Auditor's Responsibilities Relating to Other

The Board has approved the adoption, issue and prescription of the IAASB's International Standard on Auditing (ISA) 720 (Revised), The Auditor's Responsibilities Relating to Other Information & Related Conforming Amendments, for use by registered auditors in South Africa. The standard is effective

for audits of financial statements for periods ending on or after 15 December 2016. Early adoption is permitted.

The communique and the standard are available on the IRBA website (http://www.irba.co.za/index.php/audit-news-news-42/899-7-september-2015).

Committee for Auditing Standards (CFAS)

IFRS 9: Financial Instruments

The South African Institute of Chartered Accountants (SAICA) Banking Project Group has established the IFRS 9 Implementation Working Group subcommittee to address industry issues related to the implementation of IFRS 9, Financial Instruments, specifically the impairment requirements. The IRBA is represented on the working group. Through the working group and the IAASB's Financial Institutions Working Group, the IRBA will consider whether South Africa needs specific auditing guidance on the impairment requirements.

CFAS Regulated Industries & Reports Standing Committee (RIRSC)

Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015), Illustrative Reports

The CFAS approved the release of the Proposed SAAPS 3 (Revised 2015), Illustrative Reports, in August 2015 for exposure for public comment by 19 October 2015.

The proposed SAAPS 3 (Revised 2015) provides guidance to registered auditors on the layout and wording of assurance reports in accordance with the requirements of the ISAs and the International Standards on Review Engagements (ISREs) and in compliance with South African jurisdictional requirements, mainly the Companies Act, 2008 (Act No. 71 of 2008) and the Public Audit Act, 2004 (Act No. 25 of 2004). It also:

- · Contains conforming amendments arising from the revised Auditor Reporting Standards;
- Provides assistance to auditors on how key audit matters are addressed in the auditor's report in accordance with the new ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report; and
- · Provides practical assistance to auditors when reporting in







STANDARDS cont.

terms of ISA720 (Revised), *The Auditor's Responsibilities Relating to Other Information.*

These ISAs are effective for audits of financial statements for periods ending on or after 15 December 2016.

The related communique and the exposure draft of the proposed guide are available on the IRBA website (http://www.irba.co.za/index.php/audit-news-news-42/898-4-september-2015).

CFAS Sustainability Standing Committee (SSC)

Illustrative Engagement Letter and Assurance Report: Sustainability Engagements

The CFAS has approved the release of a revised illustrative engagement letter, a revised illustrative assurance report and related guidance for use by practitioners on sustainability engagements in South Africa, effective for assurance engagements where the assurance report is dated on or after 31 December 2015. Early adoption is permitted.

These replace the existing illustrative engagement letter and illustrative assurance report that were issued by the CFAS on 17 April 2014 and continue to promote consistency in the layout and wording of the engagement letter and assurance report when providing assurance services on selected key performance indicators disclosed in a sustainability report.

The related communique, the revised illustrative engagement letter and revised illustrative assurance report are available on the IRBA website (http://www.irba.co.za/index.php/auditnews-news-42/897-3-september-2015).

Integrated Reporting Standing Committee (<IR>SC)

The <IR>SC held its second meeting in September 2015. Preparers of integrated reports, auditors, other assurance providers, the public sector and academics are represented on the standing committee, the purpose of which is to be a thought leadership committee, contributing to and influencing international developments in the domain of assurance on integrated reporting.

B-BBEE Verification Assurance

Draft Marketing, Advertising & Communication (MAC) Sector Charter and Draft Amended Tourism B-BBEE Sector Code

The draft Marketing, Advertising & Communication (MAC) Sector Charter, Government Gazette 39175, was gazetted on 4 September 2015 for comment. The commentary period will close on 4 November 2015. Similarly, the draft Amended Tourism B-BBEE Sector Code, Government Gazette 38915, was gazetted on 30 June 2015 for comment. The commentary period closed within 60 days from date of publication. B-BBEE approved registered auditors (BARs) are required to take note of these developments to ensure an appropriate understanding and consideration of compliance requirements.

Broad-Based Black Economic Empowerment (B-BEEE) Information Session for B-BBEE Approved Registered Auditors 2015

The IRBA hosted three B-BEEE Workshops in August 2015. The interactive workshops were designed to address key audit principles in the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and the South African Standard on Assurance Engagements (SASAE 3502), Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates.

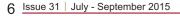
The workshops were attended by 96 BARs. Feedback, which related to statistics on outcomes from the inspections and legal processes of the IRBA, was provided. The workshop did not cover matters relating to the interpretation of the Codes of Good Practice issued by the Department of Trade & Industry.

The International Audit & Assurance Standards Board (IAASB)

Changes to the International Standards on Auditing: Addressing Disclosures in the Audit of Financial Statements

The IAASB issued Changes to the International Standards on









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STANDARDS cont.

Auditing: Addressing Disclosures in the Audit of Financial Statements in July 2015, effective for audits of financial statements for periods ending on or after 15 December 2016. The revised ISAs and related conforming amendments aim at focusing auditors on disclosures throughout the financial statement audit. The changes include strengthened requirements in ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment; ISA 330, The Auditor's Responses to Assessed Risks; and ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements. To explicitly address disclosures, these changes also include enhanced application material in other ISAs.

The IRBA Board is due to meet in November 2015 when it will consider whether to adopt and prescribe these changes to the ISAs for use by registered auditors in South Africa.

The revised international standards and related conforming amendments are available on the IAASB website (https://www.ifac.org/publications-resources/addressing-disclosures-audit-financial-statements).

Proposed ISA 810 (Revised), Engagements to Report on Summary Financial Statements

The IAASB published the proposed ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*, on 3 August 2015 for exposure for public comment by 2 November 2015. Proposed ISA 810 (Revised) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB is proposing limited conforming amendments to ISA 810 as a result of the issuance of its new and revised Auditor Reporting Standards, which address auditor reporting on general purpose financial statements.

A CFAS task group will prepare a comment letter. The exposure draft is available on the IAASB website (https://www.ifac.org/publications-resources/proposed-international-standard-auditing-isa-810-revised), and comments may be submitted on the website or to the IRBA by 23 October 2015.

Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations: Proposed Amendments to the IAASB's International Standards

The IAASB published the exposure draft, *Proposed Amendments to the IAASB's International Standards – Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*, on 23 July 2015 for public comment by 21 October 2015. The amendments are in response to the International Ethics Standards Board for Accountants' (IESBA) May 2015 re-exposure draft, *Responding to Non-Compliance with Laws and Regulations* (NOCLAR).

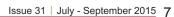
A CFAS task group will prepare a comment letter. The exposure draft is available on the IAASB website (https://www.ifac.org/publications-resources/responding-non-compliance-or-suspected-non-compliance-laws-and-regulations).

Staff Audit Practice Alert

The IAASB published a Staff Audit Practice Alert, Responsibilities of the Engagement Partner in Circumstances When the Engagement Partner Is Not Located Where the Majority of the Audit Work is Performed, on 14 August 2015. The alert is the IAASB's initial response to concerns raised about situations when engagement partners are not located where the majority of the audit work is performed, including concerns raised by certain regulators and audit oversight bodies. It serves to remind auditors of the responsibilities of the engagement partner described in the ISAs. However, it is not an authoritative pronouncement.

The alert is available on the IAASB website (https://www.ifac.org/publications-resources/staff-audit-practice-alert).









ETHICS

Committee for Auditor Ethics (CFAE

Article in the *Accountancy SA* magazine published by SAICA

An article headlined "The renewal of vows: Auditor reporting and ethical requirements" was published in the August 2015 edition of the Accountancy SA magazine. The article discusses how the changes in auditor reporting requirements are related to the IRBA Code of Conduct for Registered Auditors. The article is available on the Accountancy SA website (http://www.accountancysa.org.za/?p=4179).

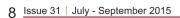


Imran Vanker
Director: Standards
Telephone: (087) 940-8838
Fax: (086) 575-6535
E-mail: standards@irba.co.za

Committees and task groups

Registered auditors with an interest in participating in IRBA structures on technical aspects are welcome to contact us. We have a range of committees, task groups and projects, and we would value the opportunity to welcome new participants. We are particularly keen to get the perspectives of practitioners from small and medium practices (SMPs), and other specialists.













LEGAL

QUARTERLY REPORT FROM THE DIRECTOR: LEGAL FOR THE PERIOD 1 JULY 2015-30 SEPTEMBER 2015

INVESTIGATING COMMITTEE

The Investigating Committee met once (6 August 2015) during this period and referred nine matters to the Disciplinary Advisory Committee with recommendations.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met twice (16 July 2015 and 3 September 2015) during this period and disposed of 23 matters, as follows:

Decisions not to charge

Nine matters were finalised with decisions not to charge, and these were disposed of as follows:

- Two matters in terms of Disciplinary Rule 3.5.1.1 (the respondent is not guilty of unprofessional conduct, which includes the situation where the conduct in question might be proved but even if proved does not constitute unprofessional conduct);
- One matter in terms of Disciplinary Rule 3.5.1.2 (the respondent having given a reasonable explanation for the
- Two matters in terms of Disciplinary Rule 3.5.1.4 (being that there are no reasonable prospects of succeeding with a charge of improper conduct against the respondent); and
- Four matters in terms of Disciplinary Rule 3.5.1.5 (being that in all the circumstances it is not appropriate to charge the respondent with improper conduct).

Decisions to charge and finalised by consent order

A total of 10 matters were finalised with fines by consent order. and two consisted of two respondents each, while one consisted of seven respondents. So, those 10 matters dealt with 18 practitioners in all.

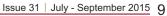
Of those 10 matters, four were referred from the Inspections Department and their particulars are as follows:

- One matter involved a first inspection in the Fifth Cycle of inspections. In the first finding, it was found that with the audit of a client's annual financial statements, the respondent's documentation regarding going concern provided inconsistencies with the respondent's auditor's report. In the second finding, the respondent's auditor's report contained discrepancies pertaining to inventories, and in particular between the basis for qualified opinion paragraph and the opinion paragraph. The respondent was fined R25,000, of which R12,500 was suspended on conditions, with publication in general terms only.
- In one matter the inspection revealed that the respondent had issued an unqualified audit opinion in relation to the annual financial statements of a client, notwithstanding that those annual financial statements were prepared in accordance with SA GAAP for SMEs. This was no longer a suitable financial reporting framework for companies at the time. The respondent was fined R20,000, of which R10,000 was suspended on conditions, with publication in general terms only.
- · In one matter, which consisted of two respondents, it was noted in an inspection in 2010 that a network firm had a direct financial interest by means of shareholding of its partners and related parties in an audit client of another network firm. The audit client was a JSE-listed company. The firm was in contravention of the independence requirements in the IRBA Code of Professional Conduct and the audit engagement partner was also in contravention of other auditing standards pertaining to the issue of independence. The matter had been referred to the Ethics Committee after which the audit firm was notified to either resign from the audit engagement or have the other network firm's partners sell their shares in the client. It was later revealed that another network firm also held shares via its partners and related parties in the same client. One director of the client, who was also the chairman of its Audit & Risk Committee, was a partner in the one network firm. Though he resigned as a partner from the network firm, he was retained as a consultant.

Despite being instructed by the IRBA, the firms chose to delay their ultimate resolution to solve this issue of independence.

- o The first respondent was the network firm's national CEO, who was sentenced to a fine of R100,000 with no suspension.
- o The second respondent was the audit engagement







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partner, who was sentenced to a fine of R100,000, of which R25,000 was suspended on conditions. Publication in both instances was in general terms only.

- In the one matter that consisted of seven respondents, the Inspections Department referred the matter to the Legal Department after a re-inspection in the Fifth Cycle of inspections. The respondents' firm continued to be in contravention of the IRBA Code of Professional Conduct in respect of independence requirements, and specifically regarding partners holding trusteeships in trusts forming part of the ownership structures of various clients.
 - o The first respondent was sentenced to a fine of R100,000, of which R50,000 was suspended on conditions, with publication in general terms only.
 - o The second respondent was sentenced to a fine of R20,000, of which R10,000 was suspended on conditions, with publication in general terms only.
 - o The third respondent was sentenced to a fine of R20,000, of which R10,000 was suspended on conditions, with publication in general terms only.
 - o The fourth respondent was sentenced to a fine of R20,000, of which R10,000 was suspended on conditions, with publication in general terms only.
 - o The fifth respondent was sentenced to a fine of R20,000, of which R10,000 was suspended on conditions, with publication in general terms only. (The fifth respondent was no longer on the register at the time of sentencing. Therefore the imposition of the entire sentence is postponed until such time as the fifth respondent successfully applies for re-registration with the Board.)
 - o The sixth respondent was sentenced to a fine of R20,000, of which R10,000 was suspended on conditions, with publication in general terms only.
 - o The seventh respondent was sentenced to a fine of R100,000, of which R50,000 was suspended on conditions, with publication in general terms only.

One of the 10 matters was referred by the JSE. The respondent's audit client had inadequate disclosures on its annual financial statements regarding going concern. As a result, the respondent should have issued a modified audit opinion, but had instead issued an unmodified opinion with an emphasis of matter paragraph in the auditor's report. Alternatively, the annual financial statements should have described the going concern issue better. The respondent's

auditor's report was therefore inappropriate in the circumstances.

The respondent was sentenced to a fine of R100,000, of which R25,000 was suspended on conditions, costs of R5,000 and publication in general terms only.

In **one** matter the complainant was the Law Society of the Northern Provinces. The respondent issued a qualified assurance opinion to the law society, on an attorney client's compliance with the Attorneys Act, 1979, and the Rules of the Law Society pertaining to trust accounts. The respondent issued an unqualified opinion on the same client's compliance pertaining to its trust accounts for the prior year. The law society conducted a forensic investigation of the attorney firm's trust accounts, covering various years that included the prior period over which the respondent had issued an unqualified opinion to the society. The assurance procedures for the prior year were lacking in a certain area.

The respondent was sentenced to a fine of R50,000, of which R25,000 was suspended on conditions, costs of R5,000 and publication in general terms only.

In **one** *mero motu* matter via a referral from a member of public, the respondent issued a broad-based black economic empowerment verification certificate which contained misleading content. The wording on the certificate implied that assurance may be placed on the certificate while the respondent had not performed assurance procedures. The procedures performed were restricted to those of an exempted micro-enterprise certificate. The criteria applied also departed, without reasonable explanation, from the suitable criteria.

The respondent was sentenced to a fine of R10,000, of which R5,000 was suspended on conditions, with publication in general terms only.

In **one** matter dealing with two respondents from the same firm, the complaint was initiated after an enquiry from a Member of Parliament, which followed after another Member of Parliament had been found guilty by the Joint Committee on Ethics & Members' Interests of "benefitting from an improper or generally corrupt relationship" between that member and the first respondent's client. Considering the client's relevant











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annual financial statements, the auditor's report should have been modified.

The first respondent was evasive and failed to satisfactorily answer the IRBA's request for information, furthermore stating that the second respondent signed off the auditor's report. While the second respondent may have signed the auditor's report, it was the first respondent who met with the client and responded to the request by Parliament in the form of an affidavit (despite the fact that the request was addressed to the second respondent). The second respondent issued an undated, unmodified auditor's report, but had reported a reportable irregularity to the Board pertaining to the same reporting period of the client. The reportable irregularity was unrelated to the corrupt dealings and only came 18 months after the enquiry from Parliament.

Both respondents were sentenced to a fine of R100,000 each, with no suspension, a contribution to costs of R5,000 each and publication in general terms only.

In one matter the complainant was a trustee of a sectional title body corporate. The body corporate appointed a managing agent company whose owner embezzled cash from the body corporate and, allegedly, several other body corporates.

The respondent was the auditor of the body corporate and the audit of the annual financial statements of the body corporate was not entirely complete to the fullest extent. Had the respondent adhered fully to auditing standards, it was likely that the embezzlement would have been detected.

The respondent was sentenced to a fine of R50,000, of which R25,000 was suspended on conditions, with publication in general terms only.

In one matter the respondent and complainant were partners in a three-person audit firm. The firm rented office space from a close corporation and this space is owned by the spouses of the three partners. The property had been sold and distributions were made to the members. The respondent acted as accounting officer of the close corporation, and was dilatory in producing the annual financial statements of the close corporation for reporting periods, delayed the payment and made an error in calculating the taxes on the final distribution.

The respondent was sentenced to a fine of R75,000, of which R25,000 was suspended on conditions, with publication in general terms only.

Two matters were referred back to the Investigating Committee for reconsideration.

Decision to charge and matter referred to the Disciplinary Committee

Three matters – of which one consists of three respondents – were referred to the Disciplinary Committee for a disciplinary hearing.

Erratum

In the last issue we reported on a consent order case as follows:

"In one matter the inspection revealed that the respondent had issued an unqualified audit opinion in relation to the annual financial statements of his client, notwithstanding that those annual financial statements departed from the IFRS for SMEs (which was the financial reporting framework applied in preparing the said annual financial statements): property plant and equipment was carried in the balance sheet at a revalued amount, while IFRS for SMEs requires this asset class to be carried at cost less accumulated depreciation and impairment losses. The respondent was sentenced to a fine of R50,000, of which R25,000 was suspended on conditions, and publication in general terms only."

In fact, the amount of the fine was R20,000, of which R10,000 was suspended on conditions.

DISCIPLINARY COMMITTEE

The committee sat twice during this period.

On 20, 21 and 22 April 2015 it heard a matter in Stellenbosch. At the end of the three days the pro forma complainant closed his case and the matter was remanded to 9, 10, 11 and 13 November 2015 for the respondent's case.

On 26 June 2015 the committee resumed to hear arguments







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on costs in a part-heard matter that began in 2012. In 2014, the committee had found the practitioner guilty on certain counts of negligence and this finding is currently the subject of a review application. The committee will hand down sanction in the matter in due course.

The latter matter is on review and we have agreed not to enforce the sanctions (which include publication in this newsletter) until the review has been determined.

PYRAMID SCHEMES

Recent cases of registered auditors who have been implicated in managing or auditing pyramid schemes do further damage to the profession's credibility.

As the regulator, the IRBA takes these cases seriously and will instigate disciplinary action against those found to be in contravention of their responsibilities. Currently, there are six cases that have either been referred for hearings or in which charge sheets have been drawn.

The Consumer Protection Act defines pyramid or Ponzi schemes as arrangements in which participants receive compensation derived primarily from their respective recruitment of other persons as participants, rather than from the sale of any goods or service. A clear indication of such schemes is usually an emphasis in their promotion and promises of high returns, which would not be possible through conventional investment methods.

Pyramid schemes usually require large deposits upfront from participants and often use manipulation to win the public's trust. Clear indicators for auditors are that these entities often operate as deposit takers that are not registered with the Reserve Bank and are also usually not listed with the Financial Services Board. In addition, they operate as credit providers that are not in the National Credit Regulator's register and are run as private companies that are not governed by strict reporting/transparency rules.

With these pointers in mind, auditors are reminded that they have a responsibility to assess management integrity before accepting any engagement. They also need to understand the legal and regulatory framework in which the clients operate. Any suspected pyramid scheme activities that an auditor

detects need to be flagged as reportable irregularities and reported to the IRBA.

HOLDING OUTS

We have been informed of the prosecution of an individual in the Bellville Specialised Commercial Crimes Court in Cape Town for allegedly illegally practising as an auditor. This person had been registered as an RA but the registration had lapsed. The State alleges that the individual signed documents as if still a registered auditor and quoted an IRBA registration number. It is also alleged that the individual described themselves as an auditor and chartered accountant, providing auditing services for a reward. We draw the attention of RAs to the fact that continuing to practise while your registration has lapsed will most likely result in a referral for prosecution for contravening Section 41 of the APA.

STATUS MISREPRESENTATION

We are currently investigating a matter where the defence raised by one respondent is that he is not in fact a partner or director of the firm (which is an Inc), notwithstanding that both the soft and hard firm stationery reflect him as such. It is for precisely this reason that the IRBA published a Guide for Registered Auditors: Signing Authority, Naming Conventions and Stationery. Practitioners are advised to familiarise themselves with this guide. Although it is not mandatory, this guide has been prepared to avoid such situations. Practitioners are cautioned to be extremely careful not to misrepresent their status in a firm either unintentionally or otherwise. To download the guide, go to http://www.irba.co.za/dmdocuments/Guidance%20for%20R egistered % 20 Auditors % 20 -%20Singing%20Authority%20Naming%20Conventions%20 and%20Stationery.pdf



Jane O'Connor

Director: Legal

Telephone: (087) 940-8804
Fax: (087) 940-8873
E-mail: legal@irba.co.za















REGISTRY

Individuals admitted to the register of the Board from 1 July 2015 - 28 September 2015

Adams Zahira Killin Leigh-Ann Caroline Bah Amadou Kubai Patrick Vusi Bardien Gabeba Kuzwayo Boitumelo Basson Julanie Louw Pierre Serdyn

Bezuidenhout Theresa Manyaapelo Boikanyo Corlet Oarabile Bismilla Yusuf Mapfumo Cordelia Ruvimbo

Bosch Francina Martins Helena Sevasti Botes Alexis Marguerite Mawire Philemon Tatenda Mbanjwa Rudolf Mfundo Bothma Louise Brand Alwina

Casey Mark Anthony Cornelissen Graham

Erskine Jennifer Lynn Moola Shazia **Espach Christine** Mulder Elizca Andrea Fivaz Melanie Murray Zulfah Gazi-Babana Akona Nkgodi Rachel

Govender Desiree Höll Dirk Hendrik Olivier Esti

Jansen van Vuuren Stephanus Johannes

Manyenge Siphumelele

Petersen Reezah Postepski Adam Edward Potgieter Emelia Helen Ramolobe Mokganyetji Makoti Segobola Maduwele Gilbert Sikwila Chiwila Njabulo Swart Jo-Anne Sykes Jonathan Mark Mbezi Sikhuthaze Patricia Tsotetsi Dimakatso Teresa Mda Slingsby Wonga Turner Edward Arthur Mocwaledi Thapelo Kitso Theodore Van der Walt Lizaan Van Wyk Daniel Jacobus

Van Zijl Petrus Wouter Munnik Vawda Mohamed Venter Adriana Marthina Ntlango Sisa Oswald Visagie Lize-Marie White Bradley Gilbert

Peer Shenaaz

Individuals re-admitted to the register of the Board from 1 July 2015 - 28 September 2015

Dudumashe Luyanda Crosby Moodley Leeandran Truter Michael Cyril Fischer Andrew Munnik Jacobus Frederick Kemp **Uys Dirk Cornelius**

Redfearn Ruwayda

Padayachee Raven

Individuals removed from the register of the Board from 1 July 2015 - 28 September 2015

Beekman Christophorus Gustavus Josephus Resigned Maharaj Yuresh Resigned Bolink Berend Jan Resigned Mapaya Mathumo Mathews Deceased **Brenner Lionel** Resigned Naicker Tarryn Jacinth Resigned **Byles Hendry** Resigned Naicker Thagarai Resigned De Jager Tanya Martie Resigned Pottas André Resigned Fahy Anthony Deceased Rogers Michael John Deceased Fortuin Geoffrey George Resigned Songca Sibulele Lukhanyiso Resigned Ganas Naidoo Resigned Stavropoulos Cherrie-Lee Resigned Groenewald Andre Swart Gerard Resigned Resigned Jacobs Almero Ockert Resigned Teare Graham Eric Deceased Kruger René Resigned Van der Merwe Andre Rudolf Resigned









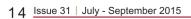
COMMUNICATIONS

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

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

9 September	IRBA News Issue #30 – Available on the website
7 September	The IRBA Board adopts the IAASB's ISA 720 (Revised): The Auditor's Responsibilities Relating to Other Information
7 September	IRBA Annual Report 2014/2015 tabled in Parliament
4 September	Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015): Illustrative Reports
3 September	Illustrative Engagement Letter, Assurance Report and Related Guidance – Sustainability Engagements
13 August	SARS: Review of Service Offerings
22 July	Saving and Submitting Information on the Income Tax Return for Trusts (ITR12T) via eFiling
21 July	Update and Reminder of the IRBA Information Sessions 2015
8 July	Broad- Based Black Economic Empowerment (B-BBEE) Information Session for B-BBEE Approved Registered Auditors 2015
6 July	Application Impact of Amended Qualifying Small Enterprise (QSE) Scorecard and Exempt Micro Enterprise (EME) Requirements on the South African Standard on Assurance Engagements (SASAE) 3502













GENERAL NEWS

South Africa maintains first position for the strength of Auditing and Reporting Standards for six years in a row

For the sixth year in a row, South Africa has been ranked number one - out of 140 countries - for the strength of its auditing and reporting standards, according to the World Economic Forum's (WEF) Global Competitiveness Index for 2015-2016 released at the end of September.

The ranking brings confidence to foreign investors that they can trust and rely on our auditing strength despite the economic meltdown and other challenges that the country and the auditing profession have been experiencing.

"We are proud to have achieved such a world renowned ranking for six years in a row now. More importantly, this ranking further strengthens the IRBA's role as an embedded protector of confidence in the sustainability of the system. Such confidence provides the required comfort to a wide range of stakeholders that the financial statements on which auditors express assurance are reliable, therefore enabling investors to make informed decisions about their investments," says IRBA CEO Bernard Agulhas.

The index assesses the competitiveness of economies. providing insight into the drivers of productivity and prosperity by examining various factors that enable sustained economic growth. The ranking remains the most comprehensive assessment of national competitiveness worldwide.

South Africa's decision to adopt the globally recognised International Standards on Auditing (ISA) as well as the International Financial Reporting Standards (IFRS) as early as 2005 has had a direct effect on the country's leading ranking in this section of the report.

"Foreign investment into South Africa stimulates economic growth for the nation and creates employment. It is encouraging that our achievement as a respected player in the global financial markets contributes to the country's national imperatives. Therefore, we should also focus on social sustainability to address unemployment issues," says Agulhas.

He emphasises that South Africa, which has moved up the overall rankings to number 49 from 56, also has a vital role to play in supporting other countries on the continent to improve their financial standards and reporting processes so that Africa can become internationally respected in global markets. In addition, developing countries need to create stronger ties among themselves, with greater collaboration between the private and public sectors as well as between industry and government.

While recognising that it has a role to play in strengthening reporting and governance on the continent, the IRBA has also developed strategies to influence transformation in the auditing profession, as well as respond to global developments to strengthen auditor independence.

"As the custodian of the auditing profession, the IRBA, together with the profession, must maintain the quality and integrity of the audit system, thereby contributing to the protection of the financial interests of the public," concludes Agulhas.

For more information on this year's World Economic Forum Global Competitiveness Report, please visit www.weforum.org.

IRBA receives clean audit award from the Auditor-General

The IRBA received its third clean audit award from the Auditor-General South Africa for its 2014/2015 financial year. The award was received by the chairman of the board and the CEO on behalf of the organisation. The Auditor-General started handing out clean audit awards in the past three years to encourage good governance and an improvement in financial reporting in the public sector.

The CEO acknowledged and thanked the IRBA staff for their hard work in maintaining good governance and the excellent reputation that the IRBA has come to be known for.







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GENERAL NEWS cont.

IRBA Directors Appointed to IFAC Boards



Imran Vanker and Laine Katzin

Congratulations to Imran Vanker, Director Standards, and Laine Katzin, Director Education, Training & Professional Development, for being nominated to represent the IRBA and SA on two of the International Federation of Accountants (IFAC) committees.

Imran's nomination to the IFAC International Auditing & Assurance Standards Board (IAASB) has been approved by the IFAC Nominations Committee and the IFAC Board. SA was last represented on this committee about 10 years ago; we are pleased that we have managed to once again secure a seat

Laine has been reappointed to the IFAC International Accountants Education Standards Board (IAESB). Reappointment is not automatic and South Africa had to go through a nominations process afresh. This is a particularly critical appointment as the IRBA revisits the competence requirements for auditors and implements the ADP. This appointment demonstrates that the international community continues to value this country's contribution.

"These achievements do not only illustrate confidence in us, but contribute towards instilling future confidence in the important work that we do. Well done to everyone and for continuing to make us proud as the IRBA and SA," said IRBA CEO Bernard Agulhas.

Facing Challenges Head-On

A recent opinion piece published in the Financial Mail (August 27-September 2 2015) put a spotlight on the future of auditing in the country. According to the article, "South Africa could be on the brink of a large corporate failure unless systemic constraints in the auditing profession are addressed urgently".

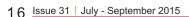
Areas of concern highlighted in the article include "the profession's fading appeal ... increased regulation, the threat posed by unlimited liability in the event of auditing errors and growing scrutiny by the IRBA of audit files and audit firms".

IRBA CEO Bernard Agulhas, however, noted that though the general perception is that the auditing profession is shrinking, there are sufficient numbers to service entities that require an

audit. "With the introduction of the Independent Review in the Companies Act, an alternative assurance engagement to audit, the number of companies requiring an audit has decreased. With only a slight corresponding decrease in auditors, this means the ratio of auditors to audited entities has actually increased," he said.

On addressing the unlimited liability issue, he said the IRBA, with the World Bank, has made recommendations to Treasury to introduce legislation that will create limited liability partnerships. The aim is to provide the required comfort to auditors that they will no longer be the subject of litigation by all and sundry.











GENERAL NEWS cont.

"While the IRBA has responded to the many challenges facing auditors by creating an environment to work together with the profession to uphold high-quality audits, auditors need to share this responsibility by responding to the issues raised by the regulator," said Agulhas.

"The logic is simple - those auditors who respond to the

IRBA's attempts to assist them in getting their house in order, almost inevitably improve quality in the firm and can be relied on to discharge their responsibility to all stakeholders. Those auditors who blame everyone else for poor audit quality have no one but themselves to blame for the perceived demise of the profession."

Lessons from the UK - Auditor Reporting

Some of the recent global financial scandals that have, in certain cases, directly contributed to the global economic meltdown have been a result of shoddy auditing practices. To remedy the situation, there have been various attempts to try to remodel regulatory practices in the financial sector. One of these moves has been the introduction of a new and revised auditor's reporting standard aimed at adding more value for investors and general users of auditing and financial reports.

The new standard, ISA 701, was introduced by the International Auditing & Assurance Standards Board to enhance auditor responsibilities by adding more communicative value and transparency to audit reports. South Africa is still gearing up for its application, while in the UK the standard has been applied since the September 2013 yearend.

Prior to its adoption, the UK auditing landscape had gone through a troubled period, according to Jimmy Daboo, audit partner at KPMG in the UK. However, with the introduction of the revisions an opportunity now exists for the sector to reclaim its standing. Daboo was speaking at an informal roundtable discussion held at the IRBA early in September. He is a recipient of the 2014 British Accountancy Awards accolade for Outstanding Industry Contribution in recognition "for breaking new ground in audit by publishing details of his findings during the audit in some of his audit reports – a move which goes beyond minimum regulatory requirements", according a KPMG statement at the time.

The new and revised standard requires auditors of listed companies to include key audit matters (KAMs) in their reports. Daboo said at his firm they go beyond just giving a description of a risk, they put a stress on being specific about why a certain risk would be critical to a company for that particular year.

One of the reported consequences, particularly in the UK, with the changes has been that some investment houses are now analysing the KAMs to gauge how these might affect the value of the investments.



