irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

annual report 2011

Striving towards a Sustainable South Africa

How to contact us

Physical address:	Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609
Postal address:	PO Box 8237 Greenstone 1616
Internet:	www.irba.co.za
e-mail:	board@irba.co.za
Docex:	DX008, Edenvale
Telephone:	087 940 8800
Fax:	087 940 8873/4/5/6/7/8

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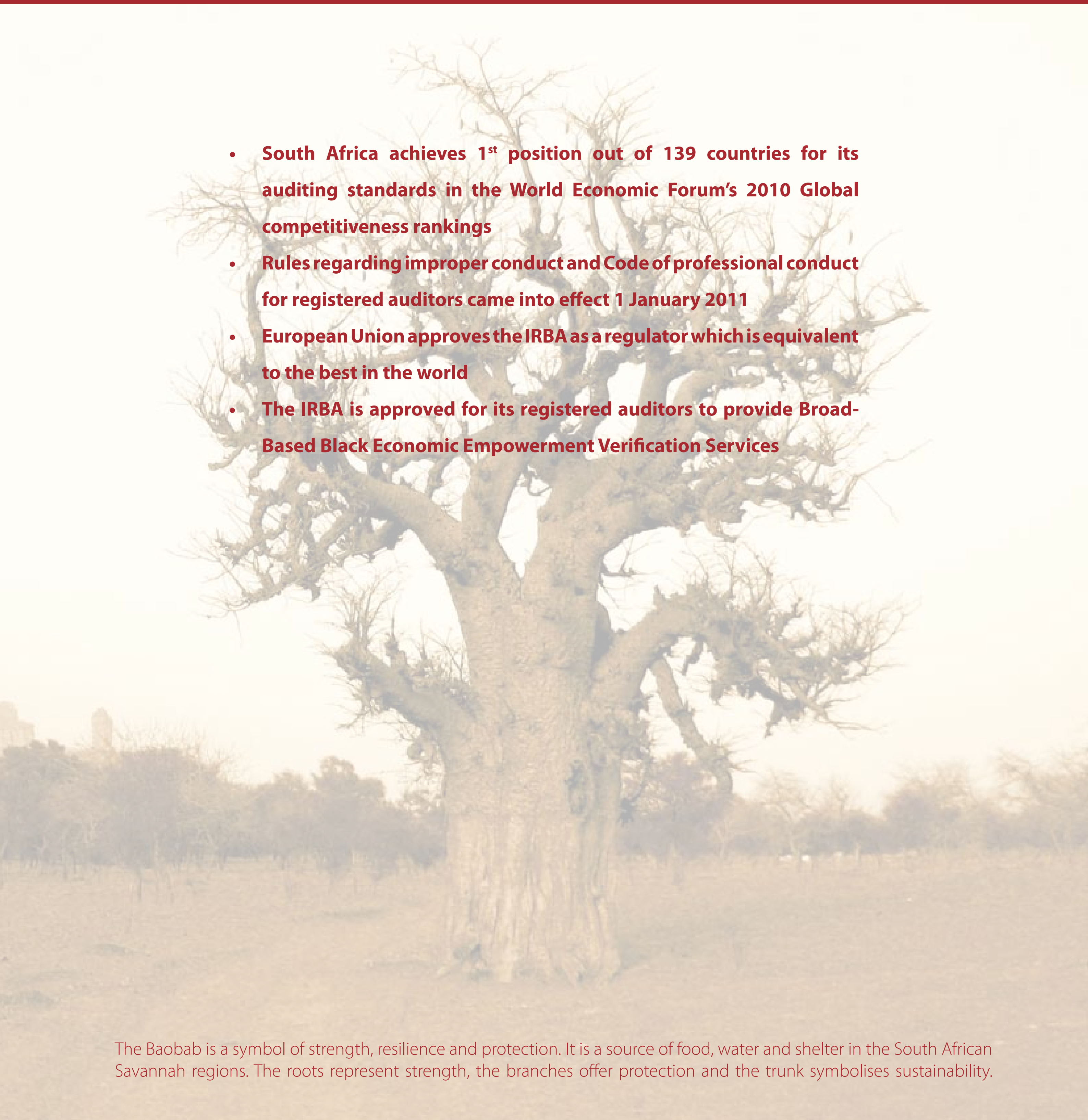
WHO WE ARE, WHAT WE STAND FOR

The Independent Regulatory Board for Auditors is established in terms of section 3 of the Auditing Profession Act, 2005, (Act No. 26 of 2005).

The objects of the Act as set out in section 2 are as follows:

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

HIGHLIGHTS OF THE YEAR



- **South Africa achieves 1st position out of 139 countries for its auditing standards in the World Economic Forum's 2010 Global competitiveness rankings**
- **Rules regarding improper conduct and Code of professional conduct for registered auditors came into effect 1 January 2011**
- **European Union approves the IRBA as a regulator which is equivalent to the best in the world**
- **The IRBA is approved for its registered auditors to provide Broad-Based Black Economic Empowerment Verification Services**

The Baobab is a symbol of strength, resilience and protection. It is a source of food, water and shelter in the South African Savannah regions. The roots represent strength, the branches offer protection and the trunk symbolises sustainability.

MEMBERS OF THE BOARD

From left to right: TS Zakuza, Prof A Dempsey, NNN Radebe, DCM Gihwala, WP du Plessis, DD Nagar, Prof LER de Vries, Prof SP Kana, T Fubu and PR Mnisi.

Mr Dines Chandra Manilal Gihwala, 58

Qualifications	BProc HDip Tax Practice
Designation	Attorney
Date joined IRBA	01 April 2007
Directorships	First Rand Executive Trust Ngatana Property Investments (Pty) Ltd Outward Investments (Pty) Ltd Redefine Income Fund Ltd Sando Holdings (Pty) Ltd Santam Seena Marena Financial Services(Pty) Ltd

Prof Linda Elizabeth Rachel de Vries, 54

Qualifications	BCom Hons Hons Bus. Admin. Masters Bus. Admin PG Teachers Diploma ILO Accredited Trainer Certificate Board Governance
Date joined IRBA	01 April 2007
Directorships	Broad Cape Pty (Ltd) National Gambling Board OREEPS Pty (Ltd) Uuya PTY (Ltd)

Prof Amanda Dempsey, 51

Qualifications	MCom BCom Hons (Acc)
Designation	CA (SA)
Date joined IRBA	01 April 2009
Directorships	Accounting Education Board Ministerial appointment on Fasset's Board

Mr Wynand Petrus du Plessis, 56

Qualifications	BCom (Hons)
Designation	CA (SA)
Date joined IRBA	01 April 2006
Directorships	3632 Beleggings (Edms) Bpk Craib Avenue Investments (Edms) Bpk Drie Plus Finansiële Dienste (Pty) Ltd Introdeals 120 (Pty) Ltd Jacksu Properties (Pty) Ltd Primed (Edms) Bpk Ralber Riebeeckstad (Edms) Bpk

Ms Tantaswa Fubu, 39

Qualifications	PG Dip Acc B Admin (Hons) HDip Banking Law Certificate of Proficiency in Short term insurance
Designation	CA (SA)
Date joined IRBA	01 April 2009
Directorships	KPMG Soul City

Prof Suresh Parbhoo Kana, 56

Qualifications	MCom BCompt (Hons)
Designation	CA (SA)
Date joined IRBA	01 April 2009
Directorships	PricewaterhouseCoopers Inc. (Chief Executive Officer)

Mr Patrick Roy Mnisi, 34

Qualifications	LLB Certificate in Compliance Management
Designation	Attorney
Date joined IRBA	01 April 2009
Directorships	Freedom Park - Board Member HPCSA : Medical and Dental Professional Board IMFO : Director

Mr Deepak Dalpat Nagar, 40

Qualifications	BCompt (Hons)
Designation	CA (SA)
Date joined IRBA	01 April 2006
Directorships	Grant Thornton (Durban) - Professional Practice (Partnership) Basfour 2721 (Pty) Ltd Grant Thornton Consulting (Natal) (Pty) Ltd Grant Thornton Financial Planning (Natal) (Pty) Ltd HBC Nominees (Pty) Ltd Nine Eight Eight Investments (Pty) Ltd The X Funds Financial Services (Pty) Ltd Vanquish Financial Services (Pty) Ltd

Ms Nomzamo Nomfundo Nomkosi Radebe, 34

Qualifications	BCom PG Dip Acc Commercial Property Practitioners Certificate
Designation	CA (SA)
Date joined IRBA	01 April 2009
Directorships	Munich Reinsurance Company of Africa Ltd Pareto Ltd

Mr Temba Stanley Zakuza, 47

Qualifications	BCom
Designation	CA (SA) CIA
Date joined IRBA	01 April 2006
Directorships	Housing Association East London Mr Bread (Bakery) to end Feb 2011 SAICA TBF - Trustee

Ministerial representative: Mr SF Nomvalo

COMMITTEES OF THE BOARD

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

STATUTORY COMMITTEES	Chairman	Chairman's Report (page)
Education, Training and Professional Development Committee	TS Zakuza	19
Committee for Auditing Standards	F Timmins	22
Committee for Auditor Ethics	E Kieswetter	25
Inspection Committee	DD Nagar	27
Investigating Committee	KN Kooverjee	29
Disciplinary Committee	WHG van der Linde SC	33

OTHER COMMITTEES		
Disciplinary Advisory Committee	WP du Plessis	31
Audit and Risk Management Committee	Prof A Dempsey	38
Operations Committee	WP du Plessis	

EXECUTIVE STAFF OF THE IRBA

Name	Qualifications	Position	Date Joined IRBA	Age
Bernard Peter Agulhas	CA(SA)	Chief Executive Officer	June 2003	48
Willemina Hendrika de Jager	CA(SA) CIMA	Director: Operations	May 2009	52
Laine Katzin	M.Ed Educational Psychology	Director: Education, Training and Professional Development	August 2009	42
Patricia Jane O'Connor	BA, LLB	Director: Legal	June 1986	54
Sandra Dawn van Esch	CA(SA)	Director: Standards	August 2009	61
Paul van Helden	CA(SA)	Director: Inspections	January 1997	59

EXECUTIVE STAFF

From left to right: SD van Esch, L Katzin, WH de Jager, BP Agulhas, P van Helden, PJ O'Connor

ABOUT THE IRBA

Strategic focus

The strategic focus of the IRBA is to:

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

The IRBA Mission

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

IRBA Objectives

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

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

The IRBA Vision

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

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

The IRBA Goal

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

This is done by:

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

The IRBA Values

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

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

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

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

2010 PPE - TOP ACHIEVERS

The following candidates achieved the top ten places:

1st	Mr Alastair Marais
2nd	Ms Madeleine van Brakel
Joint 3rd	Ms Alexa Joubert
	Mr Shamir Ramjee
Joint 5th	Mr Amar Naik
	Mr Joel Kletz
Joint 7th	Ms Saaleha Akoojee
	Ms Caron Bramwell
	Ms Melanie Cope
	Ms Charné Joubert
	Ms Hettie Meyer

All the top ten candidates achieved honours. In total, honours were awarded to 14 candidates who achieved a pass mark of 75% or above.

The top candidate from the Support Programme was Waleed Hamed Omar.

MESSAGE FROM THE MINISTER OF FINANCE

"South Africa's contribution to international auditing standards and audit regulation has earned it the leading position in the world for its auditing standards, and I congratulate the IRBA for this outstanding achievement."

Hon. Pravin Gordhan
Minister of Finance

The global recession in 2009 led to a sharp decline in economic activity, and it became imperative for all stakeholders to carefully consider their role in service delivery, and monitoring and evaluating such delivery to improve the SA economy.

Government set for itself specific outcomes in the medium term. Public entities such as the Independent Regulatory Board for Auditors (IRBA) are ideally placed to contribute to those outcomes which relate to creating a better and safer South Africa, and the creation of employment and an efficient financial infrastructure.

The financial infrastructure plays a central role to support the real economy. Following the financial crisis, internationally, much has been done to improve the regulation of the financial sector. However, much more still needs to be done as financial stability at an international level still requires some effort. The South African financial sector proved more robust than other countries in withstanding and surviving the crisis. However, unemployment remains a challenge.

Recognising the need for coordinated international efforts to secure global financial and economic stability, the government has committed to improving the regulatory framework and cooperate with other regulators to prevent a similar crisis in the future.

The IRBA plays a critical role in the creation of the necessary confidence in the financial markets. It is critical that the financial information is reliable and the assurance thereon credible.

South Africa's contribution to international auditing standards and audit regulation has earned it the leading position in the world for its auditing standards, and I congratulate the IRBA for this outstanding achievement. At the same time, it continued to support the local auditing profession and other government departments on national imperatives such as the Companies Act and Broad-Based Black Economic Empowerment, all the while bearing in mind its mandate to protect the public interest.

I believe that IRBA will become a more assertive regulator and develop further as an independent and rigorous institution.

Finally, I would like to thank the outgoing board members for their contribution and dedication during the term they served on the Board. I look forward to working with the new Board in furthering the IRBA's objectives.

REPORT OF THE CHAIRMAN

"... the last professional practice examination continued to produce an overall pass rate of above 80%, as well as a sustainable percentage of Black candidates passing the examination."

Dines Gihwala

It is with great pleasure that I present this fourth annual report, which is also my last report as the outgoing chairman of the IRBA.

The IRBA continued to make its mark as an internationally recognised regulator and standard setter. The achievements of the various statutory committees are explained in more detail in their individual chairmen's reports. These committees worked tirelessly to achieve their objectives and performance targets, during a time when the impact of the new Companies Act and Regulations were uncertain. However, the ultimate aim of each committee was the protection of the public, and I am pleased to report that the IRBA's voice had been heard when commenting on the proposed corporate legislation.

In my previous report, I had indicated that we were slightly concerned about the final legislation, however, quietly confident that the ultimate outcome would be in the public interest. I believe that my confidence was not entirely misplaced.

While the IRBA will continue to set standards at a level which will cultivate the required confidence in our financial markets, we are also mindful of government's policy objectives to be more inclusive and provide opportunities to professional bodies to operate in the space which has up to now been perceived as reserved for certain bodies. We must identify any areas where improvement may be required and provide the necessary support while maintaining independence. In this regard we will work with the newly established Companies and Intellectual Properties Commission to ensure that the implications of the corporate legislation on the auditing profession are properly managed.

While it is true that the new Companies Act and Regulations occupied a substantial part of the IRBA's efforts, we did not forget that we still needed to preserve and protect our international status. Through our participation on international bodies and committees, which is essential for ensuring that SA remains in tandem with international best practice, SA secured pole position for its auditing standards in the 2010 survey conducted by the World Economic Forum.

It was therefore then not unexpected when the European Union approved the IRBA as a regulator which is equivalent to the best in the world, together with countries such as the United States, United Kingdom, Canada and Australia. These were only some of the achievements in the past year.

The Board's term of office expired at the end of March 2011. Some board members were eligible for a final term. The vacancies on the Board were duly advertised and a thorough, proper and transparent process embarked upon to identify suitable candidates for the new Board. The Minister of Finance duly appointed a new Board and in doing so ensured continuity by reappointing those members who were eligible to serve another term. The new Board is well balanced and has all the necessary skills and expertise to discharge the IRBA's mandate and meet its objectives.

One of these objectives remain the transformation of the profession, and while this may still take some time, the last professional practice examination continued to produce an overall pass rate of above 80%, as well as a sustainable percentage of Black candidates passing the examination. I am confident that, if these results are sustained, the numbers will ultimately balance.

I thank the Honourable Minister of Finance, Minister Pravin Gordhan, and his predecessor, Minister Trevor Manuel, for their confidence and trust in me. I also thank the outgoing Board for their unfailing support, and management for their commitment to the IRBA, without which we would not have been able to do South Africa proud.

It was a privilege to lead the organisation. I wish my successor and his new Board well in their endeavours. I am confident that IRBA will remain a respected regulator.

REPORT OF THE CHIEF EXECUTIVE OFFICER

"Several projects were successfully completed through continuous dialogue and constructive discussion between the various parties, which demonstrated that positive outcomes can be achieved when everyone works towards the same goals in the interest of the general public."

I am pleased to present my report for the 2010/2011 financial year.

The IRBA continued to deliver on its mandate through its various statutory committees. The operational matters are further described in the annual financial statements and governance aspects are covered in the reports from the relevant governance structures.

Bernard Peter Agulhas

Strategic

From a strategic perspective, the Board considered and debated several projects, and I only deal with the more important projects in this report.

Firstly, we continued our discussions with the National Treasury to develop a funding model which will ensure the independence of the IRBA from the profession. In this regard, meetings were held with the Minister of Finance, Minister Pravin Gordhan, and indications are that the desired model should ensure that the IRBA become self-funded. We will present a funding model to the Minister later in the year, and may need amendments to the Auditing Profession Act, 2005, (Act No. 26 of 2005), (the Act) to give effect to some of the proposals.

One of the influences on the IRBA's funding will be the Companies Act and Regulations. The final Regulations, effective 1 May 2011, were recently issued and include proposals submitted by the IRBA for the regulation of independent reviews, the alternative to an audit for non-public interest companies, which is introduced in the legislation. These regulations will also require amendments to the Act and impact on certain operations at the IRBA. However, we embrace the new corporate legislation and will continue to work with the Companies and Intellectual Properties Commission to ensure that the implementation of the legislation will cause the least disruption to the profession, while simultaneously facilitating mobility.

The liaison with the Department of Trade and Industry (DTI) on the Companies Act again emphasised the importance of close cooperation between government structures and the need for a regulatory regime that will ensure coordination of prudential activities. We will continue to pursue the various forums that will ensure that the IRBA participates in, and contributes to the effectiveness of structures created for this purpose.

In the international arena, we continued to influence audit regulation, auditing standards, education standards and ethics standards through our involvement in international committees. From a regulatory perspective, our membership of the International Forum of Independent Audit Regulators (IFIAR) ensured that we stay abreast of best practices, as well as the challenges, in audit regulation. South Africa has also chaired the Standards Coordination Working Group (SCWG) of the IFIAR for the past two years. The SCWG provides a valuable opportunity to discuss inputs into standards based on findings from our inspections and where it is believed that standards could be improved.

We also participated in various task forces of the standard setting bodies of the International Federation of Accountants (IFAC), notably the Audit Quality task force of the International Auditing and Assurance Standards Board and task forces of the International Accounting Education Standards Board dealing with competencies of accountants and auditors. Having adopted international auditing standards, it is of strategic importance to continue to influence and monitor international standard setting activities.

In addition to providing comments on exposure drafts issued by IFAC, we also provided comment letters on matters which affect the public interest. These included comments provided on the draft corporate legislation, comments on the Monitoring Group's consultation paper on the IFAC Reforms and comments on the European Commission (EC) Green Paper on Audit Policy.

The Monitoring Group issued a consultation paper to obtain inputs on reforms which IFAC undertook, including processes to ensure that standards are set in the public interest. The EC's green paper resulted from concerns regarding market concentration and independence of auditors.

Stakeholder Management

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

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

During the 2010/11 year the CEO and management had ongoing interactions, including meetings and discussions, with a large number of local and international stakeholders. These interactions are set out in more detail in the Performance Information Section of this report.

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

- **National Road Show**

  The annual road show was held in March 2011, with visits and presentations to just under 1000 registered auditors in 8 venues around the country.

  The presentations were made by the CEO and IRBA directors, and comprised a broad overview of developments and changes in the profession as they affect Registered Auditors, including:

  - The impact of the Companies Act
  - IRBA Code of Professional Conduct
  - The proposed IRBA Funding Model
  - The new proposed delivery model for the education and training of RAs
  - Other IRBA projects and feedback

- **Media**

  During the period the IRBA ensured that it maintained its presence in the media, with news, interviews and features on:

  - irregularities reported to the IRBA,
  - the release of the Public Practice Examination results,
  - BEE verification and assistance provided to the DTI,
  - South Africa's top position in the ranking of auditing and reporting standards, according to the World Economic Forum's Global Competitiveness Report, and
  - the proposed changes to the Company Law and the implications thereof, especially the independent review implications.

Social Responsibility

The IRBA maintained its formalised approach to corporate social responsibility and involvement with charitable institutions in the past year. An internal committee ensures that three local organisations each benefit twice a year from donations by individual staff members that, in turn, are matched by IRBA.

- **Participation in International Forums**

  IRBA staff and Board members participated in the following international forums:

Conference/Meeting	Country	Date	Attendee/s
National Standard Setters – IAASB	Dublin, Ireland	3-4 June 2010	S van Esch
Africa ROSC A&A Round Table Conference	Addis Ababa, Ethiopia	9-10 June 2010	B Agulhas
IAESB - CAG	Edinburgh, Scotland	15-16 September 2010	A Dempsey
IFIAR Plenary Meeting	Madrid, Spain	27–29 September 2010	B Agulhas
NASBA's 3rd Annual International Forum	Madrid, Spain	29 September – 1 October 2010	B Agulhas
SAICA & IFRS Foundation International IFRS Conference	Cape Town, South Africa	4-5 October 2010	B Agulhas
Africa Standard Setters	Cape Town, South Africa	6 October 2010	B Agulhas
World Congress of Accountants 2010	Kuala Lumpur, Malaysia	7-12 November 2010	B Agulhas
PCAOB Inspection Workshop	USA	November 2010	P van Helden
PAAB Zimbabwe Meeting	Zimbabwe	18-19 November 2010	B Agulhas
INCOSAI	Johannesburg	22-27 November 2010	B Agulhas
IAASB Audit Quality TF Meeting	Brussels, Belgium	7-8 February 2011	B Agulhas
EC Conference on Green Paper	Brussels, Belgium	9-10 February 2011	B Agulhas
IAESB - CAG	London, UK	10-11 February 2011	A Dempsey
IFIAR Inspection Workshop	USA	February 2011	P van Helden & P Smith
IAESB	Switzerland	8-10 March 2011	L Katzin

These organisations are:

- **The Thembalami Care Centre**
  Located on the border of Alexandra in Gauteng, the centre provides sheltered accommodation to frail pensioners of limited means, primarily persons receiving a social or disability grant from the Government.

- **SPCA Sebenza**
  Staff members contributed consignments of pet food, blankets and newspapers, and arranged for the regular delivery of dry pet food from a manufacturer on the West Rand.

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

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

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

The IRBA staff also participated in a greening project at the Greenstone Hill Office Park, by planting indigenous trees on the pavement surrounding the park, to offset the carbon footprint generated by travel of IRBA directors, inspectors and committee members.

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

Human Resources

- **Staff Complement**
  The staff complement decreased by 2 to 66 employees during the reporting period. Although the organisation has not experienced high turn-over levels during the year under review, the market is becoming increasingly competitive.

- **Employment Equity**
  The IRBA made significant progress on its Employment Equity strategy. This has been made possible by the introduction of a premium approach, included in the Recruitment & Selection Policy. This premium approach will continue to be used in pursuance of establishing an equitable staff composition for the IRBA. The Employment Equity Plan for 2010 was prepared by management and approved by the Board and the Employment Equity Forum.

  Staff complement reported in occupational levels for the period ending 31 March 2011:

	31 March 2011	%	31 March 2010	%
Male – African	10	15%	11	16%
Male – Coloured	2	3%	2	2%
Male – Indian	3	5%	3	4%
Female – Africa	20	30%	20	29%
Female Coloured	3	5%	4	6%
Female – Indian	1	2%	2	3%
Female – White	19	29%	16	24%
TOTAL	59	88%	58	85%
Male – White	8	12%	10	15%
TOTAL	**66**	**100%**	**68**	**100%**

- **Recruitment and Selection**
  A total of 3 permanent positions were filled at the following occupational levels between the period 1 April 2010 and 31 March 2011:

	FEMALE White
Junior Management	1
Semi Skilled	2
TOTAL	**3**

  Employees who resigned from the organisation between the period 1 April 2010 and 31 March 2011:

	Male		Female		
	African	White	Indian	Coloured	TOTAL
Middle Management	1				1
Junior Management				1	1
Semi Skilled		2	1		3
TOTAL	**1**	**2**	**1**	**1**	**5**

- **Reward strategy**
  The IRBA's employees consist mainly of professional people, which is required in order for it to deliver on its mandate. To ensure that competent employees can be recruited and retained, a reward strategy was implemented during the year, which included detailed job profiles that were graded according to a recognised grading system. This enabled the IRBA to do a benchmark salary survey in order to establish market remuneration for all positions. The IRBA is now in the process of aligning its rewards with this market in order to motivate individual performance, achieve effective returns and ensure sufficient levels of equity within the organisation.

- **Performance Management**
  The IRBA is in the process of reviewing and revising the performance management system. The new system will be developed with the input of all staff in order to ensure buy-in from all employees. The system will also define the link between performance and reward and ensure that it is aligned with the Strategic Objectives of the IRBA.

- **Training**
  The IRBA continues to assist trainees with post graduate qualifications. Currently the IRBA has one trainee employed on a contract basis for three years with special conditions. A total of R368 915 was spent on various training programmes during the period under review.

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

- **Employee Climate Survey**
  IRBA conducted a climate survey amongst employees in order to analyse and report on how staff perceives the IRBA as an organisation. A basic climate survey questionnaire was used as a basis to conduct the survey and was customised in order to address the specific needs of the IRBA.

  The questionnaire incorporated both quantitative and qualitative components. The quantitative approach consisted of three sections, namely culture, climate and people motivation. The qualitative approach included an area where staff were allowed to comment, in their own words, on any key issues or concerns that they may have had.

  Overall a positive feedback was received from the employee climate survey. Some of the potential developmental areas identified included:

  - Communication
  - Cultural diversity
  - Reward, remuneration and opportunity for growth

  Management has taken it upon them to focus on these developmental areas in order to create a more positive environment and to maximise employees' satisfaction in the workplace.

Information Technology

The IRBA experienced a very stable information technology service during the year, with minimum downtime. A service provider for disaster recovery facilities was contracted.

The IRBA developed an integrated workflow and database system that will be used by all the departments, and integrated with the financial statements. The system went live just after year-end. This system will greatly enhance the information available on each registered auditor.

Financial Report

The financial performance, cash flows and financial position are set out in the annual financial statements on pages 42 to 76.

I would like to express my thanks to the outgoing Chairman and Board for their support and contributions, to the Minister of Finance and to the IRBA management and staff, who collectively earned South Africa the number 1 position in the world out of 139 countries for our auditing standards in the 2010 Global Competitiveness Survey. I look forward to working with the new Board and will continue to make good on our mandate to serve and protect the public interest.

Minister of Finance, Pravin Gordhan and IRBA CEO, Bernard Agulhas

EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT COMMITTEE

Members	Meetings attended
TS Zakuza (Chairman)	4 of 4
Prof A Dempsey	3 of 4
N Dongwana	1 of 4
MY Ismail	4 of 4
C Lane	3 of 4
E Lehapa	3 of 4
MR Naidoo	3 of 4
V Paino (SAICA representative)	3 of 4
D Steyn (SAICA representative)	4 of 4
F van den Berg	4 of 4
Prof SPJ von Wielligh	4 of 4
H Wessels	3 of 4

Temba Zakuza

It gives me great pleasure to present the Education, Training and Professional Development Committee (EDCOM) report for the 2010/2011 financial year. EDCOM met four times during the year in order to carry out its mandate. The year under review was marked by new developments and initiatives which have resulted in exciting changes to the profession and the route to qualification.

The Public Practice Examination

The Public Practice Examination (PPE) was written on Tuesday, 23 November 2010. Entry to the PPE is a culmination of a long and rigorous academic, training and assessment process aimed at developing the core and professional competence of prospective auditors. Success in the PPE allows candidates the opportunity to register as Chartered Accountants (South Africa) (CA(SA)) and Registered Auditors (RA).

Of the 1952 candidates who wrote the 2010 PPE, 1585 passed, resulting in a pass rate of 81% (83% in 2009). Of the 1495 candidates who wrote for the first time, 1305 passed, representing a first time pass rate of 87% (86% in 2009).

In total, honours were awarded to 14 candidates who achieved a pass mark of 75% and above.

A luncheon to honour the top ten candidates was held in Johannesburg on 5 April 2011 at the Origins Centre, Wits University. Industry leaders, training officers, professional bodies and other stakeholders came together to congratulate those candidates who excelled in the final test of professional competence for RAs.

Proficiency Assessments

The IRBA has, as one of its mandates, the responsibility to ensure that all RAs are competent at entry to the profession and remain so throughout their professional lives.

In terms of this mandate, the IRBA sets the competency requirements at entry to the profession through the PPE and supports on going competence through its Continuing Professional Development (CPD) Policy. Equally, the IRBA has the responsibility to ensure that all applicants, who wish to enter the profession after an extended absence from audit, are competent.

In order to conduct its mandate with regards to the competency of auditors who fall into the categories defined above, the IRBA may conduct a proficiency assessment.

In the year under review 23 proficiency assessments were conducted; 13 candidates were registered and 10 were requested to update their audit and assurance proficiency.

Monitoring

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

- the Academic Programme;
- the Core Assessment Programme;
- the Training Programme; and
- the Education Programme.

In order to enable the IRBA to carry out its monitoring function effectively and efficiently, it requires certain information concerning the recognised programmes conducted by a professional body. The South African Institute of Chartered Accountants (SAICA), currently the only accredited professional body, submitted its self-evaluation and regular formal reports, for the year under review. The EDCOM has confirmed ongoing accreditation of SAICA and recognition of its programmes.

Transformation of the Profession

Transformation of the profession remains a priority for the IRBA. Of the 855 black candidates who wrote the 2010 PPE, 641 passed, representing an overall pass rate of 75%.

The IRBA manages a Support Programme for black repeat candidates on an annual basis. In 2010, FASSET, the Seta for finance, accounting, management consulting and other financial services, provided the IRBA with funding to assist in hosting the Support Programme. The Programme yielded excellent results in 2010. Of the 87 candidates who completed the programme 61 passed, representing a pass rate of 70%. Without exception, candidates who attended and successfully completed the Support Programme achieved better results on each question than repeat candidates who did not attend the Support Programme.

Continuing Professional Development

The CPD policy prescribed by the IRBA was established in terms of the Act. This policy came into effect on 1 January 2007 and the first three-year reporting cycle ended on 31 December 2009.

In terms of the IRBA's practice of ongoing reflection, the last year of the CPD reporting cycle represented an opportune time for EDCOM to reflect on the CPD policy. EDCOM proposed certain changes to the CPD policy which were approved by the Board in July 2010. The new CPD reporting format will be effective from 1 April 2011.

New Delivery Model

The IRBA has proposed a new delivery model for the education and training requirements of RAs. The new model seeks to enable mobility within and access to the profession. The proposal was out on exposure in the Government Gazette dated 27 August 2010 until November 2010. All comments received were positive and no alterations to the proposal document have been made. The EDCOM has started the next phase in the development of the new delivery model which requires additional research and consultation focusing on implementation issues. The following projects are currently being undertaken:

- Development of a Competency Framework for RAs.
- Changes to the Accreditation Model as a direct result of the new IRBA delivery model.
- Development of the Professional Experience Period to be completed by potential RAs.

The new delivery model will be phased in from 2014. The Public Practice Examination, in its current form, will be presented to first time candidates until 2013. In 2014 the PPE will only be available to repeat candidates. The Professional Experience Period will commence in 2014.

Participation on the International Accounting Education Standards Board (IAESB)

The Chairman of the Committee for Auditor Ethics was recently nominated onto the IAESB. He is supported by the Director: Education, Training and Professional Development who is his Technical Advisor. The IAESB is in the process of revising the current International Education Standards (IES) 1 to 8.

EDCOM submitted comment letters on IES 8 and IES 7.

Appreciation

I wish to express my sincere appreciation to the members of EDCOM and its sub-committees for their support, commitment and dedication in delivering on the mandate of EDCOM.

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

COMMITTEE FOR AUDITING STANDARDS

Members	Meetings attended
F Timmins (Chairman)	4 of 4
K Bowman	3 of 4
M Bourne	4 of 4
L de Beer	4 of 4
M Engelbrecht	4 of 4
DB Heymans	3 of 4
D Manana	4 of 4
M Petros	1 of 4
FE Prinsloo	4 of 4
A Ramikosi	4 of 4
EM Southey	3 of 4
D Spavins	3 of 4
G Tweedy	2 of 4
J van Schalkwyk	2 of 4
P Ward	3 of 4

Frank Timmins

It is my pleasure to present this fourth report on the activities of the Committee for Auditing Standards (CFAS), for the 2010/2011 financial year.

There was no change to the members appointed to the CFAS Committee during the period.

It is pleasing to note South Africa's first place ranking out of 139 countries surveyed in the 2010 Global Competitiveness Survey, in terms of the strength of its auditing and financial reporting standards. The CFAS contribution to this ranking contributes to the economy via the respect that international investors hold for our high standards and quality of auditing and financial reporting.

CFAS Sub-Committees

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

- The CFAS Steering Committee which guides the CFAS Agenda and considers proposals for new projects;
- The CFAS Reports Standing Committee (RSC), which addresses all aspects of reporting on financial statements and regulatory reporting matters. The Revised South African Auditing Practice Statement (SAAPS) 2, Financial Reporting Frameworks and the Auditor's Report, a world first providing guidance on

acceptable financial reporting frameworks in both private and public sectors in South Africa, was issued in January 2011. The revision of SAAPS 3, Illustrative Independent Auditors Reports, is in progress and is planned to incorporate the Auditor-General - South Africa (AGSA) auditor reporting requirements. The RSC continued to engage with many regulators in respect of regulatory reporting requirements that constantly change to accommodate the many changes in laws and regulations.

- The CFAS Public Sector Standing Committee (PSSC) developed two guides during the year with the assistance of technical resources of the AGSA that will be submitted to CFAS in the second quarter of 2011 for approval to issue on exposure. These are the Guide for Private Sector Auditors Performing Audits of Public Sector Entities and the Guide on The Audit of Pre-Determined Objectives to meet the requirements for public accountability. The collaboration between the IRBA and AGSA to develop joint guidance for private sector auditors auditing in the public sector has many advantages. It enhances public sector audits and reporting and supports the AGSA.
- The CFAS Sustainability Standing Committee (SSC) addresses demands for guidance on assurance engagements and additional reporting requirements arising from the recommendations in the King III Report on Corporate Governance. Members contributed to assurance aspects of the Integrated Reporting Council's Discussion Paper on a Framework for Integrated Reporting and the Integrated Report issued for public comment on 25 January 2011. The Chairman of the SSC and the Director: Standards presented on assurance aspects of Integrated Reporting at SAICA Public Seminars in Cape Town and Johannesburg during March 2011.

Participation in International Projects

In line with one of the key strategies of the CFAS to influence and participate in international standard-setting activities, the CFAS participated in an IAASB Task Force together with the members from the United Kingdom, United States, Denmark, France, Hong Kong, Australia and the EU – CESR, to develop the proposed International Standard on Assurance (ISAE) 3420, Assurance Reports on the Process to Compile Pro Forma Financial Information included in a Prospectus, that was issued in April 2010 for comment by 30 September 2010. A CFAS task team submitted comments on the Proposed ISAE 3420 and the final ISAE is expected to be issued during 2011.

Comments were submitted during the year on the following IAASB exposure drafts:

- Proposed ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment, and ISA 610 (Revised), Using the Work of Internal Auditors.
- Comments on the Proposed ISRS 4410 (Revised), Compilation Engagements.
- Proposals Relating to International Auditing Practice Statements (IAPSs): Withdrawal of Existing IAPSs and Clarification of the Status and Authority of New IAPSs.
- Proposed Amendment to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.
- Proposed International Auditing Practice Statement: IAPS 1000, Special Considerations in Auditing Complex Financial Instruments.

The Director: Standards attended the IAASB National Standard Setters (NSS) meeting in Dublin on 3 and 4 June 2010. Participants included standard setters from 11 other countries. Highlights from the meeting were reported at the CFAS meeting in May 2011 and provide input to the activities of CFAS during the coming year.

Auditing Pronouncements Issued

Guidance issued during the period under review:

- Guide for Registered Auditors: Access to Audit Working Papers was approved by the Board in October 2010 and issued on 3 November 2010.
- Agreed-upon Procedures - Factual Findings report required by the Retirement Funds Department of the Financial Services Board in terms of section 15 of the Pension Funds Act, for reporting on smaller umbrella funds, retirement annuity funds, general funds and preservation funds was finalised and published in 2010.

International Standards on Auditing

The IAASB Handbook 2010 was published in April 2010 and prescribed for use by registered auditors in Board Notice 154 of 2010 published in Government Gazette No. 33710 of 5 November 2010: "The Adoption of International Quality Control, Auditing, Review Other Assurance And Related Services Pronouncements in terms of the Auditing Profession Act, 26 of 2005. This Notice replaces Board Notice 128 in Government Gazette 32615 issued 9 October 2009.

During the period under review ISAE 3402, Assurance Reports on Controls at Service Organisations, was recommended by CFAS in February 2010 and approved by the Board in March 2010 for use by registered auditors.

Current Projects

The following projects are in progress:

- Revision of SAAPS 3, Illustrative Independent Auditor's Reports – this revision updates the existing reports for changes arising from the Clarity Reporting Standards and the requirements of the Companies Act, 2008 and Regulations, effective from 1 May 2011, and will for the first time incorporate the AGSA auditors' reports for public sector entities in South Africa;
- Proposed SAAPS, The Auditor's Engagement in respect of Attorneys Trust Accounts, is still in progress and is expected to be considered for exposure in the 3rd Quarter of 2011;
- The CFAS Task Group developing the Medical Schemes Audit Guide is progressing and the guide is expected to be considered for exposure in the 3rd Quarter of 2011;
- The IRBA is participating in the Solvency Assessment and Management (SAM) Project of the Financial Services Board that is revising the Long-term and Short-term Insurance legislation in South Africa. CFAS will assist in the development of the regulatory reporting aspects and has submitted comments on various Discussion Papers;
- Revision of SAAPS 1, Quality Control, to provide implementation guidance for auditors in respect of the Clarity ISQC 1, Quality Control;
- The IRBA and the Banking Association of South Africa continue to engage with the Department of Human Settlements to address concerns regarding regulatory reporting requirements for registered auditors in terms of the Home Loan and Mortgage Disclosure Act;
- Guidance and Auditor's report on Estate Agents Trust Account audit engagements; and
- Revision of SAAPS 1100, Bank Confirmations.

Appreciation

I wish to express my appreciation to the members of CFAS, its Standing Committees, the various Task Groups tasked with the projects, the auditing firms who support the CFAS with resources and with technical aspects and the Director and staff of the Standards Department for their commitment and support in delivering on the mandate of CFAS.

COMMITTEE FOR AUDITOR ETHICS

Edward Kieswetter

Members	Meetings attended
E Kieswetter (Chairman)	4 of 4
S Davies	4 of 4
AK Hoosain	1 of 4
V Jack	0 of 4
P Naidoo	3 of 4
U Schäckermann	3 of 4
N van Graan	1 of 4
Appointed 14 March 2011	
S Ball	1 of 1
J Beaumont	1 of 1
E Hamman	1 of 1
S Palanee	1 of 1
J Schoeman	1 of 1
Advocate Lindiwe Vilakazi	1 of 1

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

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

The CFAE met four times during the year under review, and the CFAE Task Group held one meeting in April 2010 during which it considered comments received following public exposure of the Proposed Code of professional conduct for registered auditors (the Code) and Rules regarding improper conduct (the Rules) published as Board Notice 157 in Government Gazette No. 32742 on 27 November 2009. The Task Group presented proposed changes to the Code and the Rules arising from the comments received for consideration by the CFAE at its meeting in May 2010 and noted issues arising for future research.

The CFAE presented its recommendations to the Board for approval of the new Code and Rules at the Board's meeting on 27 May 2010. The Board approved and prescribed the Code and Rules for use by registered auditors in Board Notice 89, published in Government Gazette No. 33305 on 18 June 2010. The Code does not restrict the scope of the Act or the Rules.

The Rules and Code prescribed by the Board came into effect from 1 January 2011 in order to allow sufficient time for implementation by Registered Auditors. Transitional provisions at the end of the Code provide for later effective dates for new independence requirements, which are consistent with the effective dates in the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) in June 2009.

The revised Rules repeal and replace the Old Disciplinary Rules 2.1 - Improper Conduct and Punishment. Whilst retaining most of the Old Disciplinary Rules, new rules have been added. The revised Code replaces the existing IRBA Code of Professional Conduct. The Code signals a significant change in the drafting convention followed in the existing IRBA Code. The CFAE determined it appropriate for South Africa to adopt Parts A and B and the Definitions in the IESBA Code under copyright permission from IFAC. More stringent South African requirements are, however, incorporated into the relevant sections of the Code.

Significant changes to the Code

- The Code now incorporates the conceptual framework for identifying threats to independence and possible safeguards to be applied when accepting and performing an audit or review engagement or any other assurance engagement;
- the definition of Professional Services has been expanded;
- the detailed sections 290 and 291 provide more specific guidance on threats to independence frequently encountered by auditors in public practice; and
- the existing joint and vicarious liability section in the existing IRBA Code has been removed pending further research by the CFAE.

New appointments to the CFAE

Following a rigorous nominations process in August 2010, I welcome the new members to the CFAE for a three-year period from March 2011.

I am confident that they will contribute meaningfully to the CFAE and assist in guiding the IRBA and the auditing profession in the implementation of the new Code and Rules in carrying out its mandate.

Appreciation

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

INSPECTION COMMITTEE

Members	Meetings attended
DD Nagar (Chairman)	4 of 4
T Abdool-Samad	4 of 4
RP Brussow	3 of 4
N Griffith	3 of 4
E Hamman	3 of 4
BJ Olivier	4 of 4
FF Scheepers	3 of 4

Deepak Nagar

Inspections are performed in terms of Section 47 of the Auditing Profession Act, (Act No. 26 of 2005). One of the objectives of the Act is to protect the South African public by regulating audits performed by Registered Auditors (RAs). The functions of the IRBA include promoting the integrity of the auditing profession through conducting inspections. Inspections are performed by qualified professional staff employed on a full time basis by the IRBA. As at 31 March 2011 the Inspections Department has in its employ 14 Inspectors.

There are two types of inspections in place, being firm inspections and engagement inspections. The objective of a firm inspection is to monitor compliance by firms to current standards of quality control, while the objective of an engagement inspection is to monitor compliance by individual RAs with appropriate levels of professional standards in the performance of the attest function. Engagement inspections are performed either on a three-year (for public interest engagements) or a six-year (for non-public interest engagements) inspection cycle, depending on the classification of the RA's attest portfolio.

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

- Satisfactory, meaning an inspection only in the next cycle; or
- Not Satisfactory, meaning some matters still require attention before a satisfactory result is achieved and a follow-up inspection will be scheduled; or
- Referral to the Investigating Committee, meaning possible disciplinary action by the IRBA.

Engagement Inspections

During the current financial year 658 engagement inspections were performed. Approximately 10% of the engagements showed deficiencies and were scheduled for follow-up inspections. The major reason for inspection results not being rated as satisfactory relates to documentation being insufficient and/or inappropriate. Non-documentation of audit evidence does not necessarily imply that an inappropriate audit opinion was expressed.

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

- Fraud and ethical considerations
- Independence considerations
- Risk assessment and response thereto
- Use of an expert, another auditor or a service organisation
- Related parties
- Testing for impairment
- Carrying value of fixed assets
- Fair value considerations
- Going concern considerations
- Audit reports – conclusion on opinions expressed

Firm Inspections

All registered firms involved in the audit of public interest entities are subjected to firm inspections at least once in a three-year inspection cycle. The objective of a firm inspection is to inspect the design and implementation of a firm's quality control system, organised under the following elements: leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring. To date a total of 62 firm inspections have been performed.

The second inspection cycle for firms started last year. In the current year 22 firm inspections have been performed, and five in the previous year. A significant improvement was noted in the documented policies and procedures of those firms, the enforcement of those policies and procedures, as well as implementation of the Committee's recommendations made during the first three-year cycle.

Appreciation

I record my thanks to the Director and staff of the Inspections Department, who have performed diligently and consistently throughout the period and to the Inspection Committee members for their time and dedication to the inspection process. I also thank the practitioners and firms who were subject to inspection for their cooperation.

Due to the end of my six-year tenure, Ms Tasneem Abdool-Samad has been elected as Chairman of the Inspection Committee. I wish her all the best in this role.

INVESTIGATING COMMITTEE

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

Kishore Kooverjee

Investigations

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

Externally originated
These are complaints lodged by a member of the public, or matters referred by a court or other regulator.

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

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

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

After a preliminary investigation has taken place, the Director: Legal must decide in terms of §48(1) whether or not to refer the matter to the Investigating Committee (Invesco). Most cases will be referred and Invesco must then investigate the matter in terms of §48(3).

Period under review

During the course of the twelve months under review 94 new investigations were initiated. These include enquiries or allegations of improper conduct received by the directorate, as well as investigations initiated by the IRBA itself. This figure represents only matters where a case file is opened, and excludes matters conciliated on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned practitioners across the spectrum from the smallest to the largest firms, and across a wide spectrum of conduct.

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

- 14 matters were withdrawn.
- In one matter the complainant did not furnish information necessary for the investigation of the matter.
- In one matter the respondent died during the investigation and in another the complainant died.

The Committee met on eight occasions to consider 50 cases brought forward from the previous year, as well as 51 new cases and 13 cases referred back for reconsideration. Other cases are still under preliminary investigation by the directorate and are not yet ready for referral to Invesco.

Investigations concluded

Eight matters were finalised by the Invesco, usually after resolution with the assistance of the committee, as follows:

- one matter was postponed until the finalisation of concurrent litigation;
- seven complaints were withdrawn.

The balance was referred to the Disciplinary Advisory Committee (DAC) with recommendations.

Concluding remarks

As part of the ongoing rotation of committee members, the Board went through a process of calling for nominations, interviewing a short list of candidates that met the requirements for the position and appointed the following persons to serve on the committee from 1 April 2011:

- D Block
- M Claassens
- D Deysel
- D Spavins
- M Tshishonga.
- D Von Hoesslin

These new committee members replace the following retiring members who served the committee over many years:

- IJ de Villiers
- R Morar
- CM Read
- M Sindane
- TP van der Mescht

Appreciation

As will be deduced from my comments above, the case load of Invesco requires a significant contribution by members of the committee. I record my appreciation to all the committee members for their commitment. I further record my appreciation to the outgoing members for their contribution over the years.

Finally, I wish to record my sincere gratitude to the Director and her staff in the legal department, without whose able assistance and support the committee would be unable to function effectively. This is my final report as chairman of this committee, which I now leave in the capable hands of my colleague, Brian Smith, after 13 years' service. I wish him and the committee all the best in the future.

DISCIPLINARY ADVISORY COMMITTEE

Members	Meetings attended: In person	Meetings attended: By telephone	Meetings attended: Total
WP du Plessis (Chairman)	7		7 of 7
Prof LER de Vries	4	1	5 of 7
DCM Gihwala	4	3	7 of 7
N Radebe	2	2	4 of 7

Wynand du Plessis

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

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

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

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

Period under review

During the twelve months under review, the DAC met seven times to consider 79 cases which includes files brought forward from the previous year, as well as new referrals from Invesco. This is a substantial number of cases and is indicative of the continued awareness regarding the disciplinary processes amongst users of services provided by Registered Auditors. Furthermore, I believe it is an indication of trust in the IRBA and the ability of the Board to effectively discipline its members.

Matters finalised

During this period 59 matters were finalised (relating to 58 practitioners). Of these:

- 33 matters were not prosecuted;
- in nine matters the practitioner was not guilty of unprofessional conduct in terms of Rule 3.5.1.1;
- in 15 matters the practitioner gave a reasonable explanation for the conduct in terms of Rule 3.5.1.2;
- in three matters there was no reasonable prospect of proving the practitioner guilty of the conduct in question in terms of Rule 3.5.1.4; and
- in four matters it was inappropriate to charge the practitioner with unprofessional conduct in terms of Rule 3.5.1.5.

In addition, whilst not formally charged:

- two practitioners were admonished for their behaviour; and
- 25 practitioners were found guilty by consent, and fined (one twice for two unrelated matters).

Matters referred

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

Appreciation

This is the end of my term as an IRBA board member and therefore also the end of my term as Chairman of DAC. It was an honour to serve as Chairman of this committee for the past five years.

The time and effort put into it by the Director and her Department is invaluable. I record my appreciation to them and to my fellow committee members.

DISCIPLINARY COMMITTEE

Members	Sessions attended
WHG v d Linde SC (Chairman)	2 (both as chairman)
A Dodson (Vice-Chairman)	1 (as chairman)
I V Maleka SC (Vice-Chairman)	0
LP Fourie	0
H Goga	1
H Griffiths	3
LJ Lekale	2
CR Qually	3
CF Reid	3
N Russouw	3
R van Wyk	3

Willem van der Linde

During the period under review the committee chairmen comprised the chairman, Adv WHG van der Linde, SC and two vice-chairmen, Adv A Dodson and IV Maleka, SC.

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

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

During the period concerned two matters were dealt with.

The first matter was that of Mr B. It commenced on 27 July 2010 and resumed on 25 October 2010 when it was finalised. It was interesting in that in between the two hearing dates, a civil trial – on similar facts as the first charge – took place in the Magistrate's Court.

This charge related to the repayment of a sum of money alleged by the complainant to be a loan to his auditor, and alleged by the respondent to have been an investment. The parties settled in the intervening Court case on the basis that the transaction was a loan. The respondent was accordingly acquitted on this charge.

He was however found guilty on the remaining two charges. The first of these centred around the fact that the respondent simultaneously held the positions of trustee of a trust, accountant to the trust, and auditor of certain entities in which the trust held interests. The third charge concerned the fact that the respondent had signed an audit report during a period that he had declared that he was 'non attest'.

The committee imposed a fine of R50,000 of which R30,000 was suspended on conditions in respect of the second charge, and a fine of R50,000 in respect of the third charge, and the respondent was directed to contribute R25,000 towards the costs of the prosecution.

The second matter was that of Mr P, which was heard on 11 March 2011. He pleaded guilty to, and was found guilty of the charge against him.

The complainant is the respondent's brother, and is resident abroad. The respondent was found guilty of appropriation of R40,000 belonging to the complainant, unauthorised withdrawals from the complainant's cheque account, late rendition of the complainant's tax return and failure to furnish the complainant with certain documents.

The committee ordered that the respondent's registration with the IRBA as a Registered Auditor be cancelled and his name removed from the register with effect from a date some two months hence.

Annual workshop of legal stakeholders

Last year we also mentioned the annual workshop of legal stakeholders. At this year's meeting, a matter of concern which emerged was that of postponements of disciplinary hearings. This issue has been addressed by the developing of a policy on postponements, which will be in force by the time that this report is published.

Appreciation

We conclude every annual report by expressing our gratitude to the efficiency of the Director and her department. Since this is my last report as Chairman of the Disciplinary Committee, I wish also to extend my appreciation to the members that have served with me over many years.

CORPORATE GOVERNANCE STATEMENT

GOVERNANCE STRUCTURES

The Board

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

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

All members of the Board are independent of the IRBA and make such declaration at each board meeting.

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

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

Audit and Risk Management Committee

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

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

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

Operations Committee

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

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

- **Nominations**
  - Receiving nominations for appointments to all IRBA committees and the IRBA. After consideration it makes the appropriate recommendations to the Board;

- removing of committee or task force members for non-performance or other good cause; and
- the filling of vacancies on any committee or task force as they may arise.

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

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

Internal Audit

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

RESPONSIBILITY

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

STRATEGIC PLAN AND BUDGET

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

CORPORATE GOVERNANCE ENVIRONMENT IN RELATION TO THE KING III REPORT ON CORPORATE GOVERNANCE (KING III)

The IRBA is a schedule 3A public entity in terms of the PFMA. The PFMA makes general reference to the King II Report on Corporate Governance, and with the update of King III, these recommendations apply to the IRBA.

A detailed gap analysis was done to determine the compliance of the IRBA with King III. Although there was general compliance with the principles in King III, there are some areas where improvements are currently being implemented, or still needs to be implemented in future. The current status, at a high level, is as follows:

Governance Area	Status	Planned completion
Accounting authority and directors	The Board is the accounting authority, and is appointed by the Minister of Finance. Board members are independent. A new board was appointed with effect from 1 April 2011 after having followed a public and transparent nominations process. The board charter is in the process of being completed.	September 2011
Performance assessment	An evaluation process was done of the previous board members but will be reviewed with the recent appointment of a new board in April 2011.	September 2011
Company secretary	The Board appointed a Board Secretary in June 2010. The position is presently vacant and the recruitment process is in progress.	September 2011
Board committees	Full compliance.	
Remuneration of board members, directors and senior executives	Full compliance.	
Audit committees	Compliance except for sustainability reporting that has now been included in the terms of reference of the audit and risk management committee.	September 2011
Risk	Detailed risk evaluations and monitoring is done by management and reviewed by the Board. The risk management policy still needs to be completed and approved.	November 2011
IT Governance	The IT function is outsourced and the IT governance and policies are in process to be completed among the different stakeholders. A disaster recovery plan is in place.	November 2011
Compliance to laws, rules codes and standards	The principal laws to comply with are the Auditing Profession Act and PFMA, where there are full compliance. A compliance framework is in the process of being completed.	November 2011
Internal audit	Full compliance. The internal audit function is outsourced. Internal audit follows a risk based approach and reports back to the audit and risk management committee on a quarterly basis.	
Governing stakeholder relationships	Compliance except for a formal dispute resolution process for internal and external disputes.	December 2011
Integrated reporting and disclosure	No officially defined integrated report in place, although the annual report does take into account its various stakeholders. The process to develop a full integrated report will commence to report on this basis in future.	September 2011

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Members	Meetings attended
Prof A Dempsey (Chairman)	6 of 6
Prof SP Kana	6 of 6
PR Mnisi	5 of 6

Patrick Mnisi, Suresh Kana and Amanda Dempsey

We are pleased to present our report for the financial year ended 31 March 2011. The committee held six meetings during the reporting period.

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

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

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

Committee Responsibility

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

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

Effectiveness of Internal Control

The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent.

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

The committee is satisfied with the expertise and adequacy of resources within the Operations Department, which is responsible for the finance function of the IRBA. The committee relies on feedback obtained from both external and internal audit to make these assessments.

Risk Management

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

The committee is satisfied with the effectiveness of the risk management process.

The quality of quarterly reports submitted in terms of the PFMA

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

Evaluation of Financial Statements

The committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management report and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed adjustments resulting from the audit.

The committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Internal audit

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

Auditor-General South Africa

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

Going Concern

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

Appreciation

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

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INDEPENDENT REGULATORY BOARD FOR AUDITORS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Independent Regulatory Board for Auditors, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting authority's report as set out on pages 44 to 75.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practice (SA Statements of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the SA Statements of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 77 to 80 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Compliance with laws and regulations

There were no findings concerning material non-compliance with applicable laws and regulations regarding financial matters, financial management and other related matters.

INTERNAL CONTROL

In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and/or findings on predetermined objectives and/or material non-compliance with laws and regulations.

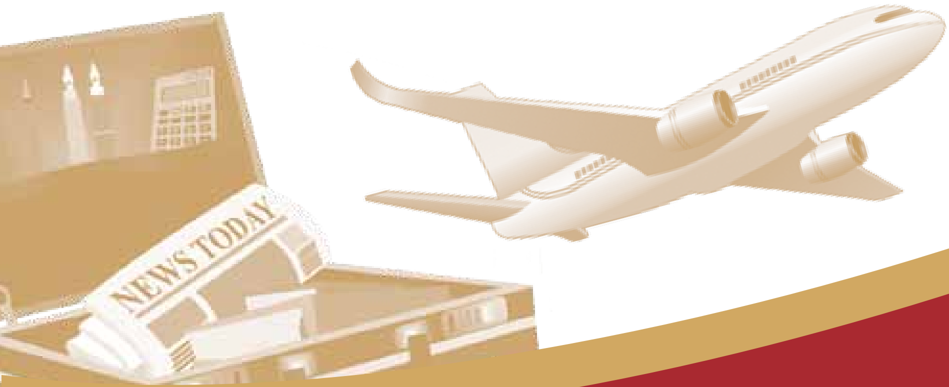
Auditor-General
Pretoria
27 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011



ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the IRBA as at the end of the reporting period and the results of its operations and cash flows for the period then ended, in conformity with Statements of Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

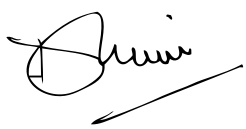
The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and places high importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the IRBA sets standards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

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

The Accounting Authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the IRBA has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements have been audited by the IRBA's external auditors and their report is presented on page 40.

The annual financial statements set out on pages 42 to 76 which have been prepared on the going concern basis, were approved by the Accounting Authority on 27 July 2011 and were signed on its behalf by:



DCM Gihwala
Chairman of the Board

REPORT OF THE ACCOUNTING AUTHORITY

1. Introduction

The Accounting Authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the period ended 31 March 2011, to the Minister of Finance, the Executive Authority in terms of section 55 (1)(d) of the Public Finance Management Act No. 1 of 1999 as amended (PFMA).

2. Principal Activities of the IRBA

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

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

3. Analysis of Financial Statements

3.1 Revenue

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

Revenue from Exchange Transactions

Revenue from exchange transactions is primarily comprised of license fees, examination fees, inspection fees, registration fees, and revenue derived from the administration of training contracts. During the year under review, the revenue from exchange transactions decreased to R37,7 million from R38,4 million. The inspection fees decreased to R15,7 million from R16,5 million due to a reduction in staff complement although the required inspections were still achieved. The income from training contracts decreased to R3 million from R5 million. There has been a steady decline in the number of trainee contracts registered over the past five years. This is coupled with SAICA's new trainee program allowing candidates to take electives other than audit and assurance. The number of students writing the PPE exam decreased and resulted in a decrease of examination income to R3,3 million from R4,3 million but a corresponding saving in costs was achieved.

Government Grants

During the year, the IRBA received government grants amounting to R29,2 million (2010: R22 million). Included is an amount of R6 million that was received to recover additional costs due to deregistration for VAT and the budgeted deficit. The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

3.2 Expenses

Operating expenses increased to R59,4 million from R58,9 million, representing an increase of only 1,6%. The employment cost increased by 7% as a result of an average salary increase and the filling of vacancies. The depreciation, amortisation and impairment costs decreased to R1,8 million from R2,7 million due to some impairment cost of software in the previous year. The committee expenses decreased to R2,1 million from R3,0 million due to a number of disciplinary hearings that were protracted due to numerous legal issues.

The other operating expenses decreased to R19,6 million from R21,4 million, which represents a decrease of 5,5%. When Treasury committed to provide the additional

R6 million, it was on the condition that the IRBA saved costs of at least R2,5 million. The IRBA has over achieved on this, to ensure commitment to the cost saving approach by government entities.

3.3 Assets

Limited replacement was done for plant and equipment and the decrease in the net assets are therefore due to the depreciation for the year. The intangible assets increased due to the development cost of a new database and workflow process.

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

The cash balance increased to R13,5 million from R5,3 million mainly due to the savings in cost in the year under review. The savings and certain costs that will be incurred in the 2011/12 financial year, enabled the IRBA to have a positive operating cash balance at the end of March 2011 of R2,3 million, after providing cash for the Education Fund and Disciplinary Fund Reserves. It is of critical importance for the IRBA to retain the cash and maintain sufficient funds to ensure that the IRBA can remain solvent, has a provision to cover unexpected expenses in addition to normal expenses, and to adequately represent the Education Fund and Disciplinary Fund Reserves in terms of Generally Recognised Accounting Practice (GRAP).

3.4 Liabilities

Non-current liabilities include the operating lease incentive and equalisation of R3,2 million, which represents an amount received from the landlord for leasehold improvements to be amortised over the lease, as well as accounting for lease instalments on the straight line basis.

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

3.5 Surplus

The surplus of R9,1 million (2010: surplus of R8,6 million) arose mainly due to the savings in the year and certain costs that were delayed.

3.6 Reserves

Reserves include three funds: the Disciplinary Fund, Education Fund and Trust Fund. The Disciplinary Fund was established to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs. The Education Fund was established to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors. The trust fund was established as prescribed by the Minister of Finance consisting of R10 million representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non current assets.

3.7 Budget

The PFMA states the following in Chapter 6: Public Entities, Section 53 (d):

"A public entity which must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained."

The budget approved by the Board for 2010/11 results in a deficit of R10 million. This budget would ensure the IRBA will be in a position to deliver on its mandate as required by the Auditing Profession Act (Act No 26 of 2005). Subsequent funding was allocated by National Treasury with the commitment by the IRBA to save cost of R2,5 million and reduce the amount for legal cost that will be requested from National Treasury if unavoidable and required. The above ensured that the IRBA arrived at a break-even budget.

3.8 Reconciliation of Budget Surplus to the Statement of Financial Performance

The under spending of expenditure did not have any negative impact on the IRBA delivering on its mandate. The under spending of R7,1 million is mainly due to the following (also refer to note 32):

- Legal costs and relevant Disciplinary Committee costs of R2,1 million was not spent due to a number of hearings that have not taken place due to protracted legal processes.

- The ACCA withdrew their application for accreditation and the budgeted cost of R576K for the accreditation committee and monitoring task force were not required.
- The implementation of the new workflow process was delayed and the maintenance costs and amortisation of R636k was not incurred.
- The under spending in employment cost of R1,9 million represents vacant temporary positions, a reduction in bonuses paid and the appointment of consultants in the Standards Department that was delayed.
- Based on the cost saving request from National Treasury the IRBA has over achieved in savings wherever possible.

4. Ministerial representative

SF Nomvalo

5. Members of the Board

				New board members	Meetings attended
DCM	Gihwala (Chairman)	1/4/07 – 31/3/11			4 of 5
LER	De Vries (Deputy Chairman)	1/4/07 – 31/3/11			5 of 5
WP	Du Plessis	1/4/06 – 31/3/11			5 of 5
T	Fubu	1/4/09 – 31/3/11			4 of 5
PR	Mnisi	1/4/09 – 31/3/11			5 of 5
DD	Nagar	1/4/06 – 31/3/11			4 of 5
TS	Zakuza	1/4/06 – 31/3/11			4 of 5
WHG	van der Linde (Chairman)			1/4/11 – 31/3/13	
SP	Kana (Deputy Chairman)		1/4/09 – 31/3/13		5 of 5
A	Dempsey		1/4/09 – 31/3/13		5 of 5
NNN	Radebe		1/4/09 – 31/3/13		2 of 5
LJ	Lekale			1/4/11 – 31/3/13	
LY	Majova			1/4/11 – 31/3/13	
C	Mbili			1/4/11 – 31/3/13	
MI	Khan			1/4/11 – 31/3/13	
YGH	Suleman			1/4/11 – 31/3/13	
F	Timmins			1/4/11 – 31/3/13	

6. Business and registered address

Physical address
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

Postal address
IRBA
PO Box 8237
GREENSTONE
1616

DOCEX: DX008 Edenvale

7. Auditors

The Auditor-General of South Africa.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Notes	2011 R	2010 R
Assets			
Non-Current Assets			
Plant and equipment	3	**5,364,351**	6,931,830
Intangible assets	4	**3,357,663**	501,067
		8,722,014	7,432,897
Restricted cash	7	**10,000,000**	10,000,000
		18,722,014	17,432,897
Current Assets			
Inventories	8	**131,561**	128,946
Loans receivable	9	**160,627**	120,856
Trade and other receivables	10	**4,499,919**	4,231,802
Cash and cash equivalents	11	**13,542,647**	5,307,442
		18,334,754	9,789,046
Non-Current Assets held for Sale	12	**69,927**	-
Total Assets		**37,126,695**	27,221,943
Net Assets and Liabilities			
Net Assets			
Reserves		**19,658,489**	17,898,124
Accumulated surplus		**9,222,626**	1,877,774
		28,881,115	19,775,898
Liabilities			
Non-Current Liabilities			
Finance lease obligation	13	**-**	651,504
Operating lease incentive and equalisation	6	**3,214,164**	2,994,718
		3,214,164	3,646,222
Current Liabilities			
Finance lease obligation	13	**343,897**	89,994
Trade and other payables from exchange transactions	14	**4,687,519**	3,709,829
		5,031,416	3,799,823
Total Liabilities		**8,245,580**	7,446,045
Total Net Assets and Liabilities		**37,126,695**	27,221,943

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Revenue	16	**67,311,095**	60,673,847
Gain on disposal of assets		**-**	14,418
Operating expenses		**(59,421,974)**	(58,985,838)
Operating Surplus	17	**7,889,121**	1,702,427
Investment revenue		**1,309,499**	714,546
Gain on non current assets held for sale	31	**-**	6,359,162
Borrowing costs	19	**(93,403)**	(144,322)
Surplus for the Period		**9,105,217**	8,631,813

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2011

	Trust fund R	Education fund R	Disciplinary fund R	Total reserves R	Accumulated surplus R	Total net assets R
Balance at 01 April 2009	**-**	**1,150,745**	**5,975,151**	**7,125,896**	**4,018,189**	**11,144,085**
Surplus for the period	-	-	-	-	8,631,813	8,631,813
Transfer to disciplinary fund	-	-	765,000	765,000	(765,000)	-
Transfer to education fund	-	7,228	-	7,228	(7,228)	-
Transfer to trust fund consisting of:	10,000,000			10,000,000	(10,000,000)	-
• Profit on sale of Land and Building	6,359,162	-	-	6,359,162	(6,359,162)	-
• Book value of Land and Building sold	3,640,838	-	-	3,640,838	(3,640,838)	-
Balance at 01 April 2010	**10,000,000**	**1,157,973**	**6,740,151**	**17,898,124**	**1,877,774**	**19,775,898**
Surplus for the period	-	-	-	-	9,105,217	9,105,217
Transfer to education fund	-	955,365	-	955,365	(955,365)	-
Transfer to disciplinary fund	-	-	805,000	805,000	(805,000)	-
Balance at 31 March 2011	**10,000,000**	**2,113,338**	**7,545,151**	**19,658,489**	**9,222,626**	**28,881,115**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Cash Flows from Operating Activities			
Receipts			
Cash receipts from registered auditors and other sources		**67,042,978**	62,541,957
Interest income		**1,309,499**	714,546
		68,352,477	63,256,503
Payments			
Cash paid to suppliers and employees		**(56,355,829)**	(58,913,704)
Net Cash Flows from Operating Activities	22	**11,996,648**	4,342,799
Cash Flows from Investing Activities			
Purchase of plant and equipment	3	**(363,660)**	(458,233)
Proceeds from sale of plant and equipment	3	**24,074**	45,481
Purchase / development of intangible assets	4	**(2,891,082)**	(47,620)
Proceeds from sale of intangible assets	4	**-**	1,150
Proceeds from sale of non-current assets held for sale		**-**	10,000,000
Net cash flows from investing activities		**(3,230,668)**	9,540,778
Cash Flows from Financing Activities			
Movement in loans receivable		**(39,771)**	52,720
Finance lease payments		**(491,004)**	(182,048)
Increase in non-current financial instrument		**-**	(10,000,000)
Net Cash Flows from Financing Activities		**(530,775)**	(10,129,328)
Net Increase in Cash and Cash Equivalents		**8,235,205**	3,754,249
Cash and cash equivalents at the beginning of the period		**5,307,442**	1,553,193
Cash and Cash Equivalents at the end of the Period	11	**13,542,647**	5,307,442

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act no. 29 of 1999).

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

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

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared on the assumption that the IRBA will continue to operate as a going concern for at least the next 12 months.

1.2 Comparative information

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

1.3 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

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

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Useful lives and residual values

The IRBA reassesses the useful lives and residual values of plant and equipment on an annual basis. In reassessing the useful lives and residual values of plant and equipment, management considers the condition and use of the individual assets to determine the remaining period over which the asset can and will be used.

Effective interest rate and deferred payment terms

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

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

1.4 Plant and Equipment

Plant and equipment are tangible non-current assets that are held for use in the supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

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

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

Plant and equipment is initially measured at cost.

The cost of an item of plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

The initial estimate of the costs, if any, of dismantling and removing the item and restoring the site on which it is located is also included in the cost of plant and equipment, where the IRBA is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial measurement plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequent to initial measurement, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

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Depreciation commences when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate in the statement of financial performance.

Items of plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in the surplus or deficit when the item is derecognised.

Compensation from third parties for an item of plant and equipment that was impaired, lost or given up is recognised in the surplus or deficit when the compensation becomes receivable.

1.5 Intangible Assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the IRBA and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the IRBA or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the IRBA; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their expected useful lives to their estimated residual value.

The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate in the statement of financial performance.

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

Amortisation commences when the asset is ready for its intended use. The annual amortisation rates are based on the following estimated average asset lives:

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

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the IRBA becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

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

Impairment of financial assets

At each end of the reporting period the IRBA assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

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

Impairment losses are recognised in the surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Derecognition
A financial asset is derecognised only when:

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

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

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

Trade and other Receivables
Trade receivables are measured at initial recognition at fair value, plus direct transaction cost, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other Payables and Borrowings
Trade payables are initially measured at fair value, less direct transaction cost, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities at amortised cost.

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

Cash and cash equivalents are classified as loans and receivables.

Loans Receivable
These financial assets are classified as loans and receivables.

1.7 Leases

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

Finance leases

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

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

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

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight line basis over the lease term.

Any contingent rent is recognised separately as an expense when paid or payable and is not straight lined over the lease term.

1.8 Inventories

Inventories, consisting of stationery, comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal cost, then their costs are their fair value as at the date of acquisition. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the IRBA incurs to acquire the asset on the reporting date.

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

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

If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-Current Assets held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of Cash-Generating Assets

Cash generating assets are those assets held by the IRBA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Identification

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

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the IRBA also tests a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the IRBA estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the IRBA applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The IRBA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash generating asset may no longer exist or may have decreased. If any such indication exists, the IRBA estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of Non-Cash Generating Assets

Cash generating assets are those assets held by the IRBA with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non cash generating assets are assets other than cash generating assets.

Identification

The IRBA assesses at each reporting date whether there is any indication that a non-cash generating asset may be impaired. If any such indication exists, the IRBA estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the IRBA also tests a non-cash generating intangible asset with an indefinite useful life or a non-cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the Depreciated Replacement Cost approach, whereby the present value of the remaining service potential of a non-cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the IRBA would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The IRBA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non cash generating asset may no longer exist or may have decreased. If any such indication exists, the IRBA estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee Benefits

Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

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

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

Retirement benefits

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

1.13 Provisions and Contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed (in note 24), unless the possibility of an inflow/outflow of resources embodying economic benefits is remote.

1.14 Revenue from Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

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

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

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

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

1.15 Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As IRBA satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by IRBA.

When, as a result of a non exchange transaction, IRBA recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

1.16 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that IRBA has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognised.

1.17 Interest Income

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

1.18 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Cash Funded Reserves

In order to provide for sufficient cash resources for possible future expenditure for disciplinary, education expenses and the Trust Fund, the following reserves have been established:

Disciplinary fund

The aim of this fund is to ensure that sufficient cash resources are available to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs which may result in the future. Disciplinary fines levied during the year are transferred to the disciplinary fund at the end of each reporting period.

Education fund

The aim of this fund is to ensure that sufficient cash resources are available to fund education and training activities in support of previously disadvantaged persons in becoming registered auditors and to raise awareness of the auditing profession. Any surplus or deficit arising out of these activities is transferred to or out of this fund at the end of each reporting period.

Trust fund

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

1.20 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 29 of 1999).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA (Act) is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

(a) the Public Finance Management Act (Act No. 29 of 1999);
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) the IRBA's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and Wasteful Expenditure

Fruitless expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Budget information

The IRBA is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar authorisations.
A reconciliation between budget and actual information has been included in the notes to the annual financial statements and both are prepared on the same basis of accounting (Refer to note 32 - Reconciliation from budget to actual information).

1.24 Related Parties

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of IRBA, including those charged with the governance of the IRBA in accordance with legislation, in instances where they are required to perform such functions. IRBA regards all individuals at senior management as key management per the definition of the financial reporting standard.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

2. New standards and interpretations

2.1 Standards not applicable to the IRBA's operations

Standard	Summary and impact	Effective date
Amendment to IFRS 3(AC 140) Business Combinations	Amendments to accounting for business combinations.	APB Issue date: February 2008
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
Revised **IFRS 3(AC 140) Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. • Measurement of non-controlling interests. • Un-replaced and voluntarily replaced share-based payment awards.	IASB Issue date: August 2009 APB Issue date: N/A
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2010
*IFRIC 9(AC 442)	Reassessment of Embedded Derivatives.	APB Issue date: May 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
**IFRIC 13(AC 446)	Customer Loyalty Programmes (Fair value of award credit).	IASB Issue date: August 2009 APB Issue date: N/A
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 January 2011
IFRIC 14(AC 447)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Prepayments of a minimum funding requirement).	APB Issue date: January 2010
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 January 2011
IFRIC 17(AC 450)	Distributions of Non-cash Assets to Owners.	APB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009
IFRIC 18(AC 451)	Transfer of Assets from Customers.	APB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be not applicable.	Effective date: 1 July 2009

2.2 Standards and Interpretations issued, but not yet Effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2011 or later periods:

Standard	Summary and impact	Effective date
GRAP 18 - Segment Reporting	New standard of GRAP: Establishes principles for reporting financial information by segments.	ASB Issue date: March 2005
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 21: Impairment of Non cash generating Assets	New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	ASB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 23: Revenue from Non exchange Transactions	New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.	ASB Issue date: February 2008
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 24: Presentation of Budget Information in the Financial Statements	New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1.	ASB Issue date: November 2007
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 25: Employee Benefits	New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits.	ASB Issue date: November 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 26: Impairment of Cash generating Assets	New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	ASB Issue date: March 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 103: Heritage Assets	New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements.	APB Issue date: July 2008
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister

Standard	Summary and impact	Effective date
GRAP 104: Financial Instruments	New standard of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments.	ASB Issue date: October 2009
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 105: Transfer of Functions Between Entities Under Common Control	New standard of GRAP establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 106: Transfer of Functions Between Entities Not Under Common Control	New standard of GRAP establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister
GRAP 107: Mergers	New standard of GRAP establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.	ASB Issue date: November 2010
	The impact on the financial results and disclosure is considered to be minimal.	Effective date: To be determined by the Minister

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

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

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

** The IRBA expects to adopt the improvements for the first time in the 2012 annual financial statements. It is unlikely that the improvements will have a material impact on the IRBA's annual financial statements.

***** Improvements to the interpretations**

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

- IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3: Determining Whether an Arrangement Contains a Lease
- IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5: Applying the Restatement Approach Under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6: Loyalty Programmes
- IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9: Distributions of Non cash Assets to Owners
- IGRAP 10: Assets Received from Customers
- IGRAP 13: Operating Leases Incentives
- IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15: Revenue Barter Transactions Involving Advertising Services

*** The IRBA expects to adopt the interpretations for the first time in the 2012 annual financial statements. It is unlikely that the interpretations will have a material impact on IRBA's annual financial statements.

3. Plant and Equipment	2011 Cost	2011 Accumulated depreciation	2011 Carrying value	2010 Cost	2010 Accumulated depreciation	2010 Carrying value
Furniture and fixtures	**1,399,873**	**(340,410)**	**1,059,463**	1,471,649	(225,710)	1,245,939
Motor vehicles	**204,761**	**(153,418)**	**51,343**	228,796	(122,700)	106,096
Equipment held under finance lease	**1,117,582**	**(829,910)**	**287,672**	1,117,582	(446,347)	671,235
Computer equipment	**2,015,684**	**(1,444,938)**	**570,746**	1,940,662	(1,129,826)	810,836
Leasehold improvements	**4,901,826**	**(1,506,699)**	**3,395,127**	4,901,826	(804,102)	4,097,724
Total	**9,639,726**	**(4,275,375)**	**5,364,351**	9,660,515	(2,728,685)	6,931,830

Reconciliation of Plant and Equipment: 2011	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Total
Furniture and fixtures	**1,245,939**	**41,060**	**(25,635)**	**(58,469)**	**(143,432)**	**1,059,463**
Motor vehicles	**106,096**	**-**	**-**	**(11,458)**	**(43,295)**	**51,343**
Equipment held under finance lease	**671,235**	**-**	**-**	**-**	**(383,563)**	**287,672**
Computer equipment	**810,836**	**322,600**	**(17,846)**	**-**	**(544,844)**	**570,746**
Leasehold improvements	**4,097,724**	**-**	**-**	**-**	**(702,597)**	**3,395,127**
	6,931,830	**363,660**	**(43,481)**	**(69,927)**	**(1,817,731)**	**5,364,351**

Reconciliation of Plant and Equipment: 2010						
Furniture and fixtures	1,354,662	52,734	(18,504)	-	(142,953)	1,245,939
Motor vehicles	149,391	-	-	-	(43,295)	106,096
Equipment held under finance lease	755,749	283,413	-	-	(367,927)	671,235
Computer equipment	1,369,993	65,018	(12,559)	-	(611,616)	810,836
Leasehold improvements	4,735,779	57,068	-	-	(695,123)	4,097,724
	8,365,574	458,233	(31,063)	-	(1,860,914)	6,931,830

	2011 R	2010 R
Assets subject to Finance Lease (Net carrying amount)		
Equipment held under finance lease	**287,672**	671,235

4. Intangible Assets	2011 Cost	2011 Accumulated amortisation and accumulated impairment	2011 Carrying value	2010 Cost	2010 Accumulated amortisation and accumulated impairment	2010 Carrying value
	3,621,933	**(264,270)**	**3,357,663**	730,850	(229,783)	501,067

Reconciliation of Intangible Assets: 2011	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software and development cost	**501,067**	**2,891,083**	**-**	**(34,487)**	**-**	**3,357,663**

Reconciliation of Intangible Assets: 2010						
Computer software and development cost	1,309,651	47,620	(1,150)	(48,582)	(806,472)	501,067

Other information
Computer software includes the licence and development cost of a workflow software programme that will support the IRBA's statutory and operational processes.

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

5. Financial Assets by Category	2011 R	2010 R

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

Trade and other receivables from exchange transactions	**4,499,919**	4,231,802
Loans receivable	**160,627**	120,856
Cash and cash equivalents	**13,542,647**	5,307,442
	18,203,193	9,660,100

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

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

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

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

6. Operating Lease and Equalisation	2011 R	2010 R
Total lessor incentive	**1,522,393**	1,873,728
Less: Current liabilities	**(351,321)**	(351,321)
Lessor incentive	**1,171,072**	1,522,407
Operating lease accrual	**2,043,092**	1,472,311
	3,214,164	2,994,718

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

7. Restricted Cash

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

8. Inventories

Stationery	**131,561**	128,946

9. Loans Receivable

At beginning of the period (High Credit Grade)	**120,856**	173,576
Advances	**39,771**	-
Repayments	**-**	(52,720)
	160,627	120,856

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

10. Trade and other Receivables from Exchange Transactions

Inspections	**3,720,264**	3,268,694
Prepaid expenses	**170,464**	-
Fines, penalties and legal cost recoveries outstanding	**466,545**	329,088
Sundry	**385,098**	792,869
Less: Impairment provision	**(242,452)**	(158,849)
	4,499,919	4,231,802

Trade and other receivables pledged as security

The IRBA does not hold any collateral as security.

Fair value of trade and other receivables

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

Trade and other receivables past due but not impaired

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

1 month past due - 30 days (High Credit Grade)	**956,602**	546,855

10. Trade and other Receivables from Exchange Transactions (continued)

	2011 R	2010 R
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**(158,849)**	(344,276)
(Increase) / Release of provision for impairment	**(83,603)**	185,427
	(242,452)	(158,849)

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above.

11. Cash and Cash Equivalents

	2011 R	2010 R
Cash and cash equivalents are all of high credit grade and consist of:		
Cash on hand	**4,790**	97
Bank balances	**2,994,592**	4,422,569
Cash funded reserves	**9,658,489**	-
12 Month Term Deposit	**884,776**	884,776
	13,542,647	5,307,442

The cash and cash equivalents held by the IRBA may only be used in accordance with its mandate.

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

Cash funded reserves
In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Education fund R2,113,338 and Disciplinary fund R7,545,151.

12 Month Term Deposit
An amount of R884,776 (2010: R884,776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

12. Non-Current Assets held for Sale

The non-current assets are to be sold piecemeal. The decision was taken by management to dispose of new and used canteen assets.

The disposal is expected to be completed by 31 December 2011.

	2011 R	2010 R
Assets and liabilities		
Non current assets held for sale		
Plant and equipment	**69,927**	-

13. Finance Lease Obligation

	2011 R	2010 R
Minimum lease payments due		
- within one year	**367,922**	490,563
- in second to fifth year inclusive	**-**	367,922
less: future finance charges	**(24,025)**	(116,987)
Present value of minimum lease payments	**343,897**	741,498
Present value of minimum lease payments due		
- within one year	**343,897**	89,994
- in second to fifth year inclusive	**-**	651,504
	343,897	741,498
Non-current liabilities	**-**	651,504
Current liabilities	**343,897**	89,994
	343,897	741,498

The average lease term was 5 years and the average rate implicit in the lease was 13% (2010: 13%).

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

14. Trade and other Payables from Exchange Transactions

Trade payables	**1,661,928**	815,252
Accrual for leave pay	**842,081**	950,995
Operating lease incentive and equalisation	**351,321**	351,321
Other accruals	**1,832,188**	1,592,261
	4,687,519	3,709,829

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

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

15. Financial Liabilities by Category

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

Trade and other payables	**4,687,519**	3,709,829

16. Revenue

	2011 R	2010 R
Rendering of services	**37,823,809**	38,406,731
Government grants	**29,296,000**	22,018,000
Other income	**191,286**	249,116
	67,311,095	60,673,847

The amount included in rendering of services arising from exchanges of goods or services are as follows:

	2011 R	2010 R
Disciplinary expense contributions	**35,000**	407,220
Disciplinary fines	**805,000**	765,000
Examination fees	**3,284,833**	4,297,781
Inspection fees	**15,717,595**	16,550,108
Licence fees	**11,265,980**	9,600,542
Monitoring fees	**302,500**	275,000
Proficiency test fees	**19,200**	-
Registration fees	**1,385,962**	957,166
Road show fees	**582,128**	-
Support programme	**1,202,632**	539,048
Training contracts and levies	**3,222,979**	5,014,866
	37,823,809	38,406,731

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

	2011 R	2010 R
Government grants	**29,296,000**	22,018,000

17. Operating Surplus

Operating surplus for the period is stated after accounting for the following:

	2011 R	2010 R
Operating lease charges		
Building		
- Lease rentals on operating lease	**4,295,890**	4,049,366
(Loss) / gain on sale of assets	**(19,407)**	14,418
Gain on sale of non-current assets held for sale	**-**	(6,359,162)
Amortisation and impairment of intangible assets	**34,487**	855,054
Depreciation on plant and equipment	**1,817,731**	1,860,914
Employee costs	**33,688,398**	31,435,189

18. Bad Debts

	2011 R	2010 R
Bad debts	**121,700**	230,487

19. Borrowing Costs

	2011 R	2010 R
Finance leases	**93,403**	144,322

20. Taxation	**2011 R**	**2010 R**

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

21. Auditors' Remuneration

Auditor's remuneration – internal	**600,192**	595,375
Auditor's remuneration – external	**715,133**	924,906
	1,315,325	1,520,281

22. Cash Generated from Operations

Net surplus	**9,105,217**	8,631,813
Adjustments for:		
Depreciation, amortisation and impairment	**1,852,221**	2,715,970
Loss / (profit) on sale of assets and liabilities	**19,407**	(14,418)
Profit on sale of non-current assets	**-**	(6,359,162)
Finance costs - Finance leases	**93,403**	144,322
Bad debts	**121,700**	230,487
Movements in operating lease	**219,446**	486,916
Changes in working capital:		
Inventories	**(2,615)**	(128,946)
Trade and other receivables from exchange transactions	**(268,117)**	503,572
Impairment provision	**(121,700)**	(230,487)
Other receivables	**-**	1,364,538
Trade and other payables from exchange transactions	**977,686**	(3,001,806)
	11,996,648	4,342,799

23. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
within one year	**4,435,171**	4,076,444
in second to fifth year inclusive	**17,745,838**	22,181,009
	22,181,009	26,257,453

24. Contingencies

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. Approval has been obtained from National Treasury to retain prior year surplus funds. The current total accumulated funds as at 31 March 2011 is R9,222,626.

25. Related Parties

Relationships

Members of key management	Refer to note 26 for the disclosure of Key Management's and Board Members' remuneration

26. Key Management's and Board Members' Remuneration

Key management

2011	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	**1,664,343**	**210,000**	**268,882**	**7,000**	**2,150,225**
L Katzin, Director: Education, Training and Professional Development	**870,127**	**76,000**	**141,804**	**9,000**	**1,096,931**
PJ O'Connor, Director: Legal	**895,854**	**76,000**	**197,236**	**9,000**	**1,178,090**
P van Helden, Director: Inspections	**1,038,613**	**76,000**	**167,457**	**5,250**	**1,287,320**
SD van Esch, Director: Standards	**1,137,090**	**76,000**	**184,748**	**9,000**	**1,406,838**
WH de Jager, Director: Operations	**1,136,430**	**76,000**	**184,748**	**9,000**	**1,406,178**
	6,742,457	**590,000**	**1,144,875**	**48,250**	**8,525,582**

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

Board members' fees	2011 R	2010 R
DCM Gihwala	**43,335**	65,340
LER de Vries	**56,177**	57,210
SP Kana	**38,328**	29,045
A Dempsey	**53,810**	45,168
DD Nagar	**29,964**	23,978
NNN Radebe	**13,376**	24,538
P Mnisi	**40,128**	15,960
TS Zakuza	**41,197**	54,271
WP du Plessis	**105,823**	107,233
	422,138	422,743

27 Reclassification of Comparative Figures

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

28. Risk Management

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

Liquidity risk

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

Financial instrument	Current interest	Due in less than a year	Due in two to five years
Trade and other payables – extended credit terms	- %	4,687,519	-

Interest rate risk

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

Credit risk

Financial assets, which potentially subject the IRBA to the risk of non performance by counter parties consist mainly of cash, trade and other receivables and loans receivable.

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

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

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

Operational risk

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

Currency risk

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

Market risk

A sensitivity analysis has not been performed due to the fact that market risk presents a low risk to the IRBA.

	2011 R	2010 R
29. Going Concern		

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

30. Events after the Reporting Date

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

31. Gain on Non-Current Assets held for Sale

Approval was received from the Minister of Finance to sell the land and building at stand 201 Bruma Township for R10,000,000. The funds from the sale are held in trust and the interest income is used for the development of previously disadvantaged students who aspire to be registered auditors, and to raise awareness of the auditing profession. The carrying amount of these assets was R3,640,838 in 2009.

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

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

32. Reconciliation of Budget Surplus/(deficit) to the Statement of Financial Performance

	2011 R	2010 R
Deficit as per approved Board budget	**(9,674,840)**	-
Additional funding from National Treasury	**6,000,000**	-
Required cost saving on expenditure by National Treasury	**2,500,000**	-
Required cost saving on legal costs by National Treasury	**1,700,000**	-
Surplus as approved budget by National Treasury	**525,160**	-
Over-recovery of income	**1,445,971**	1,872,811
Gains on non-current assets held for sale	**-**	6,359,162
Under spending of expenditure	**7,134,086**	399,840
Surplus per financial statements	**9,105,217**	8,631,813

The IRBA initially submitted a budget to National Treasury with a deficit of R9,674,840 to enable the IRBA to continue delivering on its mandate as required by the Auditing Profession Act, Act No. 26 of 2005. Subsequent funding was allocated by National Treasury with the commitment by the IRBA to save cost of R2,500,000 million and reduce the amount for Legal cost with R1,700,000 that will be requested from National Treasury if non-avoidable and required. The above resulted in the final budget of the IRBA reflecting a surplus of R525,160.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Revenue			
Rendering of services		**37,823,809**	38,406,731
Government grants & subsidies		**29,296,000**	22,018,000
Other income		**191,286**	249,116
		67,311,095	60,673,847
Other Income			
Interest received		**1,309,499**	714,546
Gain on disposal of assets		**-**	14,418
Gains on non-current assets held for sale or disposal groups		**-**	6,359,162
		1,309,499	7,088,126
Operating Expenses			
Auditors remuneration		**1,315,325**	1,520,281
Bad debts		**121,700**	230,487
Building operating expenses		**642,333**	768,476
Committee expenses		**2,152,639**	3,070,094
Computer expenses		**1,480,902**	756,527
Consulting and professional fees		**337,824**	103,740
Depreciation, amortisation and impairments		**1,852,221**	2,715,968
Employee costs		**33,688,398**	31,435,189
Examination expense		**2,892,312**	3,194,936
Insurance		**205,820**	170,690
Lease of building		**4,295,890**	4,049,366
Legal fees		**3,204,963**	2,834,096
Loss on disposal of assets		**19,407**	-
Other expenses		**1,499,525**	1,738,406
Placement fees		**182,090**	662,189
Printing and stationery		**450,666**	467,769
Proficiency test		**32,208**	65,356
Public relations		**831,908**	869,887
Publications		**632,856**	756,732
Staff welfare		**682,338**	558,408
Support programmes and education fund expenses		**868,140**	826,158
Travel – local		**1,743,261**	1,735,668
Travel – overseas		**281,968**	391,296
Workman compensation		**7,280**	64,119
		(59,421,974)	(58,985,838)
Operating Surplus		**9,198,620**	8,776,135
Finance costs		**(93,403)**	(144,322)
Surplus for the Period		**9,105,217**	8,631,813

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

The following summarises the activities planned for 2010/11, the planned timeframes and actual delivery.

Measurable objective	Output	Outcomes	Measurable Indicator	Comments
STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS AND REPORTABLE IRREGULARITIES				
PROGRAMME	**Developing and maintaining auditing and ethics standards which are internationally comparable**			
To adopt , develop and issue new audit guidance to ensure guidance remains relevant and actively addresses gaps	Issued auditing pronouncements and comments submitted timeously	To provide auditors with guidance to perform high quality audits	80% adherence to target dates set in CFAS Project Timetable adjusted on a quarterly basis	Achieved
Revise and issue the revised Code of Professional Conduct	Issued Revised Code of Professional Conduct	To provide auditors with a Code consistent with International Codes and enable IRBA to take Disciplinary action where necessary	Target date for issuing of revised code of conduct June 2010	Achieved
To develop and Issue additional guidance on ethical issues	Issued additional guidance on ethical issues		80% adherence to target dates set in CFAE work programme adjusted on a quarterly basis	Not yet applicable CFAE Work Programme not yet established.
To process reportable irregularities reports received from registered auditors timeously	Closed reportable irregularities file	To comply with the AP Act.	40 days from receipt of initial reportable irregularities report	Not achieved 71% of RI Files were closed within 40 days. 29% of RI Files were closed after 40 days. Resource constraints during the year gave rise to backlog – necessitated change of staff and improved internal controls over RI process.

STRATEGIC FOCUS AREA 2: PROGRAMME EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT				
PROGRAMME	**Providing an appropriate framework for the education and training of properly qualified auditors as well as their on-going competence**			
To determine and implement competencies requirements for auditors	Published Competency requirements	To ensure only competent auditors enter the profession	Date competencies requirements completed 30 June 2010	Achieved The EDCOM confirmed the competency requirements for auditors, as defined in the Accreditation Model and Curriculum Framework, at a meeting held on 19 May 2010.
	Implemented competence requirements		Date competency requirements implemented 31 January 2011	Not yet applicable The current Accreditation Model is still valid. Changes to the Accreditation Model as a result of the New Delivery Model will only be effective from 2014.
To ensure that only competent candidates enter the audit profession	Assessment tool – The Public Practice Examination	To ensure only competent auditors enter the profession	100% adherence to dates in assessment programme	Achieved The 2010 PPE was set, presented and marked in accordance with the assessment work flow programme.

Measurable objective	Output	Outcomes	Measurable Indicator	Comments
STRATEGIC FOCUS AREA 2: PROGRAMME EDUCATION, TRAINING AND PROFESSIONAL DEVELOPMENT				
PROGRAMME	**Providing an appropriate framework for the education and training of properly qualified auditors as well as their ongoing competence (continued)**			
To monitor the programmes and institutional requirements of accredited professional bodies	Monitoring reports	To ensure compliance with the Accreditation Model	Date on which Final Monitoring Reports are issued Academic programme – 31 July 2010	Achieved The SAICA Draft Monitoring Report for the Academic Programme was issued on 1 June 2010. SAICA's response was received on 1 July 2010 and the Final Monitoring Report was issued on 17 September 2010. The delay in reporting was due to the Monitoring Committee not being able to meet in July 2010.
			Core Assessment programme 31 May 2010	Achieved SAICA submitted the Self Evaluation Report for the 2010 Core Assessment Programme on 30 June 2010. The SAICA Draft Monitoring Report was issued on 17 September 2010. SAICA responded to the Draft Monitoring Report on 17 November 2010 and the IRBA issued the Final Monitoring Report on 17 December 2010.
			Education programme – 31 July 2010	Achieved The SAICA Draft Monitoring Report for the Education Programme was issued on 1 June 2010. SAICA's response was received on 12 August 2010 and the Final Monitoring Report was issued on 17 September 2010. The delay in reporting was due to the Monitoring Committee not being able to meet in July 2010.
			Training programme- 31 July 2010	Achieved The SAICA Draft Monitoring Report for the Training Programme was sent on 1 June 2010. SAICA responded on 12 August 2010 and the Final Monitoring report was issued on 17 September 2010. The delay in reporting was due to the Monitoring Committee not being able to meet in July 2010.
			Institutional Requirements – 31 July 2010	Achieved The SAICA Draft Monitoring Report was sent on 2 June 2010. SAICA responded on 2 July 2010 and the Final Monitoring Report was issued on 17 September 2010. The delay in reporting was due to the Monitoring Committee not being able to meet in July 2010.
To register and approve training contracts	Approval and registration of training contracts	To ensure that all registered training contracts are in the office of an RA	Approved – response within 24 hours of receipt	Achieved All eligible contracts are approved within 24 hours.
To register and approve training contracts	Approval and registration of training contracts	To ensure that all registered training contracts are in the office of an RA	Register training contracts – (only if approved) Within one calendar month of being processed through the professional body.	Partially achieved Registered training contracts are recorded on the IRBA's database on a monthly basis. Delays have been experienced with the monthly data being recorded on the IRBA's website due to problems with SAICA's data base and their ability to provide accurate information on a timeous basis. The problem is being addressed.
Support the transformation initiatives of the IRBA	Support Programme that meets the needs of repeat black candidates	Increased number of potential black RAs in the market	Provide a Support programme for black repeat candidates on an annual basis June - November 2010	Achieved The Support programme was launched on 29 May 2010 and was hosted in Johannesburg, Cape Town, Durban and Pretoria. The 2010 Support Programme received funding through Fasset. The Programme was delivered in terms of the work schedule.

(continued...)

Measurable objective	Output	Outcomes	Measurable Indicator	Comments
STRATEGIC FOCUS AREA 3: REGISTRATION				
PROGRAMME	**Registration of auditors who meet the registration requirements**			
THIS FUNCTION WAS TRANSFERRED TO THE LEGAL DEPARTMENT				
To ensure adherence to registration policies and procedures	Annual re-registration of auditors that met registration requirements	To maintain the integrity of the register of auditors	By set registration deadline date 30 June	Not achieved Those individuals who did not pay their annual fees were lapsed in September 2010. The reason for the delay was a staff change of the Manager of the department and a re-organisation of the policies and procedures within the department in order to be more efficient in the future.

STRATEGIC FOCUS AREA 4: INSPECTIONS				
PROGRAMME	**Monitor registered auditors' compliance with professional standards**			
To inspect and review the work of registered auditors on a regular basis	Review reports	Auditors who comply with the auditing and ethics standards	Number of reviews completed in accordance with the review plan 100% adherence to review plan	Achieved Firm reviews performed = 22 (planned = 22) Engagement reviews performed = 658 (planned 600)
To supervise registered auditors who are accountable institutions in terms of FICA	A list of all registered auditors who are accountable institutions	IRBA To perform its duties as a supervisory body in terms of FICA	List of accountable institutions Reviewed and updated by 30 August	Partially achieved The list of accountable institutions still requires to be finalised. Guide to Auditors completed and has been issued to RAs in Jan 2011. Preliminary visits to 17 audit firms performed to raise awareness of increased duties of RAs with regard to FICA and reports finalised and issued.

STRATEGIC FOCUS AREA 5: LEGAL				
PROGRAMME	**To investigate and take appropriate action against registered auditors in respect of improper conduct**			
To finalise all complaints received timeously	Closed case files	Fair and appropriate outcome of investigations	80% of complaints closed within one year of receipt of complaint (excluding matters referred to disciplinary hearings)	Not achieved 66% was achieved. The increasing complexity of the cases which are prosecuted made this an unrealistic target. The target has been adjusted appropriately for the future.
To publish matters prescribed in terms of Auditing Profession Act	Notice as published	Informed public	Publication within two weeks of receipt of final, written and correct instruction 90% adherence	Achieved

STRATEGIC FOCUS AREA 6: STAKEHOLDER RELATIONSHIPS				
To collaborate and build relationships with critical stakeholders	Approved Stakeholder relationship strategy and Communication Plan completed and implemented	Informed and improved cooperation with stakeholders	Date of approval and revision of Stakeholder relationship Strategy April 2010	Not achieved Current strategy still used as no major changes in stakeholders. Strategy to be revised in next financial year.
			Date of approval of revised Communication plan June 2010	Not achieved Public relations consultants no longer used, thereby cutting costs. Communication strategy now developed in-house and implemented from the second quarter onwards. Current strategy still used.
			Implementation of activities as per milestones in plan	Not yet applicable See above.

Measurable objective	Output	Outcomes	Measurable Indicator	Comments
STRATEGIC FOCUS AREA 7: OPERATIONAL EFFECTIVENESS				
PROGRAMME	**Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks**			
To ensure a sustainable source of revenue to fund operations in accordance with the IRBA's mandate	Approved budget	Sufficient funds to deliver on mandate	Completed and approved zero based budget by 1 April	Achieved The budget was approved by the Board and submitted to Treasury on 1 April 2010.
	Recoverable (budget) hours billed		Number of recoverable (budget) hours billed 95% of recoverable (budget) hours	Achieved 112% of budget hours were billed
	Management accounts to indicate variance on expenses		5% deviation from budget vs. actual	Not achieved A positive variance of 15% was achieved due to request from National Treasury to save on cost.
To ensure that appropriate talent is recruited, developed and retained to support the execution of the IRBA mandate by developing and implementing recruitment, training and retention strategies	Approved recruitment strategy and the successful implementation thereof	Appropriate skilled and competent staff to execute the IRBA mandate	Approved recruitment strategy by 30 June 2010	Achieved Recruitment policy approved by the IRBA Board in October 2010.
	Approved training strategy and plan the successful implementation thereof	Skilled staff	Approved training strategy and plan by 30 June 2010	Achieved Approved by the Board on 28 March 2011
			100% of training strategies plans executed	Not yet applicable The training strategy was achieved late and the plans will therefore only be executed in the next financial year.
	Approved remuneration policy and performance scheme	Appropriately recognised and rewarded staff	Approved Remuneration policy and performance scheme April 2010 approved policy	Achieved Board approved policy in October 2010.
To maintain and align IT systems to support business needs and overall objectives of the IRBA by implementing the IT strategy and plans within specific timeframes	Approved IT strategy and plan and the successful implementation thereof	Enhanced internal effectiveness and service delivery	Approved IT strategy and plan by April 2010	Not achieved Strategy for the year mainly implementation of new database and work flow system. Therefore no additional strategy plan prepared.
			90% achievement of milestones within the IT strategy and plan	Not yet applicable Refer to above.
Compliance to legislation and governance	Approved compliance framework and the successful implementation thereof	The IRBA as a regulator be a compliant entity	Date of approval of Compliance framework 30 June 2010	Achieved The Compliance framework was approved by the Board in January 2010.
	Compliance to legislation and governance		The successful implementation thereof Quarterly	Partially achieved PFMA compliance achieved but the completeness of compliance to other legislation to be confirmed when Board Secretary is appointed.
To transform the IRBA in line with employment equity legislative requirements by implementing employment equity plans and achieving targets within the plan	Approved employment equity plan and the implementation thereof	Transformed organisation	Approved employment equity plan April 2010	Achieved Employment equity plan was approved by the Board in March 2010.
			90% of target achieved as indicated in employment equity plan	Achieved

ACRONYMS

ARMCO	Audit and Risk Management Committee
The Act	Auditing Profession Act, 2005, (Act No. 26 of 2005)
AGSA	Auditor-General - South Africa
CA(SA)	Chartered Accountant (South Africa)
CFAS	Committee for Auditing Standards
CFAE	Committee for Auditor Ethics
CIPC	Companies and Intellectual Properties Commission
CPD	Continuing Professional Development
DTI	Department of Trade and Industry
DAC	Disciplinary Advisory Committee
DISCO	Disciplinary Committee
EDCOM	Education, Training and Professional Development Committee
EC	European Commission
EU	European Union
FASSET	The Seta for finance, accounting, management consulting and other financial services
INSCOM	Inspection Committee
IAESB	International Accounting Education Standards Board
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Regulators
INVESCO	Investigating Committee
PFMA	Public Finance Management Act
PPE	Public Practice Examination
RA	Registered Auditor
SCWG	Standards Coordination Working Group
IRBA	The Independent Regulatory Board for Auditors
SAICA	The South African Institute of Chartered Accountants
WEF	World Economic Forum

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