



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

NEWS

ISSUE 49 | JAN - MARCH 2020

UNCHARTED WATERS

To support government efforts to navigate the economic challenges presented by the COVID-19 crisis, the profession needs the right measures and proper technology to keep delivering the necessary services

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I ended my last message for 2019 with this: "My hope for 2020 is that we can stand together and make a real impact on the economy. I am confident that if we stand together, in the new year we can give the nation new hope that the profession can fulfil its role of holding business to account."

Of course, this related to ensuring that we work together to Restore Confidence in the profession. Little did we know that global events of pandemic proportions would require a similar reaction, but for different reasons. In the past few days, we have seen the nation unite for the greater good – with our medical staff, caregivers and shop attendants risking their lives to protect ours; and those to whom we look for leadership taking the lead.

The audit and accounting professions have been no exception. Audit firms and professional accountancy bodies have reacted swiftly to respond to the need to protect the health and safety of their staff. They have put in place measures and appropriate technology to continue delivering the necessary services to protect the public and combine their efforts to provide the necessary support to government to navigate together through this crisis.

Since the COVID-19 outbreak and President Cyril Ramaphosa's announcement of a State of National Disaster, government is now operating under the provisions of the National Disaster Act (Act 57 of 2002). The aim of the Act is:

To provide for :-

- *an integrated and co-ordinated disaster management policy that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery;*
- *the establishment of national, provincial and municipal disaster management centres;*
- *disaster management volunteers; and*
- *matters incidental thereto.*

Organisations across the country, including audit and accounting firms and regulators, are implementing disaster management protocols in response to the COVID-19 outbreak. By Wednesday, 18 March 2020, we published our IRBA Safety Protocol, which provides staff guidance on what the IRBA expects of our employees in relation to the containment of community transmissions. Simultaneously, our Standards Department worked on guidance for auditors in light of COVID-19 impacts on audits and the preparation of audit opinions. This guidance, Implications of the COVID-19 Outbreak on Audits and Auditors, was issued on 20 March and 26 March 2020, respectively. It is in the form of a newsletter that contains the implications of COVID-19 on audit firms, audits and compliance with regulations.

I have also reached out to all financial sector regulators to seek guidance on whether it may be necessary to issue different arrangements to meet corporate reporting deadlines. This would be to enable registered auditors and the companies they audit to put in place mitigation plans that could ensure that as many of them as possible can adhere to government's call to contain the virus by practicing social distancing and staying home, except for essential movements.

The situation is evolving all the time. To ensure that our health infrastructure is not suddenly overwhelmed, containment is an essential and necessary strategy at this time.

The number of confirmed COVID-19 cases has been increasing and various ministries have been providing clarity on the containment measures for the country. It is the civic duty of every citizen to adhere to all temporary government regulations; and our registered auditors should be advising all with whom they interact to take appropriate steps to ensure the same level of compliance across all sectors of society.

The IRBA prioritises the health, safety and wellbeing of its employees, registered auditors and all its stakeholders. During these challenging times, the IRBA also has a responsibility to ensure the continuity of its operations and essential functions, while we continue to deliver on our mandate.

These are challenging times and the restrictions from government continue to change. We will update our safety protocol and offer relevant and appropriate guidance as well as share relevant information to ensure that we remain aligned to government's approach to containment. Please refer to our dedicated [webpage](#) for further information and updates.

President Ramaphosa said: "If we act together, if we act now and if we act decisively, we will overcome it." Our profession has taken up the challenge; and the firms, accountancy bodies and regulator will continue to demonstrate our commitment to achieving government's objectives and protecting the public.

IRBA OPERATIONAL ARRANGEMENTS

The IRBA has implemented measures and controls to address and manage the risks posed by the COVID-19 outbreak.

National Lockdown Measures

During the period that government has implemented a national lockdown, all staff will work from home. This should not affect our services too much as a number of measures have been implemented. For further information on these measures, please see the General News section on page 21. Also, the relevant contact details during this period, which are listed on page 21 too, are available on the header notice of our website as well.



Bernard Peter Agulhas
Chief Executive Officer

LIST OF TOPICS COVERED IN THIS ISSUE

- Standards:
 - Implications of the COVID-19 Outbreak on Audits and Auditors.
 - Membership Changes to CFAS.
 - Outreach Relating to the IRBA Exposure Draft – Proposed Guide for Registered Auditors: Joint Audit Engagements.
 - The IAASB Issues an Auditor Reporting Project Update.
 - IAASB Consults on Extended External Reporting Assurance.
 - IAASB Projects in Progress.
- Ethics:
 - Membership Changes to CFAE.
 - Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) Relating to Registered Candidate Auditors.
 - IESBA Proposes Significant Revisions to the IESBA Code of Ethics.
 - IESBA Report Exploring the Ethical Implications of Technology for Accountants.
 - IESBA Projects in Progress.

IMPLICATIONS OF THE COVID-19 OUTBREAK ON AUDITS AND AUDITORS

The IRBA has issued a newsletter relating to the [Implications of the COVID-19 Outbreak on Audits and Auditors](#). This newsletter aims to address some implications and considerations with regard to audits and audit risks.

In addition, a dedicated [COVID-19 webpage](#) has been added to the IRBA website. This will form a central repository of information that has been released both locally and internationally in relation to the outbreak and the implications on audits and auditors. While this is not meant to be a complete source of information for auditors, it will be updated on an ongoing basis.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Membership Changes

We bid farewell to Riana Fourie, who has served as Chairman of CFAS for the past six years. Prior to this position, she served as Chairman of the CFAS Regulated Industries and Reports Standing Committee. We thank her for her excellent leadership and dedication to standard setting.

We welcome Zine Mshengu, Divisional Head: Industry Technical Support at the South African Reserve Bank and currently a CFAS member, as new Chairman of CFAS. We wish her well in leading CFAS.

Outreach Relating to the IRBA Exposure Draft – Proposed Guide for Registered Auditors: Joint Audit Engagements

CFAS approved the issue of the [Proposed Guide for Registered Auditors: Joint Audit Engagements \(this proposed Guide\)](#), in November 2019 for a 90-day exposure for public comment, with comments due to the IRBA by 6 March 2020. Then the IRBA invited auditors and other interested parties to an outreach event on the proposed Guide, and this was held on 26 February 2020. In addition, audit committees of entities that currently have joint audit engagements in place were invited to meet with the IRBA to discuss their views on the exposure draft.

CFAS will be considering the public comments received and is expected to finalise this project and issue a final Guide during the course of the year.

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

The IAASB Issues an Auditor Reporting Project Update

The IAASB Auditor Reporting Implementation Working Group recently published a project update in the form of a communique that provides an update on its post-implementation review (PIR) of the revised auditor reporting standards. The communique also includes other relevant news and information on the PIR.

The communique may be downloaded from the [IAASB website](#).

IAASB Consults on Extended External Reporting (EER) Assurance

On 13 March 2020 the IAASB issued, for public consultation, a Consultation Paper on proposed non-authoritative guidance on EER Assurance.

EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about financial and non-financial matters that comprise environmental, social and governance matters related to an entity's activities.

The Consultation Paper is on the full combined updated Phase 1 and Phase 2 draft non-authoritative guidance, *Special Considerations in Performing Assurance Engagements on Extended External Reporting*. The Consultation Paper also invites comments on two supplementary documents, should respondents wish to comment on their content, structure and relationship to the draft guidance document. These supplementary documents are *Supplement A: Credibility and Trust Model and Background and Contextual Information*; and *Supplement B: Illustrative Examples*.

The purpose of the consultation is to assist the IAASB in finalising the non-authoritative guidance and supplements for publication.

The IAASB particularly seeks input from those with practical experience in this evolving area of reporting, including practitioners and other experts involved in performing EER assurance engagements, preparers of EER reports, investors and other users of EER reports and assurance reports, standard setters and regulators.

Request for Comments

Comments may be submitted directly to the IAASB through the [IAASB website](#), which has a “Submit a Comment” link on this page. Comments to the IAASB close on **13 July 2020**.

The Consultation Paper and the supplementary documents are available in PDF formats and may be downloaded from the [IAASB website](#).

IAASB Projects in Progress

- Audit evidence.
- Technology.
- Quality management at firm level (ISQM 1).
- Engagement quality review (ISQM 2).
- Quality management at engagement level (ISA 220).

- Group audits (ISA 600).
- Agreed-upon procedures engagements (ISRS 4400).
- Extended external reporting (EER) assurance.
- Audits of less complex entities (LCE).
- Professional scepticism.

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

COMMITTEE FOR AUDITOR ETHICS (CFAE)

Membership Changes

We bid farewell to Vishnu Naicker, who has provided leadership as Chairman of the CFAE for the past six years. We thank him for his sound leadership and clear guidance that led to multiple and significant revisions to the IRBA Code of Professional Conduct for Registered Auditors and Rules Regarding Improper Conduct.

We welcome Shaun Davies, Director: Market Regulation at the Johannesburg Stock Exchange and currently the Deputy Chairman of the CFAE, as the new CFAE Chairman. We wish him well in leading the CFAE.

Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) Relating to Registered Candidate Auditors

The IRBA draws the attention of all registered auditors and registered candidate auditors to changes to the IRBA Code of Professional Conduct (IRBA Code) relating to Registered Candidate Auditors. The IRBA adopted these local amendments following their issue on exposure for public comment via Government Gazette No. 42684 on 6 September 2019 (Board Notice No. 158 of 2019).

Changes in Substance

In 2015, amendments to the Auditing Profession Act (Act 26 of 2005) resulted in the additional regulation of registered candidate auditors. At the commencement of the Audit Development Programme, registered candidate auditors acknowledge their obligation to comply with the IRBA Code. The IRBA Code addresses the definition and role of a registered auditor, and this includes both the individual and the firm. It, however, does not specifically address the role and definition of a registered candidate auditor. Therefore, these amendments will provide clarity on the application of the IRBA Code to registered candidate auditors.

Effective Date

To facilitate the implementation of the amendments to the IRBA Code, including their impact on the IRBA's investigation and disciplinary functions, the amendments will be effective on or after **1 November 2020**. Board Notice 25 of 2020 was published in Government Gazette No. 43073 on 6 March 2020, advising of 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](#).

IESBA Proposes Significant Revisions to the IESBA Code of Ethics

The International Ethics Standards Board for Accountants (IESBA) released, for public comment, two Exposure Drafts (EDs) aimed at strengthening the non-assurance services (NAS), and the fee-related independence provisions of the IESBA International Code

of Ethics for Professional Accountants (including International Independence Standards) (the Code).

Additionally, the IESBA released an ED proposing limited-scope guidance on the objectivity of the Engagement Quality Reviewer (EQR). These amendments dovetail with the IAASB's development of the proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*.

1. [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#)

Among the key changes proposed to the NAS provisions are:

- A prohibition on providing NAS to an audit client that is a public interest entity (PIE), if a self-review threat to independence will be created;
- Further tightening of the circumstances in which materiality may be considered in determining the permissibility of an NAS;
- Strengthened provisions regarding auditor communication with those charged with governance (TCWG), including a requirement for NAS pre-approval by TCWG for PIEs; and
- Stricter requirements regarding the provision of some NAS, including certain tax and corporate finance advice.

The NAS ED also includes enhanced guidance to assist firms in evaluating the level of threats to independence when providing NAS to audit clients.

2. [Proposed Revisions to the Fee-Related Provisions of the Code](#)

Among the key proposed changes to the fee-related provisions are:

- A prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client;
- In the case of PIEs, a requirement to cease to act as auditor, if fee dependency on the audit client continues beyond a specified period; and
- Communication of fee-related information to TCWG and the public to assist them in their judgments about auditor independence.

The Fees ED also includes enhanced guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee.

3. [Proposed Revisions to the Code Addressing the Objectivity of Engagement Quality Reviewers](#)

Among the key proposed guidance are the following:

- Guidance on the application of the conceptual framework in the IESBA Code to address the topic of the objectivity of an EQR;
- An explanation of the different types of threats to compliance with the fundamental principle of objectivity that might be created in circumstances where an individual is being considered for appointment as an EQR for a given engagement;

- Factors to consider in evaluating the level of the identified threats; and
- Suggested actions that might be safeguards to address the threats.

The IRBA Code adopted the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. All amendments to the IRBA Code are in line with the IESBA Code. It is proposed that these IESBA Code amendments will be incorporated into the IRBA Code.

In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, Board Notice 9 of 2020 was published in Government Gazette 43015 on 14 February 2020 for public comment for a minimum period of 30 days.

Request for Comments

We invite registered auditors and others to submit any comments regarding the NAS and Fees EDs to the IRBA for consideration, as we prepare our response to the IESBA. Comments, in Word and PDF formats, should be addressed to standards@irba.co.za and submitted by **9 April 2020**.

Alternatively, comments may be submitted directly to the IESBA through the [IESBA website](#), which has a "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on **4 May 2020**.

The comment period relating to the Objectivity of the EQR ED has already closed.

The three EDs are available in PDF formats and may be downloaded from the [IRBA website](#).

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

IESBA Report Exploring the Ethical Implications of Technology for Accountants

The IESBA recently released a report exploring the ethical implications of technology on the accounting, assurance and finance functions. This report is the culmination of the first phase of fact-finding work the global ethics standard-setting board initiated in recognition of the pace and magnitude of change caused by disruptive technological innovations.

The report may be downloaded from the [IESBA website](#).

IESBA Projects in Progress

- Role and Mindset.
- Definition of PIE and Listed Entity.
- Engagement Teams/Group Audits.
- Technology.
- IAASB-IESBA Coordination.

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

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



Imran Vanker

Director Standards

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INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 11 matters to the Disciplinary Advisory Committee.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met once during this period and concluded on six matters.

Decisions Not to Charge

One matter in terms of Disciplinary Rule 3.5.1.2 – there is a reasonable explanation for the respondent's conduct.

Decisions to Charge and Matters Finalised by Consent Order

One matter was finalised by consent order.

Matter 1

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate evidence, as required by the International Standards on Auditing, on numerous balances and transactions. Furthermore, the respondent was not independent due to the respondent being both the appointed auditor of the holding company and a director of a wholly-owned subsidiary of the company. In addition, the respondent breached Section 92(1) of the Companies Act in that the respondent was the appointed auditor of the company for more than five consecutive years.

The respondent was sentenced to a fine of R150 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 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.

Decisions to Charge and Matters Referred for Disciplinary Hearings

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



Jillian Bailey

Director Investigations

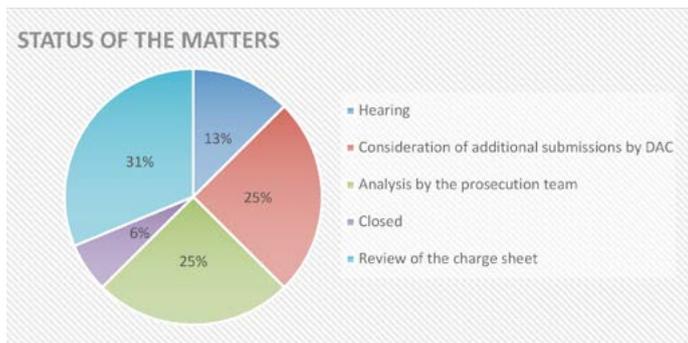
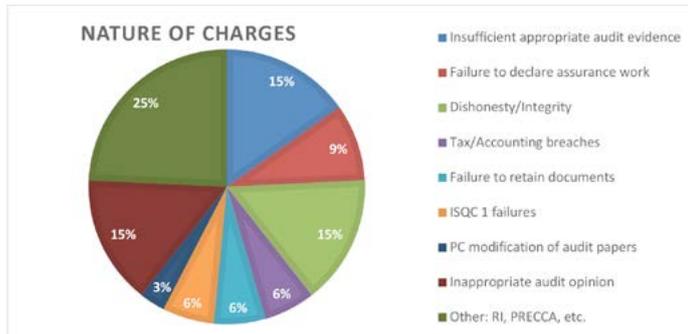
Telephone: (087) 940-8800

E-mail: investigations@irba.co.za

DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

Following the finalisation of one matter, there are 15 open cases that have been referred to the Legal Department for disciplinary hearings. The graphics below outline the nature and status of all matters referred for a hearing.



Closed Matters

During the period under review, one matter referred to the Legal Department for a disciplinary hearing was closed. This followed the respondent's acceptance of a consent order originally recommended by the Investigating Committee in August 2016, and the Disciplinary Advisory Committee's (DAC) agreement to rescind its decision taken in November 2016 to refer the matter for a disciplinary hearing.

Matter 1

The respondent was engaged to prepare annual financial statements for a client. There were certain material liabilities that were disputed by the client. Despite being aware of the disputed amounts, the respondent failed to disclose these amounts, as required by IFRS for SMEs.

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. The payment of the fine has been suspended until such time that the respondent re-registers with the IRBA.

Matters Heard by the Committee

Sharemax

The Disciplinary Committee convened on the 16 March 2020 to consider charges of improper conduct brought against the then partners of ACT Audit Solutions in relation to professional services rendered to Sharemax. The hearing was subsequently adjourned to enable the IRBA to bring an application for the postponement of the proceedings. The application was necessitated by the state of national disaster declared by the President of the Republic, pursuant to the COVID-19 pandemic. In its application, the IRBA cited the need to comply with the IRBA's own COVID-19 Safety Protocol and government directive relating to social distancing and self-isolation to minimise community transmissions of the virus.

The application was duly filed by the 20 March 2020 and was not opposed by the respondents. On 23 March 2020, the Disciplinary Committee considered the application and issued a ruling postponing the proceedings to 5 October 2020, up to and including 23 October 2020.

In line with the committee directive, the parties must file pre-hearing minutes, witness lists, a witness timetable, witness statements and experts' joint minutes, at least six weeks before the hearing date.

The hearing will accordingly reconvene on 5 October 2020.

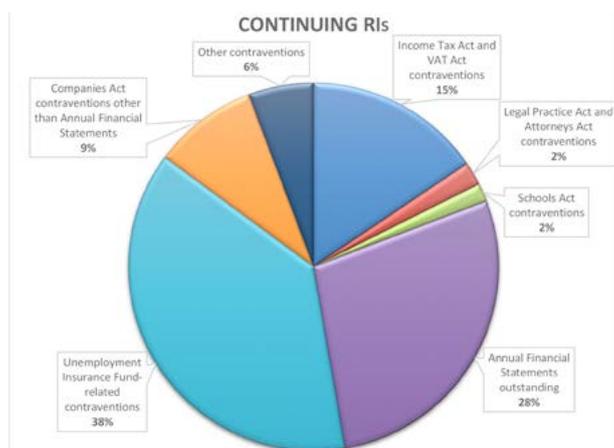
REPORTABLE IRREGULARITIES (RIs)

The IRBA processed 487 first reports on RIs during both the third and fourth quarters that ended on 31 March 2020. During this reporting period, 510 second reports were received and their nature is highlighted in the graphic below.



Note: The difference of 23 reports between the first and second reports received is due to timing differences in reporting between the first and second reports.

The nature of the 378 continuing RIs has been categorised and reflected in the chart below.



Note: As depicted above, the top two types of reported contraventions related to the Unemployment Insurance Act and the preparation of annual financial statements. There were also several RIs highlighting contraventions of the Income Tax and VAT Acts; the Companies Act, other than those related to the preparation of annual financial statements; as well as the Schools Act and the Legal Practice Act.

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

Duty of the Auditor When Referring to External Documents in RI Reports

We have noted that some registered auditors refer to external documents in their second RI reports. These references are usually made so that the contents of the external documents will provide readers of an RI report with additional information that supports the auditor's conclusion on the outcome of an RI. Examples of these external documents include references made to confirmations of VAT registrations, representation letters from management, copies of CIPC records, etc.

Auditors are at liberty to make references to external documents in RI reports. However, we are of the view that such references are insufficient when the RI report does not include a written explanation on how the auditor interpreted the content thereof in light of the specific circumstances surrounding the matter being reported. This is especially true where, at face value, it may seem as if the content of an external document contradicts the auditor's documented conclusion on whether or not the RI in question is continuing – or if it ever existed.

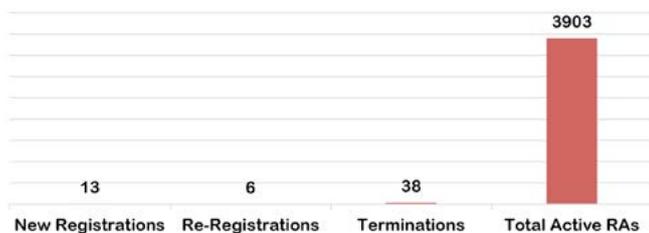
By way of an example, an auditor recently referred in his second RI report to an attorney's letter and expected that it should, in itself and without any further explanations provided, serve as sufficiently detailed information in support of his view that the RI was not continuing. Upon closer inspection, we noticed that the attorney's letter in question was in fact expressing their client's view that the RI cannot reasonably and objectively be seen to exist.

It is reasonable to expect that an auditor's view may differ from that of management regarding the merits of any given matter that is reported to the IRBA as an RI. However, we had no option in this particular case but to consider it insufficient for the auditor to make reference to this attorney's letter, and for the auditor to expect that it must serve as a sufficiently detailed explanation of the judgments he made in concluding that the RI was not continuing. As such, a revised report was sought from the auditor.

We, therefore, request auditors who elect to reference external documents in their RI reports to ensure that the report contains an explanation of judgments made by the auditor. In addition, it must have details of the factors considered by the auditor in reaching his/her conclusion that the irregularity had indeed taken place, that it never existed or that it is no longer continuing.

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

REGISTRY MOVEMENTS QUARTER 1: 2020/2021



Note: During the period under review, 13 new registrations were approved and entered into the register. Six registered auditors (RAs) were re-registered, bringing the total of registrations to 19 for the reporting period.

Thirty eight RAs were removed from the register during this reporting period, with the two most prevalent reasons for this being resignation and emigration.

As at 31 March 2020, the total number of RAs was 3 903.

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 2 NOVEMBER-10 DECEMBER 2019

Bafu, Hazel Fadzai	Mathuthu, Similo
Craffert, Sonelle	Mhlongo, Samuel Klaas
De Jongh, Heather Tracy	Page, Sasha Ann
De Vos, Arina	Sidubi, Lerato Hannah
Eales, Coenraad Hendrik	Suleman, Bilal
Khutlang, Vuyiswa	Thelander, Nicola
Malepo, Mapitso Veronica	

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 2 NOVEMBER-10 DECEMBER 2019

Black, Orlando Nilton Fernandes	Khan, Feroz
Groenewald, Maria Catharina	Malapela, Kabelo
Jacobs, Mark	Poho, Tshepiso

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 18 NOVEMBER 2019-31 MARCH 2020

Abrahams, Zuhdi	Resigned	Maritz, Jozef Johannes	Resigned
Anley, Marc James	Emigrated	Mazibuko, Floyd Xolani	Resigned
Bedford, Richard	Resigned	Odendaal, Donovan Howard	Emigrated
Bell, Johannes Nicolaas	Resigned	Patel, Nazeer Ahmed	Resigned
Blignault, Jo-Anne	Emigrated	Pilley, Adrien Niel	Resigned
Bredenhann, Chris Jacobus	Emigrated	Ramdhani, Dikash	Resigned
Chait, Justin Michael	Emigrated	Rathnasamy, Shagaran	Resigned
Daya, Ajay Natverlal	Resigned	Robertson, Struan Ian	Resigned
Desai, Ajeeth Pravin	Resigned	Roos, Johannes Lodewikus	Resigned
Dhanjee, Prakashini	Resigned	Rossouw, Craig Pieter	Emigrated
Du Toit, Charl Petrus	Resigned	Samson, Richard John David	Resigned
Gordon, Graeme Arthur	Resigned	Seedat, Yusuf	Resigned
Hartshorne, Wilna	Resigned	Senekal, Frits Christiaan	Emigrated
Hattingh, Christiaan	Resigned	Swartz, Naomi-Pearl	Resigned
Hobbs, Neill Michael	Resigned	Walters-Du Plooy, Etienne Dundee	Resigned
Jacobs, Reyaaz	Emigrated	Watkins, Alan Turner	Resigned
Kempster, Zarni Roy	Resigned	Wessels, Jean	Resigned
Lesch, Wendy Jane	Emigrated	Wolpe, Russel	Resigned
Lunn, John Peter	Resigned	Villis, Jonathan David	Resigned

ANNUAL RENEWALS

The 2020/2021 annual renewal process will begin in April 2020. RAs will be emailed their invoices for annual fees around the same time.

As soon as the Individual Annual Return process is opened in that first week of April, RAs will receive an email on how to complete and submit their Individual Annual Returns online through the IRBA website.

The due date for the payment of annual fees and the submission of Individual Annual Returns is 31 May 2020.

RAs are reminded that failure to timeously pay their annual renewal fees or submit their Individual Annual Returns may result in the termination of their registration.



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FIRST INSPECTIONS REPORT IN THIS CURRENT CYCLE IS OUT

The IRBA has released its 2019 Public Inspections Report, which covers the first year of the Seventh Inspections Cycle. The report, which highlights the most prevalent deficiency themes reported to firms, introduced numerous enhancements to the IRBA's inspections process.

The regulator performed firm-wide and individual assurance engagement file inspections at various firms during the year to give effect to its mandate and strategy to promote audit quality and help restore confidence in the auditing profession.

The objective of the report is to promote audit quality at a broader level by highlighting significant themes arising from the inspections reported on. The report is aimed at auditors and those responsible for quality management/control systems within firms, as well as 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, the IRBA issued inspection reports on a total of 116 inspections performed at 44 firms. These reports include 14 firm-wide and 102 individual engagement file inspections. The 2019 results of positive inspection outcomes declined compared to the previous year. Also, the frequency of findings in South Africa remains higher compared to other jurisdictions, as per the latest global inspection survey results released by the International Forum of Independent Audit Regulators (IFIAR).

There are instances where previously reported deficiencies have not been effectively remediated by firms, despite following a formal remedial action process. As such, this has forced the IRBA to increase its focus on firms' remediation and improvement practices and take stronger action against firm leadership.

There has, however, been significant improvement observed at a few firms, where considerable investments were made into quality management. This was underpinned by leadership's sound tone, time and hands-on approach to create and sustain a culture and an enabling environment that consistently produce sustainable high-quality assurance work.

In 2019 the IRBA continued to focus on audits with a higher public interest exposure, and that included audits of listed entities, other public interest entities (PIE) and state-owned companies. The majority of the engagement file inspections were performed at firms that are accredited by the Johannesburg Stock Exchange Ltd, and the report provides a further breakdown of inspection outcomes at these firms.

Despite our focus on firms and audits with greater public interest exposure, our current mandate goes beyond listed entities and PIEs. Therefore, small to medium-sized practices and firms that audit non-PIEs cannot be overlooked. In line with international

best practice, the IRBA follows a risk-based inspections approach, supplemented by random selection, when selecting firms and engagements for inspection.

The IRBA will continue with its Remedial Action Process with the firms and their partners. The process aims to promote prompt and effective improvement in audit quality across all audits of a firm where significant deficiencies were reported.

It is critically important for firm leadership to set the appropriate tone at the top, promoting an internal culture of high audit quality that is supported by prompt and effective remediation of identified root causes and deficiencies.

In response to the recent failures in the auditing profession, the IRBA, as a proactive regulator, embarked on a legislative process to strengthen its regulatory powers through amendments to the Auditing Profession Act 26 of 2005. In addition, the IRBA has undertaken several projects to help restore public confidence in the auditing profession, a priority that requires all stakeholders to work together to achieve this common goal.

The report also emphasises the importance of auditors' proper implementation of existing and new standards to ensure consistent sustainable high audit quality and compliance that meet user expectations.

The 2019 Public Inspections Report can be downloaded on the IRBA [website](#).

IFIAR ISSUES REPORT ON THE 2019 GLOBAL INSPECTIONS FINDINGS SURVEY

In February, IFIAR published its report on the results of its seventh annual survey of inspection findings. The Global Inspections Findings Survey is based on IFIAR's 54 member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. It collected information about two categories of activities: inspections performed on firm-wide systems of quality control and inspections of individual audit engagements.

Members reported that 33% of audit engagements inspected had at least one significant deficiency reported, compared to 37% in the 2018 survey and 47% in the first survey (2014). While the downward trend is encouraging, IFIAR urged the Global Public Policy Committee networks (the six firms and their member firms) to continue with efforts to improve audit quality.

The survey results do not measure precisely and are not the sole factor when considering developments in a firm's progress in improving audit quality. A comprehensive evaluation of audit quality involves a consideration of various factors beyond numerical information about deficiencies identified and reported over the course of an inspection.

Although the frequency of findings from inspections of individual

audit engagements has reduced on an overall basis compared to the last survey, progress is not experienced in all jurisdictions or at the same rate.

To augment the survey's information about inspection findings, in the 2019 survey IFIAR collected information about its members' practices with respect to reporting the results of inspections to the inspected audit firms, audit committees/those charged with governance and the public.

The [2019 Global Inspections Findings Survey](#) and the [survey press release](#) can be downloaded on the [IRBA website](#) or on the IFIAR [website](#).



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PROCESS CHANGES: SUBMISSION OF ASSURANCE WORK DECLARATION AND FIRM RELATED INFORMATION

The IRBA has further automated the process of submitting the 2020 Assurance Work Declaration information for registered auditor (RA) firms. This process is now accessible through the IRBA website. RAs who have the responsibility to complete their respective firm's declarations are required to log in and complete the necessary documentation. Submissions will only be accepted through the website; no emails will be accepted.

Relevant queries may be directed as follows:

- Assurance Work Declaration and billing process: Marius Fourie (mfourie@irba.co.za).
- Client classification: Sadhir Issirinarain (sadhir@irba.co.za).
- Updating of firm details: Caroline Garbutt (cgarbutt@irba.co.za).

- Uploading information to the web portal: Henriëtte Fortuin (hfortuin@irba.co.za).

With **30 April 2020** having been set as the submission deadline, late submissions will be charged an administrative fee of **R2 700**.

Meanwhile, the first invoices for this cycle will be issued in June 2020, with the second invoices being sent out in December 2020. **Invoices are payable 30 days from the date of the invoice.**

NEW FEE STRUCTURE – A DETAILED BREAKDOWN

Fees payable to the IRBA have been revised. The table below gives details regarding the new fee structure for the changes that are effective from 1 April 2020, as published in the Government Gazette.

1.	Registration as an auditor:	
1.1	Individual registration fee, payable on application for registration.	R11 030
1.2	Proficiency interviews fee, payable on notification of an interview.	R2 160
1.3	Application fee for the IRBA to be the Tax Practitioner Recognised Controlling Body (payable on application).	R3 400
1.4	Administration fee for the cancellation or withdrawal from 1.1, 1.2 and 1.3 above (recovery of cost).	15% of the above applicable fee
1.5	Firm registration fee, payable on application for registration.	R5 510
2.	The annual renewal fees payable by any individual who is registered as an auditor shall become due and payable on 1 April of every calendar year.	
2.1	Annual renewal of registration payable by any person as long as he/she remains registered as an auditor.	R8 750
2.2	Annual renewal fee payable by tax practitioners who elected the IRBA as their Recognised Controlling Body.	R2 270
2.3	Administration fee for reinstatements (not limited to reinstatements after lapsing).	R4 375
3.	Once-off fees payable in respect of registration of training contracts:	
3.1	Training contract.	R2 890
4.	Once-off fees payable in respect of registration of an Audit Development Programme (ADP) contract:	
4.1	ADP.	R6 520
4.2	Administration fee for the cancellation or withdrawal from 4.1 above (recovery of cost):	
	<ul style="list-style-type: none"> • Registered candidate auditor resigns within six (6) months. The IRBA has not conducted an introductory visit and an inspection visit. 	15% of the above fee
	<ul style="list-style-type: none"> • Registered candidate auditor resigns within six (6) months. The IRBA has conducted an introductory visit, but not an inspection visit. 	50% of the above fee
	<ul style="list-style-type: none"> • Registered candidate auditor resigns within six (6) months. The IRBA has conducted an introductory visit and an inspection visit. 	100% of the above fee

5.	ADP monitoring administration fees payable for cancellation: Total time as allocated for the inspection when scheduled, and as communicated to the registered auditor at the time, at a standard rate per hour per inspector scheduled.	R1 160
6.	Inspection administration fees payable for cancellation: Total time as allocated for the inspection when scheduled, and as communicated to the registered auditor at the time, at a standard rate per hour per inspector scheduled.	R2 370
7.	Hourly rate for actual time spent carrying out any other service rendered by the IRBA.	R2 370
8.	Administration fees: 8.1 Late submission of Assurance Work Affidavit and supporting documents. 8.2 Under-declaring of Assurance Fees.	R2 700 5% of additional fees due
9.	Accreditation fees for professional bodies: 9.1 Application fee. Payable on application (non-refundable). 9.2 Evaluation fee (up to a maximum of) Payable on progress. 9.3 Should the professional body withdraw its application for accreditation, the IRBA will charge for the recovery of costs incurred. 9.4 Annual monitoring fee – Payable annually.	R60 470 R1 791 710 R703 640



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A CONTEXTUAL OVERVIEW OF THE DEPARTMENT'S RESPONSIBILITIES

Introduction

The reputation, relevance and value of the auditing profession depend on the ability of its members to continually meet the expectations of stakeholders and provide a service that is appropriate to the needs of the South African economy within the global context.

The IRBA, therefore, has a duty to ensure that all registered auditors (RAs):

- o Have the necessary professional competence on entering the auditing profession to serve the public interest and the needs of the economy; and
- o Further develop and maintain their professional competence after registration.

To this end, the Auditing Profession Act No. 26 of 2005 prescribes specific functions for the IRBA with regard to the education, training and professional development of RAs. These functions comprise:

- o Requirements relating to the accreditation of professional bodies, including the recognition of educational qualifications or programmes and the prescription of training requirements;
- o The prescription of requirements relating to the nature and extent of continued education, training and professional development; and
- o The prescription of competency requirements.

The transformation of the RA profession is also a key institutional responsibility of the IRBA.

To fulfill these functions, the Act prescribes the establishment of an education, training and professional development committee, and delegates powers and duties with regard to the education, training and professional development of RAs to this committee. The mandate and work of EDCOM and its sub-committees are detailed below.

The Education and Transformation Department's (ET) work streams are aligned to the education functions set out in the Act, and they entail, among others:

- o Developing and maintaining the Competency Framework required for RAs;
- o Developing and maintaining the Accreditation Model for professional bodies to be accredited with the IRBA;
- o Accrediting and monitoring professional accounting organisations/professional bodies;
- o Developing and administering the Audit Development Programme (ADP);
- o Developing and maintaining the requirements for RAs in relation to Continuing Professional Development (CPD), and monitoring a sample of RAs against these requirements; and
- o Facilitating the transformation of the auditing profession.

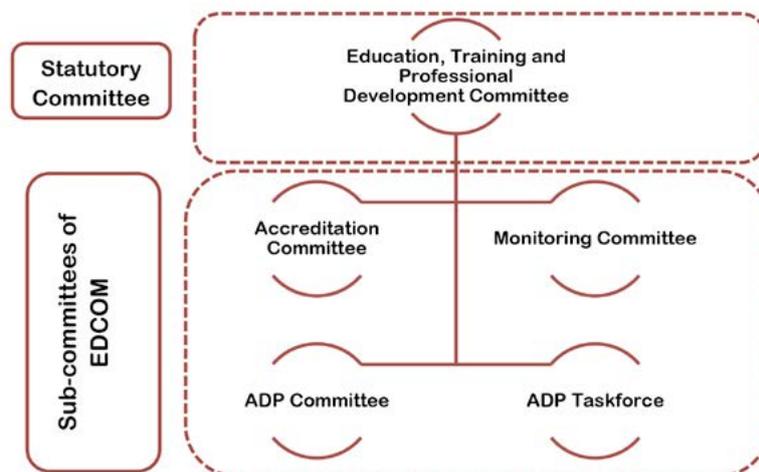


Figure 1: EDCOM and its sub-committees.

Education, Training and Professional Development Committee (EDCOM)

About the committee

EDCOM was established in terms of Section 20 of the Act. The committee currently has eight members, with representation from both large and small audit firms, academia, commerce as well as the accredited professional body, the South African Institute of

Chartered Accountants (SAICA).

The committee's responsibilities, which are delegated to it by the IRBA Board, include formulating and recommending to the Board:

- o Minimum requirements for the accreditation of professional bodies, including relevant educational qualifications or programmes and professional development programmes;

- Requirements for and conditions relating to the nature and extent of continued education, training and professional development;
- Professional competency requirements; and
- Any application for accreditation.

EDCOM is also responsible for:

- Conducting the final assessment of professional competence to be successfully completed by an individual to qualify for registration as an RA;
- Monitoring, on a continual basis, the extent to which the recognised programmes continue to meet the recognition standards prescribed by the IRBA; and
- Assisting the Board with its objectives of transforming the profession.

Key projects of the committee

The committee recently concluded its work on developing and recommending, for approval to the Board, the revised CPD Policy. Following its approval, the revised CPD Policy has been effective since 1 January 2020. Further details on the policy and related guidance may be found on the IRBA [website](#).

The committee's work in the upcoming year will focus on recommending to the Board revisions to the ADP, as further discussed within the ambit of the ADP Committee (ADCOM); developing and implementing a revised transformation strategy; evaluating the expected accreditation application from a professional body; and commencing work on the changing competencies required of an RA.

Opportunities to serve on the committee

EDCOM currently has two vacancies and the terms of four members will be expiring in March 2021. The Board will, therefore, be recruiting six new members to join the committee. For further details on the vacancies and how to apply for these, please visit the [IRBA website](#).

Accreditation Committee (ACCOM)

About the committee

ACCOM was established by the IRBA as an ad-hoc subcommittee of EDCOM. ACCOM's responsibilities include the evaluation of applications by professional bodies for accreditation against the requirements of the IRBA's Accreditation Model.

Accreditation of professional bodies

The development, assessment and maintenance of the professional competence of auditors require more than just programmes that are focused on high-quality education, training, assessment and CPD. They require high-quality governance and the management of these programmes by professional bodies that are devoted to providing relevant, effective and efficient services to members and other stakeholders.

For this reason, the accreditation of a professional body must address the institutional effectiveness and efficiency, as well as the quality of programmes that develop and assess professional competence. Therefore, the IRBA's Accreditation Model, as seen in Figure 2 below, distinguishes between institutional and programme accreditation requirements.

INSTITUTIONAL ACCREDITATION (Section 33(b) to (g) of the Act)	PROGRAMME ACCREDITATION (Section 33(a) of the Act)
<p>All accredited professional bodies are required to comply with the following institutional accreditation requirements:</p> <ul style="list-style-type: none"> ● CPD <ul style="list-style-type: none"> ○ Disciplining of the members, where appropriate. ○ Financial and operational viability. ○ Maintaining a register of members in a prescribed format. ○ Programmes endeavouring to achieve the representation of race and gender. ● Other requirements: <ul style="list-style-type: none"> ○ Appropriate technical support and guidance available to all its members who are registered auditors. ○ Recognition agreements with other professional bodies. 	<p>All accredited professional bodies must comply with the programme requirements for the development and assessment of core competence.</p> <p>Develop and assess core competence:</p> <ul style="list-style-type: none"> ● Recognised academic programmes; and ● Recognised core assessment programmes. <p>In order to be fully accredited, a professional body must also comply with the requirements for the development and assessment of professional competence:</p> <ul style="list-style-type: none"> ● Recognised professional development programme.

Figure 2: The structure of the [Accreditation Model](#).

Monitoring Committee (MCOM)

About the committee

MCOM is EDCOM's subcommittee that is responsible for all aspects relating to the monitoring of both the institutional requirements and the recognised programmes (academic, core assessment and

professional development programme) of an accredited professional body, as required by Section 34 of the Act. MCOM monitors the accredited professional body in line with the requirements of the IRBA's Accreditation Model. Currently, SAICA is the only accredited professional body.

Figure 3 below presents an overview of the monitoring process followed by MCOM and ET. On an annual basis, the committee performs a risk assessment of the professional body against each of the requirements. The process takes into account many factors, including feedback from previous monitoring results, feedback from

the professional body and environmental scanning. The outcome of the process is to determine the monitoring requirements and focus areas, which are then approved by EDCOM.

The department performs the required monitoring activities, including the evaluation of the information and evidence submitted by the professional body.

The monitoring process includes reporting requirements by both the IRBA and the professional body. The monitoring reports that are issued to the professional body are prepared through MCOM and finalised through EDCOM.



Figure 3: An overview of the monitoring process.

Opportunities to serve on the committee

MCOM currently has four members, with representation from public practice, academia and legal practice. Two of them are also members of EDCOM.

Taking into account the needs of the committee and the current members' terms, MCOM will soon be recruiting for new members. For further details on the vacancies and the application process, please visit the [IRBA website](#).

ADP Committee (ADCOM)

About the committee

This committee is a standing subcommittee of EDCOM, in terms of Section 14.4.3 of the terms of reference for EDCOM.

ADCOM is responsible for all aspects relating to the registration, monitoring and assessment of the ADP. The committee's functions are to:

- Recommend, for approval, registrations on the ADP to EDCOM on a quarterly basis.
- Approve reports on the ADP monitoring visits.
- Recommend the findings of the assessment panel to EDCOM.
- Recommend the ADP policy and procedures to EDCOM.
- Recommend the ADP strategic direction to EDCOM.

- Recommend to EDCOM the appointment of assessors onto the ADP assessment panel.

Opportunities to serve on the committee

ADCOM currently has 10 members, with representation from public practice and academia. One of these is also a member of EDCOM.

For now, ADCOM is not recruiting for new members, but should this change, the details will be communicated and included on the IRBA website.

ADP Taskforce

About the taskforce

This taskforce was established by the IRBA as an ad-hoc working group of EDCOM to fulfil the latter's duty to formulate and recommend to the Board professional competency requirements for RAs.

The taskforce is responsible for developing recommendations on the ADP to be presented to EDCOM, including the review of the research project, ADP Reloaded, conducted by the Secretariat. EDCOM approved the taskforce so that the members can explore creative solutions to challenges within the ADP and then provide suitable recommendations.

Opportunities to serve on the taskforce

The taskforce members are suitably qualified individuals with diverse experience that includes, but is not limited to, auditing, academia, learning and development and project management. The team currently comprises eight members and there are no vacancies.

Conclusion

Through its processes and the effective operation of these committees, the department fulfils the IRBA's duties in relation to the education, training and development of RAs.

To contact ET, use the following email addresses:

- General queries: eductrain@irba.co.za
- ADP queries: adpadmin@irba.co.za
- CPD queries: cpdadmin@irba.co.za
- Critical skills queries: criticalskills@irba.co.za
- RA registration queries: registry@irba.co.za



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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.

31 March 2020	Retirement Fund Auditor Reports
26 March 2020	Implications of the COVID-19 Outbreak on Audits, Audit Firms and Regulatory Requirements: Provisions for the Period 27 March 2020 to 16 April 2020 “Lockdown Period”
25 March 2020	IAASB Consults on Extended External Reporting Assurance
23 March 2020	IRBA Response to COVID-19 and Alignment to the State of National Disaster Declared by the President
20 March 2020	Implications of the COVID-19 Outbreak On Audits and Auditors
17 March 2020	IRBA issues its first Public Inspections Report in the Seventh Inspections Cycle
10 March 2020	IESBA Global Ethics Webinars to Explain the Proposed Revisions to the IESBA Code of Ethics
6 March 2020	Reminder: Online Submission of Assurance Work Declaration and Firm Related Information 2020
2 March 2020	Court rules on disclosure of documents in MAFR challenge
21 February 2020	IFIAR issues Report on the 2019 Global Inspections Findings Survey
19 February 2020	Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) relating to Registered Candidate Auditors
12 February 2020	Invitation to an IRBA Workshop on the Proposed Guide for Registered Auditors: Joint Audit Engagements
7 February 2020	Update on the CEO Recruitment Process
5 February 2020	Change to Practice on Sanctions for Improper Conduct
4 February 2020	IESBA Proposes Significant Revisions to the IESBA Code of Ethics
1 February 2020	New Process: Online Submission of Assurance Work Declaration and Firm Related Information 2020
16 January 2020	Applications for the Position of Chief Executive Officer
15 January 2020	Reminder: Standards-related communiques issued in 2019 with submissions due in 2020
4 December 2019	Proposed Guide for Registered Auditors: Joint Audit Engagements
3 December 2019	Media Release: IRBA launches Audit Quality Indicators – Evaluating audit quality and promoting transparency of audit firms
3 December 2019	Accreditation Committee of the IRBA Calls For Nominations
28 November 2019	Revised Illustrative Banks Act Regulatory Auditor’s Reports
27 November 2019	The IRBA aligns South African auditing pronouncements with the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)
27 November 2019	The IAASB Issues an Exposure Draft on Conforming Amendments to the IAASB’s International Standards as a Result of the Revised IESBA Code

IRBA PUBLICATIONS

If you would like to receive IRBA communications, or are aware of a non-auditor who would like to receive these, please contact Lebogang Manganye (lmanganye@irba.co.za).

THE IRBA'S RESPONSE TO COVID-19

In line with government's measures to curb the spread of COVID-19, the IRBA has put in place procedures to ensure the continuity of its operations and essential functions, while it delivers on its mandate.

The measures and controls set out below have been implemented to address and manage the risks posed by COVID-19, and they are applicable for the duration of the national lockdown period.

- Staff have been equipped with internet access and call forwarding from each extension has been set up.
- Emails are being processed as normal with remote access.
- No physical meetings will take place during this period; rather electronic and/or video conferencing platforms will be utilised.
- The Inspections as well as the Education and Transformation monitoring teams will not conduct physical visits, but will liaise with the relevant stakeholders to set up alternative remote working arrangements.
- All events, conferences and training sessions have been cancelled.

Should you need to contact any of our departments, please use the following contact details:

- Executive: board@irba.co.za.
- Finance: invoices@irba.co.za.
- Inspections: Inspections@irba.co.za.
- Investigations: investigations@irba.co.za
- Legal: legal@irba.co.za
- Education and Transformation: edutrain@irba.co.za.
- Standards: standards@irba.co.za.
- Registry: registry@irba.co.za.
- Media queries: lschalkwyk@irba.co.za.

These interim measures are to assist government in managing this pandemic to prevent the country's health system from becoming overwhelmed.

KZN SMALL, MEDIUM PRACTICE ENGAGEMENT VISIT

The IRBA held a workshop in KwaZulu-Natal on 12 February 2020, with CEO Bernard Agulhas meeting with senior staff from a number of audit firms from the area. Participants at the Small, Medium Practice Engagement Programme workshop included professionals from Richard's Bay, Empangeni, Ballito and the University of Zululand.

The CEO updated the firms on the IRBA's Restoring Confidence initiatives; amendments to the Act; the revision of the Continuing Professional Development requirements; and the review of the Audit Development Programme (ADP).

As part of reaching out to various stakeholders, the CEO also visited the practice of Renier Botha and Associates to meet with trainees.



The Future of Audit: As part of the KZN visit, the CEO met with trainees, who shared their views on the profession and the journey they are on to become registered auditors.

They were pleased to have an opportunity to interact with him, and they also shared their views on the profession and the ADP. They also shared what they believe are the advantages of completing their articles at a small practice, with some complimenting their training officer, Diana Nel, on the level of exposure they were getting on various aspects of an audit.

In turn, the CEO spoke to them about the IRBA's desire to understand the needs of trainees and what the profession can do to encourage them to remain in the profession and become registered auditors.

Following the visit, Nel said the trainees had been re-energised by the interaction and felt more hopeful about the future of audit in South Africa.

THE PUBLIC INTEREST OVERSIGHT BOARD (PIOB) APPOINTS A NEW CHAIRMAN

The PIOB has announced the appointment of a new Chairman, Linda de Beer. She is a chartered accountant (SA) who holds a master's degree in taxation and is a professor in practice at the University of Johannesburg. As an independent non-executive director on a number of South African listed company boards, she also has extensive professional experience in the setting, monitoring and oversight of reporting standards, corporate governance principles and related regulation.

She chaired the International Auditing and Assurance Standards Board's Consultative Advisory Group (CAG) from 2010-2015. During her tenure, she also served on the CAG of the International Ethics Standards Board for Accountants.

“Linda has been a remarkable asset to the profession and was a valuable member on a number of the IRBA’s Committee for Auditing Standards projects,” said IRBA CEO Bernard Agulhas. “We are proud of this appointment as she will continue to fly the South African flag high at a time when the integrity of corporate reporting is under a lot of scrutiny.”

Meanwhile, the PIOB also welcomed a new member, Robert Buchanan, who is a lawyer and a consultant with background in public sector legal practice, audit standard setting as well as governance in the public and not-for-profit sectors. He replaces Maria Helena Pettersson, who had been a valuable PIOB observer and a strong advocate for new technologies in relation to the public interest.

The PIOB is the global independent oversight body that seeks to improve the quality and public interest focus of international audit and assurance, as well as ethics standards formulated by the standard-setting boards supported by the International Federation of Accountants.