

### **VALUE CREATION**

The IRBA is an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thus contributing to the protection of the South African public.

### **MISSION**

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

# **OVERVIEW AND MODEL**

### VISION

The IRBA Vision is evolving to be an internationally recognised regulator of the auditing profession and other assurance services relevant to the South African environment.

### RISK

The board sets tolerance levels for risk at least annually and reviews these levels if there is uncertainty and change in the business environment.

The board continually monitors significant risks taken by management and satisfies itself that management decisions balance performance with the defined tolerance limits. The Giant Eagle Owl is the **largest** owl in Africa. Its large eyes look black at a distance and are **always watching**. The Giant Eagle Owl flies silently, but **never drops its guard**, and is identifiable by its huge and powerful feet and talons, and **wide wingspan**.

Like the rest of the owl family, it is the symbol of wisdom and its silent and **guarding nature** makes it the epitome of **integrity**. They are usually found alone, although sometimes in pairs, so are largely **independent**.





# HIGHLIGHTS



South Africa rated number one in the world for the strength of its Auditing and Reporting Standards for third consecutive year.



Audit Development Programme developed to further improve auditor competencies.



Support to Africa commenced with a pilot project in Zimbabwe to strengthen audit regulation.



IRBA approached to regulate the B-BBEE verification industry.



Sixteen road shows presented to registered auditors throughout South Africa.

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# **SCOPE OF THE REPORT**

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The report covers only matters related to the Independent Regulatory Board for Auditors (IRBA).

The IRBA is a statutory body established in terms of the Auditing Profession Act, Act 26 of 2005, and is also classified as a Schedule 3 Public Entity in terms of the Public Finance Management Act (PFMA), 1999.

The period under review is 1 April 2011 to 31 March 2012, although the forward-looking information may cover significant events, if any, up to the date of publication of the report. The Summarised Financial Statements and Significant Features are presented in Appendix 3.

# **STATEMENT FROM THE BOARD**

**-**

The board acknowledges its responsibility to ensure the integrity of the Integrated Report. The board has, accordingly, applied its mind to the Integrated Report and in the opinion of the board the Integrated Report addresses material issues, and presents fairly the integrated performance of the IRBA and the impacts of this performance.

The Integrated Report has been prepared in line with best practice, pursuant to the recommendations of the King III Report on Corporate Governance and the principles prescribed by the International Integrated Reporting Council in its proposed framework.

Signed by the Chairman, duly authorised by the Board

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**WHG van der Linde, SC** Chairman

	TITLE	INITIALS	SURNAME	QUALIFICATIONS	DESIGNATION	DATE APPOINTED	DIRECTORSHIPS
	CHAIR	MAN					
1.	Mr	WHG	Van der Linde	B. Luris LLB	Advocate; Senior Counsel	1 April 2011	None
	VICE-CHAIRMAN						
2.	Dr	SP	Kana	MComm BCompt (Hons)	CA (SA)	1 April 2009	PricewaterhouseCoopers Inc. Ministerial appointment on Board of FRSC SAICA
	BOARI	D MEMBER	S				
3.	Prof	А	Dempsey	MComm BComm Hons (Acc)	CA (SA)	1 April 2009	Accounting Education Board Ministerial appointment on Fasset's Board
4.	Mr	MI	Khan	B Compt (Hons)	CA (SA)	1 April 2011	House of Monatic Group Sea Harvest Incorporated



	TITLE	INITIALS	SURNAME	QUALIFICATIONS	DESIGNATION	DATE APPOINTED	DIRECTORSHIPS
5.	Prof	LY	Majova- Songca	Senior Teacher's Diploma BCompt (Hons) MBA	CA (SA)	1 April 2011	Capraway MasengViljoen Inc. Jongilizwe Trust for Jongilizwe School of Traditional Leaders Nelson Mandela Museum Hudson Park High School
6.	Ms	С	Mbili	MComm Certificate in Investment Management Post Graduate Diploma in Accounting BComm (Accounting) Senior Secondary Teachers Diploma Certificate in Life Insurance and Retirement Funds	CA (SA)	1 April 2011	Harith Fund Managers Johannesburg Water
7.	Ms	NNN	Radebe	BComm PG Dip Acc Commercial Property Practitioners	CA (SA)	1 April 2009 Resigned 3 April 2012	Munich Reinsurance Company of Africa Ltd & EsS Pareto Ltd
8.	Mr	YGH	Suleman	BComm BCompt (Hons)	CA (SA)	1 April 2011	KPMG Africa
9.	Mr	F	Timmins	BSC (Econ)(Hons) MA (business analysis)	CA (SA)	1 April 2011	Grant Thornton
10.	Mr	LJ	Lekale	BProc LLM	Attorney	1 April 2011 Resigned 25 January 2012	Matsepes Inc.

# **PREPARATION OF THIS REPORT**

#### PRINCIPLES ON WHICH THE REPORT HAS BEEN PREPARED

The Integrated Report was prepared based on the following three categories of principles:

#### Principles informing the report scope and boundary

Refer to the Scope of the Report on page 1.

#### Principles informing the selection of the report content

The report includes information which we believe is useful, i.e., relevant and faithfully represented to provide a balanced view of the IRBA. The content which is included is therefore only that which is material to users of the report. Since the report is not intended to be used as a basis to make economic decisions, the content is informed by the need to raise awareness about the IRBA and the auditing profession, as well as to present the role of the IRBA within the greater South African economy and its contribution to the development of the economy. The specific principles on which the report has been prepared are set out in Appendix 1.

#### Principles informing the quality of the reported information

The criteria used for presenting the information, in order to ensure that it meets appropriate standards of quality, are set out in Appendix 2.

#### CHANGES FROM PRIOR PERIODS

As this is the first Integrated Report for the IRBA, the report does not reflect any changes from the previous year.

#### **INFORMATION GATHERING PROCESS**

The information in the report has been gathered as part of the process to prepare the IRBA's Annual Financial Statements and Annual Report for its 2011/12 financial year. The IRBA does not yet have a policy which prescribes the process, timeframes and responsibilities for gathering information for the Integrated Report. Once developed, the policy will include the steps as shown on the next page.

Step 9 – Publicly release the integrated report (preferably simultaneously with the Annual Report).

Step 8 – Ensure the organisation's governing structure approves the report.

Step 7 – Compile and structure the integrated report.

Step 6 – Develop and implement an appropriate assurance process.

Step 5 – Establish internal systems to accurately obtain and monitor performance data. Step 4 – Implement systems to

ensure responsiveness to the organisation's key stakeholders.

Step 3 – Determine the material risks and opportunities that impact on the organisation's ability to create and sustain value.

Step 2 – Plan the reporting process and define the report scope and boundaries.

Step 1 – Ensure organisational understanding of the implications of integrated reporting.

# STRATEGIC AND OPERATIONAL OVERVIEW (DISCUSSED IN MORE DETAIL IN THE REPORT)





# **STRATEGIC FOCUS AREAS AND STRATEGIES**

The role of the IRBA is to protect the financial interests of the public, by only admitting qualified professionals into the auditing profession. The IRBA also monitors auditing services to ensure excellent service delivery and the highest ethical standards.

The IRBA was established in terms of \$3 of the Auditing Profession Act, 2005 (Act 26 of 2005). The Auditing Profession Act (APA) came into effect on 1 April 2006. The IRBA's strategic focus areas come from its legislative mandate. The objects of the Act (as set out in \$2 of the Act) are to:

- a) Protect the public in South Africa, by regulating audits performed by registered auditors;
- b) Establish an Independent Regulatory Board for Auditors;
- c) Develop and maintain internationally comparable ethics standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- d) Set out measures to advance appropriate standards of competence and good ethics in the auditing profession; and
- e) Create disciplinary procedures for improper conduct.

The IRBA recognises that, beyond the statutory requirements, it needs to offer sustainable value for the short, medium and long term in order to remain relevant to the profession and the economy.

The IRBA therefore sees its role as improving confidence in the sustainability of the auditing system by:

- Adding value to the greater public and economy through protection of financial interests; and
- Creating an enabling environment in which auditors can deliver high quality audits.

Going forward, the IRBA needs to consider how best (effectively and efficiently) it can achieve its objectives, through initiatives that will keep it relevant in a dynamic environment. Any forward looking strategies must incorporate not only local initiatives, but also international opportunities.

The future orientation and prospects of the IRBA, as outlined in the following tables, are informed by societal trends and stakeholder expectations.



STRATEGIC OBJECTIVE	Develop and maintain internationally-comparable auditing and ethics standards
STAKEHOLDER RESPONSIVENESS	Respond to the needs of various stakeholders: auditors (for guidance); regulators (for guidance in their industry) and industry (for specific standards, e.g. on B-BBEE). Provide information and guidance to stakeholders about new disciplines taken over by the IRBA and the current economic environment.
RISKS AND OPPORTUNITIES BASED ON MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	<ul> <li>Opportunities to influence international standard-setting</li> <li>Opportunities to issue guidance on the new Companies Act</li> <li>Opportunities to provide support on governance matters (e.g. audit committees)</li> </ul>

MEASURABLE			PROSPECTS / FUTURE	PERFORMANCE TARGETS		
OBJECTIVE	OUTPUT	OUTCOMES	ORIENTATION	2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012	
Develop and issue new audit guidelines that are relevant and actively address gaps	Issued auditing pronouncements	High-quality audits	Issue guidance and standards in new industries to be regulated by the IRBA, and the new	75%	Achieved Achieved 85% according to the CFAS Project Plan for the year	
Develop and issue additional guidance on ethics issues from the Code of Professional Conduct	Issued additional guidance on ethical issues	Ethical auditors	Companies Act	75%	Achieved Achieved 90% according to the CFAE Work Programme for the year	
Timeously process reportable irregularities reports received from registered auditors	Closed reportable irregularities files	Compliance with the Auditing Profession Act		90% adherence to targets. Files closed within 40 days of receipt of initial reportable irregularities report	Not Achieved An improvement of 11% against the previous year, after the systems were in place and staff members were trained, resulting in an 82% adherence to planned target	

## STRATEGIC FOCUS AREA 2 EDUCATION AND TRAINING



STRATEGIC OBJECTIVE	Educate and train properly qualified auditors through an appropriate framework
STAKEHOLDER RESPONSIVENESS	The department will liaise with the profession to further refine the new Auditor Development Programme.
	Given the global financial crisis and the current state of corruption and fraud in the country, there may be greater expectations of the quality of the framework used to qualify auditors.
RISKS AND OPPORTUNITIES BASED ON MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	As a representative on the relevant task force and advisor to the member on the IAESB, the IRBA will continue to influence developments on International Education Standard (IES) 8 which deals with auditor competencies.
	Development of a competency framework and CPD for B-BBEE will require careful consideration as this is a new area for the IRBA.
	Transformation in the profession remains a challenge and how this can be influenced at entry level will have to be considered.

MEASURABLE				PERFORMANCE TARGETS	
OBJECTIVE	OUTPUT	OUTCOMES	PROSPECTS / FUTURE ORIENTATION	2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012
Establish processes so that only competent candidates enter the audit profession	Assessment of professional competence	Competence is established at entry to the profession	Development of a competency framework and CPD for new disciplines taken over by the IRBA. Implementation of the new Audit Development Programme.	100% adherence to the work schedule	Achieved
To monitor the programmes and institutional requirements of accredited professional bodies	Monitoring reports	Compliance with the Accreditation Model		Academic programme – 60 days from submission of draft monitoring report by accredited entity	Achieved

STRATEGIC OBJECTIVE			Educate and train properly qualified auditors through an appropriate tramework (cont.)			
					PERFORMANCE TARGETS	

MEASURABLE	OUTPUT	OUTCOMES	PROSPECTS / FUTURE ORIENTATION			
OBJECTIVE				2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012	
To monitor the programmes and institutional requirements	Monitoring reports	Compliance with the Accreditation Model		Core Assessment programme – 60 days from submission of draft monitoring report by accredited entity	Achieved	
of accredited professional bodies				Education programme – 60 days from submission of draft monitoring report by accredited entity	Achieved	
				Training programme – 60 days from submission of draft monitoring report by accredited entity	Achieved	
				Institutional requirements - 60 days from submission of draft monitoring report by accredited entity	Achieved	



#### STRATEGIC OBJECTIVE

Educate and train properly qualified auditors through an appropriate framework (cont.)

MEASURABLE				PERFORMANCE TARGETS		
OBJECTIVE	OUTPUT	OUTCOMES		2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012	
Raise awareness of the auditing profession and contribute towards transformation	<ul> <li>Support Programme that met the needs of black candidates</li> <li>Create awareness of auditing as a career path</li> <li>Actively promote the recruitment and retention of candidates into the auditing profession</li> </ul>	<ul> <li>Increased number of potential black RAs in the market</li> <li>Awareness of auditing as a career path</li> <li>Retention of auditors in the auditing profession</li> </ul>		80% compliance to work schedule	Achieved 100% compliance with the Support Programme work schedule	

STRATEGIC FOCUS AREA 3 MONITOR COMPLIANCE

STRATEGIC OBJECTIVE	Monitor registered auditors' compliance with professional standards		
STAKEHOLDER RESPONSIVENESS	Robustness of inspections process to be considered in current economic environment and state of corruption in the country.		
RISKS AND OPPORTUNITIES BASED ON MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	<ul> <li>New processes to be implemented for inspection of other disciplines. Complexity of industries may prove challenging.</li> <li>Opportunity to support government with B-BBEE objectives.</li> <li>Continue to influence international best practice on IFIAR.</li> </ul>		

MEASURABLE	OUTPUT	OUTCOMES	PROSPECTS / FUTURE ORIENTATION	PERFORMANCE TARGETS		
OBJECTIVE				2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012	
To inspect and review the work of registered auditors on a regular basis	Inspection reports	Auditors who comply with the auditing and ethics standards	Implementation of new inspections processes for new disciplines taken over by the IRBA	85% adherence to inspection plan	Firm inspections Achieved File inspections Achieved	
To supervise registered auditors who are accountable institutions in terms of FICA	FICA inspections reports for accountable institutions	Auditors who are compliant with FICA		80% adherence to inspection plan	Not applicable After the target was set, the responsibilities regarding FICA changed due to the duplication of the FSB's responsibilities. During the year 130 inspections of firms took place as an initial project	

### STRATEGIC FOCUS AREA 4 REGISTER, INVESTIGATE AND DISCIPLINE



	MEASURABLE OBJECTIVE OUTPUT OUTCOMES PROSPECTS / FUTURE ORIENTATION			PERFORMANCE TARGETS	
OBJECTIVE		2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012		
To finalise all complaints received timeously	Closed case files	Fair and appropriate outcome of investigations	Increased focus on investigations and outcomes of disciplinary hearings	80%	Achieved

STRATEGIC OBJECTIVE		Registration of registered auditors (RA) who meet the registration requirements				
Adherence to individual registration policies and procedures	First and re- registration of individual registered auditors (RAs) who meet registration requirements	To maintain the integrity of the RA register		85%	Achieved	
	Annual renewal of individual RAs who meet renewal requirements	To maintain the integrity of the RA register		85%	Achieved	

### STRATEGIC FOCUS AREA 5 CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

STRATEGIC OBJECTIVE	Develop and maintain corporate and stakeholder relationships to enhance performance, accountability and public confidence			
STAKEHOLDER RESPONSIVENESS	Stakeholder Relationship Plan to be developed based on Branding Strategy.			
RISKS AND OPPORTUNITIES BASED ON MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	<ul> <li>Opportunities to communicate achievements.</li> <li>Opportunities to work with other departments in terms of additional mandates and the Companies Act.</li> <li>Continue strengthening relationships with international stakeholders.</li> <li>Opportunities to communicate the role and benefit of audit in current economic environment and state of corruption in the country.</li> </ul>			

MEASURABLE OBJECTIVE	OUTPUT	OUTCOMES	PROSPECTS / FUTURE ORIENTATION	PERFORMANCE TARGETS	
				2011/12	STATUS FOR THE YEAR ENDED 31 MARCH 2012
To collaborate and build relationships with critical stakeholders	Approved Stakeholder Relationship Plan and Communication Plan completed and implemented	Informed and improved cooperation with stakeholders	Implementation of Go-To-Market Plan	May 2011	Not achieved The Stakeholder Relationship Plan and Communications Plan will be one of the outputs from the Branding Strategy. This was expected to be completed in December 2011 but the Go-To- Market plan from the Branding Strategy was only approved by the board in March 2012 due to delays in the project. The Strategy and plan will therefore only be developed in the new financial year. Even without the strategy, the IRBA maintained good relationships and ongoing engagements with all its stakeholders.





#### **GOVERNANCE STRUCTURES**

THE BOARD

#### The Role of 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, 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 of Finance. The minister appoints competent persons, who include registered auditors, to effectively manage and guide the activities of the Regulatory Board, based on their knowledge and expertise.

During the course of the financial period, a self-assessment was undertaken to assess the extent to which the IRBA applies the best practice recommendations of the King Report on Corporate Governance for South Africa (King III). No material issues were identified to suggest flaws in governance; instead, opportunities to enhance current practice have been noted and addressed or are scheduled to be addressed and monitored on an ongoing basis. The corporate governance environment in relation to King III is presented in Appendix 4.

The roles of the chairman of the board and the chief executive officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The chairman of the board has no executive functions.

#### **Board** meetings

The board met five times during the period under review.

#### **Board Committees**

The board is assisted by the following committees in the execution of its duties:

#### Audit and Risk Management Committee

The objective of the committee is to assist the board with its responsibility for 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 reviewed annually. The auditors have unrestricted access to the committee members. The committee is also responsible for risk management and ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee met seven times during the period under review to assess 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 Human Resources, namely: the annual review of the performance and remuneration of the CEO; recommendations on the performance bonus of the CEO and staff; assessing staff benefit plans and reviewing changes to the personnel policies of the board; monitoring trends for remuneration for the CEO, senior management and staff; reviewing succession plans for senior management; and reviewing the overall results of staff performance appraisals.

Another function of this committee is the nominations process, that is, receiving nominations for appointments to all IRBA committees and the IRBA. After consideration it makes recommendations to the board or the minister, as appropriate. The committee oversees the removal of committee or task force members for non-performance or other good cause, as well as the filling of vacancies on any committee or task force as they may arise.

On an operational level, the committee is responsible for considering: the operational requirements of the organisation, including IT, human resources and cash resources; the IRBA's performance against budget; as well as the management accounts and any major deviations from budget. It also reviews the processes followed for major tenders and ensures that operations are in terms of the policies of the board.

Lastly, on a functional level, the committee is responsible for considering quarterly reports from departments and taking any measures they consider necessary for the proper performance and exercising of their functions or duties to achieve the objects of the act.

#### Disciplinary Advisory Committee (DAC)

The DAC is a board committee which supports the investigation and disciplinary processes.

#### **STATUTORY COMMITTEES**

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

- Education, Training and Professional Development Committee
- Committee for Auditing Standards
- Committee for Auditor Ethics
- Inspection Committee
- Investigating Committee
- Disciplinary Committee

#### **INTERNAL AUDIT**

The internal audit function of the IRBA is outsourced and the service provider performed its functions as per the three-year rolling audit plan during the period under review. Significant risks identified are monitored on a continuous basis. The period of appointment of the service provider expired at the end of the financial year. A new service provider has been appointed and has prepared a three-year rolling plan in line with the requirements of the PFMA. Risks identified by the outgoing service provider have been incorporated in the new plan.

#### **EXTERNAL AUDIT**

The external auditors provide an independent assessment of the IRBA's systems of internal financial control and express an independent opinion on the IRBA's financial statements. The external auditors' plan is reviewed by the Audit and Risk Management Committee (ARMCO) to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to audit. The Auditor General of South Africa is the auditor of the IRBA.

PERFORMANCE (Refer to tables under Strategic Focus Areas)

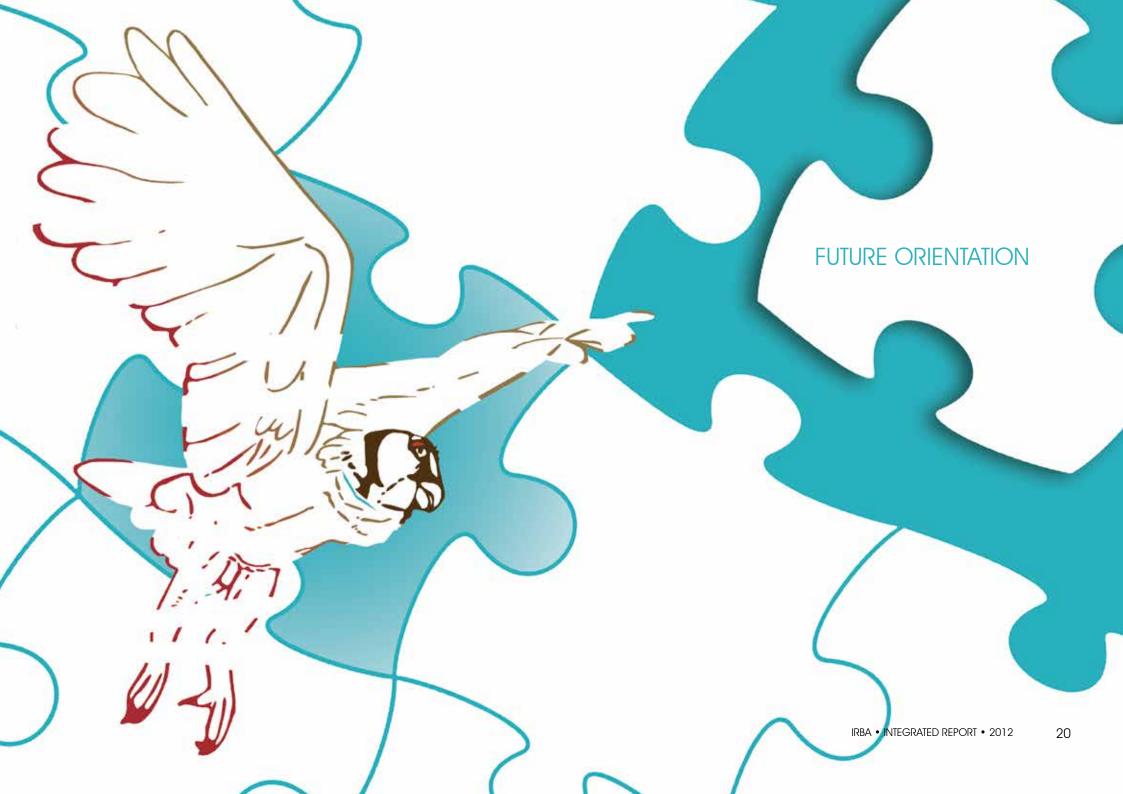
#### NATURE OF INFORMATION GATHERING PROCESS

For the current year, the majority of the information was gathered from the information used in the preparation of the Annual Report and the Annual Financial Statements.

In the future the process, as outlined in the section on The Preparation of the Report, will be followed.

#### DATA MANAGEMENT PROCESS

As this is the first Integrated Report for the IRBA, a policy on data management must still be developed.



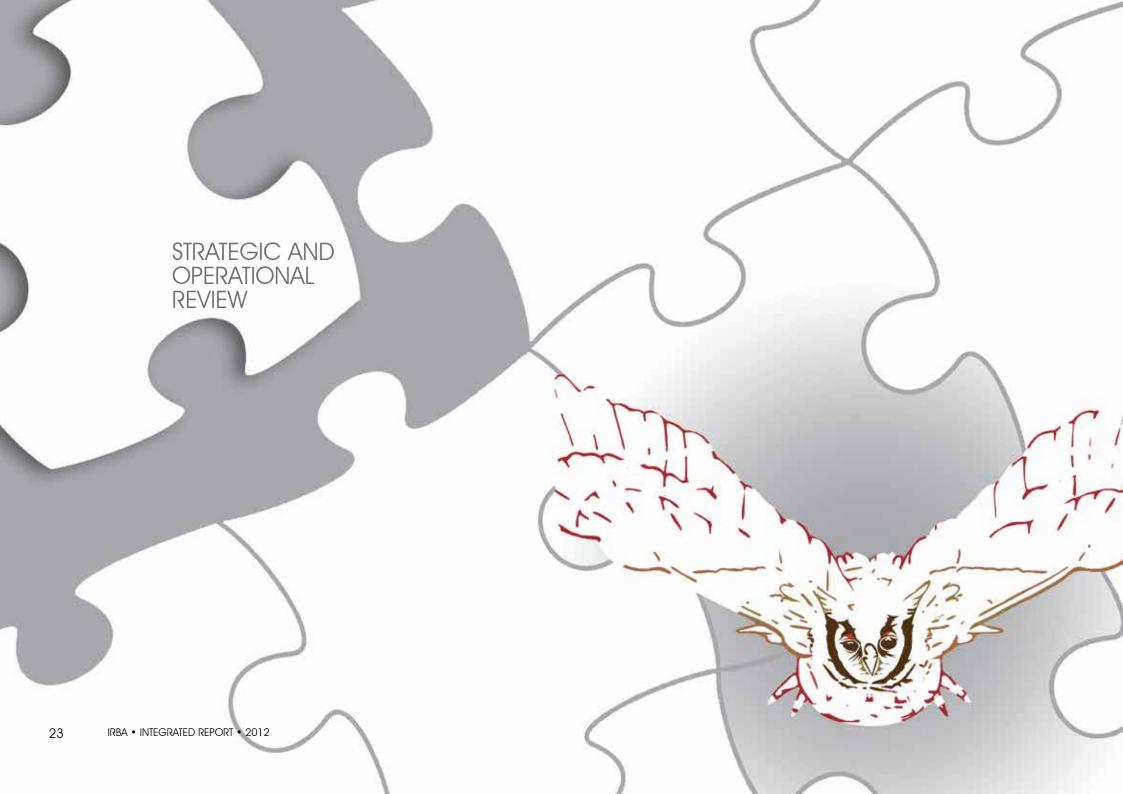


In addition to the outlined Strategic Focus Areas, the IRBA has also examined the internal systems, personnel and culture, to establish areas for development in order to meet the strategic objectives.

INTERNAL SYSTEMS, PERSONNEL AND CULTURE — RISKS AND OPPORTUNITIES	ACTIVITIES AND DEVELOPMENT TO MAXIMISE OPPORTUNITIES
Maintenance of Flowcentric workflow systems	Ensure that the relevant agreements are in place
Personnel requirements to be considered in line with any additional mandates	Develop a business strategy for any new mandate and link required outcomes to staff requirements
Culture to be consistent with new branding strategy	Measure culture climate against Go-To-Market Plan in terms of branding strategy

STAKEHOLDER RESPONSIVENESS (Refer to Performance Against Measurable Objectives under Strategic Focus Areas and Strategies)

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# STRATEGIC AND OPERATIONAL REVIEW

#### Material issues, impacts and relationships identified include:

South Africa's number one ranking for auditing and reporting standards	South Africa has been ranked number one out of 144 countries for its auditing and reporting standards and impact on economic development, employment and investment by the World Economic Forum, for the third consecutive year. The positive ranking will influence stakeholders' perceptions, confidence in the South African economy and investors' decisions to invest in the country. Increased investment stimulates the economy and ultimately creates employment. in order for the IRBA and the profession to continue to contribute to government's policy objectives to address unemployment in the country, it remains important that the current standards are maintained.				
Influencing International Best Practice	South Africa's number one ranking is a result of the vision of the IRBA 10 years ago to adopt international standards on auditing and financial reporting. Adopting international standards allows international investors to understand the standards applied in the preparation of a set of financial statements, as well as the auditing standards applied towards the fair presentation of those financial statements.				
	South Africa has adopted and continues to actively influence developments in auditing and audit regulation through its representation on, and contribution to, international best practice. The IRBA is represented on IFAC's Education Standards Board and has previously been represented on the Ethics and Auditing Standards Setting Boards. The IRBA is also a founding member of the International Forum of Independent Audit Regulators (IFIAR), an international forum which shares best practices as well as challenges to audit regulation and inspection processes. IFIAR's Standards Coordination Working Group (SCWG) is chaired by South Africa, and has the mandate to consider and provide inputs to the International Audit and Ethics Standards setting structures of IFAC.				
	South Africa is also represented on the IFAC task force developing The Framework for Audit Quality. Setting audit quality standards is of particular relevance in the current environment where auditors' quality of work is under scrutiny.				
	South Africa chairs the Consultative Advisory Group (CAG) to the international auditing standard setter. The CAG comprises representatives from various international bodies interested in audit standards and standard setting and has an influence over the standard setting activities, deemed to be in the public's best interest.				
	South Africa is also represented on IFAC's IAESB and its CAG.				
EU Green Paper on Audit Policy	Following the recent global financial crisis, governments and regulators responded by strengthening audit regulation in the areas of auditor independence and market concentration, in order to restore confidence in the financial statements of public interest entities. This could substantially impact on the existing auditing landscape.				
	Europe responded by issuing the Green Paper on Audit Policy, containing various recommendations towards strengthening auditor independence, diluting the dominance of the four Big International Networks, and reducing red tape for smaller enterprises and practices. Europe anticipates international acceptance of its recommendations. South Africa will have to consider how best to respond to the recommendations once it becomes law in Europe, expected to occur in 2013. Simultaneously, local regulations which are best suited for the South African environment will need to be issued. This will be determined by consulting locally, and may require changes to the IRBA's Code of Professional Conduct and/or the Auditing Profession Act.				

Companies Act, 2008, with specific reference to Section 90(2) and Regulation 29	The Companies Act, 2008, became effective on 1 May 2011. Sections of the Companies Act that could have a material impact on the auditing profession are those dealing with the provision of non-audit and auditing services offered by the same firm, and certain assurance services now also being offered by non-auditors.				
	The IRBA is independent from the auditing profession, but as the custodian of the profession, it remains responsible for legislation or initiatives that may have a material impact on the profession. While the IRBA recognises government objectives to create a more inclusive profession, this objective must also be balanced with its responsibility to ensure that services to the public and of public interest, are only provided by suitably qualified individuals, regulated at the same level.				
	The IRBA will also continue to engage with the relevant government departments and stakeholders to facilitate processes to address these impacts, and to ensure that this objective is achieved.				
World Bank Report on the Observance of Standards and Codes (ROSC) - Accounting and Auditing	In May 2012, the World Bank performed a ROSC for the auditing and accounting profession in South Africa. The ROSC provides recommendations to governments in order to improve their country's auditing and accounting environment. Recommendations from the Bank were expected in February 2013. The IRBA may need to respond to those recommendations to strengthen the auditing profession and protection to the public. It will also offer government the necessary support to implement relevant proposals.				
Auditing Profession Act	The IRBA made several proposals to the National Treasury to amend the audit legislation, to ensure that it remains relevant, effective and efficient.				
	The IRBA has also been approached by the DTI to assume responsibility for regulation of the B-BBEE verification industry. This is subject to the necessary changes to the APA being approved by the Minister of Finance.				
	Regulation of other assurance services by the IRBA has also been suggested, as confidence in the IRBA as an internationally recognised standard setter and regulator has increased. Amendments to the audit legislation contains provisions for this possibility. Before any increase in its mandate, the IRBA considers any potential risks and associated measures to mitigate such risks and seeks the required approval from the Minister of Finance.				
	The IRBA continuously considers the support it can provide to public protection initiatives, while responding to the resulting needs of auditors.				
Global Financial Crisis	The global financial crisis again left auditors at the centre of blame and criticism. The crisis also highlighted the role of the profession in preventing future crises. The role of regulators is to strengthen oversight, ultimately protecting the public and investors from the effects and impacts of similar crises.				
	The IRBA will evaluate its role in lessening the impacts of such global events on the South African economy, and how best it can provide the required support to the profession in responding to these events.				
Current political environment in South Africa	The South African political environment remains volatile, with fraud and corruption increasingly evident in major public and/or private entities. Government involvement in the outcomes of audits seems to be a new trend. If the IRBA wishes to retain the independence of the profession as one of its cornerstones, it must educate the public and government on the benefits of independent audits.				

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Transformation	Transformation remains a challenge in a predominantly white profession. However, the board established a Transformation Committee which will consider and recommend initiatives that can positively influence transformation at an early stage. The committee will collaborate with other stakeholders such as the auditing profession, the Institute and the Auditor-General on projects where transformation can be encouraged.				
Regulation of Accountants	Accessibility to the accountancy profession remains desirable, but all professionals are not necessarily subject to the same regulation, standards and quality control. It is recognised that the burden on professionals who are not providing the audit service needs to be less onerous.				
	However, the IRBA, as a responsible regulator of the auditing profession, must ensure that no unfair advantage or disadvantage is created for auditors, when the same services are offered by other professionals. The IRBA also has a responsibility to the public to ensure that any service offered in the public interest remains reliable and that the public's interests are protected.				
	The IRBA and government must address the potential dichotomy in the market to ensure that the playing fields are levelled.				
Corruption and fraud in private and public sectors	The media continues to report an increase in corruption and fraud in the private and public sectors. Unless these practices are addressed, the expectation gap between what the public expects from auditors and what the auditors' actual responsibilities are, in relation to the financial statements, will continue to grow.				
	Auditors have an obligation to report irregularities discovered by them. However, it remains equally important that the regulators of the relevant industry in which the irregularities are reported, respond responsibly to allegations of fraud and corruption.				
	We do not believe that sufficient action is taken by other regulators in response to reports issued by auditors, or as a minimum, that sufficient feedback is provided to the IRBA that any allegations have been followed up.				
	The IRBA held workshops with other regulators to again explain the importance of Section 45 of the Auditing Profession Act, which requires auditors to report to the IRBA certain irregularities. The IRBA then reports these irregularities to other relevant regulators for their action. The IRBA will continue to raise awareness of the importance of responding to reports from auditors.				
Status of Governance practices	Initiatives such as the King III Report on Corporate Governance, the Companies Act, 2008, the requirements in the Public Finance Management Act and the International Integrated Reporting Council's projects on Integrated Reporting, must necessarily improve governance practices. However, despite these initiatives, more work has to be done, given the current state of practices in the country. The EU Green Paper on Audit Policy increases reliance on audit committees to strengthen governance practices in business.				
	The IRBA must thus consider the role that it and the profession can play and the contribution that it can make to current or new initiatives around governance.				

The IRBA must identify significant impacts, both positive and negative, and the organisation's potential to optimise or lessen these impacts on financial, social, environmental, and economic systems, highlighting those that have material implications for its ability to create and sustain value.

- Direct impacts include: the direct economic value generated and distributed; the significant use of (or impact on) natural resources; and the material contribution to societal challenges such as skills development and Broad-Based Black Economic Empowerment.
- Indirect impacts include: the influence on the performance and material impacts of other organisations and individuals within the value chain, and the indirect contribution to employment generation and wealth distribution.

#### Increased mandate to regulate B-BBEE Verification Industry

The IRBA has been approached to regulate the B-BBEE verification industry, in order to have a direct impact on government's transformation policies. The IRBA has been requested to provide the necessary support, as currently the verification industry is reported to be subject to various practices which do not support the objectives of the policy.

This demonstrates government's confidence in the IRBA and the auditing profession to make an impact on the country's social, environmental and economic systems.

The DTI's legislation has been amended and the Auditing Profession Act will be amended to incorporate the additional mandate, subject to the neccesary approvals. Relevant stakeholders, including the existing industry, have been consulted and the IRBA will continue to engage with them to draw on their expertise and experience in this environment.

The IRBA is committed to ensuring that the required confidence in the B-BBEE verification industry is restored.

#### Contribution to skills development

One of the major challenges associated with an increase in the demand for skills is an inadequate 'pipe-line' of students at the secondary and tertiary level with the appropriate maths skills to meet the growing demand for financially skilled graduates. Historically the IRBA's primary concern was the lack of incoming auditors. However, with the IRBA's vision to become the regulator for all assurance services, the IRBA will also need to consider skills requirements for these other services. The IRBA needs to find its role in effectively influencing and assisting the education role players to resolve this challenge.

Transformation of the profession is of equal significance for the IRBA. While it can prescribe that accredited institutes should have programmes in place to facilitate transformation, its direct influence is fairly limited. The IRBA remains of the view that, in order to transform the broader profession, sustainable solutions must be implemented. A pipeline of auditors will begin to ensure a constant pool of eligible candidates.

From an audit perspective, the IRBA continues to improve the accreditation and qualification process for auditors, so that only suitably qualified individuals are registered to provide reliable services to the public. A new model has been developed, which incorporates the additional skills and competencies which a chartered accountant requires in order to practice as an auditor.

The IRBA is also represented on the International Federation of Accountants' Task Force which is currently re-examining the international education standard to address the additional skills and competency requirements for auditors.

#### Transformation Committee

In order to respond to the current shortage of black auditors, the IRBA established the Transformation Committee which consists of representatives from the profession, the Institute, universities and other professional bodies. The mandate of the committee is to influence projects which might impact on transformation of the profession, and to engage with other stakeholders to identify projects which can be shared.

The committee has subcommittees which will address education and firm experience.

#### Stakeholder relationships

The IRBA considers the quality of its relationships with stakeholders and their potential to impact the organisation's ability to create and sustain value. This has been achieved as follows:

#### Branding strategy and Go-to-Market Plan, Stakeholder Relationship Plan and Communications Plan

Given the need to attract and retain new talent in the profession, the IRBA embarked on a project to develop a branding strategy. Initially, a survey was conducted among auditors, professional institutes, students, government and other relevant stakeholders. The feedback was used to develop a Branding Strategy to create a positive brand identity and address any negative perceptions or areas for improvement.

The resultant Go-to-Market Plan outlines a three-year approach to marketing the IRBA brand and the auditing profession. The plan includes a detailed Stakeholder

Relationship Plan, identifying the critical stakeholders. A detailed Communications Plan also forms part of the plan, and deals with the important messages to be communicated to stakeholders during the implementation of the strategy.

#### **Road Shows**

Projects and the strategy of the IRBA were shared with registered auditors during August and September 2012, through road shows. Feedback was also solicited on issues which they believe should be addressed by the IRBA.

Strategic issues addressed included: the EU Green Paper on Audit Policy; the Companies Act; Transformation; and the IRBA's approach to supporting small practitioners while maintaining its independence from the profession. Specific topics covered the new Audit Development Programme to qualify auditors, the new funding model to fund inspections while strengthening the IRBA's independence from the profession, and B-BBEE. The road shows provided a useful platform for reiterating the IRBA's value proposition to protect the public, while creating an opportunity to receive feedback from auditors on areas which they thought should be addressed by the IRBA.

#### Workshops

The IRBA also conducted workshops on the Companies Act, the IRBA's new Code of Professional Conduct and the Consumer Protection Act. These workshop topics were informed by needs identified by auditors.



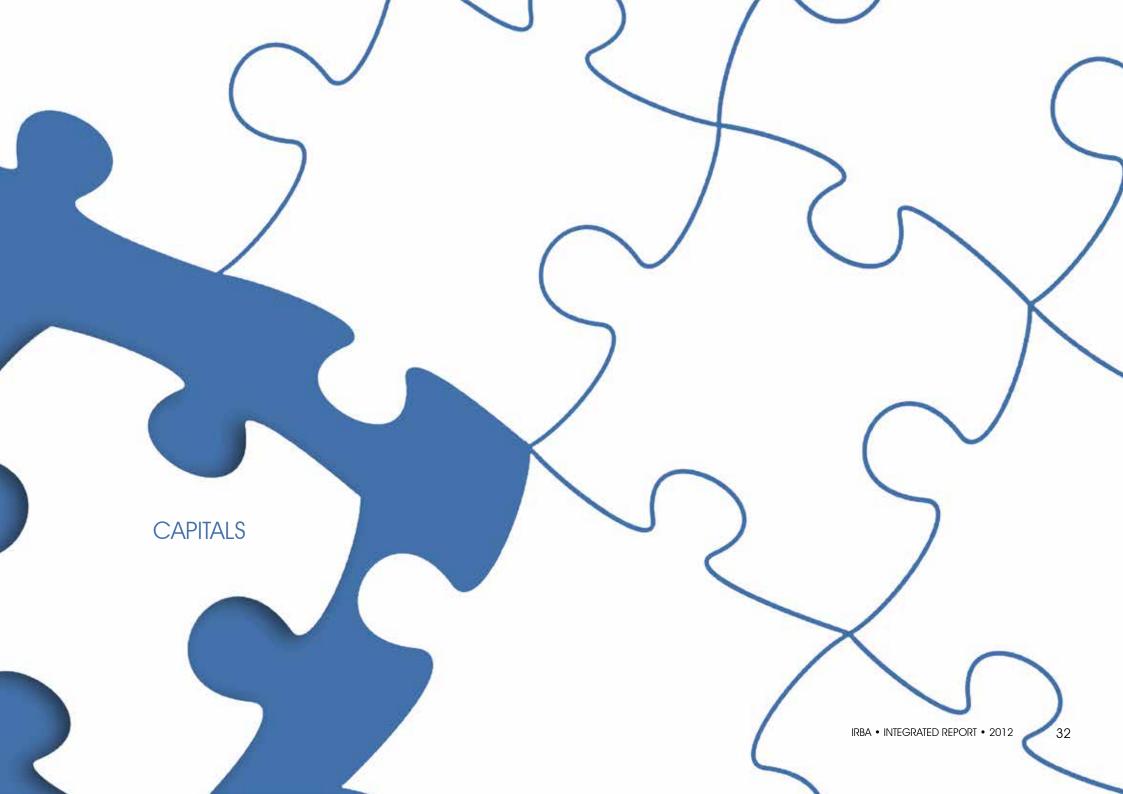
# **RISKS AND OPPORTUNITIES** (COMMERCIAL, SOCIAL, ENVIRONMENTAL)

Identified risks and opportunities that may have a bearing on current and anticipated activities and based on material issues, impacts and relationships, are as follows:

MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	RISK	OPPORTUNITY	RESPONSE
South Africa's number one rating for its auditing standards		✓	Use as marketing tool to attract talent to auditing profession
Participation in international standard setting and regulatory activities		✓	Continue to influence standards and regulation at a global level
EU Green Paper	✓	✓	Opportunity to engage with local profession before implementation in South Africa but need to carefully balance the IRBA's international standing with local requirements.
Companies Act	~	✓	Engage with the CIPC to ensure sustainability of auditing profession not negatively impacted.
			Opportunity to engage with CIPC to assist with monitoring of independent reviews.
World Bank ROSC - Accounting and Audit		✓	Opportunities to assist government to implement recommendations
Auditing Profession Act	~	✓	Opportunities to improve legislation and incorporate additional mandate.
			Need to manage risks of taking on too much additional responsibilities.
Global financial crisis	~	✓	Opportunity to issue guidance to auditors, but increased risks of audit failures and therefore closer monitoring required by the IRBA.
Current political environment in SA and trend of interference with auditors' independence	✓	✓	Opportunity to educate public and users on independence of auditors, but closer monitoring of auditors' independence required.
Transformation		✓	Transformation Committee formed to influence projects that will impact on transformation in the profession.
Regulation of Accountants		✓	Opportunities to support processes to facilitate the regulation of accountants should this be required.
Corruption and fraud in the private and public sectors	✓	✓	Opportunity to educate the public on the benefits of an audit.
			Increased risk of audit failures will require increased monitoring.



MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS	RISK	OPPORTUNITY	RESPONSE
Status of governance practices	✓	$\checkmark$	Opportunity to educate the public on the benefits of an audit.
			Increased risk of audit failures will require increased monitoring.
B-BBEE	✓	$\checkmark$	Capacity created to manage preparation for, and implementation of the new processes.
			Opportunity to provide training to verification professionals on B-BBEE and the codes.
			Risks involved in increasing mandate to be carefully managed.
Contribution to skills development	✓	$\checkmark$	Pilot project to identify areas which still need to be addressed.
			Emphasise the auditor as a highly-specialised accountant.
			Opportunity to influence international education standard through participation in relevant structures.





#### **FINANCIAL**

The IRBA operates on a budget derived from three sources:

- Government
- Registrations
- Inspections

In order to strengthen its independence from the profession, the IRBA changed its inspections fee model during 2012. This had several benefits: improved cash flow for auditors and the IRBA; the ability to focus on high risk audits, and a more equitable distribution of fees based on criteria such as the assurance fee-base per audit firm or network.

Improvement of the inspections fee model and maintained independence from the profession is an ongoing focus area for the IRBA. The funding impact of additional mandates and the possibility of becoming completely self-funded as the best model to demonstrate its independence need to be considered.

#### HUMAN

The IRBA operates on a small staff complement as set out in the organogram in Appendix 5.

Consideration will have to be given to increasing the staff complement in line with any additional mandate.

#### INTELLECTUAL

All materials developed by the IRBA remain the property of the IRBA, and all standards and guidance include a paragraph to this effect.

### **REMUNERATION POLICIES**



#### **REWARD STRATEGY**

To ensure that competent employees can be recruited and retained, a reward strategy has been put in place. This includes detailed graded job profiles, graded according to a recognised grading system. The IRBA was thus able to do a benchmark salary survey to establish market-related remuneration for all positions. By aligning remuneration rewards with the market, individuals are motivated to perform, effective returns are achieved and sufficient levels of equity within the organisation are ensured.

#### PERFORMANCE MANAGEMENT

The IRBA implemented a new performance management system. The system links performance to rewards, and ensures that it is aligned with the strategic objectives of the IRBA.

As key management members are instrumental in determining strategy, their remuneration may be influenced by the strategy.

### ASSURANCE

The board delegated the responsibility to evaluate the disclosures in the Integrated Report to the Audit and Risk Management Committee (ARMCO). The ARMCO reviewed the Integrated Report and ensured that the information is reliable and not in conflict with the Annual Report and Annual Financial Statements.

The development of an Integrated Reporting Framework, as well as an Assurance Framework, is still in progress, but in the interim, the IRBA will determine an integrated reporting strategy based on combined assurance: assurance provided

by management, internal audit, external audit and any other external assurance providers.

Assurance cannot generally be provided for prospective and future information; however, a strategy for integrated reporting will create assurance on the processes and assumptions, towards reliable forward-looking statements.

### APPENDICES

1. Principles on which the report has been prepared

2. Principles informing the quality of reported information

3. Summarised Financial Statements and Significant Features

4. Corporate Governance Environment

5. Organogram

6. Acronyms



# PRINCIPLES ON WHICH REPORT HAS BEEN PREPARED

The Integrated Report was prepared on the following principles:

#### PRINCIPLES INFORMING THE REPORT SCOPE AND BOUNDARY

Refer to the Scope of the Report on page 1.

#### PRINCIPLES INFORMING THE SELECTION OF THE REPORT CONTENT

The report includes information which we believe are useful, i.e. relevant and faithfully represented to provide a balanced view of the IRBA. The content which is included is therefore only that which is material to users of the report. Since the report is not intended to be used as a basis to make economic decisions, the content is informed by the need to raise awareness of the IRBA and the auditing profession, in an attempt to attract prospective auditors to the profession, as well as to educate the public on the benefits of an audit.

#### **Relevance and Materiality**

Relevance has to do with providing information that assists stakeholders to evaluate the IRBA's performance and to make assessments about the ability of the IRBA to create and sustain value over the short-, medium- and long-term. It also applies to the impacts, both positive and negative, that the IRBA has on social, environmental, financial and economic systems. Information that is capable of making a difference in the assessments and decisions of stakeholders is relevant even if some users choose not to take advantage of it or are already aware of it from other sources. An item is material if it is of such importance and has an impact that could substantively influence the assessments and decisions of the organisation or its stakeholders. Materiality is a measure or threshold against which information can be evaluated. The nature of an integrated report is that of a strategic overview; accordingly, the more detailed reports will follow other materiality levels.

For financial information, materiality is used in the sense of the magnitude of an omission or misstatement of accounting data that misleads users and is usually measured in monetary terms. Materiality is judged both by the relative amount and by the nature of the item.

In the context of sustainability, materiality is a more difficult measure to define and a great deal of judgment is required. An organisation is faced with a wide range of sustainability issues on which it could report and thus it is important for the organisation's leadership to apply its mind to what needs to be reported. Relevant issues are those that may reasonably be considered important for reflecting the organisation's financial, environmental, economic and social impacts, or influencing the decisions of stakeholders.

Content has been considered as material to users from the perspective of ensuring that:

- The right information is being reported;
- This information is reported accurately; and
- The IRBA is responsive to the legitimate interests and expectations of its key stakeholders (stakeholder inclusiveness). The report explains how key stakeholders' legitimate interests and expectations have been addressed.

#### Faithful Representation

The information presented is complete, neutral and free from error.

#### Complete

Complete means that all material information that could affect the assessment or decisions of stakeholders, both positively and negatively, is included in the report. The issues included are those throughout the IRBA's sphere of influence.

#### Neutral

Neutral information has no bias in the selection or in the presentation of information. The overall presentation of the report's content provides an unbiased picture of the IRBA's performance, which means that the report avoids selections, omissions or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the user. The report includes both favourable and unfavourable results, as well as issues that can influence the decisions of stakeholders, in proportion to their materiality.

#### Free from error

Free from error implies there are no errors or omissions in the description of the information, and that the process used to produce the reported information has been selected and applied without error. This does not imply that the information will be perfectly accurate in all respects. It does imply that where amounts are estimates, this is clearly communicated, the nature and limitations of the estimating process are explained, and no errors have been made in selecting and applying an appropriate process for developing the estimate. The level of comfort can be enhanced through independent assurance.



The information presented complies with the following criteria in order to ensure that • it meets appropriate standards of quality:

#### Comparability and consistency

- Information is more useful if it can be compared with similar information from other organisations and with similar information for the same organisation for a different time period. Where reporting policies have been changed, the reasons for the change have been explained and the impact described.
- Comparability is necessary for evaluating performance. Information is presented in a manner that allows users of the report to compare the information reported on financial, social, economic and environmental performance against the IRBA's past performance and its strategic objectives and targets.

#### Verifiability

• Users will have more confidence in information that is verifiable. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

#### Timeliness

• Timeliness means having information available to stakeholders in time to be capable of influencing their assessments and decisions.

It is not possible to verify all explanations and forward-looking information. To

help users decide whether or not they want to use that information, disclosure of the underlying assumptions, the methods of compiling the information and

any other relevant information have been included in the report.

#### Understandability or clarity

- The information is presented in a way that is understandable, accessible and usable by the organisation's key stakeholders.
- As the use of technical terms was unavoidable, a glossary of terms has been included which should be helpful to users of the report.

SUMMARISED FINANCIAL STATEMENTS AND SIGNIFICANT FEATURES

STATEMENT OF FINANCIAL POSITION	31 March 2012 R	31 March 2011 R	31 March 2010 R	31 March 2009 R	31 March 2008 R
Assets					
Non-current assets	17 702 145	18 722 014	17 432 901	9 675 229	5 733 704
Current assets	27 996 158	18 334 754	9 789 046	7 826 680	11 294 387
Non-current assets held for sale	-	69 927	-	3 640 839	-
Total assets	45 698 303	37 126 695	27 221 947	21 142 748	17 028 091
Net assets and liabilities					
Net assets	36 268 545	28 881 115	19 775 900	11 144 085	12 829 919
Liabilities					
Non-current liabilities	3 074 883	3 214 164	3 646 221	3 043 227	392 255
Current liabilities	6 354 875	5 031 416	3 799 826	6 955 436	3 805 917
Total liabilities	9 429 758	8 245 580	7 446 047	9 998 663	4 198 172
Total net assets and liabilities	45 698 303	37 126 695	27 221 947	21 142 748	17 028 091
STATEMENT OF FINANCIAL PERFORMANCE	31 March 2012 R	31 March 2011 R	31 March 2010 R	31 March 2009 R	31 March 2008 R
Government grants & subsidies	34 724 000	29 296 000	22 018 000	20 258 000	17 095 000
Other revenue	42 555 378	38 015 095	38 670 265	33 641 387	31 348 029
Operating expenses	(71 639 181)	(59 421 974)	(58 985 836)	(56 602 792)	(45 387 992)
Operating surplus	5 640 197	7 889 121	1 702 429	(2 703 405)	3 055 037
Investment revenue	1 771 258	1 309 499	714 546	353 658	394 846
Gain on non-current assets held for sale	-	-	6 359 162	-	-
Finance costs	(24 025)	(93 403)	(144 322)	(68 147)	(111 466)
Surplus for the period	7 387 430	9 105 217	8 631 815	(2 417 894)	3 338 417

3

ACCUMULATED RESERVES TRANSFER	2012 R	2011 R	2010 R	2009 R	2008 R
Surplus/(Deficit)	7 387 430	9 105 217	8 631 815	(2 417 894)	3 338 417
Transferred to reserves	(7 090 695)	(1 760 365)	(10 772 228)	(454 899)	(322 839)
Surplus/(Deficit) after reserves	296 735	7 344 852	(2 140 413)	(2 872 793)	3 015 578
STATEMENT OF CHANGES IN NET ASSETS	Trust Fund	Education Fund	Disciplinary Fund	Accumulated Surplus	Total Net Assets
Year Ending					
31 March 2008	-	1 530 417	5 140 580	6 158 922	12 829 919
31 March 2009	-	1 150 745	5 975 151	4 018 189	11 144 085
31 March 2010	10 000 000	1 157 973	6 740 151	1 877 776	19 775 900
31 March 2011	10 000 000	2 113 338	7 545 151	9 222 626	28 881 115
31 March 2012	10 000 000	2 280 565	14 468 619	9 519 361	36 268 545

SIGNIFICANT FEATURES	2012	2011	2010	2009	2008
Activity indicators (numbers)					
Registered Auditors at year-end	4 258	4 375	4 398	4 373	4 374
New registrations for the period	296	229	370	286	414
Trainee accountants registered for the period 1	2 672	3 574	4 124	3 937	3 859
Entrants to Public Practice Examination (PPE)	2 054	1 952	2 798	2 566	2 479
Reportable Irregularities received					
Total Rls received (first reports)	814	806	1 108	1 125	780
Second reports - continuing	491	468	674	669	424
Second reports - not continuing	312	328	340	407	316
Second reports - did not exist	11	7	11	22	19
Second reports - other	-	3	83	27	21
Disciplinary matters					
Investigations initiated	87	94	84	108	120
<ul> <li>Investigation committee matters disposed of</li> </ul>	62	59	74	81	92
Disciplinary committee hearings	5	2	6	6	5
Inspections performed					
• Firms	38	22	6	14	9
Engagements	625	640	654	1004	322

<sup>1</sup> The 2012 numbers are for the 12 months ended 31 March 2012 and the previous years for the 12 months ended 31 December.



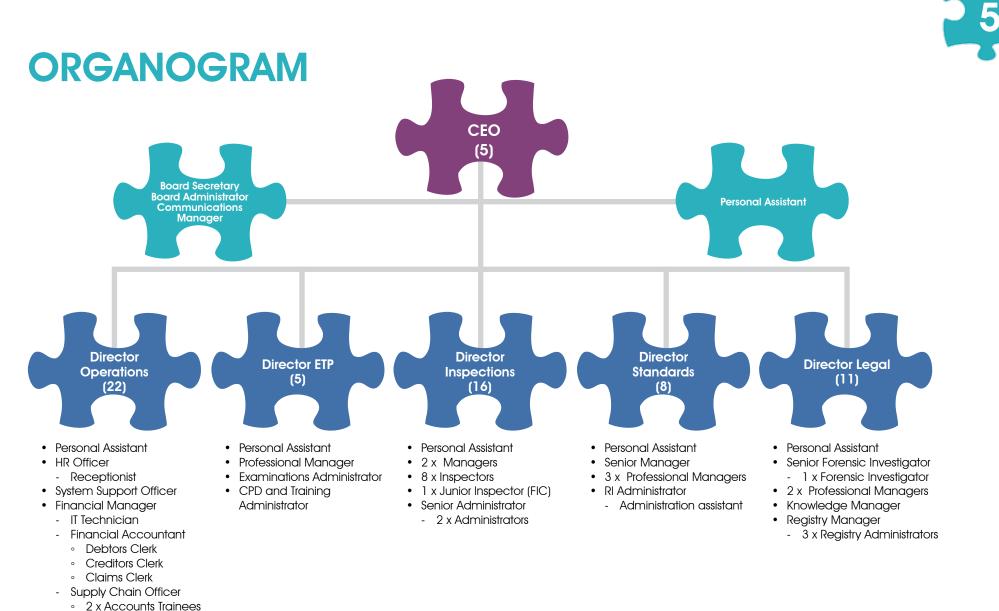
# **CORPORATE GOVERNANCE ENVIRONMENT**

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

GOVERNANCE AREA	STATUS 2011/12	CURRENT STATUS	PLANNED COMPLETION
Accounting authority and directors	Planned completion for Board Charter – Sep 2011	The board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct was approved by the board in September 2011.	Completed
Performance assessment	Planned Completion for Evaluation – Sep 2011	The board approved the Board Performance and Evaluation Policy Framework in January 2012. The performance evaluation of the board for the financial year ended March 2012 has been completed.	Completed
Appointment of new board	Planned completion for appointment of board – Nov 2012	The board nominations were submitted to the Minister in November 2012.	
Board committees	Full compliance with its governance provisions	Full compliance for the period under review.	Ongoing
Remuneration of board members, directors and senior executives	Full compliance with relevant policies	Full compliance for the period under review.	Ongoing
Audit Committee	Planned completion for review of the Terms of Reference (TOR) – Sep 2011	The Terms of Reference of the Audit and Risk Management Committee were reviewed during the financial year, and approved by the board in January 2012.	Completed
Risk	Planned finalisation of Risk Management Policy – Nov 2011	The risk evaluations and monitoring is done by management and reviewed by the board. The Risk Management Policy was approved by the board in January 2012.	Completed
IT governance	Establish IT Steering Committee and ICT strategy – Jan 2012	The board established a Steering Committee for IT to assist with IT governance. An ICT strategy was approved by the board in January 2012.	Completed
Compliance with laws, rules codes and standards	Planned completion of compliance framework – Nov 2011	The Regulatory Universe of the IRBA was completed and adopted by the board in May 2012. The principal laws to comply with are the Auditing Profession Act and the PFMA and there was full compliance during the period under review. Compliance monitoring is done by the board secretary, who also acts as the compliance officer.	Completed – Nov 2012



GOVERNANCE AREA	STATUS 2011/12	CURRENT STATUS	PLANNED COMPLETION
Internal audit	Compliance with the Internal Audit Plan	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.	Ongoing
Governing stakeholder relationships	Planned completion of a formal dispute resolution process for internal and external disputes - Dec 2011	Not achieved in the past financial year. A formal process to be developed.	September 2013
Integrated reporting and disclosure to be developed	A framework for integrated reporting was considered and adopted by the board in May 2012. The integrated report for 2011/12 was planned to be completed by September 2012.	Not achieved in the past financial year. Completed in February 2013.	February 2013



- ∠ x ACCOUNTS Irai
   Facilities Supervisor
  - Driver
  - Printing
  - 5 x Catering Staff



ARMCO	Audit and Risk Management Committee	ICT	Information and Communication Technology
APA	Auditing Profession Act, 2005 (Act No. 26 of 2005)	INSCOM	Inspection Committee
AGSA	Auditor General South Africa	IAESB	International Accounting Education Standards Board
BAC	B-BBEE Advisory Committee	IAASB	International Auditing and Assurance Standards Board
B-BBEE	Broad-Based Black Economic Empowerment	IESBA	International Ethics Standards Board for Accountants
CA (SA)	Chartered Accountant (South Africa)	IFAC	International Federation of Accountants
CFAS	Committee for Auditing Standards	IFIAR	International Forum of Independent Audit Regulators
CFAE	Committee for Auditor Ethics	INVESCO	Investigating Committee
CIPC	Companies and Intellectual Properties Commission	NSS	National Standard Setters
CAG	Consultative Advisory Group	PFMA	Public Finance Management Act
CPD	Continuing Professional Development	PPE	Public Practice Examination
DTI	Department of Trade and Industry	PSSC	Public Sector Standing Committee
DAC	Disciplinary Advisory Committee	QE1	Qualifying Exam 1
DISCO	Disciplinary Committee	RA	Registered Auditor
EDCOM	Education, Training and Professional Development Committee	ROSC	Report on the Observance of Standards and Codes
EC	European Commission	RSC	Reports Standing Committee
EU	European Union	SCWG	Standards Coordination Working Group
FASSET	The Seta for finance, accounting, management consulting and other financial services	SSC	Sustainability Standing Committee
FICA	Financial Intelligence Centre Act	IRBA	The Independent Regulatory Board for Auditors
FRSC	Financial Reporting Standards Council	SAICA	The South African Institute of Chartered Accountants
FSB	Financial Services Board	WEF	World Economic Forum

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