

IRBA NEWS

ISSUE 60 OCT - DEC 2022

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Our collective efforts are starting to show results; let's build on them

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Fourth annual audit quality indicators report is out

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Focused transformation drives are taking off

WE ARE ON THE RIGHT PATH

The profession is ready for the positive changes that will help it regain its reputation

iRBA

INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY

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Imre Nagy
Chief Executive Officer

CEO'S PERSPECTIVE

OUR COLLECTIVE EFFORTS ARE STARTING TO SHOW RESULTS - LET'S BUILD ON THEM

As the calendar year draws to a close and we reflect on the state of the profession and the regulator, especially regarding how we have fared in our responsibility to protect the interests of the public, there are signs that we are moving in the right direction. This year, we saw the end of the COVID-19 restrictions and movement towards a return to stability in some sectors of our profession. Face-to-face engagements resumed; and it has been a pleasure to connect with our stakeholders in person, share our plans and hear from them on the progress they are making in their own strategies. Generally, these engagements have shown that there is a positive collective outlook for the profession.

We have also made steady progress in our collective quest to restore confidence and create awareness of the value of the auditor and the audit product, through engaging various stakeholders. Furthermore, over the past year, the IRBA has stabilised its governance and leadership structures by appointing a permanent Board and CEO.

Brand Gap Analysis

As part of our strategy to engage more comprehensively with our stakeholders, we recently issued a brand gap analysis survey, to assist us with measuring brand attributes and the personality of the IRBA brand, with the specific objective of moving from a “cold” association to “warm trust”. We are in the process of analysing the survey feedback received and will share the outcomes through our various communication platforms.

It is important to listen to our stakeholders and I want to thank those who completed the survey, as that has given us all the additional comments that will help us to improve and enhance our impact as a regulator.

Audit Quality and Restoring Confidence

The 15th of December 2022 is the implementation date for the new suite of Quality Management (QM) standards that are focused on improving audit quality. These QM standards will drive greater confidence and trust, and have also been modernised to consider emerging trends and technology. During their recent visit to the IRBA, the International Auditing and Assurance Standards Board's Chairman, Mr Tom Seidenstein, and Director, Ms Sally Anne Bailey, commended the South African profession for its readiness and preparatory work in gearing up for the implementation date.

In fact, we are forging ahead with our projects to restore confidence in the profession and our three workstreams have started their various consultations with stakeholders.

Steady Progress on Getting the Profession Attractive Again

We continue with our focus on creating awareness on the value of the auditor and the audit product, and making the profession more attractive. As part of our initiatives, we had a very informative discussion with the heads of schools of accounting and auditing, sharing with them our plans and strategy. A vital part of the session was to also hear from them on how we can collaborate to support their initiatives on generating more interest in the auditing profession.

It Takes a Collective to Make a Change

The profession is primed for positive changes and regaining its stature. However, it will require all role-players to continue working together to create awareness about the value that we bring to the financial markets and the economy of our country. After all, protecting the public interest is at the heart of all that we do.

I want to thank our stakeholders for their input, collaboration, suggestions and the constructive conversations we had this year. May all those fruitful and forward-looking deliberations continue to guide us into the new year, as we pick up the momentum to rebuild trust and drive excellence.

I wish our stakeholders and their loved ones a relaxed, safe and blessed holiday season and a prosperous new year.

Imre Nagy

Chief Executive Officer



Imran Vanker
Director Standards

STANDARDS

LIST OF TOPICS COVERED IN THIS ISSUE

Standards

- Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022); and Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022);
- IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements;
- The International Auditing and Assurance Standards Board (IAASB) Opens Public Consultation for the Revised Audit Evidence Standard;
- IAASB Issues Guidance on the Impact of the IAS 1 Amendments on the ISAs; and
- IAASB Projects in Progress.

Ethics

- Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code;
- IRBA Staff Ethics Practice Alert 1: The Auditor's Considerations with Respect to Long Association of Personnel with an Audit Client (Including Partner Rotation); and
- International Ethics Standards Board for Accountants Projects in Progress.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022); and Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022)

In November 2022, the CFAS approved the release of two revised publications on exposure for public comment until 31 March 2023. These are the Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (Revised November 2022) (proposed Revised Due Process Policy); and the Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and

Related Services Pronouncements (Revised November 2022) (proposed Revised Status and Authority of Auditing Pronouncements).

Proposed Revised Due Process Policy

This proposed policy serves the public interest by facilitating an understanding of the CFAS' objectives and operating procedures in the development, adoption and issue of high-quality standards on quality management, auditing, review, other assurance and related services standards, as well as pronouncements, which are relevant, internationally comparable and issued by the Independent Regulatory Board for Auditors (IRBA).

Consequently, this proposed Revised Due Process Policy was updated for the following:

- a. The due process to be followed for making limited modifications to the IAASB International Standards.
- b. The inclusion of the process to develop the IRBA Staff Audit Practice Alerts, but that are not currently detailed in the Due Process.
- c. Consequential amendments arising from the issue of the following:
 - The IAASB's International Standards on Quality Management (ISQMs);
 - Resolutions, passed by the IRBA Board in June 2021, that set out the detailed responsibilities, delegation of powers and assignment of duties, among others, to the CFAS, effectively establishing the committee's Terms of Reference; and
 - The IRBA Protocol for the Appointment of Members to IRBA Statutory Committees.
- d. Any other editorial amendments, if relevant.

Proposed Revised Status and Authority of Auditing Pronouncements

This publication facilitates an understanding of the status and authority of the auditing pronouncements developed, adopted, issued and prescribed by the IRBA.

To that end, the proposed Revised Status and Authority of Auditing Pronouncements was updated for the following:

- a. Consequential amendments arising from the proposed Revised Due Process Policy and the ISQMs;
- b. The IRBA Regulatory Strategy (issued via Government Gazette No. 45389 on 27 October 2021); and
- c. Any other editorial amendments, if relevant.

Request for Comments

The CFAS welcomes comments, from auditors and other interested parties, on all matters that are addressed in the proposed Revised Due Process Policy and the proposed Revised Status and Authority of Auditing Pronouncements. It also seeks responses to the specific questions that are set out in the Explanatory Memorandum section of each publication.

Comments, in Word format, should be submitted via e-mail to standards@irba.co.za; and it should be noted that they will be considered a matter of public record.

These comments should be submitted to the IRBA by 31 March 2023.

To download the proposed Revised Due Process Policy and the proposed Revised Status and Authority of Auditing Pronouncements, visit the [IRBA website](#).

IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements

Investors and others are increasingly calling for high-quality, transparent, reliable and comparable reporting by entities on climate and other environmental, social and governance (ESG) matters. This is accompanied by questions regarding the assurance thereof, and the ethical responsibilities of preparers and assurance providers.

Therefore, the development of sustainability reporting standards plays a vital role; and to that end, the International Financial Reporting Standards (IFRS) Foundation Trustees recently created a new standard-setting board, the International Sustainability Standards Board (ISSB). The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities, to help them make informed decisions.

In response to these developments, we have issued the IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements (IRBA Staff Audit Practice Alert), for use by registered auditors.

This publication provides assurance practitioners with a summary of key references, where to source guidance and matters to consider with respect to sustainability assurance engagements at this point in time. It covers the following questions:

- What assurance frameworks and/or standards should registered auditors in South Africa use to perform sustainability assurance engagements?
- What resources are available for assurance practitioners regarding assurance engagements on sustainability reporting?
- Where can assurance practitioners find the current voluntary and regulatory requirements for companies that are listed on the Johannesburg Stock Exchange (JSE), in respect of the reporting and assurance of sustainability information in South Africa?
- How do assurance practitioners determine what the current voluntary and regulatory requirements are, regarding the reporting and assurance of sustainability information in South Africa for other types of entities (other than JSE-listed entities)?
- What impact from climate change may assurance practitioners expect to see on assurance clients' financial statements?
- What type of engagement(s) may be performed to assist assurance clients in preparation for sustainability assurance engagements?
- What potential threats to the practitioner's independence may arise from the assurance practitioner performing a readiness assessment and later performing the proposed sustainability assurance engagement?
- What frameworks, standards and/or guidance may assurance practitioners expect assurance clients to consider with regard to climate-related disclosures?
- What governance controls may assurance practitioners expect assurance clients to have put in place in respect of sustainability disclosures/reporting?

This IRBA Staff Audit Practice Alert does not constitute an authoritative pronouncement from the IRBA; nor does it amend or override the International Standards on Auditing, South African Auditing Practice Statements or South African Guides (collectively called pronouncements). Also, it is not meant to be exhaustive; and reading this practice alert is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

Developments in sustainability reporting and assurance are undergoing rapid and significant changes; therefore, auditors are encouraged to seek out the most up-to-date and relevant requirements.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the [IRBA website](#). Should you have any further queries, please do not hesitate to email standards@irba.co.za.

Auditors are reminded that the IRBA's [South African Assurance Engagements Practice Statement 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria](#) is effective for periods beginning on or after 15 December 2020.

Furthermore, auditors should remember that the IAASB published its [Non-Authoritative Guidance on Applying ISAE 3000 \(Revised\) to Sustainability and Extended External Reporting \(EER\) Assurance Engagements](#) on 6 April 2021.

The International Auditing and Assurance Standards Board Opens Public Consultation for the Revised Audit Evidence Standard

The IAASB has opened the public consultation for [proposed changes to one of its fundamental standards, International Standard on Auditing \(ISA\) 500, Audit Evidence](#). The current ISA 500 addresses an auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate evidence to draw reasonable conclusions on which to base the auditor's opinion.

The proposed changes:

- Clarify ISA 500's purpose and scope, and also explain its relationship with other standards;
- Provide a principles-based approach to considering and making judgments about information intended to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained;
- Modernise ISA 500 to be adaptable to the current business and audit environment, while considering scalability for different circumstances, including the entity and the auditor's use of technology such as automated tools and techniques; and
- Emphasise the role of professional scepticism when making judgments about information intended to be used as audit evidence and evaluating the audit evidence obtained.

Request for Comments

The CFAS welcomes comments on all matters that are addressed in the proposed changes to ISA 500, including responses to the overall questions, specific questions and general comments as set out in the Explanatory Memorandum. We also invite respondents to advise us of any South Africa specific challenges or issues that should be considered. Comments, all of which will be considered as a public record, should be submitted via email to standards@irba.co.za by **24 March 2023**.

Alternatively, we invite auditors and other interested stakeholders to submit comments directly to the IAASB via its website by **24 April 2023**.

A copy of the Exposure Draft is available in PDF format and may be downloaded from the exposure draft page of the [IRBA website](#).

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD

IAASB Issues Guidance on the Impact of the IAS 1 Amendments on the ISAs

On 16 November 2022, the IAASB published [new guidance](#) to help users understand the impact of the [narrow-scope amendments made to International Accounting Standard \(IAS\) 1, Presentation of Financial Statements, on International Standards on Auditing \(ISAs\)](#). These IAS 1 amendments were recently issued by the International Accounting Standards Board.

The narrow-scope amendments require preparers to disclose their material accounting policy information, instead of a summary of significant accounting policies. These changes will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

According to the IAASB, these amendments do not impact the principles-based requirements of the ISAs. However, its [Amendments to IAS 1 and the Impact on the ISAs: Disclosure of Material Accounting Policy Information](#) publication provides users with guidance on how to address the effect of the amendments on a number of illustrative auditor reports throughout the ISAs that assume, as part of the fact pattern, that the financial statements are prepared by management of the reporting entity in accordance with International Financial Reporting Standards.

The new guidance also offers an illustrative example of an independent auditor's report that has been updated for the narrow-scope amendments, but does not amend or override the ISAs, the texts of which alone are authoritative. Therefore, reading the guidance is not a substitute for reading the ISAs.

In view of the new guidance, registered auditors may need to consider the following:

- The impact on audit engagement letters.
- The impact on the communication of deficiencies in internal control to management and/or those charged with governance, where relevant.
- The impact on written representations to be requested from management and/or those charged with governance, where relevant.
- The impact on the identification and assessment of risks of material misstatements related to disclosures in the financial statements, and the auditor's responses to the assessed risks.
- Alerting their audit clients on the possible impact of the IAASB's new guidance.

As the IRBA, we are in the process of considering the implications of this new guidance on our reporting templates and guides.

Reminder: Recent Communications from the IAASB

The IAASB released several critical communications this year, to provide guidance and/or answer significant questions that will help further enhance audit quality. As a reminder, these publications – as briefly outlined in Issue 59 of [IRBA News](#) – are as follows:

- IAASB Issues New Frequently Asked Questions for Reporting Going Concern Matters in the Auditor's Report;
- New Implementation Guide Available for Identifying and Assessing the Risks of Material Misstatement in an Audit of Financial Statements;
- IAASB's Public Report; and
- IAASB Digital Technology Market Scan: Natural Language Processing.

IAASB Projects in Progress

- Audits of less complex entities (LCE);
- Complexity Understandability Scalability Proportionality (CUSP);
- Fraud;
- Going Concern;
- Listed Entity and Public Interest Entity; and
- Assurance on Sustainability/Environmental, Social and Governance (ESG) Reporting.

Further information on these projects is available on the IAASB website.

ETHICS

COMMITTEE FOR AUDITOR ETHICS (CFAE)

Exposure Draft: Proposed Amendments to the IRBA Code of Professional Conduct for Registered Auditors – Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code

In November 2022, the CFAE approved the proposed amendments to the definitions of Listed Entity and Public Interest Entity (PIE) in the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code), for exposure for a period of at least 90 days. Subsequently, a Board Notice to the same effect was published in the Government Gazette for public comment.

Background

The IRBA adopted the International Ethics Standards Board for Accountants (IESBA) Code, published in 2018, together with South African enhancements. Since then, the IRBA Code has continued to track changes in the IESBA Code and has been updated for those developments, following a local due process and adoption by the IRBA Board. Local adaptations of the IESBA Code are reflected in the IRBA Code as *underlined and in italics*.

Paragraphs ***R400.8a SA*** to ***R400.8c SA*** of the extant [IRBA Code](#) include South African requirements relating to the definition of PIE. These local requirements were [issued on 4 March 2016](#) and came into effect on 1 July 2016, and are in addition to the extant requirements of the IESBA Code.

IESBA Amendments and the Process Followed in South Africa

On 29 January 2021, the IESBA released, for public comment, the Exposure Draft: [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#). In South Africa, the IRBA gazetted these proposed amendments ([Board Notice 15 of 2021](#)). Thereafter, on 11 April 2022, the IESBA released a final pronouncement on the [revised definition of a public interest entity](#). The revised provisions specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements, to meet stakeholders' heightened expectations concerning auditor independence.

As at the date of this Exposure Draft, the IRBA Board had not yet adopted the IESBA pronouncement, due to the pending finalisation of potential revisions to the local requirements, in line with the proposed amendments. The IRBA has released a [communiqué](#) in this regard.

Rationale for the Proposed Amendments to the IRBA Code

The CFAE, when proposing the amendments to the IRBA Code, considered the following:

- In terms of Section 4(1)(b) of the Auditing Profession Act No. 26 of 2005, the Regulatory Board must take steps it considers necessary to protect the public in its dealings with registered auditors.
- The IESBA's amendments and their impact on the IRBA Code PIE provisions, the definition of

listed entity and other PIE-related paragraphs.

- The extant IRBA Code definition of PIE is more than six years old. Consequently, the CFAE considered the insights gained from the usage of the PIE provisions in South Africa for revision, and this included:
 - o Stakeholder outreach with regulators on industry-specific matters, including whether the current thresholds are still appropriate, particularly for the entities specified in the extant **R400.8b SA** and the proposed **R400.18 SA**.
 - o A consideration of the completeness and appropriateness of the categories in the extant IRBA Code PIE definition, i.e. whether there should be more or fewer categories in South Africa, and whether another superior and viable approach exists to determine categories of PIEs.
 - o The interaction of the PIE definition with the term “Public Interest Score”, as referred to in the Companies Act No. 71 of 2008.

The IRBA acknowledges that concerns raised by stakeholders about the appearance of independence, the protection of the public interest, as well as the continued confidence and trust in the independence of the audit process are an important rationale for the changes proposed in this Exposure Draft.

Proposed Effective Date

The intention, depending on the comments received, is that the proposed amendments to the PIE provisions in the IRBA Code will be effective for audits of financial statements for periods beginning on or after 15 December 2024, in line with the effective date of the IESBA Code revisions. Early adoption will be permitted.

Request for Comments

The IRBA welcomes comments from interested parties on all matters that are addressed in the Exposure Draft. It also seeks responses to the specific questions that are set out in the Explanatory Memorandum section.

Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by 3 April 2023.

The Exposure Draft is available in a PDF format and may be downloaded from the [IRBA website](#).

IRBA Staff Ethics Practice Alert 1: The Auditor’s Considerations with Respect to Long Association of Personnel with an Audit Client (Including Partner Rotation)

In South Africa, Section 92 of the Companies Act No. 71 of 2008 prescribes requirements for the rotation of auditors, while Section 540 of the IRBA Code prescribes requirements for the long association of personnel (including partner rotation). As these requirements emanate from different authorities, the terminology used as well as the prescribed time-on and time-off periods respectively vary. Consequently, this could give rise to differences in application among users.

For that reason, the regulator has issued the [IRBA Staff Ethics Practice Alert 1: The Auditor’s Considerations with Respect to Long Association of Personnel with an Audit Client \(including Partner Rotation\)](#), for use by registered auditors. The publication, which has been prepared with the assistance of the IRBA’s CFAE, seeks to enhance current practice by providing a five-step approach to identify and assess threats to independence due to long association. It also covers the following topics:

- Performing the long association assessment for a company versus any other audit client (which includes related entities).

- Rotation requirements for key audit partners (including engagement partners and engagement quality reviewers) versus other members of the audit team.
- Determination of the applicable provisions by type of entity.
- Role changes with respect to the audit client or within the audit team (the impact of prior association on the level of the long association threat to independence).

This IRBA Staff Ethics Practice Alert does not constitute an authoritative pronouncement from the IRBA; nor does it amend or override the International Standards on Auditing, the IRBA Code, the Companies Act or the Auditing Profession Act No. 26 of 2005. It is also not meant to be exhaustive; and reading this practice alert is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

IESBA Projects in Progress

- Engagement Teams – Group Audits Independence;
- Technology;
- Tax Planning and related services;
- Benchmarking Initiative; and
- Long Association Post-Implementation Review – Phase 1.

More information on these projects is available on the [IESBA website](#).

Should you have any further queries, please send an email to standards@irba.co.za.

Imran Vanker

Director Standards

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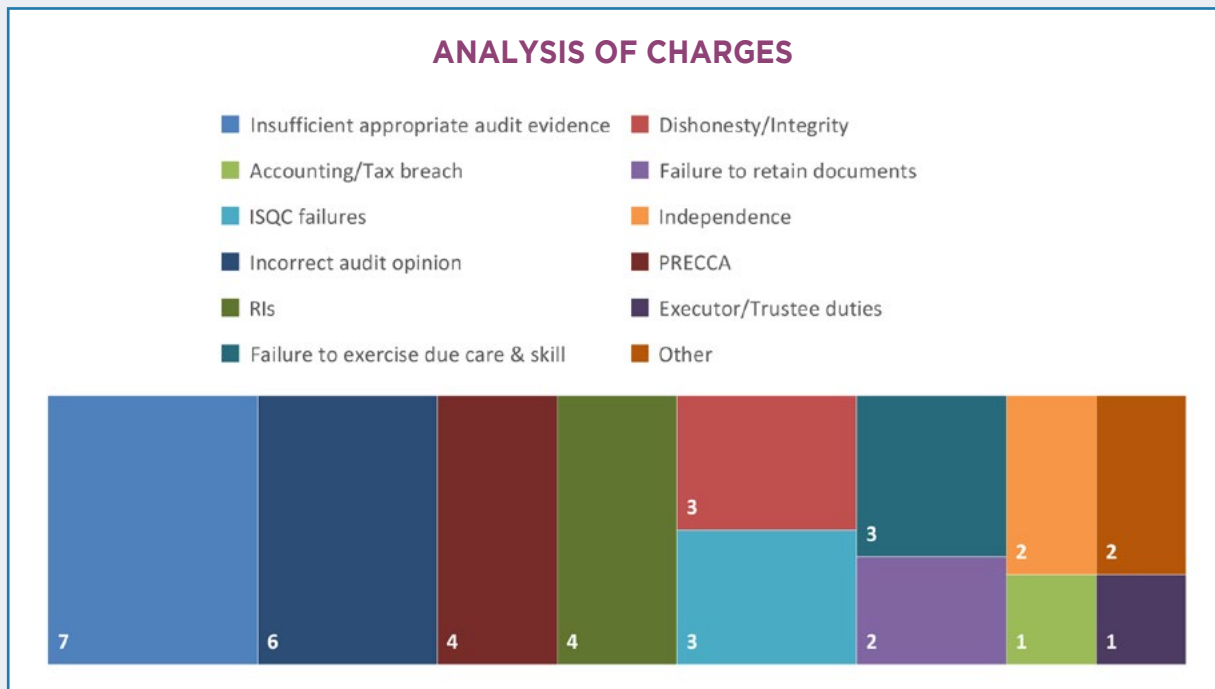
Rebecca Motsepe
Director Legal

LEGAL

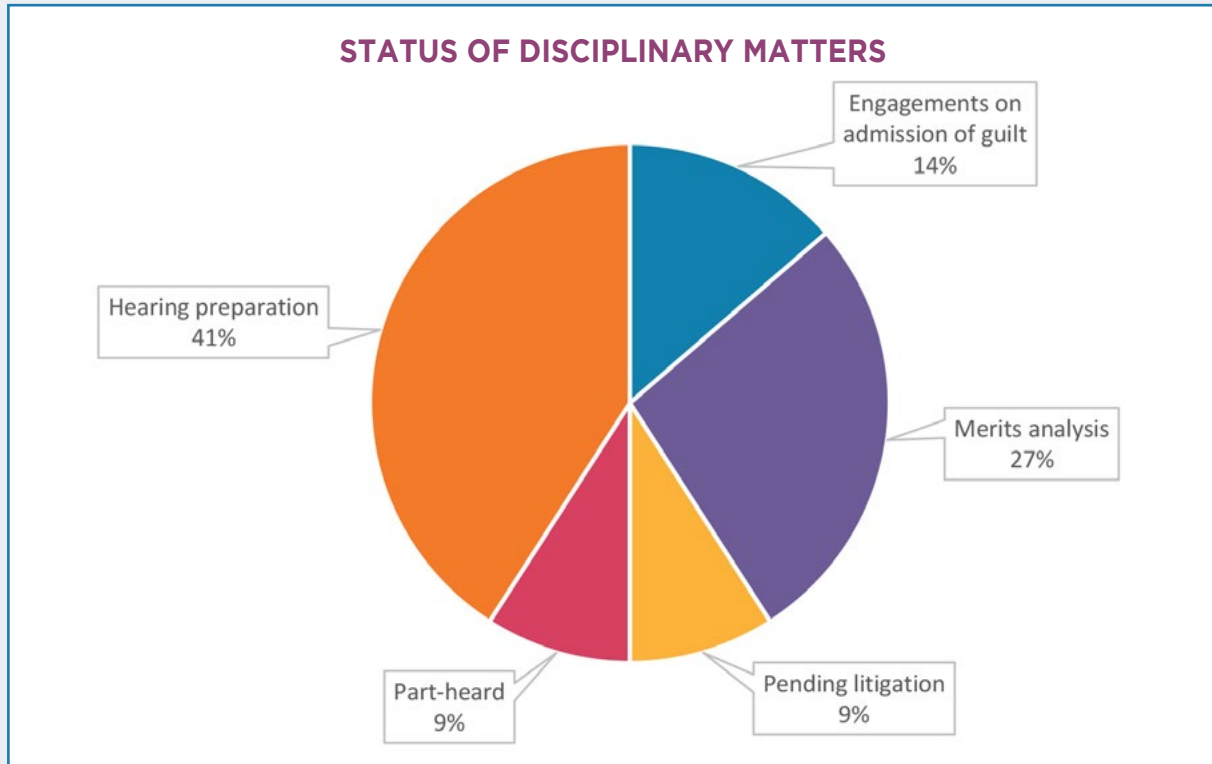
DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

There are 22 open cases that have been referred to the Legal Department for disciplinary hearings. These matters are at different stages of the process. The graphics below outline the nature and status of all matters referred.



Note: Overall, the open matters involve 12 categories of improper conduct. While each matter may involve numerous charges, the most common charges relate to insufficient appropriate audit evidence; followed by incorrect audit opinion; failure to report in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA); failure to report reportable irregularities (RIs); failure to comply with International Standard on Quality Control (ISQC) 1; dishonesty and integrity; failure to exercise due care and skill; failure to retain documents; breach of executor and trustee duties; as well as independence, accounting and tax breaches.



Note: At least 9% of the open matters remain part-heard, with another 9% pending litigation, while engagements on admission of guilt processes are ongoing between the parties in relation to 14% of the matters. On the other hand, 41% of the matters are at the hearing preparation stage, with 27% undergoing merits analysis.

Matters Heard by the Disciplinary Committee

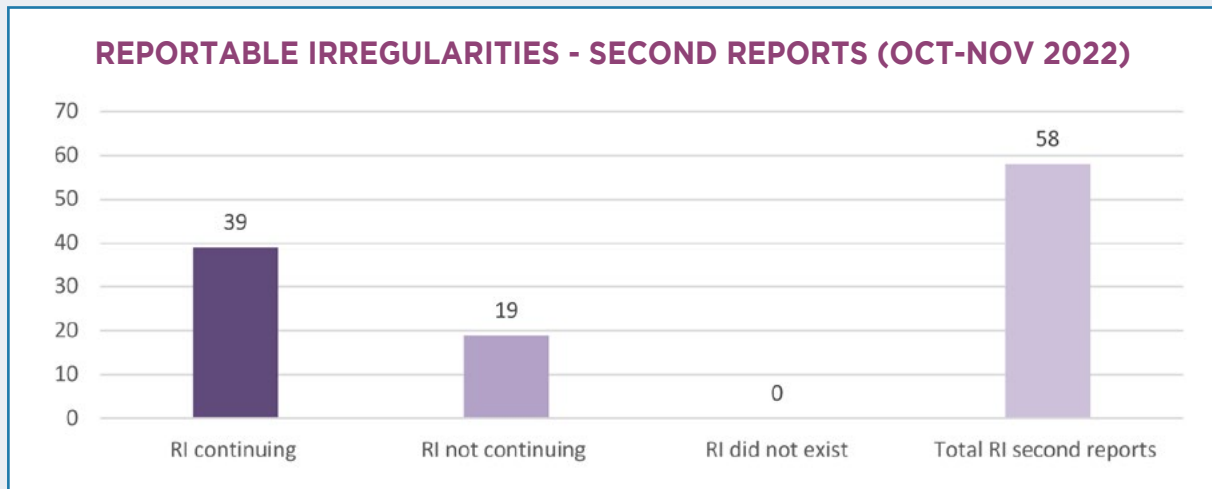
During the current reporting period, the committee heard two matters that remain part-heard. Below is a brief summary of these matters.

Parties	Overview of Charges	Adjournment Dates
IRBA vs ABM	The respondent has been charged with a breach of several Rules Regarding Improper Conduct, as a result of having issued an incorrect audit opinion in relation to his audit of a state-owned company’s (SOC) annual financial statements (AFS). This is specifically in that he failed to disclose material non-compliance with legislation and internal control deficiencies in the Independent Auditor’s Report on the consolidated and separate AFS; he failed to maintain an attitude of professional scepticism	7-10 March 2023

Parties	Overview of Charges	Adjournment Dates
	<p>during the conduct of the audit; he failed to obtain sufficient appropriate audit evidence to draw a reasonable conclusion on the amount of irregular expenditure; and he omitted a modification regarding the limitation of scope from his Independent Auditor's Report.</p> <p>The matter was heard on 22-26 August 2022, and again between 7 and 11 November 2022, whereafter it was adjourned midway through the respondent's case and will now be reconvened in March 2023 for continuation.</p>	
<p>IRBA vs MMP</p>	<p>The respondent has been charged with a breach of several Rules of Improper Conduct, as a result of having allegedly fronted for a third party to acquire a majority shareholding in an audit firm, in breach of the provisions of the Auditing Profession Act 26 of 2005, as amended; failing to act in the public interest by entering into professional relationships with companies implicated in state capture; and breaching the independence requirements of the Code of Conduct by accepting appointment as the auditor of a company related to a company from which he had obtained and owed a significant loan, which loan was utilised to buy shares in the audit firm.</p> <p>This matter was heard between 28 November and 1 December 2022, and was adjourned after the respondent led his case. The Disciplinary Hearing Panel will reconvene in February 2023, for the purpose of hearing closing arguments from the parties.</p>	<p>Not scheduled</p>

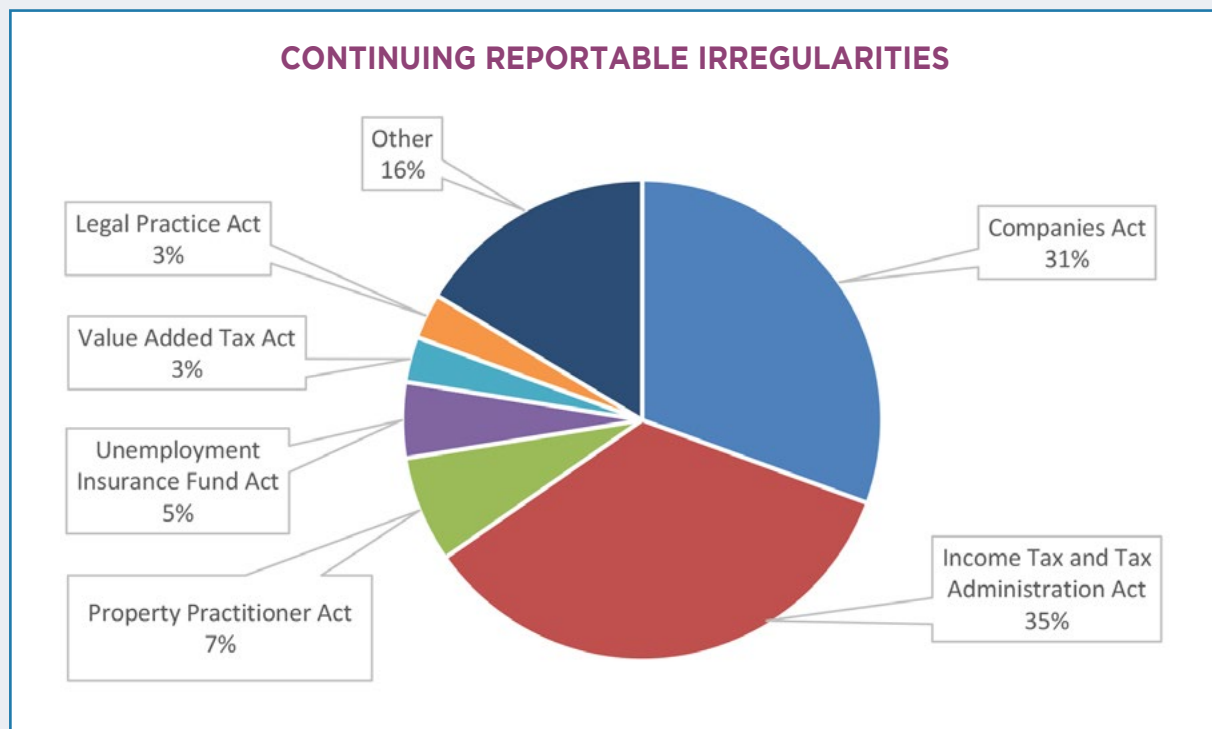
REPORTABLE IRREGULARITIES

The IRBA received 99 first reports on RIs during the current reporting period. In addition, 58 second reports, the nature of which is highlighted below, were received and processed.



Note: The difference of 41 reports between the first and second reports received is due to timing differences in reporting timelines.

The chart below reflects the 39 continuing RIs received, categorised by nature.



Note: As depicted above, the top three types of reported contraventions related to the Income Tax and Tax Administration Act, the Companies Act and its Regulations, as well as the Property Practitioner Act. There were also several RIs highlighting contraventions of, among others, the Value Added Tax Act and the Unemployment Insurance Fund Act.

All second reports indicating continuing RIs were sent to the relevant regulators and/or authorities, in line with the provisions of the Auditing Profession Act, as amended, for action.

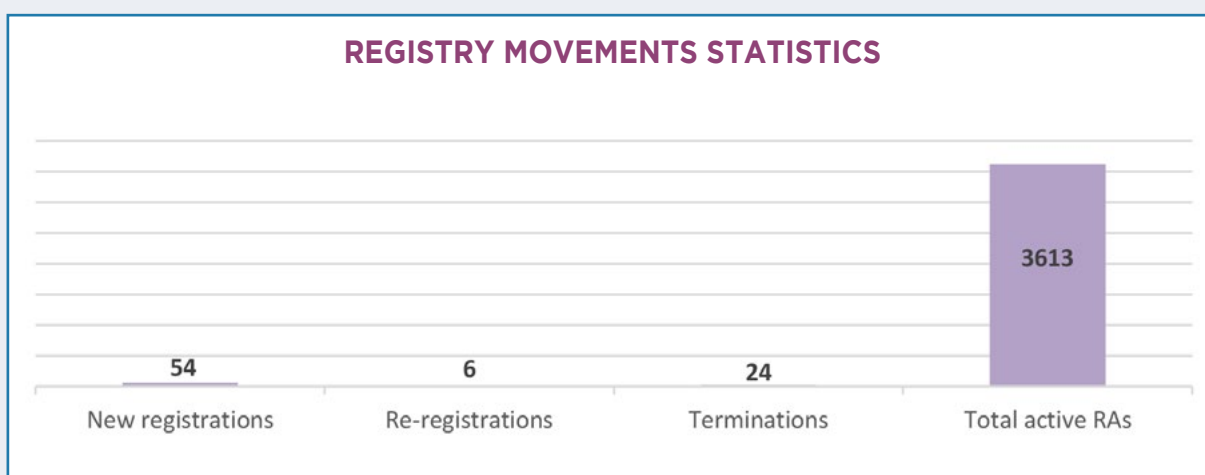
REGISTRY

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

Overview of Registry Movements

As at the end of the third quarter, there were 3 613 registered auditors (RAs) on our register, following the registration of 60 RAs and the termination of 24.

The chart below provides an overview of registry movements during the reporting period.



New Registrations and Re-registrations

In the tables below are the names of the RAs who were added to the register.

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA FROM 21 JUNE 2022 TO 28 SEPTEMBER 2022	
August, Keshia Camille	Boessenkool, Wouter Johannes
Booyens, Andri	Brink, Annelien
Burger, Helena Louise	Carrim, Jameel
Carstens, Petrus Johannes	Chiripanyanda, Tinotenda Charlotte
De Jager, Louis Kruger	De Kock, Heinrich

**INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA
FROM 21 JUNE 2022 TO 28 SEPTEMBER 2022**

Dladla, Thobani Trevor	Du Preez, Jan Simon
Govender, Karen-Ann	Howroyd, Grant Wayne
Huma, Herman Thato	Inaiethoola, Liaaqaq Ally
Ismaiel, Mohammed Zaahid	Jansen, Jonathan Richard
Josef Johann, Vrba	Karim, Muhammad Umar
Kgogome, Caroline Bontle	Khan, Nusrat
Kies, Leon	Kruger, Ashton Crystal
Laher, Bilal	Mahlobogoane, Phillip Lesiba
Majola, Asanda Khululekani Portia	Martin, Adille
Meenesh, Hira	Mohamed, Saleh
Moodley, Riantha	Moosa, Imraan Yousuf
Motshekga, Makhai Mangwako	Moyo, Lichelle Rudo
Naidoo, Deveshnee	Newton, Tarryn Lynne
Nkosi, Ntombikayise Margret	Nyenjana, Ongeziwe
Patel, Aadil Goolam	Pires De Azevedo, Anthony
Rabe, Wihann	Ramlall, Yushavia
Sirkhot, Razia Khatoon	Taljaard, Kate
Troxler, Guy Ronan Charli	Tsipa, Phuti Synovia
Van Der Merwe, Rochelle	Van Niekerk, Leonore
Van Staden, Robyn	Van Tiddens, Johan Epko
Varoy, Danelle Linda	Venter, Helena Elizabeth
Wentzel, Carel David	White, Karly

**INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA
FROM 4 JULY 2022 TO 28 SEPTEMBER 2022**

Breytenbach, Eugene Christo	Cohen, Jonathan
De Jager, Pierre	Grobler, Hendrik Stephanus Joseves
Ramusi, Sibongile Lesetja	Zungu, Eugene Msawenkosi

RA Terminations

As indicated above, 24 RAs were removed from the register during the current reporting period. Below is a list of these RAs, including the reasons for their removal.

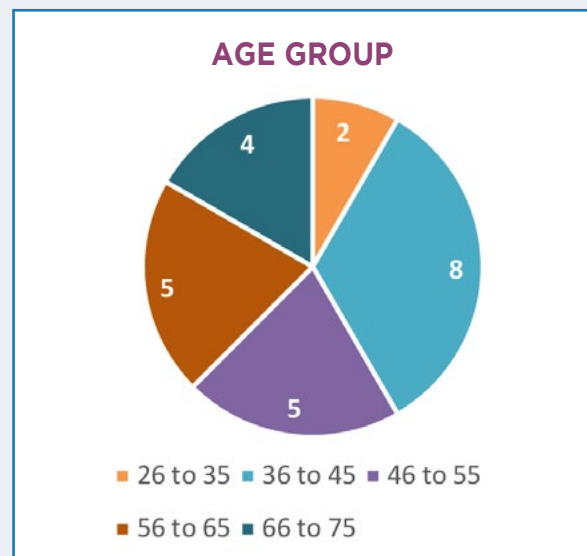
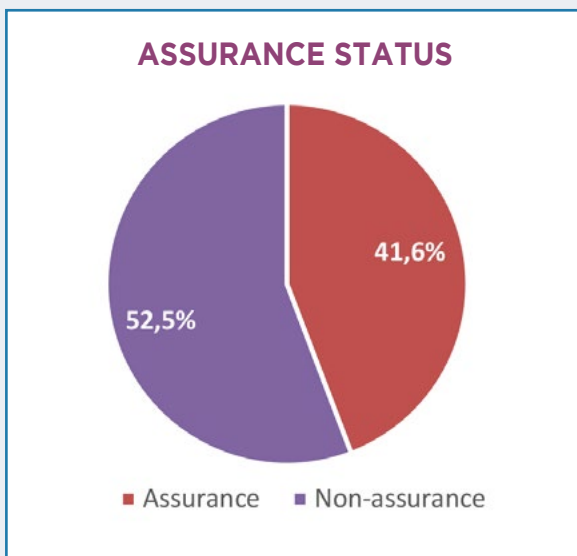
**INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA
FROM 19 SEPTEMBER 2022 TO 23 NOVEMBER 2022**

Kgopa, Paseka Moses	Resigned
Christian, David Frank	Resigned
Barker, Hayley	Emigrated
Bam, Lwazi Loyiso	Resigned
Pohl, Jomarie	Resigned
Moodley, Kevan	Resigned
Nield, Justin Moore	Resigned
Bacela, Lerato	Resigned
Govender, Vanesan	Resigned
Bates, David Basil	Resigned
Livingstone, Clifford Steven	Resigned
Mmokwa, Molatelo Mildred	Emigrated
Smith, Trevor Josiah James	Resigned
Bafu, Hazel Fadzai	Resigned
Rossen, Nicholas Barn	Resigned

Gazi-Babana, Akona	Resigned
Pema, Jayant Daji	Resigned
Crowther, Daniel Francois	Emigrated
Els, Jan Gysbert	Resigned
Kamdar, Fathima Bibi	Emigrated
Pita, Robert Varela	Emigrated
Smith, Stefanus Gustavus	Resigned
Bieldt, Walter Oswald	Resigned
Ndlovu, Patrick	Resigned

The most prevalent reasons for removal from the register, as reflected in the table, appear to be movements from firms, individuals no longer performing assurance work and emigration.

The graphs below provide an age and assurance status split in respect of those RAs who were removed from the register. The majority of these registered auditors were non-assurance; and in age, they ranged between 36 and 55 years.



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Ntlambi Gulwa
Director Inspections

INSPECTIONS

FOURTH ANNUAL AUDIT QUALITY INDICATORS REPORT IS OUT

The Independent Regulatory Board for Auditors (IRBA) has published the 2022 Audit Quality Indicator Survey Report (the AQI report). We started this journey in 2016, resulting in the first AQI report being published in 2019. Since the beginning of this project, we have noted an increased maturity in the firms' data collection process/methods, participation and leadership commitment in the reporting of the AQIs.

With this report being the fourth publication, it promises to give users more useful trends and will assist in identifying which of the reported AQIs are important to each stakeholder. For that reason, the IRBA encourages all stakeholders that are affected to download the [2022 Survey Report: Audit Quality Indicators](#) and use it to perform trend analysis in a properly contextualised manner.

Route to Audit Quality Bolstered

Achieving audit quality is not an event; it is a journey that has now been strengthened by the imminent introduction of the new suite of Quality Management standards. This suite comprises International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements; ISQM 2, Engagement Quality Reviews; and International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statement. In terms of ISQM 1, the firm must design and implement its system of quality management by 15 December 2022 and evaluate it by 15 December 2023.

Audit quality should be at the top of firm leadership agendas and a priority in running their firms, so as to be able to attract and retain audit clients, as well as achieve the objective of protecting the interests of the investing public. Only through good systems of audit quality will firms remain trustworthy and be recognised as ethical agents in our society.

Good audit quality is related to the integrity of financial markets. It facilitates increased stakeholder confidence in financial statements and enhances the credibility of decision-making processes. While its importance cannot be understated, audit quality exists within a reporting and governance eco-system that must also demonstrate exemplary commitment to quality.

An Overview on the AQIs

The term AQIs refers to a portfolio of quantitative and qualitative measures provided by an audit firm to a client, an audit committee or those charged with governance (TCWG) of their client or future client, or other interested stakeholders, for use in providing insights about audit quality. AQIs provide insights and are context specific. High or low ratios may mean different things to different users and may be interpreted in various ways when correlated with other statistics.

The IRBA has been at the forefront of the AQIs conversation and was among the first audit regulators in the world to concur with these discussions and launch this crucial publication. Increasingly, more international audit regulators have initiated similar projects, recognising the value that AQIs present. Globally, and in South Africa, some firms have also elected to voluntarily publish their AQIs to their stakeholders, either as standalone publications or as part of their transparency reporting initiatives.

Highlights of this AQI Report

As part of its own reflection on the latest AQI report, the IRBA notes the upward trajectory in various AQIs, per the following table.

AQIs	2021	2020	2019	2018
Engagement Quality Review Partner Hours (average)	1.6%	1.3%	1.2%	0.7%
Engagement Partner Hours (lowest)	3.3%	2.7%	2.3%	2.4%
Training Hours (average)	91	115	81	78

Care should always be taken when interpreting AQIs, as understanding their proper context is important. Having said that, these trends suggest that the allocation of more experienced resources to an audit, in combination with more hours spent on the development of existing resources, may result in the performance of more robust audits that are guided by increased professional judgment and scepticism.

Users of the AQI Report and Why They Use It

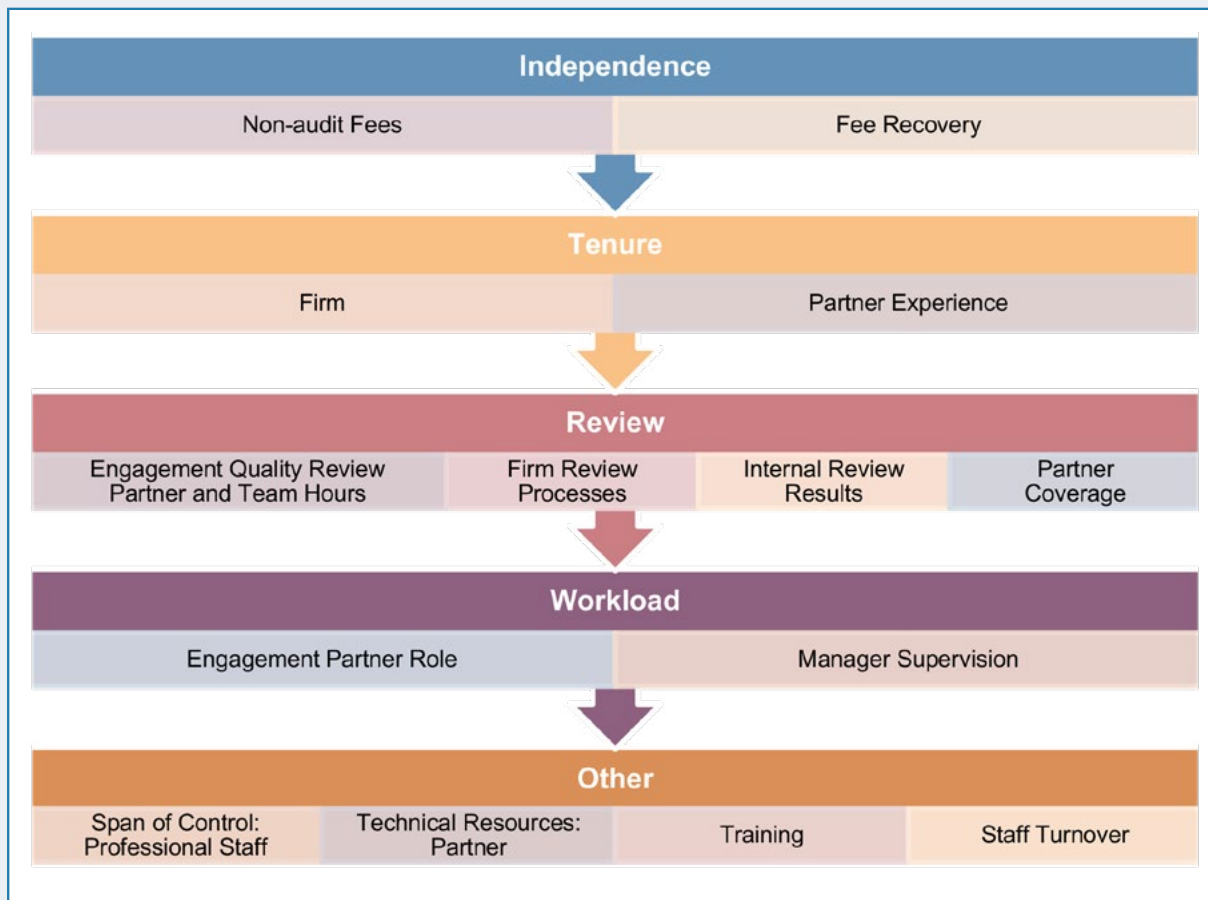
With the Mandatory Audit Firm Rotation (MAFR) Rule being effective in a few months, audit committees are faced with the critical decision of changing auditors. They, therefore, can make use of the AQIs to compare and benchmark current audit service offerings with other firms, and set meaningful and relevant milestones for discussions on quality with their auditors.

- **Audit firms** use these AQIs with other tools, to identify and assess risks and remediate weaknesses within their own systems of quality management. Resources and the firm's risk assessment process form two critical components of its system of quality management. When properly understood and utilised, AQIs can drive decision-making to enable the realisation of quality objectives in terms of the new Quality Management standards.
- **Management** is the ultimate custodian of the financial statements and bears responsibility for the internal control environment, to ensure accurate and reliable reporting of the financial position, financial performance and other relevant financial information to stakeholders. Consequently, management has a vested interest in good audit quality, as that provides assurance over the integrity of the financial statements. These AQIs, then, can be used by management to provide further insights into the audit process and enable meaningful discussions on audit quality.
- **Other regulators** may use this AQIs report to understand and evaluate the work of the auditors, in as far as it affects the execution of their various key responsibilities. For example, some regulators are required to approve the appointment of auditors. AQIs can assist with shifting the focus towards audit quality, rather than having discussions that are solely based on fees.

Thematic Areas Reported

The AQI report covers the following key thematic areas: independence; tenure; internal firm quality review processes; workload of partners and audit managers; span of control; technical resources; training; and staff turnover. These themes constitute some of the foundational building blocks of

high-quality audits and may collectively provide valuable insights into the firm's system of quality management.



What Do the Indicators Mean?

- Independence:** AQIs in this theme may indicate threats to independence. These AQIs measure the extent to which the firm is dependent on a particular client for audit versus non-audit fees, and the percentage of audit fees “written off” or not recovered. High or low percentages may be interpreted varyingly in different contexts. For example, a higher percentage of non-audit fees charged to an audit client indicates that the firm receives more fees for non-audit services, such as taxation and consulting, than what it receives for audit services. This may create the impression of diminished independence, and independence threats may jeopardise audit quality and decision-making. Alternatively, a higher percentage may also indicate a higher demand (sanctioned by the audit committee) from the firm’s audit clients for non-audit services.
- Tenure:** Indicators within this theme focus on the length of relationship between a client, the audit firm and the engagement partner. The longer the tenure, the greater the familiarity threat to independence. Alternatively, the shorter the tenure, the less the experience and knowledge of the business.
- Review:** For this theme, AQIs include the number of hours spent on the audit by the engagement quality reviewer, the engagement quality review team and the audit firm’s internal review process descriptions and results. Higher ratios may indicate a greater involvement of reviewers and, potentially, a greater investment in audit quality. However, higher ratios may also be indicative of overreliance on the review process to resolve issues that should have been identified and addressed by the engagement partner. A comparison could be made between the firm’s internal

monitoring review results and its external monitoring review results. Such a comparison may provide insights into the robustness of a firm's system of quality control, which may form the foundation for the implementation of a system of quality management effective from 15 December 2022.

- **Workload:** AQIs within this theme focus on the engagement partner hours and audit manager hours charged to the audit client. This provides a measure of the level of involvement by the engagement partner and the audit manager. Higher ratios may indicate a greater involvement of the engagement partner and audit manager/s, and there may be many reasons for such involvement. Alternatively, low ratios may indicate a lack of review and involvement by the engagement partner and audit manager/s, or an understaffed engagement team.
- **Other:** This group of AQIs includes span of control, technical resources available to the firm, investment in training and professional staff turnover.
 - o Span of control measures the capacity of engagement partners to supervise junior audit team members. Higher ratios may indicate that a partner has more responsibilities. That may also point towards possible related time pressure, as more people need to be managed, which may distract the partner from giving appropriate attention to a particular audit engagement.
 - o Technical resources measure the support of technical partners available to an engagement partner. The higher the ratio, the more engagement partners a technical partner serves. Therefore, a high ratio may mean that an engagement partner does not have as much access to a technical partner resource as would be the case for an engagement partner in a firm with a lower ratio.
 - o Training measures the level of investment in formal training. In understanding this AQI, the type, quality and relevance of the training should be considered, as well as whether it is input- or output-based (attendance versus the demonstration of knowledge gained).
 - o Staff turnover measures the percentage of staff who have left the firm, excluding staff whose training contracts have ended, in the categories of engagement partners, audit managers and audit supervisors, based on the opening number of staff in each of the three categories. The level of staff turnover is an indication of the consistency of the firm's engagement teams. Consistent teams may help with sustainability or improving audit quality and maintaining professional knowledge within the firm. Firms may want to maintain a balance between retaining staff and adding new staff to promote new and fresh ideas; ultimately, to improve and maintain high audit quality.

While the report is compiled by the IRBA, the data belongs to the firms that provide it. We are hopeful that users will extract and understand the true value of this report.

It should be noted, though, that the contents of the AQI report are based on data that has been provided by selected audit firms. We have not verified this data, and the report is for informational purposes only. Additionally, the IRBA does not accept any responsibility or liability for any claim of any nature, whatsoever, arising out of or relating to this report.

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Nadine Kater
Director Education and Transformation

EDUCATION & TRANSFORMATION

FOCUSED TRANSFORMATION DRIVES ARE TAKING OFF

Transformation of the auditing profession is a key imperative and, in accordance with the audit regulator's strategy, it is also relevant to its sustainability and relevance. Our collective efforts need to be focused on transforming the profession in terms of race and gender, specifically.

To that end, we have undertaken various targeted transformation initiatives to identify and address the barriers to transformation across each area of the career cycle of a registered auditor (RA). We recognise that to address issues of insufficient representation by Black Africans, Coloureds and Indians – as well as an insufficient female representation – on the register of auditors, initiatives that will attract and retain potential RAs will help increase the pool. We also note the need to understand the reasons for deregistrations by registered auditors.

One of the overarching constructs that impacts the attractiveness of the profession is the value proposition of the RA brand and the audit product. We also acknowledge that another key factor in making the profession more appealing is the Independent Regulatory Board for Auditor's (IRBA) regulatory approach. As such, the IRBA has undertaken various transformation initiatives to address the identified obstacles in an RA's career cycle, which is made up the following phases: recruitment, progression, conversion and retention.

Recruitment

This phase represents the recruitment of students, trainees and managers onto the Audit Development Programme (ADP); and the IRBA's objectives with this are to:

- Increase awareness of the RA profession (the role and value of the RA and the requirements to be one) among this group;
- Contribute towards increasing the interest of these individuals in pursuing a career as an RA;
- Help address the throughput challenges experienced by students and trainees; and
- Identify and address other barriers that this group faces in pursuing a career as an RA.

The recruitment phase has been a significant focus area throughout this year, with the IRBA paying particular attention to recruitment drives at universities. This has entailed the following initiatives:

- Development of stakeholder relationships with universities and auditing departments, in particular. The objective has been to develop and maintain a deep understanding of the opportunities and challenges within this space and work collaboratively with the universities to find solutions.

- Development and maintenance of stakeholder relationships with other role-players that are active in the recruitment of individuals to the accountancy and auditing profession. These include the Finance and Accounting Services Sector Education and Training Authority as well as the Association for the Advancement of Black Accountants of Southern Africa.
- Regular direct engagement with auditing lecturers on matters that impact the profession; updates on the IRBA's activities; and practical topics, such as the impact of technology on the auditing profession.
- Direct engagement with auditing students on the role of the RA, the value of the RA, the auditing profession, the path to become an RA, strategies to implement to increase practical engagement with auditing subject matter and practical insights into the profession.
- Maintaining focus on this area within the monitoring process of the accredited professional body and through the accreditation process of the professional body that has applied for accreditation.
- Advocating for solutions and support from all stakeholders in the profession, to address challenges that are being experienced by auditing students.

As the IRBA progresses in its transformation work, we will follow a similar approach in the trainee and manager space and work more closely with firms in this regard.

Progression

At this stage of the cycle, the focus is on the registration of candidates on the ADP and their progression through the programme, as depicted in the accompanying table. To improve the programme, the IRBA recently completed its work on the ADP Reloaded initiative. This has led to the streamlining of ADP processes, the development of new reporting templates as well as the development and rollout of ADP digital content.

LATEST ADP STATISTICS As at the end of 2022	
Opening	482
Registrations	132
De-registration	-40
Completed	-69
Total RCAs to date	545

Conversion

This phase represents the conversion of registered candidate auditors (RCAs) to RAs and the registration of individuals that have successfully completed the Public Practice Exam. The IRBA understands that this area of the pipeline is influenced by, among other factors, the value proposition of the RA designation and the policies of auditing firms with regard to selecting candidates for ADP registration.

Retention

At this stage, retaining RAs on the IRBA register is the main focus. We, however, recognise that a number of factors – with some being specific to the profession, while others reflect the current South African socio-economic climate – are major contributors to de-registrations from the register.

UPDATES ON OUR ACCREDITATION ACTIVITIES

Progress Report on the Application Assessment

The evaluation process of the Association of Chartered Certified Accountants' (ACCA) accreditation application is moving towards the final stage. The specialist working groups have collated and finalised their evaluation reports, and these are now being processed through the Accreditation Committee and the Education and Transformation Committee (EDCOM). Some of the reports have been tabled before the EDCOM already and are under review for the next round of discussions and approvals, which will take place from January to March 2023.

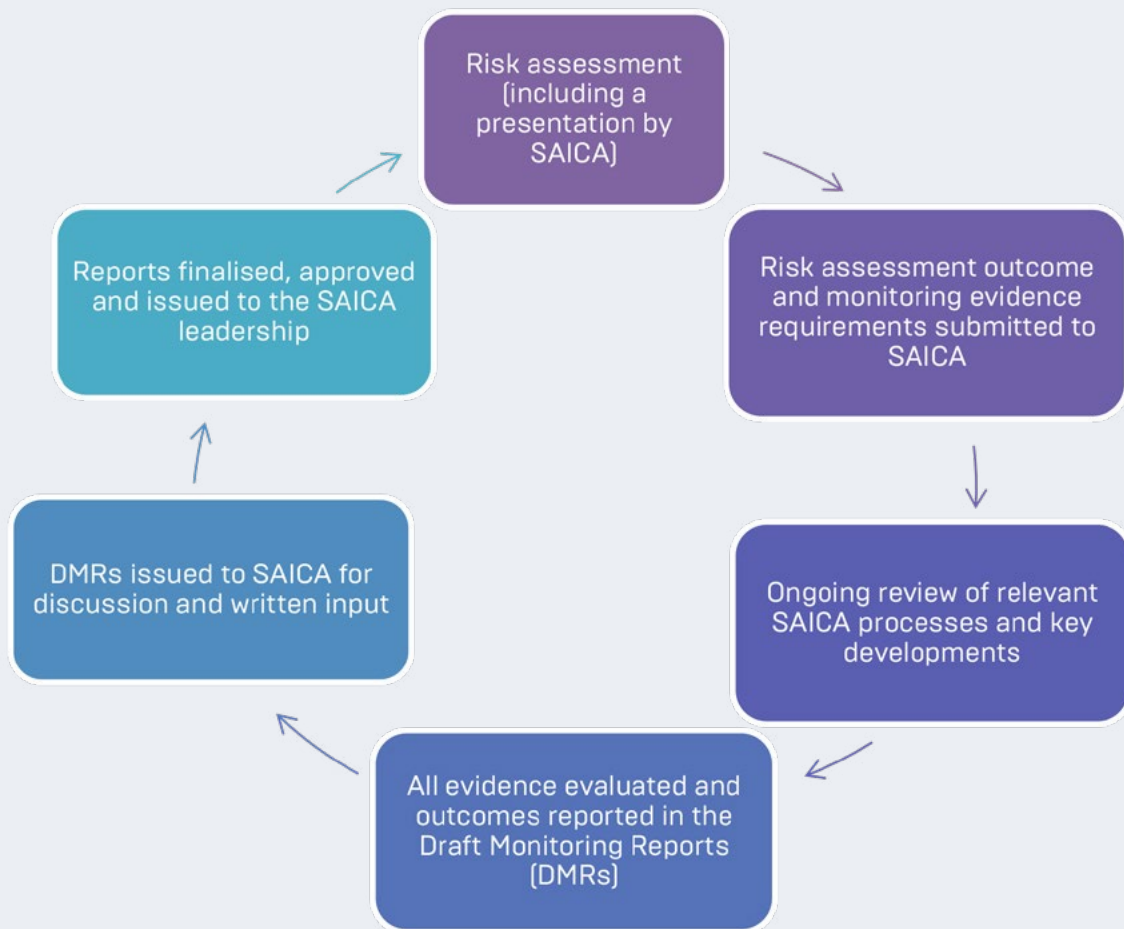
Professional Body Monitoring

The professional body accreditation process is intended to strengthen and sustain the quality and integrity of the auditing profession, making it worthy of public confidence. The requirements for accreditation, which are monitored on an ongoing basis, are contained in the [IRBA Accreditation Model](#).

As reported in the previous quarter, the Final Monitoring Reports (FMRs) for 2021 were issued to the South African Institute of Chartered Accountants (SAICA) leadership, as part of the IRBA’s ongoing and dynamic accreditation monitoring process. These reports detail the monitoring outcomes and also include various areas of concern that will continue to be monitored.

Overview of the Monitoring Process

The graphic below depicts a high-level overview of the monitoring process that is used to evaluate SAICA’s accreditation.



The 2021 monitoring cycle was concluded with the submission of the FMRs to SAICA on 7 October 2022. The 2022 cycle has commenced as of this quarter, and the risk assessment process and outcomes have been completed. SAICA will submit the required evidence in the next quarter, for an evaluation.

There are high monitoring focus areas for 2022 across the institutional requirements, the academic programme, training programme and exams, as depicted below. These will be assessed upon SAICA’s submission of supporting evidence.



LATEST ON THE REVIEW AND REVISION OF THE IRBA'S COMPETENCY FRAMEWORK

The IRBA has been working on a project to review and revise its Competency Framework, in line with developments in the profession and the expected changes in the role of the future RA. A task force has been established to undertake this project and its membership is comprised of expertise from the academia, training and development departments of auditing firms, the Auditor-General South Africa and RAs.

The group has completed phase 2 of the project, and in the next quarter it will commence with phase 3. The six phases of the project are as follows:

- Project scoping;
- Redefining the objectives and context;
- Development;
- Validation;
- Implementation; and
- Post-implementation Review.

In phase 2, the task force focused on developing a broad context to competency development across the learning continuum of an RA, as set out in the Competency Framework. This continuum entails core competence, professional competence and specialist competence. In its work, the task force engaged with a range of stakeholders, including universities and IRBA teams, and undertook reviews of competency frameworks for auditors as developed and implemented in international jurisdictions. It has consolidated these learnings in its comprehensive review of the Competency Framework and has identified the areas that require revision and development.

In the next quarter, the task force will define the objectives, key elements and concepts of the revised Competency Framework and will begin to develop revisions. When phase 3 kicks off, the task force will also extend its engagement with stakeholders.

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COMMUNICATIONS

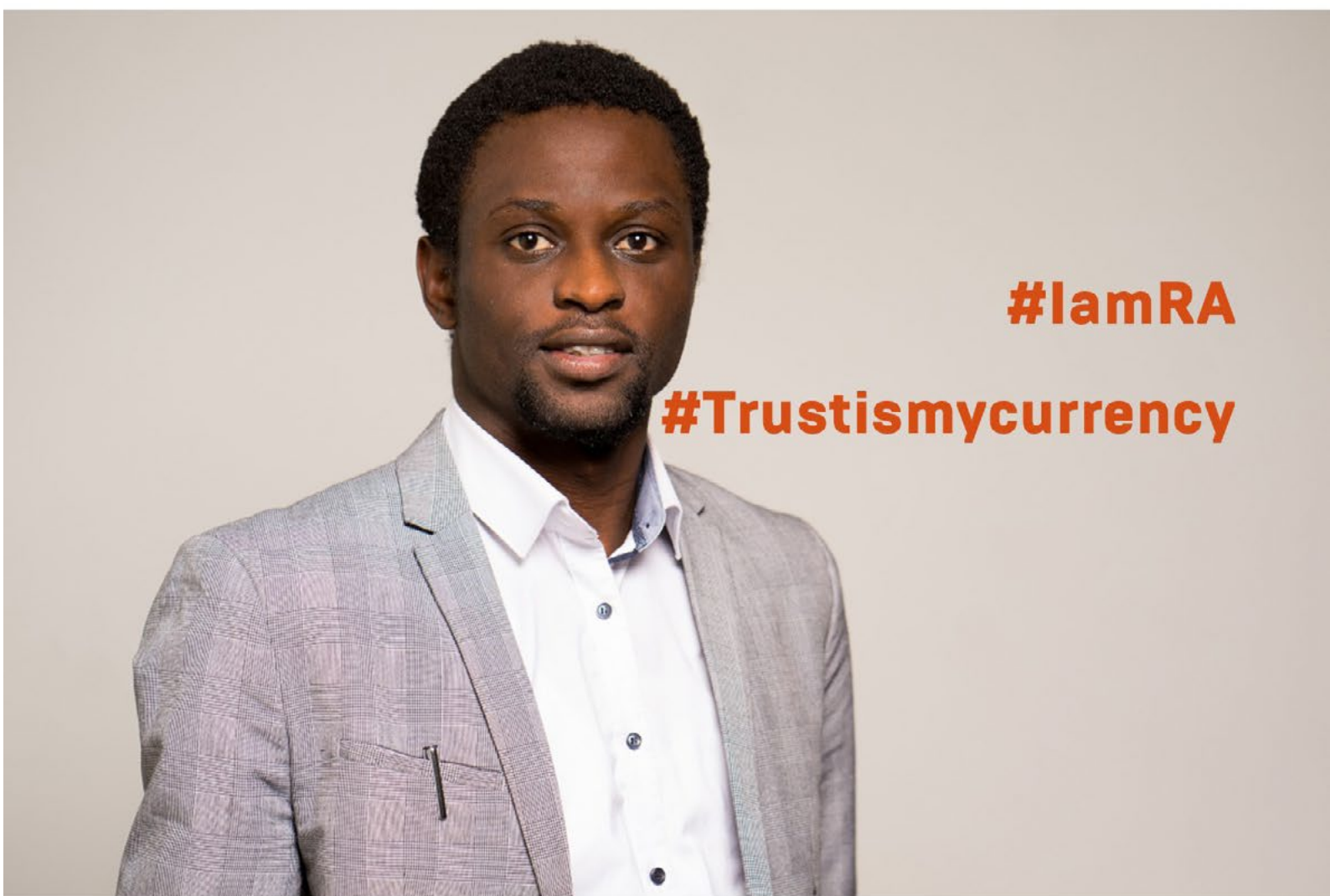
It is important to us that we constantly work on improving how we communicate with our registered auditors and other stakeholders. To that end, below we list all the communiques that were issued via bulk e-mail during this reporting period.

30 November 2022	Call for Nominations: Monitoring Committee of the IRBA
30 November 2022	Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022) and Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022)
25 November 2022	IAASB Issues Guidance on the Impact of the IAS 1 Amendments on the ISAs
23 November 2022	Information from SARS: Session for the Administration of Deceased Estates and Related Processes
21 November 2022	Information from SARS: Draft notice in terms of Section 18A(2)(a)(vii) of the Income Tax Act
15 November 2022	Information from SARS: What's new at SARS
9 November 2022	Information from SARS: Trade testing and software implementation in relation to tax directives
7 November 2022	MAFR rotations of listed entities almost complete
3 November 2022	IRBA News Issue #59
2 November 2022	The International Auditing and Assurance Standards Board (IAASB) Opens Public Consultation for the Revised Audit Evidence Standard
31 October 2022	IRBA appoints Ms Ntlambi Gulwa as Director: Inspections
31 October 2022	IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements
24 October 2022	Information from SARS: An invitation to a webinar on tariff determination
29 September 2022	IRBA Staff Ethics Practice Alert 1: The Auditor's Considerations with Respect to Long Association of Personnel with an Audit Client (including Partner Rotation)
29 September 2022	Information from SARS: SARS communication regarding the initiation of Income Tax Auto Registration for 2022

If you would like to have IRBA communications delivered directly to your inbox, please contact Lebogang Manganye (lmanganye@irba.co.za). Also, if you know of a non-auditor who would like to receive these communications, kindly email us at the abovementioned address.

Integrity is the only way and trust is my currency.

I am a registered auditor.



#IamRA

#Trustismycurrency