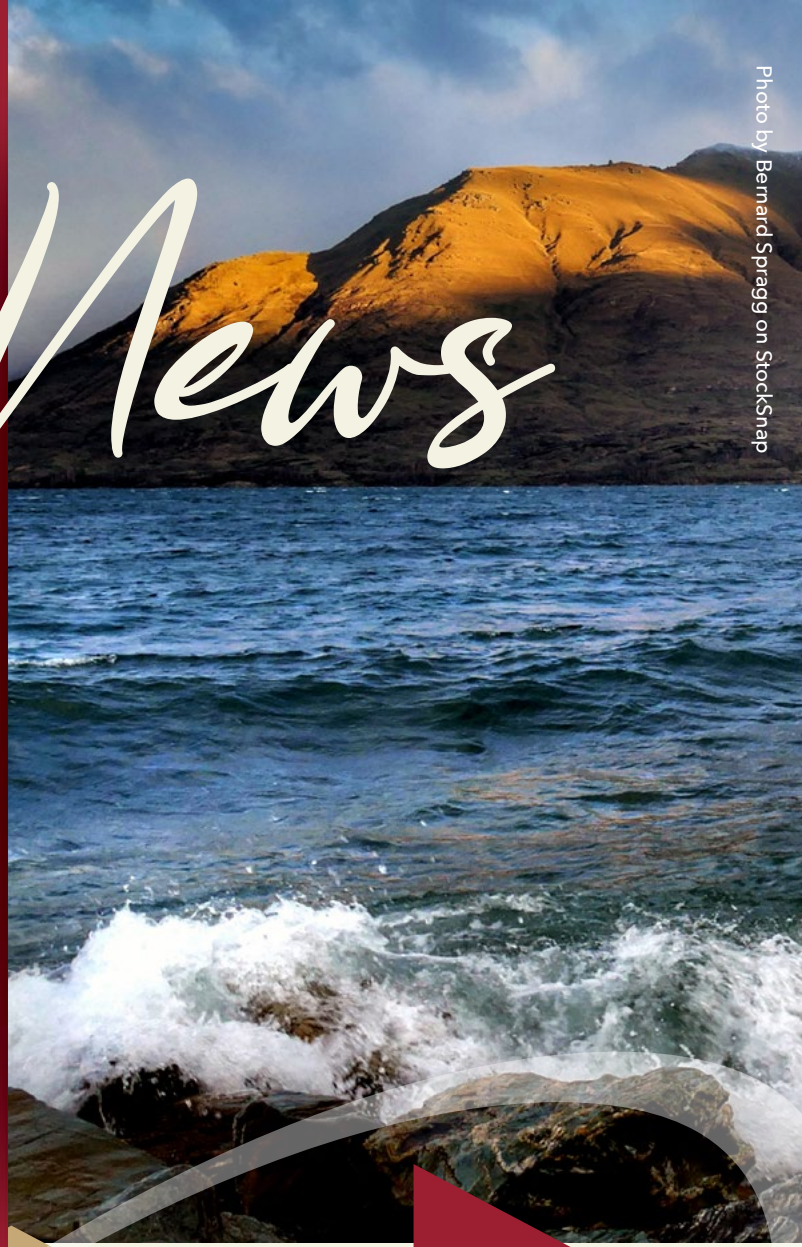


**IT'S BEEN A  
STEEP INCLINE**  
But as this year closes,  
some noteworthy  
milestones are set  
to give our efforts  
to rebuild trust the  
needed momentum



**ISSUE 56**  
OCT -DEC  
2021

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## ACTING CEO'S PERSPECTIVE

### AGAINST ALL ODDS, THE 2021 MILESTONES WE WILL BUILD ON

The past 10 months, have been a journey of commitment, resilience and striving for stability and excellence, in an environment that was shaken by governance challenges and COVID-19 disruptions. I took over the leadership role at a time when the organisation was faced with significant leadership changes. However, with the full support of our Caretaker Board, then the new Board, a cohesive management team and competent staff, we not only committed ourselves to strive forward but continued unabated with executing the IRBA's mandate in the public interest.

Working together as a team, the IRBA has achieved several noteworthy milestones during this year; and I have had very positive and optimistic conversations with various stakeholders about our plans, which are starting to manifest at different levels. These achievements include a refocused five-year strategy that plans to address gaps in the broader financial reporting and governance ecosystem, to reshape the future of our profession through comprehensive stakeholder engagement and a more fit-for-purpose regulator. Out of this, we have developed the Restoring Confidence 2.0 project, with a project charter that sets the criteria to guide the prioritisation of identified reform initiatives.



Imre Nagy  
Acting Chief Executive Officer

On the other hand, the implementation of the amendments to the Auditing Profession Act is well underway. We urge all our stakeholders to participate in the public comment process on the Draft Proposed Disciplinary Rules for Registered Auditors that will close on 18 January 2022. These proposed Disciplinary Rules can be downloaded from our [website](#).

The fraud expectation gap continues to be a big conversation driver in our profession and the whole financial ecosystem. Over the past few weeks, I participated in several conversations and gave presentations on this topic at a few conferences. While this expectation gap was triggered by, among others, an increasing investor expectation for all role-players to do more to prevent and expose corporate failures, as well as protect shareholders and the investing public, there is still insufficient general understanding of the lines of defence and the scope of external audit per

## ACTING CEO'S PERSPECTIVE CONT...

the international standards on auditing. In this regard, we need to be reminded that there are several role-players in the financial reporting chain, and each has a unique role and responsibility to contribute to sound financial reporting that can be trusted by users to make appropriate financial decisions. As the role-players, we all need to work together to promote more awareness and an understanding of the responsibilities, and further ensure that we protect our investing public by holding those who flout the rules accountable.

We are pleased with the decision of the Gauteng High Court to dismiss the application of the East Rand Member District of Chartered Accountants to have the IRBA's decision to adopt Mandatory Audit Firm Rotation set aside, as further detailed under General News. As predicted, firm rotations have picked up at a significant pace and we continue to monitor the implementation of the rule.

Registered auditors and those charged with governance at their clients are reminded that the rule becomes effective for financial years commencing on or after 1 April 2023. Therefore, if the audit firm has served as the appointed auditor of a public interest entity for 10 or more consecutive financial years, before the financial year commencing on or after 1 April 2023, then the audit firm shall not be eligible for re-appointment.

Therefore, we strongly encourage listed entities and public interest entities, especially those that may have awaited the judgement of this challenge, to move ahead

with their planning for audit firm rotation and not leave it until the last minute. Alternatively, they might face the risk of being unable to appoint a preferred audit firm, due to unavailability or potential ineligibility because of potential conflicts of interest.

### FUTURE OUTLOOK

I am excited about the developments coming up in the new year, as we plan to start with our stakeholder roundtable discussions on broader systemic and audit reforms for South Africa. Also, I am very encouraged to see other stakeholders already taking the initiative to discuss their roles and recognise their responsibilities in the governance and financial ecosystem. Through the work done by various stakeholders over the years, we know what and where the issues are; therefore, it is time for us to work together and coordinate solutions.

This has been another challenging year for the IRBA and the profession, having had to navigate a challenging socio-economic environment. However, we look towards 2022 with great anticipation and a renewed energy, as we expect to start seeing the results of all the work done behind the scenes to restore trust in the regulator and the profession.

I wish to thank the IRBA Board, management and staff for their resilience throughout these challenges and for staying true to the mandate of the organisation. I look forward to the new year with great anticipation and optimism to make a real difference.

I wish you and your loved ones a happy and safe holiday season. Take all the necessary precautions, including vaccination, where possible, and help to curb the spread of COVID-19.

**Imre Nagy**  
Acting Chief Executive Officer

### LIST OF TOPICS COVERED IN THIS ISSUE

#### Standards:

- IRBA/CFAS Webinar on Audit in an Uncertain Environment.
- Audit Risk and Quality Considerations Associated with the Change of Auditors and Mandatory Audit Firm Rotation.
- Revised Illustrative Annual Stockbroker's Reports Submitted to the JSE Limited in terms of the Financial Markets Act and JSE Directive DG 1.7 – Illustrative Reports 2B and 3.
- Adoption of the International Auditing and Assurance Standards Board's 2020 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.
- IAASB Projects in Progress.

#### Ethics:

- Revisions to the IRBA Code of Professional Conduct (Revised November 2018) Relating to Non-Assurance Services and Fee-Related Provisions.
- IESBA Projects in Progress.



Imran Vanker  
Director Standards

### COMMITTEE FOR AUDITING STANDARDS (CFAS)

#### IRBA/CFAS Webinar on Audit in an Uncertain Environment

During October 2021, the IRBA and its CFAS hosted a webinar titled Audit in an Uncertain Environment. The objective of the webinar was to reflect and share experiences on the impact of the ongoing pandemic and the recent social unrest on audits, audit firms as well as their clients and personnel. The conversation centred on:

- The impact on ethics and independence, including how to address these challenges;
- Audit quality and risk management;
- People and working remotely; and
- A glance into the future.

## STANDARDS CONT...

Based on the interesting discussion and insights shared, a summary of the webinar has been prepared. A recording of the event is also available on the [IRBA website](#).

### AUDIT RISK AND QUALITY CONSIDERATIONS ASSOCIATED WITH THE CHANGE OF AUDITORS AND MANDATORY AUDIT FIRM ROTATION

The IRBA Rule on Mandatory Audit Firm Rotation stipulates that the firm rotation requirement is effective for financial years commencing on or after 1 April 2023. Therefore, if the audit firm has served as the appointed auditor of a public interest entity for 10 or more consecutive financial years before the financial year commencing on or after 1 April 2023, then an audit firm shall not be eligible for re-appointment.

Since the publication of the Rule, the IRBA has observed that a significant number of listed entities have rotated and appointed new auditors. As the effective date draws near, and registered auditors and firms begin to assume their new audit engagements and further rotations take place, registered auditors are reminded to consider and anticipate the following:

- **Opening balances**
  - Consideration of audit work to be performed by the successor auditor to obtain sufficient appropriate audit evidence regarding the opening balances through the review of the

predecessor auditor's working papers, in accordance with International Standard on Auditing (ISA) 510, Initial Audit Engagements – Opening Balances.

- **Identification of restatements and errors**
  - The possibility that the successor auditor appointed to the audit engagement may identify restatements or errors in the financial statements audited by the predecessor auditor. The successor auditor should be aware of their related responsibilities, particularly that of communication with the predecessor auditor.
- **Resource capacity**
  - Firm rotation may lead to some uncertainty regarding resource capacity, including how and where to best allocate suitably qualified, experienced and available employees. Therefore, careful medium- and long-term planning is necessary for audit firms, to ensure they have or can obtain the required capacity, competence and capabilities to service the clients that are being pursued. Where clients and auditors agree on suitable arrangements for incoming auditors to shadow the incumbent auditors, resources for all concerned will need to be considered.
- **Time and initial costs pressure – quality considerations**
  - During the transition between audit firms, audit quality considerations will need to be carefully managed. Audit firms and audit teams may face pressure on the resources required by the tendering processes and the first-time audit of new clients. As such,

audit firms will invest additional time in initial audit engagements to allow for the transition between firms and to gather sufficient knowledge about their new audit clients. This would include becoming familiar with their systems, procedures and recent history. Fee negotiations with clients, as a result of increased costs, could also create a self-interest threat that should be managed with appropriate safeguards. Time pressures that inevitably arise when deadlines do not take transition issues into consideration may create intimidation threats for which proactive safeguards will need to be designed.

As firms build their strategies and manage these transitions, it would be helpful to bear in mind some of the following objectives of audit firm rotation:

- The strengthening of auditor independence, to mitigate the risk of the lack of professional scepticism and objectivity.
- Protecting the public interest as well as the interests of investors.
- Enhancing of audit quality.
- Providing smaller audit firms the opportunity to broaden their experience.
- Improvement of competence and confidence in the profession.

### REGULATED INDUSTRIES AND REPORTS STANDING COMMITTEE (RIRSC)

Revised Illustrative Annual Stockbroker's Reports Submitted to the JSE Limited in terms of the Financial Markets Act and JSE Directive DG 1.7 – Illustrative Reports 2B and 3

The CFAS approved the issue of the Revised Illustrative Annual Stockbroker's Reports

## STANDARDS CONT...

Submitted to the JSE Limited in terms of the Financial Markets Act and JSE Directive DG 1.7 – Illustrative Reports 2B and 3 (revised regulatory reports), for use by registered auditors (auditors).

These revised regulatory reports have been updated for the following:

- [The International Standard on Related Services \(ISRS\) 4400 \(Revised\)](#), Agreed-Upon Procedures Engagements (ISRS 4400 (Revised)), which was adopted, prescribed and issued by the IRBA Board on 29 October 2020. ISRS 4400 (Revised) is effective for agreed-upon procedures (AUP) engagements for which the terms of engagement are agreed on or after 1 January 2022.
- The changes in substance between the extant ISRS 4400 and ISRS 4400 (Revised) include the following:
  - o Scope and Responsibilities
    - New requirements and application material clarify the auditor's responsibilities in relation to the various parties involved in an AUP engagement, such as the engaging party, the intended users of the AUP report and the responsible party for the subject matter on which the AUP is performed.
  - o Compliance with Independence Requirements
    - New requirements and application material recognise that, even when

the auditor may not be required (for example, by law or regulation, an ethics code or contract) to comply with independence requirements, they may still agree with the engaging party that compliance with independence requirements is appropriate for the purpose of the AUP engagement.

- o The Agreed-Upon Procedures Report
  - Enhanced transparency on:
    - The responsibilities of the various parties involved in an AUP engagement; and
    - Whether or not the auditor is required to comply with independence requirements; and if so, the relevant independence requirements.
  - New application material to guide the auditor in deciding whether to restrict the use or distribution of the AUP report.

### *Effective Date*

These revised regulatory reports are effective for engagements for which the terms of engagement are agreed on or after 1 January 2022.

They are available for downloading in Word and PDF formats from the [IRBA website](#)

### **INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)**

**Adoption of the International Auditing and Assurance Standards Board's 2020 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements**

The IRBA draws the attention of all registered

auditors to Board Notice No. 146 of 2021 (Government Gazette No. 45500), titled "The Adoption of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements in terms of the Auditing Profession Act 26 of 2005". In relation to this, the IRBA has adopted, issued and prescribed the following publications known as the:

- Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition Volume I, ISBN 978-1-60815-459-3.
- Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition Volume II, ISBN 978-1-60815-459-3.
- Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020 Edition Volume III, ISBN 978-1-60815-459-3.

### **IAASB PROJECTS IN PROGRESS**

- Audit evidence;
- Technology;
- Group audits (ISA 600);
- Audits of less complex entities (LCE);
- Complexity Understandability Scalability Proportionality (CUSP);
- Fraud;
- Going Concern; and
- Conforming amendments to the other IAASB Standards Arising from the Quality Management Standards.

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

## INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

### Revisions to the IRBA Code of Professional Conduct (Revised November 2018) Relating to Non-Assurance Services and Fee-Related Provisions

The IRBA draws the attention of all registered auditors to the revision of the Non-Assurance Services (NAS) and Fee-Related Provisions in the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code).

These revisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives that could influence auditor behaviour – NAS provided to audit clients and fees.

The IRBA adopted the amendments made to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), published in 2020, following the issue of the proposed amendments on exposure for public comment via Government Gazette No. 43015 in South Africa on 14 February 2020 (Board Notice 9 of 2020).

### NAS Provisions

The revised NAS provisions replace Section 600 of the IRBA Code and include conforming and consequential revisions to Sections 400, 525, 900 and 950. The most substantive changes to the NAS provisions include:

- The introduction of a prohibition on audit firms to provide NAS to public interest entity audit clients, if that might create a self-review threat.
- New provisions to enable and promote more robust engagement about independence matters relating to NAS between auditors and those charged with governance (TCWG) of public interest entity audit clients.
- Comprehensive guidance to steer auditors' threat assessments and actions in relation to NAS.

### Effective Date

Revised Section 600 and the conforming amendments to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022.

The conforming and consequential amendments to Sections 900 and 950, in relation to assurance engagements with respect to underlying subject matters covering periods of time, will be effective for periods beginning on or after 15 December 2022; otherwise, these amendments will be effective as of 15 December 2022.

Early adoption will be permitted.

### Fee-Related Provisions

The revised fee-related provisions replace Section 410 of the IRBA Code and include consequential and conforming amendments to Sections 120, 270, 320, 330, 400 and 905. The most substantive changes to the fee-related provisions include:

- New provisions to enable and promote more robust engagement between auditors and TCWG of public interest entities about independence matters relating to fees.
- Strengthened provisions to address undue fee dependency on audit clients.
- Provisions to stimulate greater public transparency about fees paid by audit clients that are public interest entities, to assist stakeholder judgments about auditor independence.
- Comprehensive guidance to steer auditors' threat assessments and actions in relation to fees.

A Board Notice, to be included in the Government Gazette, will advise on the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1) (a) of the Auditing Profession Act No. 26 of 2005, as amended.

### Effective Date

For the revised Section 410 and consequential amendments to Part 4A, this is effective for audits of financial statements for periods beginning on or after 15 December 2022.

Then, for the revised Section 905 in relation to assurance engagements with respect to underlying subject matters covering periods of time, this is effective for periods beginning on or after 15 December 2022; otherwise, as of 15 December 2022.

For conforming and consequential amendments to other sections of the Code, this is effective as of 15 December 2022.

Early adoption will be permitted.

## ETHICS CONT...

### Implementation Support

The amendments to the IRBA Code may be downloaded from the [IRBA website](#). Support materials and resources are available on the dedicated [NAS and Fees IESBA webpage](#). These include:

- Infographics;
- Videos; and
- Recordings of the NAS and Fees webinars hosted in June 2021.

Fact sheets and Frequently Asked Questions are currently under development.

### Practical Implications

These revisions are expected to significantly impact registered auditors and the permissibility of the provision of NAS to audit clients.

A detailed study as well as a thorough understanding of the revisions and the practical implications for registered auditors will assist them in appropriately planning and responding to the revised requirements by the effective date. Actions needed may include the following:

- Training of all firm personnel.
- Updating of firm methodology across audit and non-audit service lines.
- Considering amendments to firm policies and procedures.
- Considering transitional arrangements.

- Communication with audit clients about NAS that are no longer permissible.
- Re-engaging in discussions with TCWG about non-audit related fees and the potential threats to independence.
- Engaging in discussions with TCWG about fee disclosures.
- Re-performance of threat assessments and actions in relation to NAS permissible under the extant IRBA Code.

### IESBA Projects in Progress

- Definition of PIE and Listed Entity.
- Engagement Teams – Group Audits.
- Technology.
- Tax Planning and related services.
- Benchmarking Initiative.
- Long Association Post-Implementation Review – Phase 1.

More information on these projects is available on the [IESBA website](#). Should you have any further queries, please send an email to [standards@irba.co.za](mailto:standards@irba.co.za).

### Imran Vanker

Director Standards

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E-mail: [standards@irba.co.za](mailto:standards@irba.co.za)



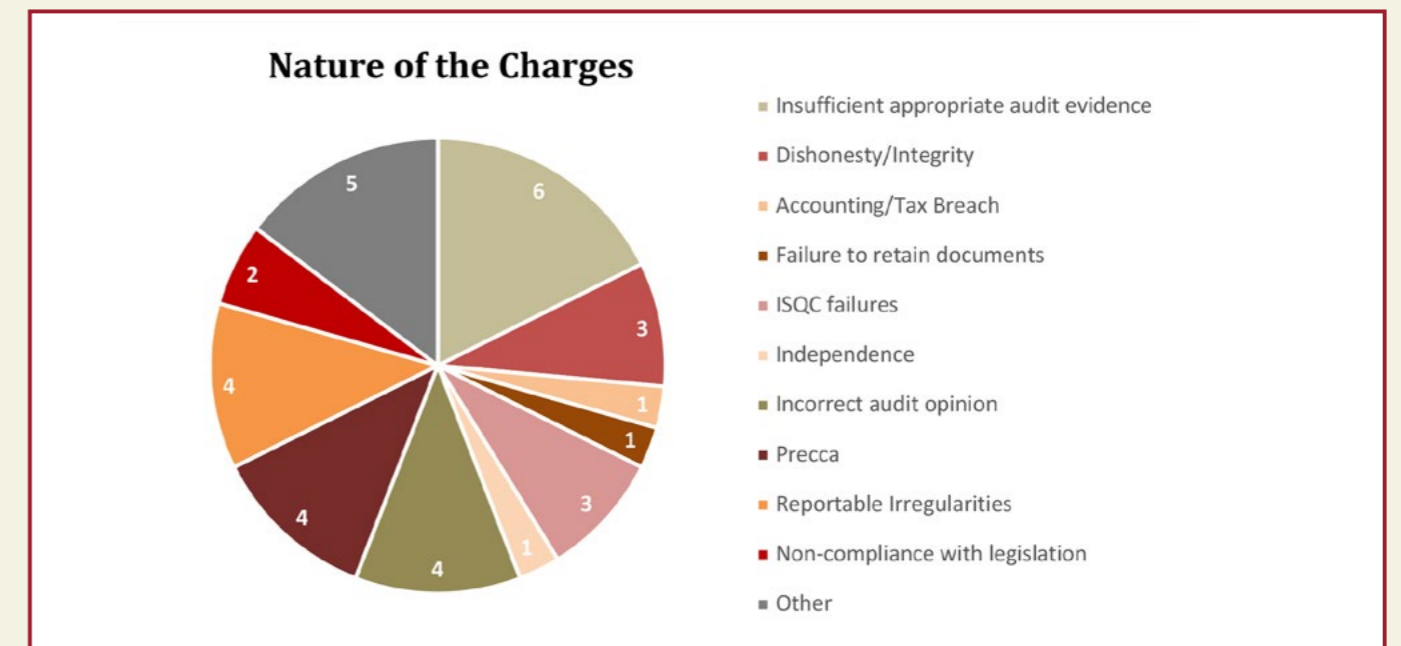
### DISCIPLINARY COMMITTEE

#### Overview of the Matters Referred for Disciplinary Hearings

There are 19 open cases that have been referred to the Legal Department for disciplinary hearings. These matters are at different stages of the process. The charts below provide further details in respect thereof and also indicate the number and percentage, respectively, pertaining to the charges.



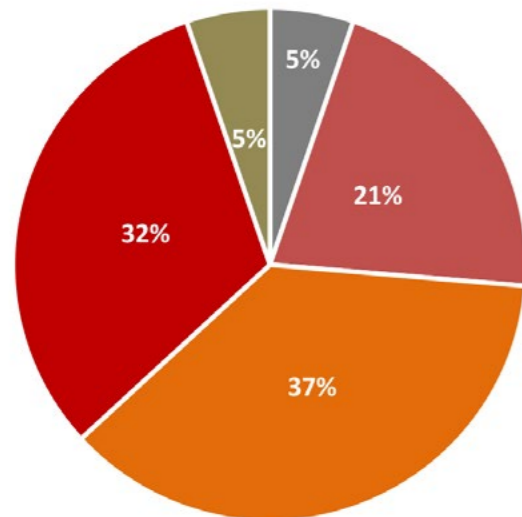
Rebecca Motsepe  
Director Legal



Note to graph overleaf: Overall, the open matters involve 11 categories of improper conduct. While each matter may involve numerous charges, the most common charge among the matters relates to insufficient appropriate audit evidence, failure to report reportable irregularities and failure to report in terms of PRECCA, followed closely by dishonesty, integrity charges and ISQC1 failures.

## LEGAL CONT...

### Status of the Matters



- Plea
- Engagements of failed consent orders
- Part-heard
- Hearing preparation
- Analysis of charges

At least 5% of the matters remain part-heard, while preparations for hearings are underway in respect of 21% of the matters. Also, 5% of the matters are at the pleading stage, with 37% being subject to ongoing engagements between the parties on failed consent orders, while the remainder are under review by the legal team.

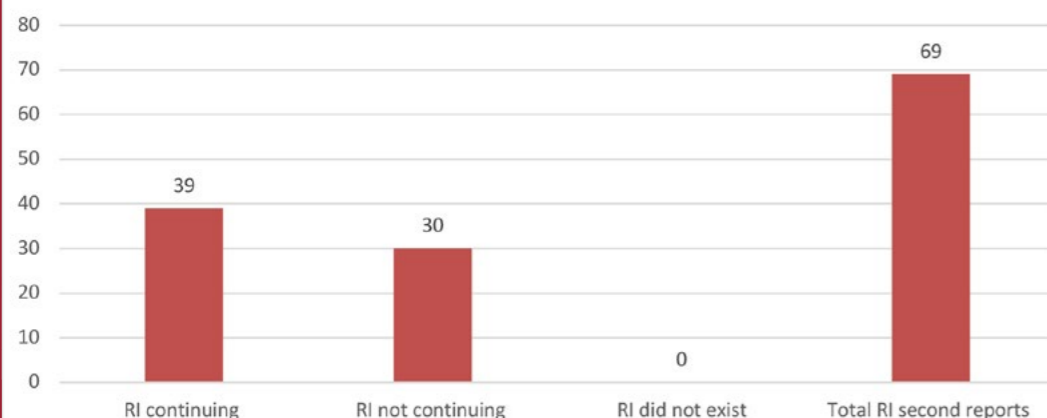
Further, 83% of the open matters represent failed consent orders, with 26% of the total matters being public interest matters.

It should be noted that there were no matters heard by the Disciplinary Committee or finalised in the period under review.

### REPORTABLE IRREGULARITIES

The IRBA received 103 first reports on reportable irregularities (RIs) during this 3rd quarter of the financial year, up to the 26th of November 2021. In addition, 69 second reports, the nature of which is highlighted below, were received and processed.

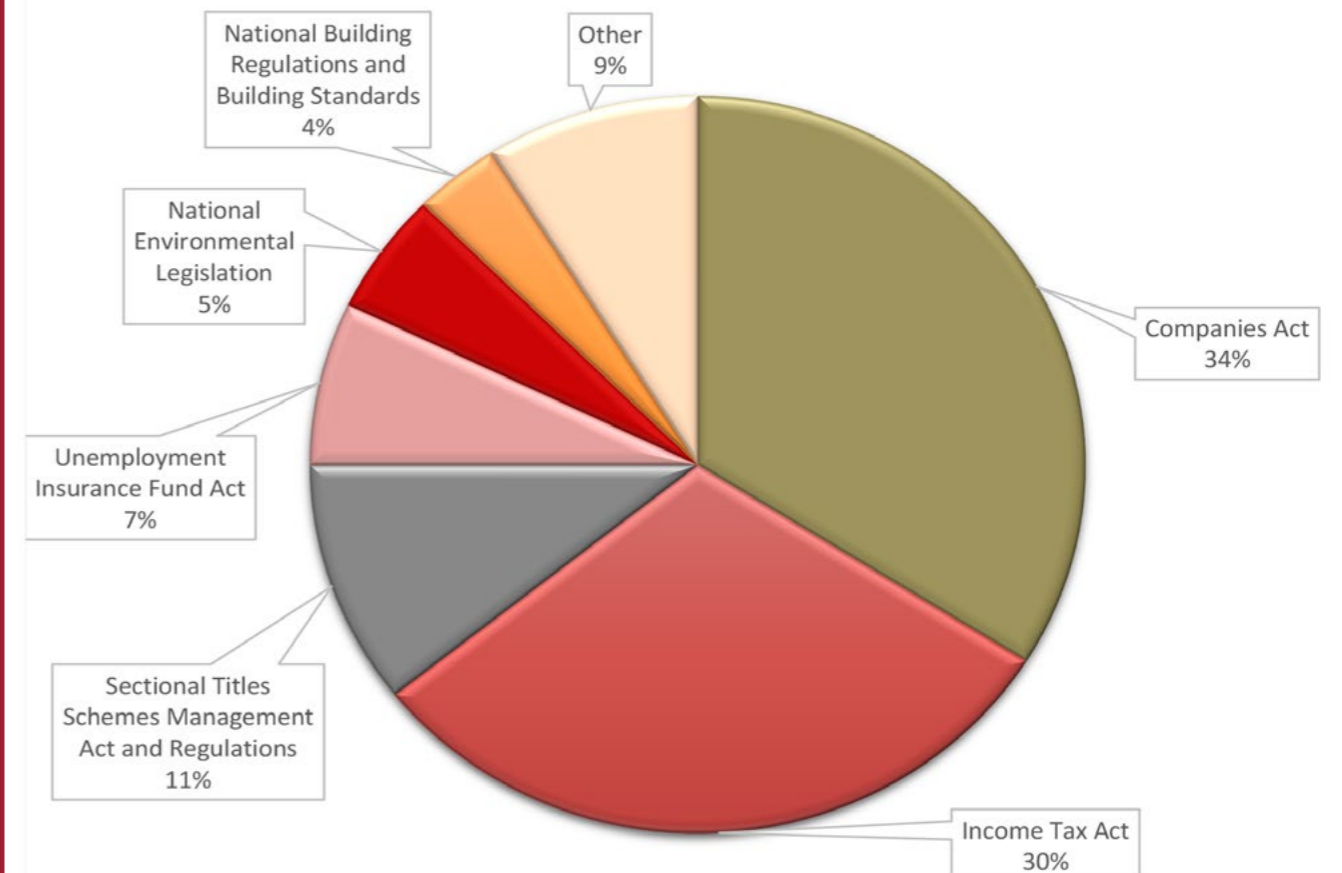
### Reportable Irregularities (Q3) Second Reports



Note: The difference of 34 reports between the first and second reports received is due to timing differences in reporting timelines.

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

### CONTINUING REPORTABLE IRREGULARITIES



Note: As depicted above, the top three types of reported contraventions related to the Companies Act, the Income Tax Act and the Sectional Titles Schemes Management Act and Regulations.

There were also several RIs highlighting contraventions of, among others, the Value-Added Tax Act and the National Environmental Management Waste Act.

All second reports indicating continuing reportable irregularities were sent to the relevant regulators and/or authorities, in line with the provisions of the Auditing Profession Act 26 of 2005, as amended, for action.



## LEGAL CONT...

### REPORT SUSPICIOUS TRANSACTIONS TO COMBAT FINANCIAL CRIME

Due to the varied and sophisticated services they provide, auditors are susceptible to financial crime exploitation. These services also play a significant role as drivers of economic prosperity in South Africa.

Financial crime such as money laundering and terrorist financing can cause considerable harm to financial and non-financial institutions, the financial sector as a whole and the broader South African economy.

The Financial Intelligence Centre Act (FIC Act), which sets out a regulatory framework for combating money laundering, terrorist financing and proliferation financing in South Africa, is geared towards supporting the integrity of the financial system. In effecting this legislation, financial and non-financial institutions are required to fulfil certain compliance obligations, and that begins with the requirement to register with the FIC.

An auditor – in being a person that carries on a business, is in charge of or manages a business or is employed by a business – has a regulatory compliance obligation in terms of the FIC Act to file reports on suspicious and unusual transactions (STRs). Reports must also be filed where a transaction has not occurred, but has raised suspicion. These reports are called suspicious activity reports; and STRs are to be filed promptly, once a suspicion has been formed.

Certain scenarios or facts can prompt the filing of an STR to the FIC. These may include instances where a business entity or person knows or suspects that an activity or transaction:

- Is linked to the proceeds of unlawful activity;
- Facilitates the transfer of proceeds of unlawful activities;
- Has no apparent business or lawful purpose;
- May be relevant to the investigation of evasion or attempted evasion of a duty to pay tax;
- Relates to the offence of financing terrorist and related activities;
- Is in contravention of the prohibition of providing finance to a sanctioned person under Section 26B of the FIC Act; and/or
- Is structured with the intent to avoid being reported in terms of the FIC Act.

The FIC analyses regulatory reports and other data it receives, with the objective of producing financial intelligence reports. Law enforcement and other competent authorities are then provided with the FIC's financial intelligence reports, to assist them in criminal investigations and applications for forfeiture of assets. As these STRs form the basis of the FIC's analysis, it is important that reporters file detailed and accurate reports to the FIC.

It is important for the auditing profession to know and comply with the requirement that STRs be filed as soon as possible and no later than 15 days from when there is awareness that a transaction or activity is possibly linked to the proceeds of crimes, terrorist financing or proliferation financing. Failing to file an STR within the required timeframe will mean that the reporter is non-compliant in terms of the FIC Act.

Furthermore, it is essential that reporters submit STRs within the required timeframe, as this helps ensure that criminals do not have the time to dissipate the proceeds of crime, or the opportunity to disappear.

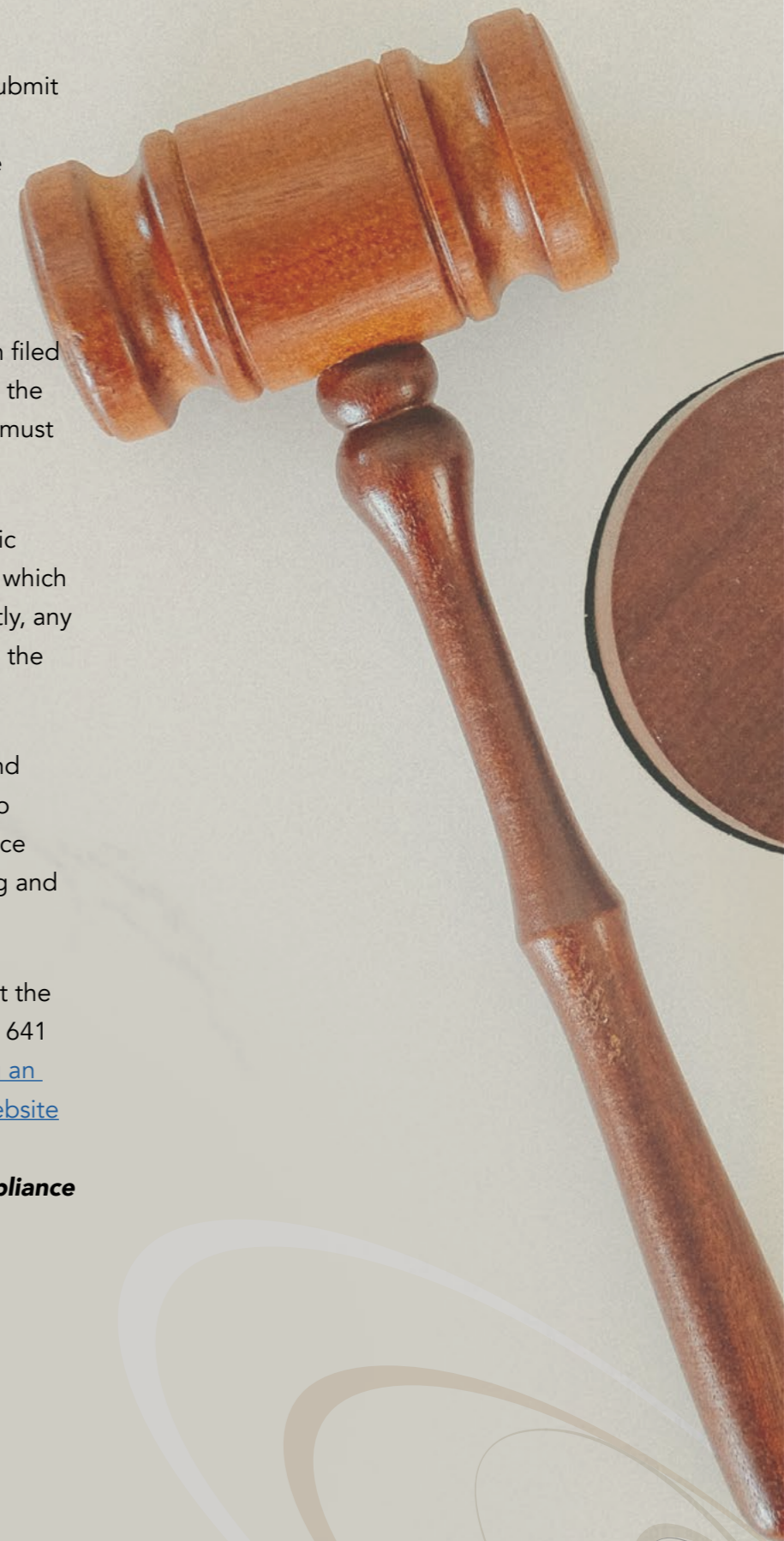
Reporters may not disclose the content of an STR or the fact that a report has been filed with the FIC to any other person, including the person in respect of whom the report is or must be made.

Reports must be filed on the FIC's electronic registration and reporting system, goAML, which is accessible via the FIC website. Importantly, any institution or person must first register with the FIC before they can submit a report.

For more information on how to register and file reports, visit the [FIC website](#), which also has useful and informative public compliance communications, guidance notes, reporting and registration user guides.

For further compliance information, contact the FIC's compliance contact centre on +27 12 641 6000 and select option 1. Alternatively, [log an online compliance query](#) or visit the [FIC website](#) and submit an online compliance query. –

**Courtesy of Yolande Platjies, FIC: Compliance and Prevention**



## Individuals Newly Admitted to the Register of the IRBA from 1 June 2021 - 14 September 2021

Bekker, Wilhelm Stephanus
Bhoola, Basheena
Bootha, Farzeen
Brown, Matthew Raymond
Channon, Nicole Susan
Chiba, Hemisha Navinchandra
Coetzer, Frederik Wilhelm Christiaan
Cronje, Michelle
Ebrahim, Khalid
Gierdien, Suraya
Gova, Babalwa
Heyns, Phillip Albert
Heyns, Thea Edith
Hlongwane, Kwazikwenkosi Fortunate
Horonga, Brian Munyaradzi
Jonker, Derick Pieter Christiaan
Joosub, Asif

## REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

There were 3 648 registered auditors (RAs) in our register, at the time of collating the data for this report. This figure took into account the registration of 48 RAs and the termination of 14, as depicted in the table below. The most prevalent reasons for the terminations were linked to movements from firms, emigration and RAs who had passed away.

### Registry Movements (as at end-September)

New Registrations	40
Re-registration	8
Terminations	14
<b>Total Active RAs</b>	<b>3 648</b>

In the tables that follow, we list the names of the RAs who were either added or removed from the register.

Knoetze, Karien
Krafft, Matthias Andreas
Lambrechts, Tanya
Loots, Madelein
Lorgat, Faeza
Makubu, Khethiwe Lydia
Mashaba, Bonamusa Collen
Motala, Altaaf Arshad
Naka, Kirtan
Neisius, Emma Munro
Opperman, Thina
Otto, Andre
Saban, Mogamat Samir
Setebe, Omphemetse Seipei Emily
Sgammini, Adorita Tertia
Singh, Priya
Singo, Takalani Portia
Solomon, Ishmael

Swart, Christo Schoombie
Van Niekerk, Toinette
Van Onselen, Lionell Jacobus
Vidulich, Lisa Grazia Maria
Wilkes, Jennifer Leigh

## Individual Re-admitted to the Register of the IRBA from 21 June 2021 - 6 September 2021

Gerber, Maria Cornelia Margrietha
Goudge, Marc
Kubai, Patrick Vusi
Masasa, Thuto Margret
Motlhamme, Lesego
Peters-Newman, Kandice
Rattan, Isayvani
Tlhapane, Itumeleng

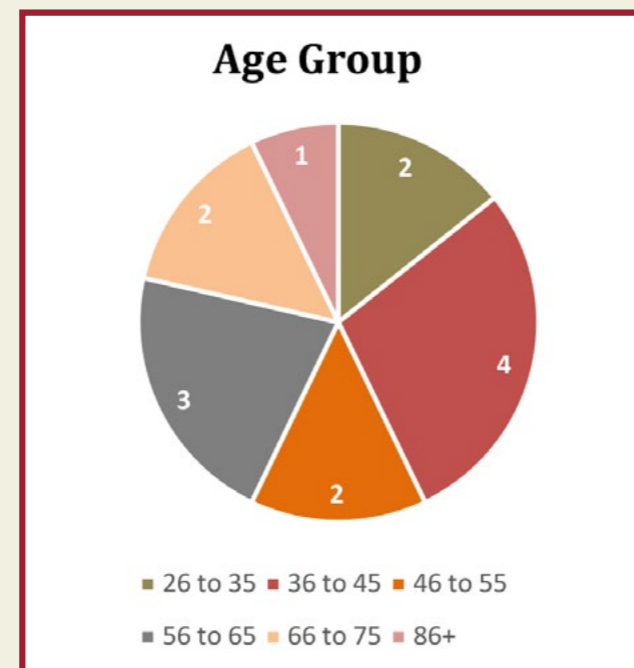
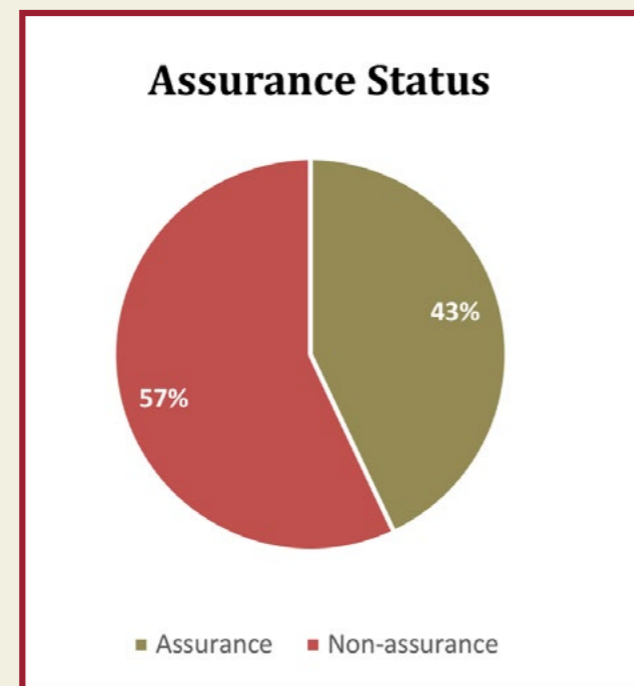
## REGISTRY CONT...

### Individuals Removed from the Register of the IRBA from 21 September 2021 - 15 November 2021

Abrie, Willem	Passed away
Fubu, Nosisa	Resigned
Ismail, Yunus Omarjee	Resigned
Kroon, Geoffrey Brian	Resigned
Leask, James David	Resigned
Maharaj, Keeran Kumar	Passed away
Mashale, Refilwe Gloria	Emigrated
Newman, Leon Richard	Resigned
Nyembe, Bongisipho	Passed away
Phillips, David	Passed away
Pope, Peta-Lynn	Resigned
Quintal, Louis Paul	Emigrated
Smith, Stefanus Christiaan	Emigrated
Wartington, Lorene	Emigrated

### Statistics on the Termination of RAs

The graphs below indicate the statistics with regard to those RAs who have been terminated. The split is between the percentage of those who performed assurance work and those who were non-assurance, as well as the age groups of the terminated RAs, including how many were affected in each group.



### Annual Renewal Process

At the time of compiling this report, 41 RAs had still not submitted their Individual Annual Returns, which were due on 31 May 2021. In view of this non-compliance, the IRBA commenced with the process of cancelling the registrations of the affected RAs, and this process was completed at the end of November 2021.

All those RAs who have had their registration cancelled may apply for re-registration up until 31 January 2022.

Meanwhile, the new Annual Renewal cycle will begin on 1 April 2022.

**Rebecca Motsepe**  
Director Legal

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E-mail: [legal@irba.co.za](mailto:legal@irba.co.za)



The matters reported in this issue took place in the period between October and November 2021.

## INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 32 matters to the Enforcement Committee.

## ENFORCEMENT COMMITTEE

The Enforcement Committee met twice during this period and concluded on 22 matters.

## DECISION NOT TO CHARGE

Ten matters, where the respondents were not charged with improper conduct.

## DECISION TO CHARGE AND MATTERS FINALISED BY FINES ISSUED

Eleven matters were finalised by fines issued.

### Matter 1

The respondent was responsible for the completion and submission of the complainant's tax returns. The respondent failed to document the timely follow-up with the complainant regarding the request for information, resulting in the late submission of the tax returns and the incurring of penalties levied by the South African Revenue Service. Further, the respondent did not act diligently while providing the professional services to the complainant.



Jillian Bailey  
Director Investigations

The respondent was sentenced to a fine of R40 000, of which R20 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms.

### Matter 2

Prof Martinus Gerhardus Human Bester, the respondent, failed to adequately address possible errors communicated to him during the audit, and signed the audit report before the financial statements were approved by the directors. In addition, the respondent failed to obtain sufficient appropriate audit evidence regarding assets recorded in the financial statements. Furthermore, a self-interest threat existed, as a party related to the respondent provided accounting services to the client.

The respondent was sentenced to a fine of R100 000 for charge 1, of which R50 000 has

been suspended for five years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; R50 000 for charge 2, of which R25 000 has been suspended for five years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; R100 000 for charge 3, of which R50 000 has been suspended for five years, on condition that the respondent is not found guilty of any improper conduct committed 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 3

The matter was a referral from the Inspections Committee. The respondent failed to identify and assess the risks of material misstatement at the assertion level, as well as fraud risk. In addition, the respondent failed to document sufficient appropriate audit evidence on numerous transactions and balances. Furthermore, the respondent failed to perform appropriate procedures regarding the acceptance of the client and a significant number of working papers on the audit file were reviewed after the audit report date.

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 any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms.

### Matter 4

The matter was a referral from the Inspections Committee. The respondent failed to adequately identify and assess the risks of material misstatement at the assertion level, as well as

fraud risk. Furthermore, the respondent failed to document sufficient appropriate audit evidence on certain transactions and balances. The audit fee was significant in relation to the total fees received by the respondent, and the respondent failed to document the independence considerations and apply appropriate safeguards on the audit.

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 any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms.

### Matter 5

The matter was a referral from the Inspections Committee. Mr Stefanus Gustavus Smith, the respondent, failed to document sufficient appropriate audit evidence on revenue and property, plant and equipment.

The respondent was sentenced to a fine of R80 000, of which R40 000 has been suspended for five years, on condition that the respondent is not found guilty of any improper conduct committed 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.

## INVESTIGATIONS CONT...

### **Matter 6**

While being full-time employed, the respondent was also the sole practitioner of an audit firm, which was providing services to clients. Written consent, as required in the respondent's employment contract, was not obtained for the part-time work; therefore, the respondent did not act professionally and with integrity. Further, the respondent's Notice of Tax Assessment did not reflect any income or expense of the audit firm, meaning they did not comply with the Tax Act.

The respondent was sentenced a fine of R100 000 for charge 1, of which R50 000 has been suspended for five years on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; R100 000 for charge 2, of which R50 000 has been suspended for five years on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, within 14 days of the imposition of the sentence, the respondent is required to self-report the non-declaration to the South African Revenue Service, with respect to the professional services performed by the audit firm from inception to date, and must provide evidence of compliance to the IRBA.

### **Matter 7**

The respondent and another respondent are both directors of the same audit firm, located in different areas, which is therefore a network, due to common control, as defined by the IRBA Code of Professional Conduct (Code).  
The other respondent was a

director of an audit client of the respondent. The respondent failed to comply with the Code, as no safeguards can reduce the self-review and self-interest threats regarding the audit under these circumstances. The respondent also failed to comply with International Standard on Auditing (ISA) 220 and International Standard on Quality Control (ISQC) 1 relating to independence requirements for the acceptance and continuance of the audit client. Further, there were also inconsistencies in the audit documentation relating to the directors of the audit client.

The respondent was sentenced 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 any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms.

### **Matter 8**

The respondent and another respondent are both directors of the same audit firm, located in different areas, which is therefore a network, due to common control, as defined by the Code. The respondent was a director of an audit client where the other respondent was appointed as the audit engagement partner. The respondent ought to have known that the audit firm could not accept the appointment of the audit client, due to independence requirements as set out in ISA 220 and ISQC 1.

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 any improper conduct committed during the period of suspension; no cost order; and publication by the IRBA in general terms.

### **Matter 9**

Mr Hendrik Johan Rothmann, the respondent, from time to time billed his audit clients for audit fees by issuing invoices from companies that were not registered with the IRBA. As these entities were not registered with the IRBA, the respondent was not entitled to practise auditing as a member of the aforementioned entities; accordingly, Section 41(5) of the Auditing Profession Act, as amended (APA), was breached. Furthermore, the invoicing and collection of audit fees via these entities constitutes a sharing of profit with persons who are not registered auditors, which is a breach of Section 41(6)(e) of the APA.

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 any improper conduct committed during the period of suspension; the imposition of a previously suspended fine of R50 000; no cost order; and publication of the respondent's name, the findings of the investigation and the sanction imposed.

### **Matter 10**

Mr Loganathan Govender, the respondent, failed to obtain sufficient appropriate audit evidence to conclude on whether a reportable irregularity and non-compliance should have been reported in the audit report of a major public entity.

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 any improper conduct committed 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 11**

The matter was a referral from the Inspections Committee. Mr Luvo Thobinceba Mvinjwa, the respondent, failed to document sufficient appropriate audit evidence on numerous transactions and balances. Furthermore, the respondent failed to document sufficient appropriate evidence on compliance with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, for the change in the presentation of the 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 any improper conduct committed 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. In addition, the respondent must arrange and ensure that he and his audit staff attend external training on International Financial Reporting Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

### **DECISION TO CHARGE AND MATTERS REFERRED FOR DISCIPLINARY HEARINGS**

One matter was referred to the Legal Department for a disciplinary hearing.

**Jillian Bailey**  
Director Investigations

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## A BIRD'S EYE VIEW OF THE 2021 PUBLIC INSPECTIONS REPORT ON AUDIT QUALITY

The Independent Regulatory Board for Auditors (IRBA) has released its 2021 Public Inspections Report (PIR), which covers the third and final year of its Seventh (7<sup>th</sup>) Inspections Cycle. The report highlights areas of audit quality that were identified as being deficient during firm-wide and individual assurance engagement inspections.

### Background and Objective of the Report

The 2021 PIR is not only aimed at auditors and those responsible for quality management systems within firms, but also 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 the financial reporting ecosystem. To reach out to more users of our firm-specific reports and provide users of this report with greater insights into the nature and extent of the underlying reportable deficiencies identified, the IRBA continued to improve and refine the reporting of its inspection results during the 7<sup>th</sup> Inspections Cycle. This was further supported by an analysis of audit quality trends and themes.

However, this 2021 PIR does not only include an analysis of inspection results reported to the IRBA's



Ntlambi Gulwa  
Acting Director Inspections

Inspections Committee (INSCOM) for the period ended 31 March 2021. It also represents the wrap-up of the 7<sup>th</sup> Inspections Cycle (including the 7<sup>th</sup> cycle inspections reported to INSCOM in June 2021 and August 2021, respectively).

2021 INSPECTIONS	
Firm-wide Inspections	Assurance Engagement File Inspections
<ul style="list-style-type: none"> <li>Seven firm-wide ISQC 1 inspections performed.</li> <li>13 firm observation reports issued.</li> </ul> <p><i>Results of assurance engagement inspections escalated to ISQC 1 firm deficiencies.</i></p>	<ul style="list-style-type: none"> <li>150 assurance engagements inspected.</li> <li>Representing 123 registered auditors from 24 audit firms.</li> </ul>

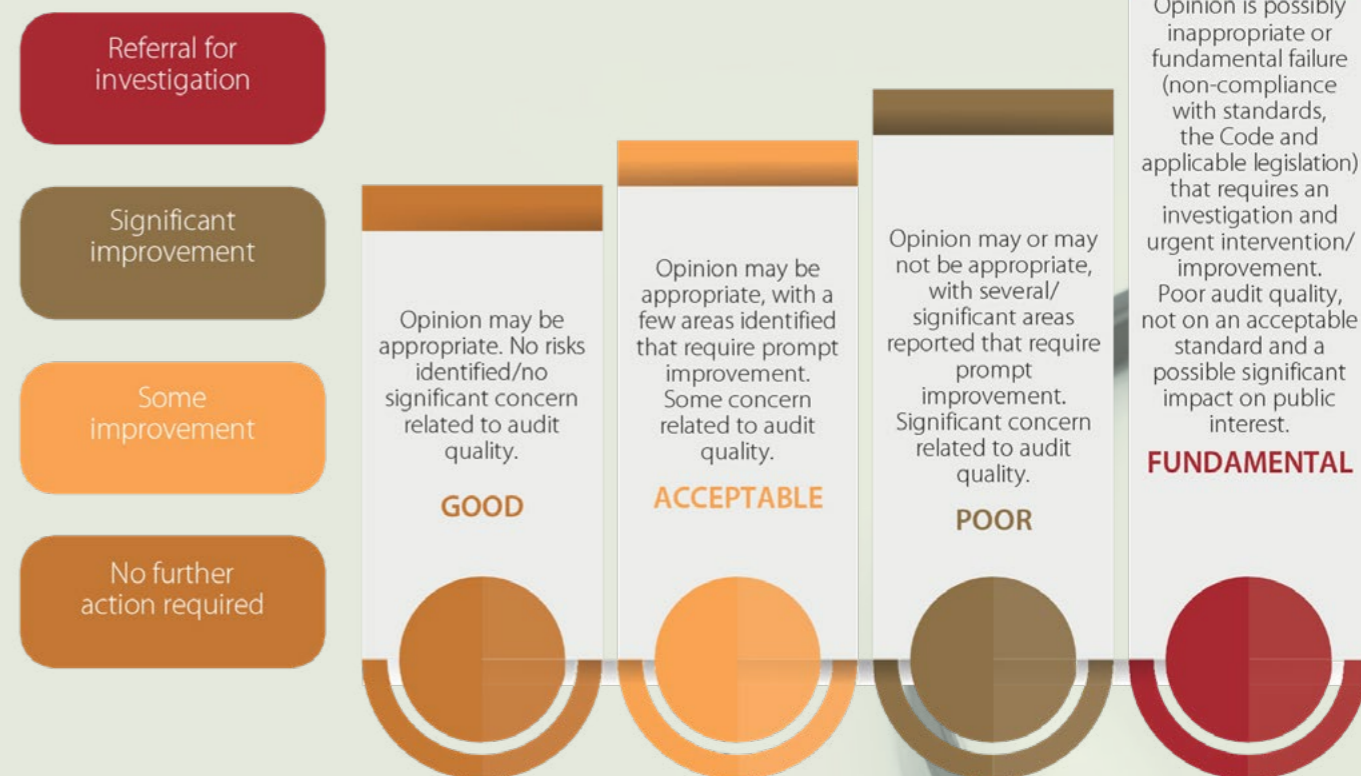
### Inspection Scope:

#### How Firms and Inspection Files are Selected

The risk-based inspection approach is the cornerstone of the IRBA's inspections programme, in line with the International Forum of Independent Audit Regulators' (IFIAR) Core Principles. Accordingly, throughout the 7<sup>th</sup> Inspections Cycle we continued to focus on audits with a greater public interest exposure

and the audit firms auditing these public interest entities. That means our inspections scope is not intended to select a representative sample of all firms, firms' quality control (management) elements or all assurance work throughout the year. As such, the results cannot be extrapolated across the entire population. We also only inspect selected sections of assurance files, in terms of our risk-based approach.

### OUTCOME



### Firm-wide Inspections

To determine the overall outcome of the firm, the following is considered by INSCOM:

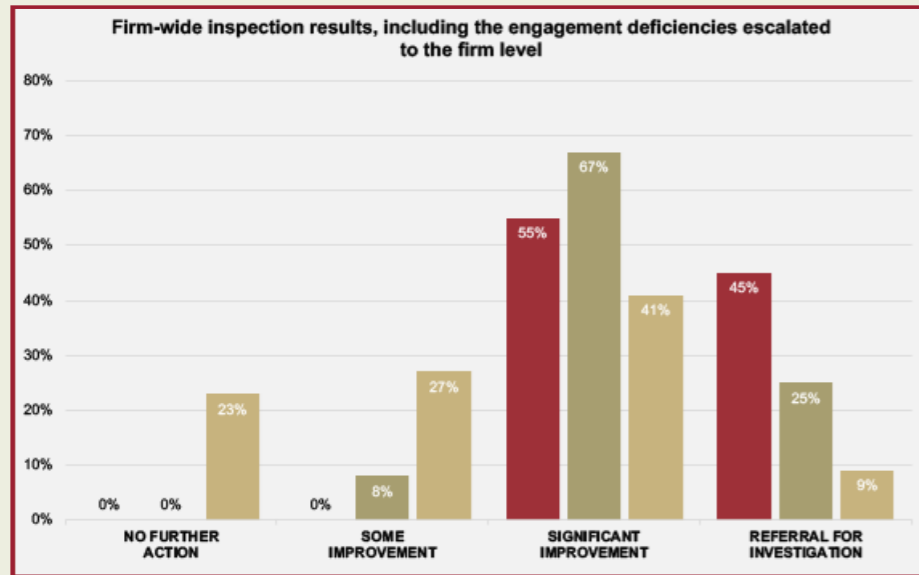
- ISQC 1 deficiencies identified from the firm-wide inspections; and
- Reportable deficiencies identified during the inspection of individual assurance engagements that are indicative of control deficiencies at firm level.

### Reasons for Referral of Firms

- Contravention of ISQC 1 & IRBA Code on Ethics & Independence (including preparation of financial statements and other impermissible non-assurance services).
- Overall poor systems of quality on assurance engagements.
- Nature and extent of assurance engagement file deficiencies.

## INSPECTIONS CONT...

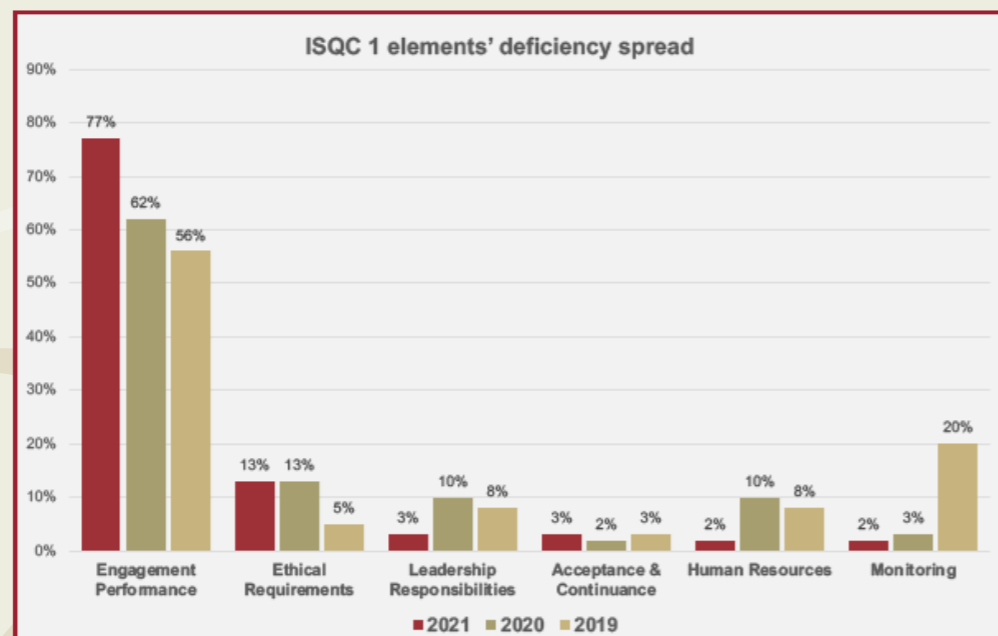
Therefore, the IRBA remains concerned about possible control failures at the firm level, as this indicates that the firms' systems of quality control (management) are not effective, to provide reasonable assurance that professional standards are complied with; audit reports issued are appropriate and supported by sufficient appropriate audit evidence; and quality is consistent across all audits.



At firm level, the results have shown a concerning increase in the number of firms referred to the IRBA's Investigations Department by INSCOM over the three years of the 7<sup>th</sup> Inspections Cycle. While there is a more than 10% decline in the number of firms with significant improvement for 2021, it has been noted that at the firm level the "no action required" and "some improvement required" outcomes were non-existent.

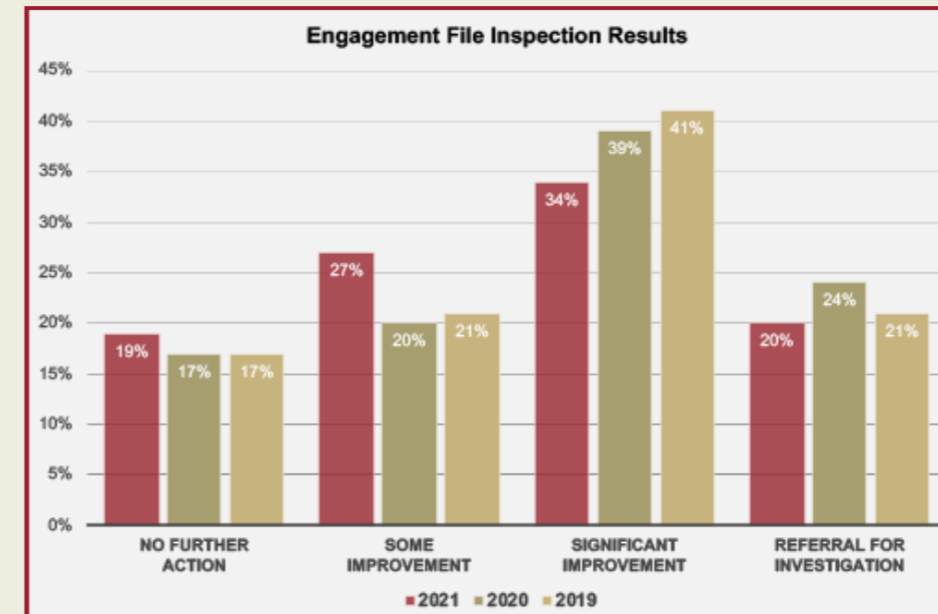
The concerning number of referrals, though, directly relates to the underlying nature of reportable deficiencies identified at a firm-wide level and the escalation of inspection results from assurance engagement inspections.

In general, there have been findings across the entire spectrum of the ISQC 1 elements, as illustrated in the graph below. The IRBA is concerned about the increase that continued throughout the 7<sup>th</sup> Inspections Cycle in relation to the ISQC 1 elements of Engagement Performance and Relevant Ethical Requirements (specifically relating to independence).



### Summary of Firm Deficiencies Reported

## Individual Assurance Engagement Inspection Outcomes



### REASONS FOR THE REFERRAL OF ASSURANCE ENGAGEMENTS

#### Overall referrals

- Nature, extent and significance of audit quality deficiencies on the audit file.
- Fundamental lack of sufficient appropriate audit evidence to support the audit opinion.

#### Referral on certain matters

- Material misstatements, resulting in an inappropriate audit opinion.
- Independence.

In 30% of the inspection findings, there is an underlying deficiency relating to areas requiring auditor judgement and the lack of professional scepticism.

### Remedial Action Process

Remedial discussions were held with the firms and registered auditors that received a significant improvement or a referral for investigation outcome. In total, 244 Root Cause Analyses (RCAs) and Remedial Action Plans (RAPs) were reviewed during the 7<sup>th</sup> Inspections Cycle. The assessment of the RCAs and RAPs are as depicted in the graphics overleaf.

Based on the above 7<sup>th</sup> cycle statistics, the IRBA again emphasises the importance of oversight by the firm leadership in the remediation process. This will help with understanding and accepting the root causes, which then need to be followed with the implementation of remedial actions to address the true root causes of deficiencies.

The RAP section in the PIR also includes an analysis of the root causes for the Top 5 deficiency themes that required remediation and which re-occurred in both the 7<sup>th</sup> and 6<sup>th</sup>

Inspections Cycles. This, therefore, provides some insights into the root causes and remedial action plans needed to address these deficiencies.

### Concluding Remarks

The IRBA commends the efforts made by audit firms, including the co-operation they demonstrated during the 7<sup>th</sup> Inspections Cycle. However, our analysis of deficiencies, as detailed in the [2021 PIR](#) that is available on our website, clearly reflects a continued pattern of recurring findings at the firm and engagement file levels. Despite the slight improvement in the outcomes of positive inspections at the engagement file level, the frequency and recurrence of findings remain a concern.

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**Nadine Kater**  
Director Education and Transformation

## A RUN THROUGH THIS YEAR'S NOTEWORTHY ACHIEVEMENTS

In this last edition for this calendar year, we briefly highlight some of the progress that has been accomplished not only this quarter, but also during the period starting from 1 April 2021 to 30 November 2021. For this aerial perspective of what has been happening, the focus areas, as further detailed below, are the:

- Implementation of the Audit Development Programme (ADP) Reloaded;
- Accreditation and Monitoring;
- Transformation Activities; and
- Competency Framework.

## IMPLEMENTATION OF THE ADP RELOADED

### ADP Registrations

With a total of 50 new registrations since April 2021, we have seen a steady rise in ADP registrations. This has been in line with the previous year's growth in new registrations. While it is also encouraging that no registered candidate auditor (RCA) deregistered from the ADP in the past 20 months, it is still critical that we retain all RCAs on the ADP until they convert their completed ADP into a registered auditor (RA) registration.

When the ADP Reloaded project commenced in 2019, the objective was to holistically explore and implement solutions to improve the ADP processes and experience. Another aim was to ensure that the assessment processes are efficient and effective, to produce suitably qualified and competent RAs.

### ADP Completions

One of the key changes this year was the development of a revised Portfolio of Evidence (PoE) template. The PoE is the assessment tool to determine if the RCA has developed their professional competence and judgement, ethical values as well as lifelong learning skills and attitudes. This is essential because on completing the ADP, RCAs are expected to have acquired and demonstrated competence to a level expected of an RA.

Since the release of the new PoE template in June 2021, training has been provided to RCAs,

oversight RAs and the PoE panel members. The release of the template has resulted in more PoEs being submitted, compared to the previous quarters. It has also been noted that the time it takes for RCAs to submit their PoEs, after completing their 18 months on the ADP, has been significantly reduced. Furthermore, the

turnaround time from the panel members, who are now doing their PoE reviews based on the new template, has been considerably reduced when compared to the reviews done using the old template. This has resulted in a total of 18 new PoEs being completed up to 30 November 2021, with an overall total of 58 since April 2021.

## A COMPARATIVE SNAPSHOT OF REGISTERED CANDIDATE AUDITORS (RCAS)

	2015	2016	2017	2018	2019	2019/20	2020/21	2021/22	Total
Opening	0	0	28	172	288	425	455	464	0
Additions	0	28	157	134	170	81	82	50	683
Deregistration	0	0	-11	-9	-2	-18	0	0	-40
Completed	0	0	-2	-9	-31	-33	-73	-58	-187
<b>Total RCAs to date</b>	<b>0</b>	<b>28</b>	<b>172</b>	<b>288</b>	<b>425</b>	<b>455</b>	<b>464</b>	<b>456</b>	<b>456</b>

## ACCREDITATION AND MONITORING

### Accreditation Committee (ACCOM)

This committee was established as an ad-hoc subcommittee of the Education and Transformation Committee (EDCOM), to evaluate the Association of Chartered Certified Accountants' application for accreditation. The ACCOM, Specialist Working Groups and its subject matter experts (SMEs) are progressing with the evaluation of the application against the requirements of the IRBA's Accreditation Model.

However, there has been a lag in the evaluation process for two of the SME groups, due to a few experts resigning from the groups because

of other commitments. Nevertheless, it should be noted that the evaluation process will still continue, to ensure that its completion is not held back.

### MONITORING COMMITTEE

During this year, this committee has evaluated the South African Chartered Accountants' (SAICA) submission and

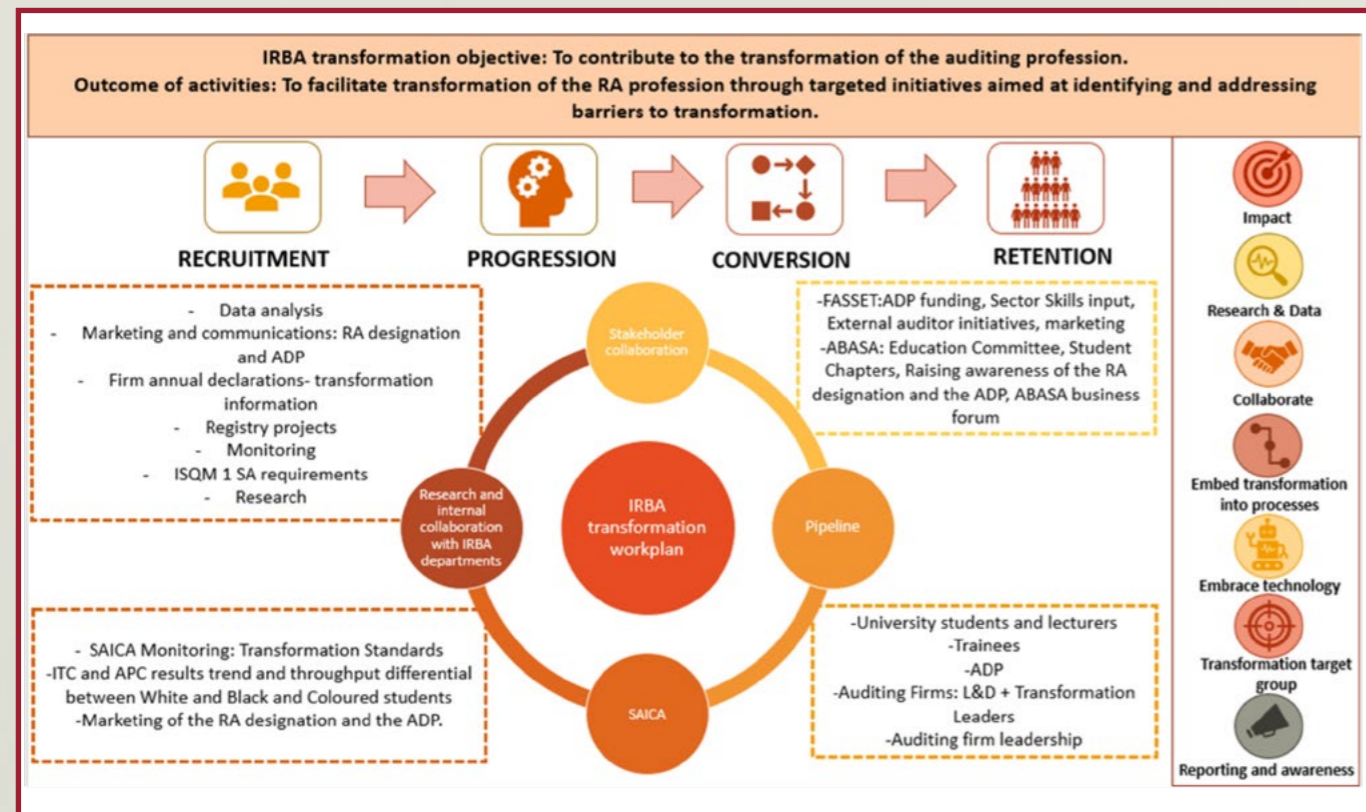


## EDUCATION & TRANSFORMATION CONT...

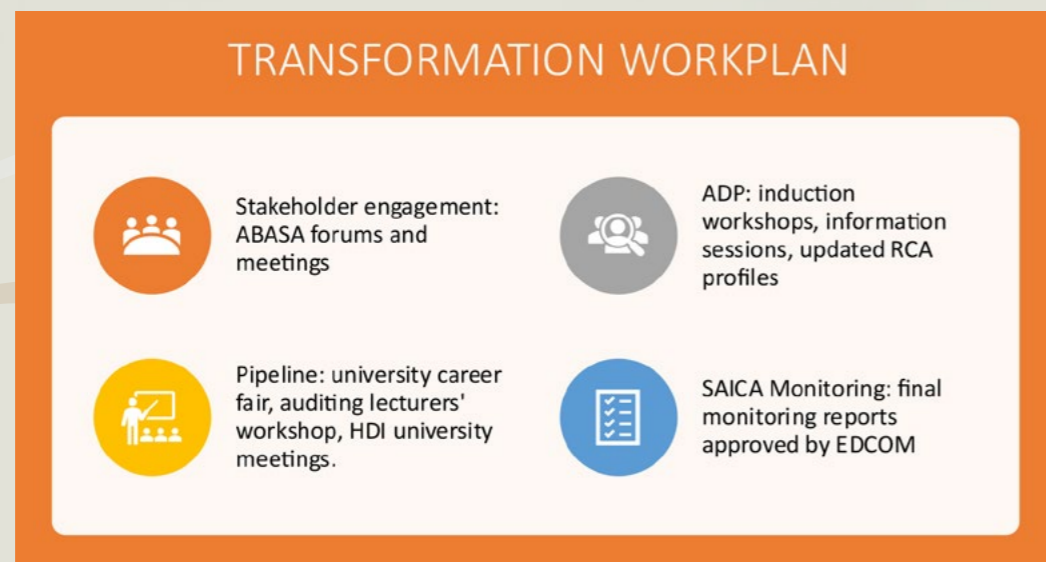
finalised the Final Monitoring Reports that were subsequently approved by EDCOM. These are due to be forwarded to SAICA in December 2021.

### TRANSFORMATION ACTIVITIES

The transformation strategy and its related activities can best be depicted and summarised as shown in the diagram below.



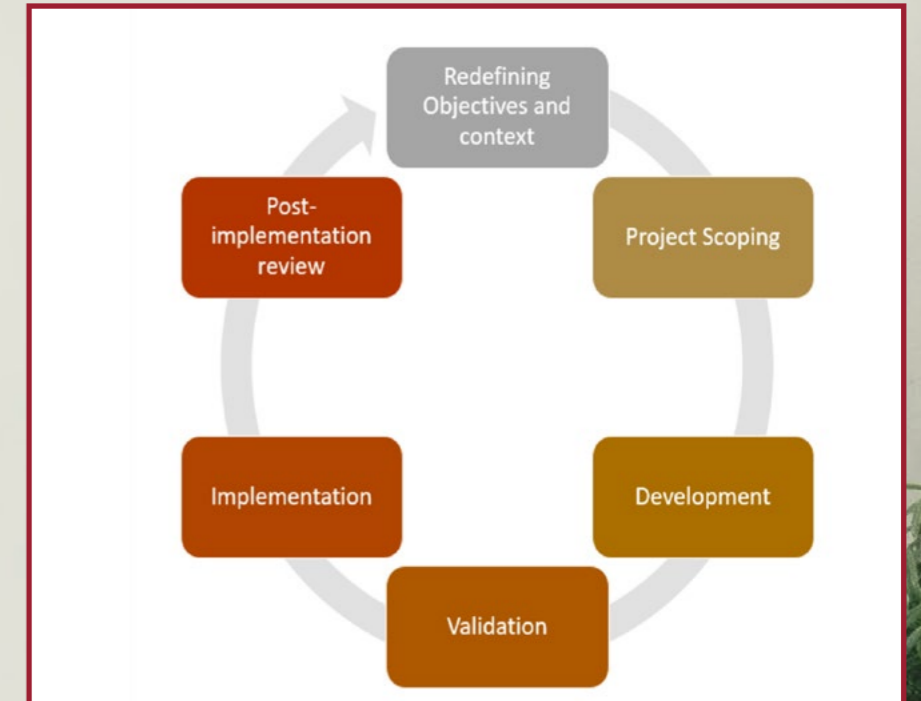
Furthermore, the transformation activities for the quarter are indicated in the diagram below.



### COMPETENCY FRAMEWORK

The IRBA competency framework was last updated in 2013. Since then, there have been numerous developments in the profession that impact the competencies that RAs are required to develop and maintain.

The Secretariat has now embarked on a project to review and update this framework, in line with developments in the profession as well as expectations on the future roles of RAs. EDCOM has since approved the proposed approach, which is outlined in the graph below, that will be undertaken to review the competency framework.



The competence framework also defines the learning continuum of an RA, as presented in the graphic below.



Also worth noting is that the framework includes various competencies that are required to be developed by an individual in at least three programmes: Academic Programme; Professional Development/Training Programme; and Specialist Programme (ADP).

Recognised Academic Programme	Recognised Training Programme	Professional Specialist Experience
Competence developed: Core competence	Competence developed: Professional competence	Competence developed: Specialist competence
Capabilities developed: Technical and non-technical capabilities	Capabilities developed: Technical and non-technical, as well as on-the-job capabilities	Capabilities developed: Further development of professional capabilities (technical and non-technical)
Assessment recognised: Core assessment programme	Assessment recognised: Professional assessment programme and on-the-job assessment	Assessment record of professional assessment
• The learning continuum along the path to becoming an RA •		

## EDUCATION & TRANSFORMATION CONT...

In addition to the work that is underway, EDCOM has approved the setting up of a competency framework task force. The team members will have the relevant experience and expertise that applies across the learning continuum of an RA (as indicated above). Their responsibilities will include reviewing the current competency framework and the research commissioned on the competencies of auditors, and this will be done with the support of the IRBA Secretariat. The task force will also have to develop relevant changes to the competency framework for recommendation to EDCOM.

Work will commence with a review of the objectives of the current competency framework and a consideration of the specific changes in the auditing environment that impact the competencies required of RAs.

### PARTING SHOTS

It is no secret that 2021 has turned out to be another challenging year, as we all had to continue with adjusting to the new work environment. However, it has also been a year of progress, as we continue to strive forward with enhancing the processes that will further strengthen the development of audit professionals and the RA brand.

#### Nadine Kater

Director Education and Transformation

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## COMMUNICATIONS

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

7 December 2021	IRBA successfully defends challenge to MAFR by East Rand Member District of Chartered Accountants
29 November 2021	Revised Illustrative Annual Stockbroker's Reports Submitted to the JSE Limited in terms of the Financial Markets Act and JSE Directive DG 1.7 - Illustrative Reports 2B and 3
30 November 2021	IRBA/CFAS Webinar on Audit in an Uncertain Environment – Webinar Summary and Recording Available

26 November 2021	Revisions to the IRBA Code of Professional Conduct (Revised November 2018) Relating to Non-Assurance Services and Fee-Related Provisions
24 November 2021	Adoption of the International Auditing and Assurance Standards Board's 2020 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements
24 November 2021	IRBA opens draft proposed Disciplinary Rules for Registered Auditors for public comment
17 November 2021	Information from SARS: TCS Notifications
15 November 2021	Disciplinary Committee of the IRBA Call for Nominations
11 November 2021	Information from SARS: Invitation to SMME: Value-Added-Tax (VAT) Webinar
10 November 2021	Information from SARS: E-Profile Hijacking
8 November 2021	Information from SARS: Personal Income Tax (PIT) – New Penalty Rule and Auto-assessment Process

## COMMUNICATIONS CONT...

3 November 2021	Information from SARS: Closing of the Supporting Documents Mailbox
20 October 2021	Information from SARS: Invitation to the SMME Turnover Tax Incentive for Micro Businesses Webinar/Invitation: Registration, Licensing and Accreditation Webinar
19 October 2021	REMINDER: Effective Date of International Standard on Auditing 315 (Revised): Identifying and Assessing the Risks of Material Misstatement
18 October 2021	IRBA News Issue #55
1 October 2021	Invitation to the IRBA/CFAS Webinar on Audit in an Uncertain Environment

### IRBA COMMUNICATIONS

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

## GENERAL NEWS

### THE IRBA SUCCESSFULLY DEFENDS THE CHALLENGE TO MAFR

The Independent Regulatory Board for Auditors (IRBA) has received a favourable judgement, with costs, in the matter of the East Rand Member District of Chartered Accountants (ERD) vs the IRBA. In its application, the ERD sought to have the Board decision on Mandatory Audit Firm Rotation (MAFR) reviewed and set aside. For this IRBA, this judgement marks a pivotal moment in its quest to strengthen auditor independence.

The judgement of the High Court Gauteng Division was handed down by Judge Norman Davis. In concluding on the matter, he found that the ERD had not satisfactorily shown why the application was not launched within a reasonable period and without undue delay. He remained unconvinced that there was a justifiable reason for the ERD's conduct regarding the delay. He also found that the uncertainty caused by the ERD's belated attack on the validity of the MAFR and its transformation impact was prejudicial to the IRBA.

He indicated that the ERD's attitude on the matter was not time sensitive, due to the fact that the actual enforcement of MAFR was earmarked for 2023. He further stated that the ERD had lost

sight of the principles regarding undue delay and displayed a callous disregard for the rights of the remainder of the industry and its clients, who, in many instances, would have to go through a tender or selection process prior to 2023, to ensure adequate audit rotation, including issues of transformation.

The judge dismissed the application and awarded costs in favour of the IRBA.

Judge Davis noted that the functions of the IRBA are set out in Section 4 of the Auditing Profession Act of 2005 (APA) and include an obligation in Section 4(1)(b) to take steps to promote the integrity of the auditing profession by not only monitoring and prosecuting improper conduct, but by taking "steps it considers necessary to protect the public in their dealings with registered auditors". In Section 4(1)(c), the Act provides the IRBA with the powers to prescribe "standards of professional competence, ethics and the conduct of registered auditors"; while in terms of Section 4(2)(d), it is authorised to "take any measures it considers necessary for the proper performance and exercise of its functions or duties to achieve the objects of the APA".

The IRBA is pleased that its defence in this matter was strong and that the court found that it could not condone the applicants' undue delay in bringing the matter to court. At the time that our defence was prepared, 38% of JSE-listed entities had already rotated their audit firms. As at the end of August 2021, this had risen to 48%

## GENERAL NEWS CONT...

of entities that have rotated or issued notice of intent to rotate.

Of all rotations, 46% cite MAFR compliance since June 2017 as the main reason for rotating auditors. MAFR and compliance to the rule remain the leading reasons for changing external audit firms, with the next most cited reason being a tender process (12%).

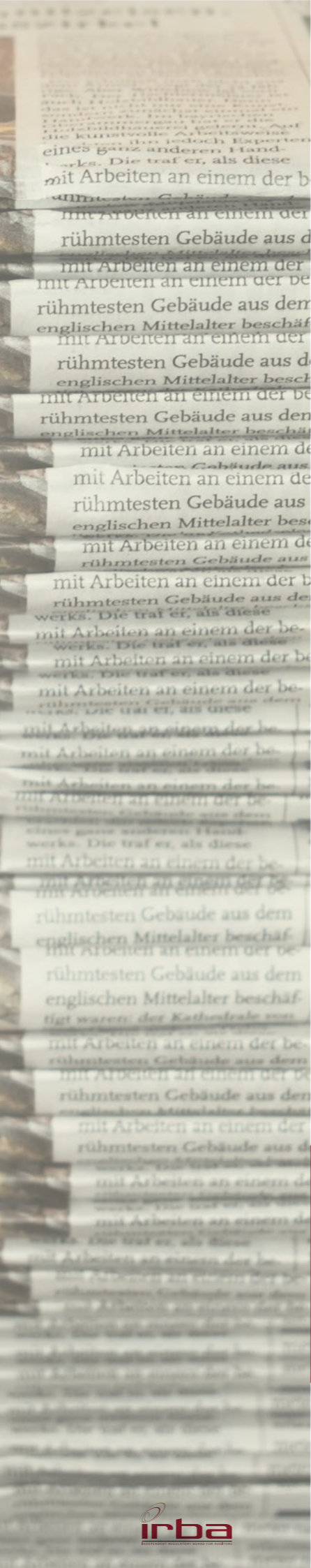
The IRBA expects the pace of rotations to continue to pick up significantly in 2022, to meet the 1 April 2023 deadline.

With this judgement behind us, the IRBA will now focus more on monitoring the implementation of the rule. We strongly encourage listed entities and public interest entities, especially those that may have awaited the judgement, to move ahead with their planning for audit firm rotation and not leave it until the last minute. Alternatively, they might face the risk of being unable to appoint a preferred audit firm, due to unavailability or potential ineligibility because of potential conflicts of interest.

The [full judgement](#) is available on the IRBA website.

### OFFICE CLOSURE

The IRBA offices will be closed from 16 December 2021 to 2 January 2022. We wish you and your loved ones a joyous and safe holiday season and a prosperous 2022.



*Wishing you*  
a restful holiday season  
and a prosperous new year



from the

team



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