



**irba**

INDEPENDENT REGULATORY BOARD FOR AUDITORS

# NEWS

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## THERE HAVE BEEN CRACKS

But lessons learnt and new strategic moves will pave a better future

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## ENCOURAGING SIGNS OF RESILIENCE, DESPITE HAVING GONE THROUGH TURBULENT TIMES

The beginning of 2021 has brought significant leadership changes at the IRBA, with the Minister of Finance appointing a Caretaker Board and an Acting CEO. These changes have largely been met with positive support from management and staff, who have shown tremendous resilience during a turbulent year in which they also had to navigate the unprecedented COVID-19 disruptions.

I am truly humbled by the appointment as Acting CEO and fully committed to leading the IRBA in the coming months. With the full support of a cohesive management team, we have committed ourselves to look forward and continue with executing the IRBA's mandate, together with our competent staff. Our specific focus is on the refocused five-year strategy, which was approved by the Caretaker Board and adopted by Parliament in March.

We are also currently developing a roadmap to guide the ongoing implementation of our restoring confidence projects that started in 2018, including several new initiatives, in response to the refocused strategy. Further, we look forward to welcoming our new Board and CEO, and will support them in their endeavours to take the IRBA and the profession forward.

The February appointment of the Caretaker Board, which comprises Mrs Nonkululeko Gobodo and Mr Roy Andersen, has resulted in decisive action on a number of issues. For instance, while many delays had accumulated at the statutory committee level, the Caretakers have resolved much of this backlog in a short space of time. In the first few weeks of their mandate, both Roy and Nonkululeko have availed themselves to every request. They have also taken decisions on seven new matters and have noted the impositions on 35 matters that were decided by the previous Disciplinary Advisory Committee. They have also started the process of appointing a new non-executive Board for the IRBA.

The call for Board nominations was issued in February, with a closing date of 31 March 2021. The process will now include interviews, to strengthen the selection procedures. The Caretakers are committed to provide the Minister with a sufficient number of candidates who are of the right calibre and who have the experience and skills needed to lead the IRBA in fulfilling its mandate.

In the meantime, until a new Board and CEO are appointed, I confirm that the execution of the IRBA's core functions will continue unabated. This will be fully supported by a competent and experienced management team and staff members, who are committed to the cause of protecting the public interest and regaining public trust.

The Caretakers met with the management team to review and refocus our five-year strategy, and the new reworked document was submitted to National Treasury in February. In the revised strategy, the IRBA has committed to enhance audit quality and address gaps in the auditing profession and the broader financial reporting and governance ecosystem, with a specific focus on areas that affect audit quality.

Worldwide, there is broad consensus among regulators, investors and stakeholders that urgent interventions are necessary to enhance the financial reporting and governance ecosystem, including external audits. This is because the policy reforms implemented in the mid-2000s, following global corporate and audit failures, are no longer deemed to be sufficient or effective.

The IRBA does not have jurisdiction over all the elements of the financial ecosystem. However, as an independent audit regulator and a member of the International Forum of Independent Audit Regulators (IFIAR), a forum of 54 independent audit regulators from around the world, we are well placed to conduct such a review.

We acknowledge the need to focus, first and foremost, on identifying and addressing current challenges in the auditing profession. We also recognise that we can and should drive and influence broader systemic change and reforms with the relevant decision-makers in the financial reporting chain and governance environment.

However, for such a review to be encompassing, we need to engage more broadly with relevant stakeholders and decision-makers and seek their participation in the review process. We will also need every stakeholder's buy-in regarding the reforms and initiatives, before we can start to see sustainable improvements in audit quality.

The refocused strategy takes into account COVID-19 and explains that our focus areas for the next five years will be: *audit quality; sustainability and relevance of the regulator and the profession; and comprehensive stakeholder engagement*, with the view to promote broader reforms. Until we have improved audit quality and have taken significant steps to transform and innovate the financial reporting and governance environment, both the audit profession and the audit regulator cannot rebuild trust in financial reporting and regain confidence in the financial markets.

Consequently, where reform is within our mandate, we aim to apply further strategic measures to improve confidence in audits and the profession. We will commence this process by seeking some quick wins together with stakeholders, especially in relation to improved audit quality, transparency and communication. Where gaps that negatively impact audit quality are found in the broader reporting environment, we will offer recommendations for improvements or policy changes, with the support of our immediate stakeholders or the assistance of National Treasury and Parliament.

The IRBA is fully committed to returning to its restoring confidence projects and taking stock of what we have achieved since early 2018, and what still needs to be achieved. Some significant projects that are well advanced are Mandatory Audit Firm Rotation (MAFR), Audit Quality Indicators (AQIs) and the imminent promulgation of the Auditing Profession Amendment Bill, which will give the IRBA strengthened powers of investigation, simplify disciplinary processes, increase sanctions and ensure that we have a Board that is independent of the profession.



The Bill, which the Select Committee of Finance (SECOF) considered during February and March, was approved by this committee and all major parties on 16 March. The recommendation from SECOF was to adopt the Bill as is, with no further amendments. The Bill is now awaiting the President's signature; and we are hopeful that it will be promulgated shortly.

While there was significant pressure to include MAFR into this Bill, it was agreed that National Treasury would be given 24 months to bring another Bill that will include the MAFR rule. This may also create an opportunity for us to address other key changes, such as removing confidentiality restrictions from sharing inspections reports publicly and other important amendments.

We also recently released updated statistics with regard to audit firm rotation at JSE-listed entities – although the MAFR rule applies to all public interest entities (PIEs) and not only listed PIEs. With just two years remaining until the effective date of MAFR (1 April 2023), 43% of the JSE Ltd main board listed companies have already voluntarily rotated auditors, since we started tracking audit firm rotations in January 2017. This is up from 21%, as reported in October 2019. Of the total number of rotations that have taken place since 2017, 40% of the companies cite compliance to MAFR as the reason for appointing new auditors.

What is particularly notable is that we have seen three companies appointing a big four firm together with a black-owned next-tier firm in a joint audit arrangement. Along with transferring skills, this will help to expose these smaller audit firms to large listed audits. We will continue to encourage this access to market, to address our transformation imperatives.

Previously voiced concerns that the big four will likely only rotate among each other have been disproved, as a number of next-tier firms have also benefited from rotations. Audit firms such as BDO, Crowe JHB and Thawt Inc, Mazars, Moore Stephens, Nexia SAB&T, Ngubane and Co, RSM, SNG-GT and PKF have picked up new audit clients after rotations.

As part of its restoring confidence initiatives, the IRBA embarked on a project to create a set of quantitative measures, based on audit firm operations and the execution of independent external audit. These measures can be used to rate the firm's audit quality, with the resultant information being reported to us, as the regulator. In fact, the IRBA was among the first audit regulators worldwide to agree and launch mandatory AQLs.

During this quarter, we launched our second AQLs Report, putting critical actionable information in the hands of those charged with governance, firms and other stakeholders. The report continues to break ground by placing the IRBA at the forefront of driving initiatives that are aimed at promoting improved audit quality and accountability. Subsequently, a number of other jurisdictions have shown a keen interest in the project and are embarking on similar projects.

In addition, the report provides feedback as well as insights that are relevant to audit committee discussions and decisions on the appointment, performance, independence and reappointment of the auditor.

In the period under review, we also released our 2020 Public Inspections Report, which can be downloaded from the [IRBA website](#). The inspections outcomes show a significant improvement at some of the audit firms, where considerable investments were made into real-time quality management, underpinned by leadership's sound attitude (tone) and hands-on (visible) approach. However, during the period the inspection outcomes have again indicated inconsistencies and significant deficiencies within the majority of audit firms and assurance engagements inspected (risk-based selections) in relation to audit quality management and audit quality. These trends are below par, when compared internationally and according to the IFIAR's Inspections Survey Report.

As we embark on a new financial year, with a refocused strategy, we have launched a robust Restoring Confidence 2.0 initiative. We will also be sharing some of the key areas where our five-year strategy has changed; and interactions will begin with stakeholder engagements around these changes in due course. We look forward to these discussions.



*Imre Nagy*  
**Acting Chief Executive Officer**

## TOPICS COVERED IN THIS ISSUE

- Standards:
  - Membership Changes.
  - Suite of Quality Management Standards: ISQC 1 Replaced by ISQM 1, the New ISQM 2, Significant Revisions to ISA 220, Changes in Substance, Implications for Practice in South Africa, Effective Dates and Implementation Guidance.
  - Revised Illustrative Banks Act Regulatory Auditor's Reports.
  - Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit (Revised March 2021).
  - The IAASB Issues an Exposure Draft on Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards.
  - IAASB Projects in Progress.
- Ethics:
  - Final Amendments to Subsection 115 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018): Electronic Signatures.
  - Revisions to the IRBA Code to Promote the Role and Mindset Expected of Registered Auditors.
  - Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code.
  - IRBA, IESBA and IAASB Jointly issue Staff Guidance on Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic.
  - IESBA Projects in Progress.

## COMMITTEE FOR AUDITING STANDARDS (CFAS)

### Membership Changes

We bid farewell to Marius du Toit, who has served as CFAS Deputy Chairman for the past five years. He was a representative of the Financial Sector Conduct Authority. We thank him for his commitment and dedication to standard setting, and wish him well on his retirement.

We welcome Stephanie Ronander, currently a CFAS member, as the new Deputy Chairman. She is a partner at Deloitte.

### Suite of Quality Management Standards: ISQC 1 Replaced by ISQM 1, the New ISQM 2, Significant Revisions to ISA 220, Changes in Substance, Implications for Practice in South Africa, Effective Dates and Implementation Guidance

In support of the IRBA's focus on improving audit quality and restoring confidence in the profession, the Board has adopted the suite of Quality Management (QM) standards. This followed the issue of the standards by the International Auditing and Assurance Standards Board (IAASB) on 17 December 2020.

These QM standards aim to promote a proactive, scalable and effective approach to quality management. With an improved focus on the effectiveness of how firms and engagement partners manage quality, these standards are more robust and mark a significant evolution of the current quality control standards. They also address the management of quality by all firms and on all engagements.

Further, this suite of QM standards will drive greater confidence and trust; and they have also been modernised to take into account emerging trends and technology.

The three QM standards issued by the IAASB are:

- 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 1);
- ISQM 2, *Engagement Quality Reviews* (ISQM 2); and
- International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements* (ISA 220 (Revised)).

Subsequently, in March 2021 the IRBA approved the three QM standards for adoption, issue and prescription, for use by registered auditors in South Africa.

### Scope of the QM Standards

ISQM 1 deals with the firm's responsibilities:

- To design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements; and
- To establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.

ISQM 2 deals with:

- The appointment and eligibility of the engagement quality reviewer; and
- The engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

ISA 220 (Revised) deals with:

- The specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner.

### Changes in Substance

These QM standards have raised the bar for quality management. They will also strengthen and modernise the audit firm's approach to quality management. Through the standards, the IAASB is addressing an evolving and increasingly complex audit ecosystem, including growing stakeholder expectations and a need for quality management systems that are proactive and adaptable.

The standards direct audit firms to improve the robustness of their monitoring and remediation; embed quality into their corporate culture and the “tone at the top”; and improve the robustness of engagement quality reviews.

Key changes in the standards are focused at achieving the following:

- Increase firm leadership responsibilities and accountability, and improve firm governance.
- A risk-based approach focused on achieving quality objectives.
- Modernise standards to address technology, networks and the use of external service providers.
- Increase the focus on the continual flow of information and appropriate communication internally and externally.
- Proactive monitoring of quality management systems, as well as timely and effective remediation of deficiencies.
- Enhance the engagement partner’s responsibility for audit engagement leadership and audit quality.
- Clarify and strengthen requirements for a more robust engagement quality review.

## Implications for Practice in South Africa

- The matters that have to be considered for implementation in South Africa are as follows:
  - The standards provide for some requirements to apply in areas where regulators may have decided to regulate (i.e. each standard is not prescriptive in setting a global standard where some local law and regulation may be better suited and adjusted). The Committee for Auditing Standards, a statutory committee of the IRBA, has singled out a project in its work programme to identify the areas in the standards where local regulation is envisaged, and determine whether there is a need for such regulation in South Africa.
  - ISQM 1 and ISQM 2 will affect all firms, even those that do not perform audits, but only do reviews. Awareness will need to be raised directly with firms; while all accounting institutes, vendors (service providers) and others working in this industry will find new opportunities, as needs arise, to support the implementation of the new standards.
  - Updating of the firm’s methodology, across audit and non-audit service lines.
  - Amendments to the firm’s policies and procedures.
  - Training for the firm’s personnel across all levels.
  - Transitional arrangements.

## Effective Dates

The effective dates for the QM standards are as follows:

- ISQM 1
  - Systems of quality management in compliance with this ISQM are required to be designed and implemented by 15 December 2022; and

- The evaluation of the system of quality management required by paragraphs 53-54 of this ISQM has to be performed within one year following 15 December 2022.

- ISQM 2
  - Audits and reviews of financial statements for periods beginning on or after 15 December 2022; and
  - Other assurance and related services engagements beginning on or after 15 December 2022.
- ISA 220 (Revised)
  - Audits of financial statements for periods beginning on or after 15 December 2022.
- Early adoption is permissible and is encouraged by the IRBA.

These three QM standards may be downloaded from the [IRBA website](#).

## Implementation Guidance

The following guidance material for the three QM standards is also available on the [IAASB website](#):

- Basis for Conclusions.
- Introduction to ISQM 1, ISQM 2 and ISA 220 (Revised) – Fact sheets and videos.

## REGULATED INDUSTRIES AND REPORTS STANDING COMMITTEE (RIRSC)

### Revised Illustrative Banks Act Regulatory Auditor’s Reports

The CFAS, at its meeting on 3 March 2021, approved the issue of the following revised illustrative Banks Act regulatory auditor’s reports (revised illustrative regulatory reports), for use by registered auditors:

- South African and Consolidated Operations – revised illustrative regulatory reports A-I; and
- Foreign Operations (BA 610 returns) – revised illustrative regulatory reports A-H.

In terms of Regulation 46(6) of the Banks Act, the revised illustrative regulatory reports have been rendered in accordance with the wording and practices that the Prudential Authority, the South African Institute of Chartered Accountants and the IRBA agree to from time to time.

The revised illustrative regulatory reports are available in both PDF and Word formats and may be downloaded from the [IRBA website](#).

These revised illustrative regulatory reports are effective for banks with periods ending on or after 1 January 2021.

## PUBLIC SECTOR STANDING COMMITTEE (PSSC)

### Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit (Revised March 2021)

The CFAS approved the issue of the *Guide for Registered Auditors: Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit (Revised March 2021)* (this Revised Guide), for use by registered auditors (auditors).

This Revised Guide is approved by the CFAS for joint publication with the Auditor-General of South Africa (AGSA). The aim is to help improve the understanding and enhance the performance of quality public sector audits by auditors, who are appointed as auditors of public institutions where the AGSA has opted not to perform the audit, in accordance with Section 4(3) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

The Revised Guide has been updated for the following:

- Consequential changes made to the *Guide for Registered Auditors: Auditing in the Public Sector (Revised August 2019)*;
- Other relevant amendments arising from the revision of the PAA;
- Removal of information that is already contained in the AG Directive; and
- The inclusion of practical application guidance to implement the requirements of the PAA, Regulations and the AG Directive, and which is not already contained elsewhere.

This Revised Guide, which is available for downloading in PDF format from the [IRBA website](#), is effective from 6 April 2021.

## INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD

### The IAASB Issues an Exposure Draft on Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards

The IAASB issued an Exposure Draft, Proposed Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards, for public comment.

The Exposure Draft aligns the IAASB's standards related to review, assurance and related services, as well as its framework, with the quality management standards through conforming amendments. The communique also noted that the Exposure Draft does not include the Conforming Amendments to International Standards on Auditing and Related Material Arising from the Quality Management Projects, which were issued as a final pronouncement together with the New and Revised Quality Management Standards in December 2020.

The IRBA invites comments from registered auditors and others by 10 May 2021. Comments to the IAASB are due on 24 May 2021.

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

The Committee for Auditing Standards will be working on a project to update IRBA pronouncements for conforming and consequential amendments arising from the new and revised quality management standards.

### IAASB Projects in Progress

- Audit evidence.
- Technology.
- Group audits (ISA 600).
- Extended external reporting (EER) assurance.
- Audits of less complex entities (LCE).
- Complexity Understandability Scalability Proportionality (CUSP).
- Fraud.
- Going Concern.

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

## FINAL AMENDMENTS TO SUBSECTION 115 OF THE IRBA CODE OF PROFESSIONAL CONDUCT FOR REGISTERED AUDITORS (REVISED NOVEMBER 2018): ELECTRONIC SIGNATURES

The IRBA has approved the amendments to Section 115, Professional Behaviour: Signing Conventions for Reports, of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code). These amendments allow for the use of electronic signatures in an ethical, professional and responsible manner when signing any audit, review or other assurance report.

The Electronic Communications and Transactions Act, No. 25 of 2002 (ECT Act), legislates the use of electronic signatures in South Africa. The main objective of the ECT Act is to enable and facilitate electronic communications and transactions in the public interest.

The use of ordinary electronic signatures and advanced electronic signatures by registered auditors to sign their audit, review or other assurance reports has become more widespread. This is due to more audited financial statements being made available electronically on company websites, fewer paper-based engagement files and remote working arrangements that have been accelerated by the COVID-19 pandemic.

The IRBA adopted these local amendments following their issue on exposure for public comment via Government Gazette No. 43632 on 21 August 2020 (Board Notice No. 96 of 2020).

### Changes in Substance

The main revisions are as follows:

- The inclusion of an introductory section, with a background on the use of electronic signatures, as required by the ECT Act.
- Allowing the use of both ordinary and advanced electronic signatures, subject to meeting the requirements described for their use.
- Additional clarity regarding what constitutes a “secure ordinary electronic signature”.

### Effective Date

These revisions will become effective on 15 December 2021. Early adoption is permitted. A Board Notice, published in the Government Gazette, advises on the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act. The amendments to the IRBA Code may be downloaded from the IRBA website.

## REVISIONS TO THE IRBA CODE TO PROMOTE THE ROLE AND MINDSET EXPECTED OF REGISTERED AUDITORS

The IRBA draws the attention of all registered auditors to revisions to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) to promote the role and

mindset expected of registered auditors.

The IRBA adopted the amendments made to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), issued during 2020, following the issue of proposed amendments on exposure for public comment via Government Gazette No. 42684 in South Africa on 6 September 2019 (Board Notice 160 of 2019).

The main revisions:

- Reinforce aspects of the principles of integrity, objectivity and professional behaviour;
- Raise behavioural expectations of all professional accountants through requiring them to have an inquiring mind, as they undertake their professional activities;
- Emphasise the importance of accountants being aware of the potential influence of bias in their judgments and decisions; and
- Highlight the supportive role the right organisational culture can play in promoting ethical conduct and business.

A Board Notice, which has been included in the Government Gazette, advises on the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005).

### Effective Date

These revisions will become effective on 31 December 2021. Early adoption will be permitted. The amendments to the IRBA Code may be downloaded from the IRBA website.

## PROPOSED REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE IRBA CODE

The IRBA alerts registered auditors and other relevant stakeholders to the proposed revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code), arising from the IESBA Exposure Draft, *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity*.

The proposed amendments were issued on exposure for public comment via Government Gazette No. 44293 in South Africa on 19 March 2021 (Board Notice 15 of 2021). Among other matters, the proposed revisions:

- Introduce an overarching objective for additional requirements to enhance confidence in the audit of financial statements of PIEs;
- Provide guidance on factors to consider when determining the level of public interest in an entity;
- Broaden the definition of PIE to additional categories of entities;
- Replace the term “listed entity” with “publicly traded entity” and redefine the PIE category;
- Introduce new requirements for firms to determine if additional



entities should be treated as PIEs, for independence purposes; and to publicly disclose if an audit client was treated as a PIE; and

- Recognise and encourage local regulators to refine the PIE categories to cater for national conditions.

Comments are due to the IRBA by 19 April 2020. The Exposure Draft is available in PDF format and may be downloaded from the [IRBA website](#).

## INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

### IRBA, IESBA and IAASB Jointly Issue Staff Guidance on Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic

The Staff of the IRBA, the IESBA and the IAASB have jointly released a publication, [Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic, including Considerations for Auditing Financial Statements](#).

The publication highlights the heightened risks of fraud arising from the disruptive and uncertain COVID-19 environment and the implications for professional accountants in business, including accountants in government, and professional accountants in public practice, including auditors.

In addition to this, the following COVID-19 related publications may also be relevant:

- The Staff of Chartered Professional Accountants of Canada and the IESBA jointly released a Staff Alert, [COVID-19 and Evolving Risks for Money Laundering, Terrorist Financing and Cybercrime](#). This document highlights the heightened risks of money laundering, terrorist financing and cybercrime in the COVID-19 environment. It describes the implications for both professional accountants in business and public practice.
- A staff publication, [Ethical and Auditing implications arising from Government-Backed COVID-19 Business Support Schemes](#), jointly released by the Staff of the UK Financial Reporting Council and the IESBA, highlights ethical and auditing implications arising from government-backed business

support programmes that have been utilised at unprecedented levels during the pandemic.

### IESBA Projects in Progress

- Non-assurance Services.
- Fees.
- Definition of PIE and Listed Entity.
- Engagement Teams/Group Audits.
- Technology.
- Tax Planning and related services.
- Engagement Quality Reviewer.
- Benchmarking Initiative.

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

Should you have any further queries, please email [standards@irba.co.za](mailto:standards@irba.co.za).



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The matters reported in this issue took place over the four-month period from December 2020 to March 2021.

## INVESTIGATING COMMITTEE

The Investigating Committee met twice during this period and referred 28 matters to the Disciplinary Advisory Committee.

## DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met three times during this period and concluded on 51 matters.

### Decisions Not to Charge

- One matter in terms of Disciplinary Rule 3.5.1.1 – the respondent is not guilty of improper conduct.
- One other matter in terms of Rule 3.5.1.4 – there are no reasonable prospects to succeed with a charge of improper conduct against the respondent.

### Decisions to Charge and Matters Finalised by Consent Order

A total of 44 matters were finalised by consent order.

#### **Matter 1**

The respondent failed to report reportable irregularities relating to breaches of the Companies Act. The respondent also contravened the Code of Professional Conduct and Section 275 of the Companies Act, due to independence breaches. Furthermore, in seven instances the respondent failed to obtain sufficient appropriate audit evidence to support the audit opinions expressed.

The respondent was sentenced to a fine of R75 000 for charge 1, R25 000 for charge 2, R20 000 for charge 3, R40 000 for charges 4 and 5, R40 000 for charges 6 and 7, R40 000 for charges 8 and 9, R40 000 for charges 10 and 11, R40 000 for charges 12 and 13, R40 000 for charges 14 and 15, and R40 000 for charges 16 and 17; no cost order; and publication by the IRBA in general terms.

#### **Matter 2**

The respondents failed to respond appropriately to significant risks that were present in the audit of the company. In addition, the annual financial statements compiled by the respondents did not disclose a contingent liability or provision where claims had been lodged against the company. Accordingly, it was inappropriate to issue an unqualified audit opinion. The respondents further failed to recognise that the compilation of the company's financial statements presented a threat to independence.

In addition, the respondents failed to respond appropriately to significant risks that were present in the assurance engagement of the attorney's trust accounts. Sufficient appropriate audit evidence was not obtained during the course of the engagement. Furthermore, the respondents failed to report reportable irregularities.

The respondents were each sentenced to a fine of R50 000 for charge 1, R50 000 for charge 2, R50 000 for charge 3, R50 000 for charge 4, R50 000 for charge 5, R50 000 for charge 6 and R50 000 for charge 7; no cost order; and publication by the IRBA in general terms.

#### **Matter 3**

The respondent was aware of a trust shortfall in an attorney trust audit engagement, as it was denoted as such in the audit file. Notwithstanding the aforementioned, the respondent inappropriately issued an unqualified assurance report regarding the attorney's trust accounts.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

#### **Matter 4**

The respondent failed to perform audit procedures to address risks arising from common control transactions entered into by the company. In addition, the respondent failed to modify the audit opinion with regard to the company's departure from the International Financial Reporting Standard 3: Business Combinations.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for five years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

#### **Matter 5**

Mr Manish Harischandra Nicha, the respondent, failed to assemble audit documentation in an audit file and retain it for the required period. In addition, non-compliance identified on an attorney trust audit engagement was not reported in the audit report. As a result, the unmodified audit opinion expressed was inappropriate.

The respondent did not ensure that an engagement team with appropriate competence and capabilities performed the audits of a large number of attorney trust audit engagements, in accordance with professional standards and applicable legal and regulatory requirements, to enable audit reports that are appropriate.

The respondent failed to establish and maintain a system of quality control that provides the audit firm with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements, to enable audit reports that are appropriate.

In addition, the respondent submitted a false annual assurance declaration to the IRBA, as audit engagements performed were not included in the declaration.

The respondent was sentenced to a fine of R200 000 for charge 1, R200 000 for charge 2, R200 000 for charge 3, R200 000 for charge

4 and R200 000 for charge 5; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

## **Matter 6**

Mr Pule Joseph Mothibe, the respondent, was the joint auditor of an entity for the 2014, 2015 and 2016 financial years.

The respondent failed to disclose material non-compliance with legislation and internal control deficiencies in the 2014, 2015 and 2016 audit reports of the entity. The respondent also failed to obtain sufficient appropriate audit evidence relating to these years on irregular expenditure and fruitless and wasteful expenditure.

In addition to this, the respondent omitted a modification regarding a limitation of scope in the audit reports for the 2014 and 2015 financial years. The respondent failed to determine whether it was possible to perform alternative procedures to obtain sufficient appropriate audit evidence.

Regarding the 2016 financial year, the respondent failed to document the nature, timing and extent of audit work performed on management's assessment of impairment of property, plant and equipment; and also failed to maintain an attitude of professional scepticism. In addition, the respondent omitted a modification regarding the limitation of scope in the audit report, in that an assessment was not performed on useful lives and residual values of property, plant and equipment, as required by the International Accounting Standards.

The respondent was sentenced to a fine of R200 000 for charge 1, R200 000 for charge 2, R200 000 for charge 3 and R200 000 for charge 4; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

## **Matter 7**

Ms Thuto Margret Masasa, the respondent, was the joint auditor of an entity for the 2014, 2015 and 2016 financial years.

The respondent failed to disclose material non-compliance with legislation and internal control deficiencies in the 2014, 2015 and 2016 audit reports of the entity. The respondent also failed to obtain sufficient appropriate audit evidence relating to these years on irregular expenditure and fruitless and wasteful expenditure.

In addition to this, the respondent omitted a modification regarding a limitation of scope in the audit reports for the 2014 and 2015 financial years. The respondent failed to determine whether it was possible to perform alternative procedures to obtain sufficient appropriate audit evidence.

Regarding the 2016 financial year, the respondent failed to document the nature, timing and extent of audit work performed on management's assessment of impairment of property, plant and equipment; and also failed to maintain an attitude of professional

scepticism. In addition, the respondent omitted a modification regarding the limitation of scope in the audit report, in that an assessment was not performed on useful lives and residual values of property, plant and equipment, as required by the International Accounting Standards.

The respondent was sentenced to a fine of R200 000 for charge 1, R200 000 for charge 2, R200 000 for charge 3 and R200 000 for charge 4; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

## **Matter 8**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on revenue and did not document the assessment of the risk of material misstatement at the assertion level for various classes of transactions, account balances and disclosures. Furthermore, the financial statement included a restriction paragraph indicating that the financial statements did not include certain disclosures required by the Companies Act. The respondent did not modify the audit opinion with regard to these material disclosure deficiencies.

The respondent was sentenced to a fine of R40 000 for charge 1 and R100 000 for charge 2; no cost order; and publication by the IRBA in general terms.

## **Matter 9**

The respondent failed to issue shares in accordance with a court order and the company failed to prepare financial statements for four consecutive years. The respondent failed to consider and report the reportable irregularities arising from this. For the year where financial statements were issued, an inappropriate audit opinion was expressed, as the financial statements were prepared on the historical cost basis and were therefore not considered fair presentation. In addition, inaccuracies in the financial statements had not been identified by the respondent. The respondent also failed to identify and address threats as a result of a family relationship and furthermore breached Section 90(2) of the Companies Act, as the respondent prepared and audited the financial statements. The respondent also had a material business relationship with a shareholder of the company and that breached the Code of Professional Conduct. Lastly, in communication to the IRBA, the respondent misrepresented facts relating to a declaration made to the South African Revenue Service.

The respondent was sentenced to a fine of R100 000 for charge 1, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; R100 000 for charge 2, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; R100 000 for charge 3, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty

of improper conduct relating to work done during the period of suspension; R100 000 for charge 4, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; R200 000 for charge 5; no cost order; and publication by the IRBA in general terms.

## **Matter 10**

The respondent failed to obtain sufficient appropriate audit evidence on other income, investments, long-term liabilities, opening balances, cash and cash equivalents and property, plant and equipment. Furthermore, the respondent failed to identify that the annual financial statements of the entity were materially misstated, as revenue included in the annual financial statements did not meet the recognition criteria, investments were misstated, a material liability was omitted and opening balances did not agree to the prior year financial statements.

The respondent was sentenced to a fine of R200 000, of which R100 000 has been suspended for five years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards, as well as on the International Financial Reporting Standards for Small and Medium-Sized Entities, is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA. Furthermore, the Inspections Department of the IRBA has been requested to conduct an inspection of the respondent's engagement files within the next year; and the respondent is required to share the outcome of this inspection with all audit clients within 60 days of receiving the outcome.

## **Matter 11**

The respondent's firm was engaged to perform an independent review of the annual financial statements of a company. The respondent, in the capacity of a director of a financing company, entered into a loan agreement with the aforementioned company, creating a self-interest threat that is so significant that no safeguards can reduce the threat to an acceptable level. Accordingly, the respondent contravened the Code of Professional Conduct.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 12**

The matter was a referral from the Inspections Committee. The respondent failed to establish and maintain a system of quality control to provide the firm with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements, and issue reports that are appropriate in the circumstances.

The respondent was sentenced to a fine of R200 000; no cost order; and publication by the IRBA in general terms.

## **Matter 13**

The matter was a referral from the Inspections Committee. The financial statements of the respondent's client did not comply with the International Financial Reporting Standard for Small and Medium-sized Entities regarding goodwill. The respondent failed to appropriately evaluate whether the financial statements had been prepared in accordance with the applicable financial reporting framework.

The respondent was sentenced to a fine of R50 000, of which R25 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 14**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on the majority of balances and transactions in the financial statements. In addition, the respondent failed to perform appropriate procedures regarding the acceptance of the client.

The respondent was sentenced to a fine of R200 000; no cost order; and publication by the IRBA in general terms.

## **Matter 15**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on revenue and leases. Furthermore, the audit documentation indicated that there were individual material misstatements in the financial statements relating to the disclosure of leases. The respondent failed to evaluate the impact of the individual misstatements on the audit opinion.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 16**

Mr Brian John Botes, the respondent, failed to identify that there was non-compliance with the Collective Investment Schemes Control Act by the audit client, as loans were issued in contravention of Section 95(1)(b) of the Act.

The respondent was sentenced to a fine of R60 000, of which R30 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.



## **Matter 17**

The respondent failed to obtain sufficient appropriate audit evidence on property, plant and equipment, revenue and related parties. The comparative figures in the financial statements were not yet audited; however, the respondent did not consider the impact of the unaudited comparative figures on the audit report prior to signing the audit report. Furthermore, the respondent failed to declare the audit engagement performed in the annual assurance declaration to the IRBA.

The respondent was sentenced to a fine of R200 000 for charge 1 and R40 000 for charge 2, of which R20 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA. Furthermore, the Inspections Department of the IRBA has been requested to conduct an inspection of the respondent's engagement files within the next year; and the respondent is required to share the outcome of this inspection with all audit clients within 60 days of receiving the outcome.

## **Matter 18**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on the intergroup loan receivable, revenue, cost of sales and work in progress. In addition, the respondent was responsible for the separate and consolidated financial statements of the company; however, the audit report issued by the respondent did not identify which sets of financial statements were covered.

The respondent was sentenced to a fine of R100 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 19**

The respondent failed to obtain sufficient appropriate audit evidence on interest expenditure and accounts payable. The respondent did not identify inconsistent references in the financial statements relating to the accounting standards used to prepare the financial statements.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 20**

The respondent failed to obtain sufficient appropriate audit evidence on investments and services provided by a service organisation.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 21**

The respondent failed to obtain sufficient appropriate audit evidence on revenue and intercompany balances, and also failed to identify incorrect and incomplete disclosures in the financial statements.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 22**

The respondent failed to obtain sufficient appropriate audit evidence on biological assets, as the risk was incorrectly assessed. The respondent did not perform tests on the relevance and reliability of key data and assumptions used by an expert relating to biological assets. Furthermore, the respondent did not appropriately address the risk regarding management override of controls.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 23**

The respondent failed to obtain sufficient appropriate audit evidence on revenue, inventories, impairment of significant risk areas and going concern. In addition, the respondent failed to obtain an understanding of the entity's controls relevant to significant risk areas.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 24**

The respondent failed to obtain sufficient appropriate audit evidence on investments. Furthermore, the respondent did not appropriately address incomplete and outdated assurance reports on controls at a service organisation.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 25**

The respondent failed to obtain sufficient appropriate audit evidence on intangible assets. There was no consideration on the audit file regarding the appropriateness of the interoffice opinion expressed.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 26**

The respondent failed to obtain sufficient appropriate audit evidence on revenue, inventory, related party transactions and balances, and completion procedures. In addition, the audit report was signed before the directors approved and signed the financial statements.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 27**

The respondent failed to obtain sufficient appropriate audit evidence on revenue and did not review audit work timeously. Furthermore, the information provided by the entity was not assessed for completeness and accuracy. In addition, there was no assessment whether adjustments from one accounting framework to another were appropriately accounted for.

The respondent was sentenced to a fine of R90 000, of which R45 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 28**

The respondent failed to obtain sufficient appropriate audit evidence on revenue and the tax balance.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 29**

The respondent failed to obtain sufficient appropriate audit evidence on the deferred tax asset and going concern. In addition, there were deficiencies in control and substantive testing on numerous balances and transactions.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 30**

The respondent failed to obtain sufficient appropriate audit evidence on revenue and goodwill. In addition, the respondent did not appropriately address the risk regarding management override of controls, and the documentation regarding risk assessment and planning discussions was inadequate. Furthermore, there were material inaccuracies regarding the amounts included in the qualification paragraphs of the audit report.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 31**

The respondent failed to obtain sufficient appropriate audit evidence on revenue and fraud risks. In addition, the respondent failed to obtain an understanding of the entity's controls relevant to significant risk areas. The respondent also failed to appropriately address deficiencies identified during the performance of control testing and substantive analytical procedures.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 32**

The respondent failed to obtain sufficient appropriate audit evidence on revenue, and inadequate completion procedures were performed. In addition, the information provided by the entity was not assessed for completeness and accuracy. Furthermore, the audit opinion issued to the group auditors was incorrect.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 33**

The respondent failed to obtain sufficient appropriate audit evidence on goodwill. In addition, there was no evaluation of the component auditor's competence and independence, and there were inconsistencies in group audit instructions to component auditors.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 34**

The respondent failed to obtain sufficient appropriate audit evidence on inventory, intercompany balances and going concern. In addition, the respondent did not appropriately assess and address fraud risks that are pertinent to the audit engagement. Furthermore, the respondent did not reassess materiality prior to evaluating the effect of uncorrected misstatement identified during the audit engagement.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 35**

The respondent failed to obtain sufficient appropriate audit evidence on plant and equipment, impairment losses and leases. In addition, the respondent did not evaluate the training and competency of specialists utilised during the audit. Furthermore, the respondent did not appropriately address the risk regarding management override of controls.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 36**

The respondent failed to obtain sufficient appropriate audit evidence on accounts receivable, goodwill, inventory and taxation, and also did not address deficiencies in the general information technology controls on the audit engagement. In addition, the respondent failed to include and evaluate significant matters affecting the company while performing acceptance procedures. The respondent also did not evaluate whether the opening balances reflected the application of appropriate accounting policies and were consistently applied. The audit report did not state that the financial statements of the prior year were audited by a predecessor auditor, the type of opinion expressed by the predecessor auditor and the date of the predecessor's audit report.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 37**

The respondent failed to obtain sufficient appropriate audit evidence on revenue, accounts receivable and accruals. In addition, sufficient audit evidence was not obtained for controls testing, as sample sizes were insufficient.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 38**

The respondent failed to obtain sufficient appropriate audit evidence on shareholder's loans and going concern. Furthermore, there was non-compliance with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, and incomplete disclosures in the financial statements.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 39**

The matter was a referral from the Inspections Committee. Mr Jacques Barradas, the respondent, recorded unadjusted audit differences during the audit that exceeded audit materiality relating to contract revenue, work-in-progress costs, contract receivables and contract payables. The aggregate of the misstatements in relation to the different elements in the annual financial statements was below final materiality; however, the individual line items were materially misstated as they exceeded materiality. As a result, the respondent's unmodified audit opinion was inappropriate under the circumstances.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed.

## **Matter 40**

The matter was a referral from the Inspections Committee. The respondent failed to identify material misstatements in the statement of cash flows. As a result, the respondent's unmodified audit opinion was inappropriate. In addition, the respondent was responsible for



the separate and consolidated financial statements of the company. The audit report issued by the respondent did not identify which sets of financial statements were covered.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 41**

The matter was a referral from the Inspections Committee. The respondent recorded unadjusted audit differences that exceeded the materiality level. The respondent incorrectly deducted the effect of taxation on the unadjusted audit differences, which resulted in the unadjusted audit differences falling below materiality. As a result, the respondent's unmodified audit opinion was inappropriate.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 42**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on the statement of cash flows, intangible assets, goodwill and investments in subsidiaries. The respondent did not identify and address the non-disclosure of directors' remuneration in the financial statements. Furthermore, the respondent included the incorrect accounting framework in the audit report.

The respondent was sentenced to a fine of R200 000, of which R100 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

## **Matter 43**

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence on revenue, employee cost and leases. In addition, the respondent failed to document considerations, conclusions and safeguards with regard to an independence threat relating to the preparation of the financial statements. Furthermore, there were material classification errors in the financial statements that were not identified by the respondent. As a result, the respondent's unmodified audit opinion was inappropriate.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms.

## **Matter 44**

The matter was a referral from the Inspections Committee. Mr Andre Johann de Jager, the respondent, failed to obtain sufficient appropriate audit evidence on cash and cash equivalents, related party transactions and balances, revenue and purchases. In addition, the respondent did not appropriately address the risk regarding management override of controls, and failed to document the assessment of the risk of material misstatement at the assertion level for some material balances. The respondent failed to perform any procedures on subsequent events, going concern and ethical and independence requirements at the completion stage of the audit. The respondent failed to identify material errors in the statement of cash flows. As a result, the respondent's unmodified audit opinion was inappropriate.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for five years, on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; imposition of a previously suspended fine of R20 000; no cost order; and publication by the IRBA of the respondent's name, the findings of the investigation and the sanction imposed. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by him and his audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

## **Decisions to Charge and Matters Referred for Disciplinary Hearings**

Five matters were referred to the Legal Department for disciplinary hearings.



*Jillian Bailey*

**Director Investigations**

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## DISCIPLINARY COMMITTEE

### Matters Referred for Disciplinary Hearings

Currently, there are 21 open cases that have been referred to the Legal Department for disciplinary hearings, and three of these were referred in the current quarter. The various matters are at different stages of the process.

### Matters Heard by the Committee

During the period under review, two matters were heard by the Disciplinary Committee, with one matter pending a ruling and the second one remaining part-heard.

#### **Part-heard Matter: Sharemax**

The previously part-heard disciplinary hearing, which was convened to consider the allegations of improper conduct against the then partners of ACT Audit Solutions in relation to professional services rendered to Sharemax, resumed on 25 January 2021 and was scheduled to proceed until 19 February 2021.

Notwithstanding the above, the matter was adjourned on 17 February 2021. This followed an application brought forward by the respondents, for the recusal of two Disciplinary Committee members on allegations of actual conflict of interest, bias and/or the perception of bias.

The committee, on 19 March 2021, issued a ruling dismissing the respondents' application for the recusal on the basis that a proper case had not been made out for the recusal of the two members.

In the premise of the above, the hearing will be rescheduled for continuation.

#### **Finalised Matters**

Two matters were finalised during the period under review. One was finalised following the acceptance of a consent order previously recommended by the Investigating Committee and approved by the Disciplinary Advisory Committee; and for the other, this was after a dismissal of the respondent's leave to appeal the Disciplinary Committee's ruling.

Below is a brief overview of the matters.

#### IRBA vs K

The respondent failed to report a number of reportable irregularities relating to breaches of the Companies Act, the Income Tax Act and the Value Added Tax Act.

The respondent admitted guilt to the charges and was sentenced to a fine of R100 000; no cost order; and publication by the IRBA in general terms.

#### IRBA vs Mr Mukhtar Ahmed Ismael Shaik Dawood

Mr Mukhtar Ahmed Ismael Shaik Dawood, the respondent, who was formally registered as an auditor with IRBA, was charged with four charges of improper conduct, following an investigation by the regulator.

The charges against the respondent emanated from a complaint received from the Department of Trade and Industry via Cipro in relation to investments made to development entities and intermediary companies, to which the respondent was a director.

In addition to his directorship, the respondent was a trustee and a direct beneficiary of two trusts. Jazira Holdings Limited (Dubai) UAE Inc. (Jazira) invested significant funds in property projects located in KwaZulu-Natal. Jazira entered into a joint venture with two South African entities, one of which, the respondent and his brother were representatives thereof. Representatives (excluding the respondent) of these two entities travelled to Dubai to provide one Mr A Bagash with an opportunity to invest in the KwaZulu-Natal property market.

Jazira invested several million US dollars in one of the development entities in Indaba Investment in terms of a Profit Sharing Loan Agreement, which was intended to relate to an investment in a property development known as Umdloti Property.

Mr Bagash was under the impression and understanding that the Jazira funds would be utilised for the purchase of the Ridge Property and Umdloti Property land to be developed. Further, his understanding of the overall structure was that he would provide the initial capital investment and the development of the properties would be pursued and managed by the South African business partners.

Instead, the intermediate entities purchased properties from third parties, with the investment capital that Jazira had invested in terms of the Profit Sharing Agreement. They then proceeded to sell these properties to the development entities, within a short period of time, at inflated prices and significant profit margins. The respondent had not disclosed to Mr Bagash that he was a director at both the intermediate entities that had sold the properties and the various development entities that had bought them at inflated prices.

Despite Jazira being a shareholder in the development entities, it was not a shareholder in any of the intermediate entities; therefore, it did not receive any of the profits made, notwithstanding that Jazira's money was utilised for the initial purchase of the various properties. The intermediate entities made secret profits in the amount of R39 722 807.02, before conveyancing costs, taxation and expenses.

In light of the above, the respondent was charged with the following counts of improper conduct:

1. Failure to act with honesty and integrity in dealing with investment funds, including theft, fraud and forgery in relation of the investment funds.

2. Failure to disclose financial interest as director in the intermediate and development entities, as required by Section 234 of the Companies Act.
3. Failure to disclose in the financial statements full details of a related property transaction involving a company of which the respondent was a director and from which substantial secret profits were made.
4. Failure to comply with the following sections of the Companies Act: Section 179(1)(b)(ii); Section 226; Section 234; Section 238; Section 239; Section 242; Section 286(1); Section 287; Section 295; and Section 309.

The respondent pleaded not guilty to all charges and the matter proceeded in terms of Section 50 of the Auditing Profession Act (APA), read together with Rule 6 of the Disciplinary Rules.

After careful considerations of both parties' submissions, the Disciplinary Committee concluded on the merits aspects of the matter and was driven to its findings having regard to the following considerations:

1. Although the respondent was not present at the Dubai meeting, Mr Bagash had relied on the representations made by the South African delegation.
2. Jazira was expressly promised to earn returns from the investments, the nature and extent of which were described in the Profit Sharing Loan Agreement. The committee accepted that the Profit Sharing Loan Agreement relating to Indaba Investment had been altered to a Shareholder Loan Agreement, which changed the nature of the return that Jazira would be entitled to receive. However, the committee's view was that the alteration did not detract from the conduct of the respondent.
3. The evidence led by the IRBA showed how the funds invested by Jazira had been dealt with by the respondent, as the Chief Financial Officer of Indaba and Sea Edge; and that these funds were utilised to fund the acquisition of properties by the intermediate entities that were later sold to the development entities at substantial profits. Moreover, the respondent was the director of these entities and was therefore aware of the transactions by the entities.
4. The evidence showed that the respondent was a director at both the affected intermediate and development entities and was materially interested in the transactions relating to sales of properties between these entities, from which substantial profits were earned but not disclosed to Mr Bagash – a non-disclosure that was intended to deceive Mr Bagash.
5. The annual financial statements of both the intermediate and development entities prepared and signed off by the respondent were false and misleading because they did not disclose the secret profits from the property transactions.
6. The evidence of the IRBA expert witness had confirmed that he had considered the financial statements of the entities and did not find evidence of disclosure of the related party transactions between the entities.

7. The IRBA's analysis of the respondent's plea wherein he had admitted guilt to certain provisions contained in the Companies Act was also considered.

In November 2015, the committee subsequently found the respondent guilty of all four charges levied against him.

In light of the committee's finding, the matter proceeded to a sanctions hearing in February 2016, in terms of Section 51 of the APA, read together with Rule 7 of the Disciplinary Rules, wherein the parties were accordingly given an opportunity to submit evidence in mitigation and aggravation of the sanction.

The respondent elected not to attend the hearing, as he had adopted the attitude that he would review the proceedings that led to his conviction on the charges preferred against him. Then, the committee proceeded to consider written and oral submissions made by the IRBA.

After a review of the IRBA's submissions, the committee concluded that the harshest permissible sentence should be considered. This consideration was in light of the manifest dishonesty displayed by the respondent, as well as the breach of trust and material non-disclosure in his dealing with the funds of a foreign investor, who reposed unqualified trust and faith in the respondent for the proper administration of the investment into local business projects on invitation by the respondent and his fellow partners. The committee would not have hesitated to direct the immediate cancellation of the respondent's registration with the IRBA, had the respondent still been registered.

In view of the respondent's deregistration from the IRBA, the committee considered other appropriate forms of sanctions that did not detract but reflected the severity of the charges. These were considered after taking into account the respondent's personal circumstances, which the committee pieced together from the evidence presented, the nature of the misconduct of which he had been found guilty and the public interest factor of relevance.

Thus, in imposing a sanction, the committee measured the personal circumstances of the respondent against the seriousness of the charges for which he had been convicted. It also agreed with the submissions made by the IRBA that the convictions involved dishonesty and deception from which the respondent enriched himself and a family trust; and that the dishonesty was made worse by the fact that the respondent sought to conceal it through a non-disclosure of material facts in financial statements that he had made available to Mr Bagash.

Based on the above, the committee made the following order:

1. Fines totalling R300 000 in respect of the four charges;
2. The respondent to pay costs in the amount of R1 200 000;
3. Publication, in IRBA News and a local newspaper circulating widely in KwaZulu-Natal, of the committee's findings and the sanction imposed, including the respondent's name and the name of his firm; and



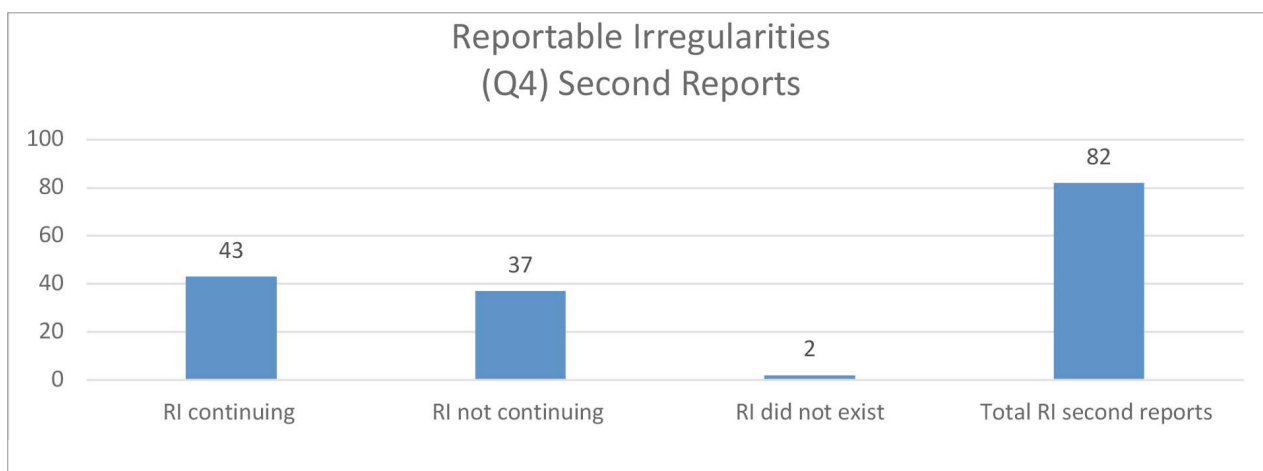
4. Reporting of the committee's findings and sanction to the South African Institute of Chartered Accountants.

The respondent took the committee's decision in relation to the charges on review to the Johannesburg High Court. The court held that the respondent had failed to make out a case for review and dismissed the application with costs. The respondent sought

leave to appeal the High Court's decision, which application was also dismissed with costs. He then sought leave to appeal from the Supreme Court of Appeal and this application too was dismissed with costs in February 2021. The findings and sanction of the committee have accordingly been upheld and the IRBA will now enforce the order.

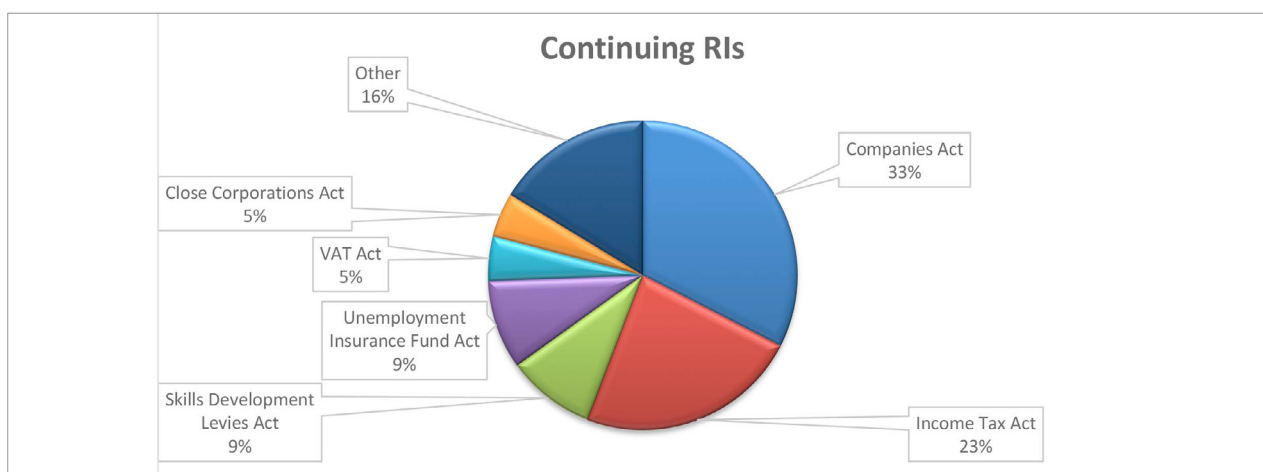
### REPORTABLE IRREGULARITIES

The IRBA received 123 first reports on reportable irregularities (RIs) during the period from 1 January 2021 to 25 March 2021 (4<sup>th</sup> quarter reporting period). On the other hand, 82 second reports were received and processed, and their nature is highlighted below.



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

The chart below reflects the 43 continuing RIs received, categorised by nature.



**Note:** As depicted above, the top three types of reported contraventions related to the Companies Act, the Income Tax Act, as well as the Unemployment Insurance Fund Act and the Skills Development Levies Act, which jointly occupied third place. There were also several RIs highlighting contraventions of, among others, the Nursing Act, the Johannesburg Stock Exchange Listing Requirements and the Pension Funds Act.

All continuing second reports received were sent to the relevant regulators and/or authorities for action, in line with the provisions of the APA.

## REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

### REGISTRY MOVEMENTS: QUARTER 4 (2020/2021)

New Registrations	22
Re-Registrations	2
Terminations	48
Total Active RAs	3 637

**Note:** During the reporting period, 22 new registrations were

confirmed and entered into the register, while two registered auditors were re-registered. This brought the total number of registrations to 24 for the reporting period.

A total of 48 registered auditors (RAs) were removed from the register, and the most prevalent reason for these removals was resignation. Consequently, as at 25 March 2021, the total number of RAs was 3 637.

The names of RAs entered into the register and those removed from it are provided in the tables below.

### INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 11 SEPTEMBER 2020-2 DECEMBER 2020

Abbas, Mohamed Khuseed	Moruck, Adiebah
Carneiro, Americo	Motea, Linda Keletso
Carvalho, Robert	Mpendu, Deneo Odette
Chasou, Stelios	Ngele, Chumani
De Oliveira, Michelle	Ntuli, Patience
Griesel, Jan Alwyn	Panday, Nadij
Hulett, Rourke Leige	Paruk, Ahmed Ismail
Jankeeparsad, Ronelle	Steyn, Annette
Jivan, Rupa Anoushka	Surtee, Zaheera
Mampa, Donny Moah	Terblanche, Monique
Mnqayi, Promise Lungile	Vincent, Tarryn Jade

### INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 19 OCTOBER 2020-2 DECEMBER 2020

Britz, Freda
Van Huyssteen, Claire Patricia

### INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 26 NOVEMBER 2020-23 MARCH 2021

Ally, Fathima Bibi	Resigned	Myataza, Asanda	Resigned
Brown, Trevor Jonathan	Resigned	Ndlovu, Moshabe William	Resigned
Bruk, Hyman	Passed away	Nel, Jacobus Johannes Bekker	Passed away
Chen, Su-Chin	Resigned	Neuhaus, Bernt Leopold	Resigned
Chen, Su-Lan	Resigned	Oosthuizen, Roelof	Resigned
Cohen, Jonathan	Resigned	Paruk, Mahomed Sadeck Ahmed	Resigned
Davidson, Nevin Peter	Passed away	Rae, Tanya	Resigned
De Kock, Charlene Angelique	Resigned	Snijder, Harm	Resigned
Du Plessis, Leon	Resigned	Speed, Robyn Lee	Emigrated
Du Plessis, Niel	Resigned	Spies, Robert Joachim	Resigned
Eloff, Theunis	Resigned	Strydom, Gerrit Johannes	Resigned
Fakey, Zahid Hassan	Resigned	Swanepoel, Matheus Johannes	Resigned
Forster, Kerry-Anne	Emigrated	Templar, Simon Roderick Nairn	Resigned
Friend, Stephen David	Resigned	Terblanche, Frans Jacobus	Passed away

## INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 26 NOVEMBER 2020-23 MARCH 2021

Harvey, Lawrence Philip	Resigned	Thordsen, Maria Gorette Martins	Emigrated
Hoyle, Gary	Emigrated	Usher, Lawrence George	Emigrated
Janse Van Rensburg, Hendrik Rankin	Resigned	Van Ginkel, Adolf Ludwig	Resigned
Knight, Norman William	Resigned	Van Niekerk, Dirk Stephanus	Resigned
Koudstaal, Jan	Passed away	Van Wyk, Julia Helen	Resigned
Lewis, Robert Athol	Resigned	Vermeulen, Andre Riaan	Emigrated
Luiz, Elizabeth Maria	Passed away	Wedderburn, Stuart Guy	Resigned
Mbangxa, Xolani	Resigned	Whitehouse, Jennifer	Resigned
Moodley, Sadasivan Venketas	Resigned	Williams, Millicent Loretta	Resigned
Müller-Nedebock, Waltraut	Resigned	Zungu, Eugene Msawenkosi	Resigned

## ANNUAL RENEWALS

The cancellation of RAs' registrations for the non-submission of Individual Annual Returns was delayed. This was due to the delayed lapsing of registration for the non-payment of annual renewal fees, a decision that was intended to provide RAs with an opportunity to realign their cash flows, following the effects of COVID-19.

Notwithstanding the above, cancellations have now been effected, leading to the removal of 105 RAs from the register. This has been as a result of non-compliance with the requirement to file Individual Annual Returns for the 2020/2021 financial year.

Only requests for reinstatement received prior to 31 March 2021 will be processed, with those received after this period requiring re-registration.

RAs removed from the register due to lapsing or cancellation will be published in the next issue of *IRBA News*, which will be the first one for the next financial year.



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## LATEST INSPECTIONS REPORT IS OUT: RECURRING DEFICIENCIES NOTED

The IRBA released its 2020 Public Inspections Report on Audit Quality on 1 February 2021. The report, which focuses on the second year of the IRBA's Seventh (7<sup>th</sup>) Inspections Cycle, covers the period 1 April 2019 to 31 March 2020.

The objective of the Public Inspections Report on Audit Quality is to promote audit quality at a broader level by highlighting significant themes arising from firm-wide and assurance engagement file inspections. In addition, it is aimed at auditors, those responsible for the quality management systems within firms and other relevant stakeholders, such as audit committees, investors, oversight bodies, company directors and financial accountants who are responsible for the integrity of financial information.

In 2019/2020, the IRBA continued to focus on audits with a higher public interest exposure and this included audits of listed entities, other public interest entities and state-owned companies. The IRBA, however, also inspected small to medium practices and aims to increase its capacity and capabilities to expand its coverage of these firms in the near future.

In the year under review, the IRBA issued inspections reports on a total of 157 (2019: 116) inspections that were performed at 27 (2019: 44) firms. Overall, the inspections outcomes again indicated inconsistencies and significant deficiencies within the majority of audit firms and assurance engagements inspected, in relation to audit quality management and audit quality. The top three engagement deficiency themes highlighted in the latest report are in the following areas:

- Financial Statement Presentation and Disclosures;
- Revenue; and
- Significant Auditor Judgement.

The reported deficiency themes are consistent with the Survey of Inspection Findings 2020, issued by the International Forum of Independent Audit Regulators (IFIAR) on 15 March 2021, and continue to be an area of focus for independent audit regulators worldwide. The IFIAR Inspections Survey Report can be downloaded from its [website](#).

Meanwhile, the IRBA will continue with its mandatory Remedial Action Process with inspected firms and practitioners. The purpose of this process is to promote prompt and effective improvement in audit quality across audits of all firms with reported deficiencies.

Some examples of remedial action plans include:

- Reviewing of resourcing;
- Improving the project management;
- Increased focus on joiners or leavers;
- Coaching and guidance on related initiatives;
- Improving the integration of internal experts;
- Real-time monitoring/support teams;

- Methodology enhancements;
- Guidance and communications;
- Training (technical and soft skills);
- Supervision and review; and
- Software, procedures and technical updates.

The 2020 Public Inspections Report on Audit Quality can be downloaded from the [IRBA website](#).

## REFLECTIONS ON ETHICS AND INDEPENDENCE

In the current economic climate, and with the negative perceptions of the audit profession over the past few years, the tone at the top is critical in improving audit quality and, in turn, restoring confidence in the profession.

### ISQC 1 ELEMENTS DEFICIENCY SPREAD: 2020



In the 2020 inspection period, eight firm-wide inspections were reported to the Inspections Committee (INSCOM). Of these inspections, seven (87%) required significant improvement, and one (13%) was referred to the IRBA's Investigations Department for an investigation. All of these firm-wide inspections reported to INSCOM were at JSE-accredited firms.

At a firm level, it is a matter of interest that deficiencies relating to the International Standard on Quality Control (ISQC) 1 element of Relevant Ethical Requirements increased to 13% (2019: 5%) in the 2020 inspections period.

In addition, it has been noted with concern that independence, which is one of the fundamental principles of the profession, continues to be an area where deficiencies are identified. Firms and practitioners, therefore, are expected to reflect on the severity and impact of ethical and independence deficiencies on the public and other stakeholders who place reliance on the audit reports issued, as well as the impact on the reputation of the firm and the audit profession as a whole.

### Tools for Introspection

Questions that can be used as tools for introspection within firms, to facilitate dialogue and engagement at various levels, could include the following:

- Is firm leadership driving the right behaviour in relation to ethics and independence?



- Are the firm's policies and procedures designed, implemented and operating effectively to prevent audit failures?
- Has the firm updated its ethics and independence policies and procedures, based on the changes to the IRBA Code of Professional Conduct (Revised November 2018)?
- Has the firm started to assess the impact that the new International Standard on Quality Management standards will have on its policies and procedures?
- What effect can ethics and independence failures have on the reputation of the firm and that of the profession?
- Are the firm's policies and procedures sufficient to ensure that threats to independence are identified, assessed and responded to timeously?
- In preparation for Mandatory Audit Firm Rotation, what considerations has the firm made to ensure compliance with the independence requirements?
- How have policies and procedures relating to ethics and independence been affected by the COVID-19 lockdown and remote working arrangement with regard to their implementation and monitoring by firms?

## PUBLICATIONS OF INTEREST

The Johannesburg Stock Exchange (JSE) released its proactive monitoring reports for 2020 on 19 February 2021. The publications, which can be accessed on the [JSE website](#), highlight the results of proactive monitoring activities performed and are:

- Reporting back on proactive monitoring of financial statements in 2020.
- Combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019.



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## AUDIT DEVELOPMENT PROGRAMME SHOWS SOME STEADY, THOUGH SLOW, GROWTH

At the close of the period under review, the Audit Development Programme (ADP) had recorded a total number of 464 candidates since its inception. The programme is an 18-month period of specialisation undertaken by professional accountants who want to become registered auditors (RAs).

Through the ADP, registered candidate auditors (RCAs) are given

the opportunity to specialise as RAs by gaining exposure to a broad range of issues faced by RAs in practice. The overall aim is to help them develop and enhance their professional competence and judgement, ethical values as well as lifelong learning skills and attitudes. On completing the ADP, RCAs are expected to have acquired and demonstrated competence to a level expected of an RA.

### ADP REGISTRATIONS TO DATE

	2015	2016	2017	2018	2019	2019/2020	2020/2021	TOTAL
Opening	0	0	28	172	288	425	455	0
Additions	0	28	157	134	170	81	82	652
Deregistration	0	0	-11	-9	-2	-18	0	-40
Completed	0	0	-2	-9	-31	-33	-73	-148
<b>Total RCAs at Year-End</b>	<b>0</b>	<b>28</b>	<b>172</b>	<b>288</b>	<b>425</b>	<b>455</b>	<b>464</b>	<b>464</b>

### Registrations in 2020/2021

During 2019 and through our research programme, several challenges that had a negative impact on the number of people registering on the ADP were noted. As a result, the Education and Transformation (ET) Department has embarked on the new and improved ADP Reloaded, to address the areas of development and challenges noted in the current ADP.

COVID-19 had an impact on the firms' administrative processes that were in place to facilitate registration on the ADP. Some of the big four firms had seconded their managers abroad and those firms were busy with repatriating their staff due to COVID-19 disruptions. As such, there was limited time to process ADP applications.

On a positive note, the number of registrations overall has been consistent with the previous financial year; and, most importantly, there were no de-registrations in the 2020/2021 financial year.

### Completion Rate in 2020/2021

The ET department has embarked on a drive to provide more support to RCAs in terms of the internal review of the RCAs' Portfolios of Evidence (PoEs). This is being done through one-on-one interactions, a detailed internal review process, additional customised guidance, support and tracking of RCAs' progress, to encourage them to successfully complete the ADP.

The process for reviewing portfolios has also been improved by reducing the turnaround time for the PoE panel members to provide feedback. This now includes increasing the number PoE panel members on the ADP database so that more portfolios can be reviewed.

In the first quarter of the 2021/2022 financial year, the following changes will be phased in:

- A new and improved PoE structure and format will be introduced. RCAs will be provided with guidance and training on how to use the newly improved PoE templates. Communication on this will be issued at the beginning of the next quarter.
- Digital content to support RCAs and oversight registered auditors in effectively carrying out their roles on the ADP will be available. The content will be accessible via the ADP website.

Look out for more communication as we embark on this exciting journey of change to further strengthen the ADP.

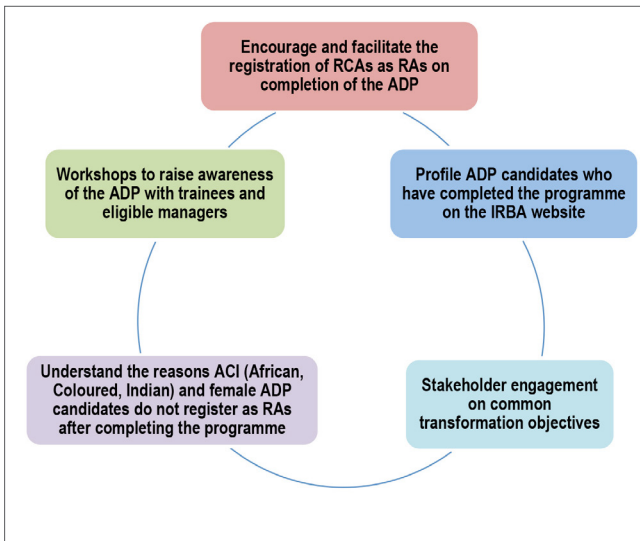
### Accreditation Committee

The Accreditation Committee (ACCOM) was established as an ad-hoc subcommittee of the Education and Transformation Committee to evaluate the *Association of Chartered Certified Accountants'* application for accreditation. The implementation of the project plan is currently underway through ACCOM and its subject matter experts, to assess the application against the requirements of the IRBA's Accreditation Model. A recent advert for additional subject matter experts has been published and is available on the [website](#).

### Transformation

The transformation activities for the quarter, and as highlighted in the graph below, relate to the overall transformation strategy and the planned transformation projects, as contained within the 2020/2021 transformation strategy.

## Quarter 4 Transformation Activities



## Proficiency Interviews

Proficiency interviews may be performed as part of the RA registration process. Due to the pandemic and the resultant lockdown, the interviews have been conducted virtually. Below is a summary of the outcome of the 60 proficiency interviews that took place during the financial year ended 31 March 2021.

Interview Period	Total Number of Candidates	Registered Candidates	CPD Required	CPD and Audit Experience Required
Q1 - 30 June	15	5	5	5
Q2 - 30 September	21	8	8	5
Q3 - 31 December	6	3	2	1
Q4 - 31 March	18	5	8	5
Total	60	21	23	16
<b>% Total</b>	<b>100%</b>	<b>35%</b>	<b>38%</b>	<b>27%</b>

It has been found that it is imperative for applicants to be more prepared for their RA registration, and that this should incorporate relevant Continuing Professional Development and audit experience, to develop and maintain the required competence. It is also important that all applicants reflect on their individual competence, regardless of their firm size, without significant reliance on the firm's additional support.

## COLLECTIVE EDUCATION CHALLENGES

During the quarter under review, the education sector in general experienced several challenges. At the beginning of the academic year for universities, we once again had student protests due to a lack of funding. Overall, the situation has restricted graduates from pursuing or starting on their chosen career paths, which include accounting and auditing.

In addition, we marked a year since government introduced lockdown measures that have had a devastating impact on education at all levels. There have been challenges in terms of access to online learning and working-from-home arrangements as well as concerns about mental well-being and general socioeconomic issues.

Furthermore, a grave concern for the IRBA has been the continuous decline of the exam results of students and trainees in the pipeline. The lower pass rates mean that there are less trainees that can access the ADP, potentially minimising the RA pipeline. Also, the race differential in these results creates a deeper concern in terms of the transformation of the RA profession.

As a collective, we all need to remember that we are all responsible for this pipeline. We are the decision-makers and key role-players in the career paths of these students and trainees. So, what will you do to make a difference?



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In the interest of improved communication with registered auditors and other stakeholders, a list of communiques sent by bulk e-mail during the reporting period for this issue is set out below. These communiques may be downloaded from the [IRBA website](#) under the News section.

17 March 2021	Revised Illustrative Banks Act Regulatory Auditor's Reports
16 March 2021	IFIAR Urges Continued Audit Quality Improvement Efforts in Its 2020 Global Inspections Findings Survey Report
12 March 2021	IRBA Board Adopts the Suite of Quality Management Standards: ISQC 1 Replaced by ISQM 1, the New ISQM 2, Significant Revisions to ISA 220, Changes in Substance, Implications for Practice in South Africa, Effective Dates and Implementation Guidance
12 March 2021	Fees payable to the IRBA with effect from 1 April 2021
11 March 2021	Final Amendments to Subsection 115 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018): Electronic Signatures
10 March 2021	Revisions to the IRBA Code to Promote the Role and Mindset Expected of Registered Auditors
9 March 2021	IRBA Releases Its Second Audit Quality Indicators Report, Placing Actionable Information in the Hands of Stakeholders
9 March 2021	Investigating Committee of the IRBA Call for Nominations
8 March 2021	Early adopters on the JSE drive MAFR up to 43%
8 March 2021	IRBA announces Acting Director: Inspections
2 March 2021	IRBA Introduces Acting CEO
26 February 2021	Standards and Ethics related IRBA pronouncements which have a December 2020 or 2021 effective date
25 February 2021	The IAASB Issues an Exposure Draft on Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards
25 February 2021	Caretaker Board issues a call for nominations to serve on the IRBA Board
16 February 2021	Updates on Governance Steps Taken by the Caretaker Board
9 February 2021	IESBA Proposes Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code and Implications for South Africa
1 February 2021	Online Submission of Assurance Work Declaration and Firm Related Information 2021
1 February 2021	IRBA Releases Its 2020 Public Inspections Report which Shows Continued Quality Deficiencies and Inconsistencies at Audit Firms
11 December 2020	Audits of Investment Properties and/or Property Companies

## IRBA COMMUNICATIONS

If you would like to receive IRBA communications, or if you are aware of a non-auditor who would like to receive these, please advise Lebogang Manganye by emailing her at [lmanganye@irba.co.za](mailto:lmanganye@irba.co.za).