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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS** |

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| **Change to Sanctions for Improper Conduct**  Johannesburg / 14 December 2017  Dear Stakeholder  In the World Bank′s Report on the Observance on Standards and Codes (ROSC) on Accounting and Auditing, it made recommendations regarding the sanctions process and approach applied by the IRBA. It noted that although the audit quality reviews contribute to strengthening the quality of financial statements, the disciplinary process and sanctioning requires more independence, rigour and timely resolution.  Based on these recommendations, the Board conducted a review of the current sanctions to determine, inter alia, whether the link between the Auditing Profession Act (′Act′) and the Adjustment of Fines Act, which sets a ceiling on fines, was still appropriate.  Parliament also recently noted that it wished to see the IRBA strengthen its sanctions and indicated its support for changes to the Act.  The profession has been under substantial pressure for the last six months and it is important to regain confidence in the profession and restore its reputation. While, the IRBA aims to ensure that it monitors registered auditors and the quality of audits in the public interest with the objective of achieving high audit quality to protect the investing public, it is also important that the IRBA takes appropriate actions against those registered auditors who have brought the profession into disrepute.  Accordingly, the Board of the IRBA will be implementing changes which will bring the IRBA sanctions in line with sanctions applied by other regulators.  The full notice of changes regarding sanctions for improper conduct is available [here](https://www.irba.co.za/upload/Sanctions%20updated%2014%20December2017.pdf).  Barring changes to Sections 48 and 51(3) of the Act, which will be adopted early in 2018, and will be effective for transgressions reported from the date that the amended act is legislated, all other changes to current practice will be enforced with immediate effect to all current and future matters.  **Bernard Peter Agulhas**  **Chief Executive Officer**  *About the IRBA*  *The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.* |