

2016

Annual Report



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PART A
GENERAL INFORMATION



HIGHLIGHTS

of the Year

- The IRBA celebrates 10 years of independent audit regulation. Established by an act of Parliament in April 2006, its mandate as set out in the Auditing Profession Act (Act No. 26 of 2005) is to protect the public.
- South Africa maintained its number one ranking for the strength of auditing and reporting standards, according to the World Economic Forum Global Competitiveness Survey for 2015/2016, for the sixth consecutive year. This means investors are able to rely on financial reports signed off by auditors, which will, in turn, attract more investment to South Africa and help grow the economy. Economic growth will mean more job creation for South Africans. Such a ranking will also strengthen overall confidence in our financial markets, especially during times of financial crises.
- The IRBA issued its *Public Inspections Report: Striving for Consistent, Sustainable High Audit Quality*. The report provides an analysis of key findings arising from firm and engagement inspections performed by the Inspections Department.
- In May 2015 the Audit Development Programme (ADP) was launched. The ADP provides the IRBA with an opportunity to work with the firms in the development of their quality structures and in ensuring that the training ground is compliant with ISQC 1. This will lead to strengthened protection of the public. As part of the ADP monitoring process, the IRBA has monitored 10 offices and as a result some of these training offices have already developed action plans to facilitate an environment that promotes high audit quality.
- The IRBA published its third integrated report. The report was prepared in accordance with the International Integrated Reporting Council Framework published by the IIRC. It also took into account further guidance from the King III Report on Corporate Governance for South Africa.
- The IRBA started researching measures that could be introduced in South Africa to strengthen auditor independence. Some of the measures the IRBA considered are:
 - o Mandatory audit tendering;
 - o Mandatory audit firm rotation; and
 - o Joint audits.
- The IRBA conducted an independent survey to explore and quantify factors driving and limiting professional advancement in auditing. The study involved questionnaires completed by a sample of auditing students who are in the process of completing their articles at an auditing firm, and recently qualified CAs. Findings of the study were presented to the IRBA Board and also shared at the 2nd Annual Audit Educators' Workshop held in March 2016.

List of Abbreviations/Acronyms

ADP	Audit Development Programme
AGSA	Auditor-General South Africa
APA	Auditing Profession Act, 2005, Act No. 26 of 2005 (the Act)
APC	Assessment of Professional Competence
ARMCO	Audit and Risk Management Committee
BAC	Broad-Based Black Economic Empowerment Advisory Committee
B-BBEE	Broad-Based Black Economic Empowerment
CA (SA)	Chartered Accountant (South Africa)
CAG	Consultative Advisory Group
CFAE	Committee for Auditor Ethics
CFAS	Committee for Auditing Standards
CPD	Continuing Professional Development
CSR	Corporate Social Responsibility
DAC	Disciplinary Advisory Committee
DISCOM	Disciplinary Committee
DTI	Department of Trade and Industry
EDCOM	Committee for Education and Transformation
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
ICT	Information Communication Technology

IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspections Committee
INVESCO	Investigating Committee
<IR>	Integrated Report
IIRC	International Integrated Reporting Council
IRBA	Independent Regulatory Board for Auditors
NT	National Treasury
PFMA	Public Finance Management Act, Act No. 1 of 1999
PPE	Public Practice Examination
PSSC	Public Sector Standing Committee
RA	Registered Auditor
RI	Reportable Irregularity
RIRSC	Regulated Industries and Reports Standing Committee
ROSC	World Bank Report on Observance of Standards and Codes
SAICA	South African Institute of Chartered Accountants
SCWG	Standards Coordination Working Group
SSC	Sustainability Standing Committee

Significant Features Summary

	Variance ¹	2016	2015	2014	2013
Activity indicators (numbers)					
Registered auditors at year-end	1.1%	4359	4311	4281	4306
New registrations for the period	(24.3%)	209	276	219	306
Trainee accountants registered for the period	(37.2%)	3414	5440	2722	3128
Reportable Irregularities (RIs) received					
Total RIs received (first reports)	(20.1%)	897	1123	611	710
Second reports – continuing	(18.7%)	512	630	338	459
Second reports – not continuing	(21.6%)	378	482	261	247
Second reports – did not exist	(36.4%)	7	11	12	3
Second reports – overdue		0	0	0	1
Disciplinary matters					
Investigations initiated	92.0%	192	100	68	85
Investigating Committee matters disposed of	140.3%	161	67	68	65
Disciplinary Committee hearings	50.0%	6	4	11	6
Inspections performed					
Firms	(45.9%)	20	37	34	22
Engagements	(38.3%)	237	384	348	440
Financial indicators R'000					
Government grant	(13%)	29 999	34 577	32 933	32 208
Total income	(3%)	62 326	64 163	58 174	59 099
Expenses	4%	95 494	91 258	85 288	81 775
Surplus/(Deficit)		(3 169)	7 482	5 818	9 532
Transferred from/(to) reserves		132	28	2 192	(3 046)
Accumulated Surplus surrendered to National Revenue Fund		-	(2 745)	(2 621)	-
Accumulated Surplus to be surrendered to National Revenue Fund		-	-	(1 244)	-
Surplus/(Deficit) after movement in reserves		(3 037)	4 765	4 145	6 486

¹For details on the variances, see the Chief Executive Officer's Overview on page 10.

Strategic Overview

The IRBA Strategic Focus

The IRBA strategic focus is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

The IRBA Vision

The IRBA vision is to remain an internationally recognised regulator of the auditing profession and evolve to be the regulator of other assurance and related services relevant to the South African environment.

The IRBA Mission

Our mission is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers, in accordance with internationally recognised standards and processes.

The IRBA Objectives

In line with our legislative mandate, the IRBA's objectives are to create the framework and principles to contribute to the protection of the public, which relies on the services of registered auditors, and to support registered auditors who carry out their duties competently, fearlessly and in good faith.

Furthermore, we strive to create an enabling environment that allows audit firms to grow and contribute to the protection of the public.

The IRBA Goal

The IRBA's goal is to help create an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets and promotes sound financial practices.

This is done through:

- Developing and maintaining auditing and ethics standards that are internationally comparable.
- Providing an appropriate framework for the education and training of properly qualified auditors and their ongoing competence.
- The registration of auditors who meet the registration requirements.
- Monitoring compliance with reportable irregularities and anti-money laundering.
- Monitoring registered auditors' compliance with professional standards and applicable legislation.
- Investigating and taking appropriate action against registered auditors in respect of improper conduct.
- Developing and maintaining stakeholder relationships to enhance performance, accountability and public confidence.

- Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economic, efficient and effective manner, in accordance with the relevant regulatory frameworks.

Regulatory Philosophy

The IRBA's regulation is focused on the protection of the public interest, while it recognises its role in creating an enabling environment in which auditors can deliver high-quality audits.

Value Proposition

The IRBA creates continuing value through its role as an embedded protector of confidence in the sustainability of the system, while creating an enabling environment for auditors, thereby contributing to the protection of the public.

The IRBA Values

As the overall custodian of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament, and all its registrants and staff ascribe to the following core values:

- ***Independence, Integrity and Objectivity***

It is imperative that we are not just independent of the auditing profession in our composition and membership, but also reflect independence in the perception of our key stakeholders, through our actions and behaviour. It is therefore important that we act with integrity and objectivity in our deliberations, decisions and actions.

- ***Commitment***

We recognise the scope and extent of our mandate in respect of both the public and the profession, and undertake to execute and deliver on this mandate with diligence and commitment in terms of our vision.

- ***Transparency and Accountability***

As a public entity in the overall delivery structure of the South African government and a beneficiary of public funds, we promote transparency in our interactions with the relevant stakeholders and recognise our accountability to the Parliament of South Africa and the Minister of Finance as our Executive Authority.

Legislative Mandates and Others

The IRBA was established in terms of Section 3 of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act).

The objects as set out in Section 2 of the Act are as follows:

- To provide for the establishment of an Independent Regulatory Board for Auditors.
- To protect the public in the Republic by regulating audits performed by registered auditors.

- To improve the development and maintenance of internationally comparable ethics standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa.
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession.
- To provide for procedures for disciplinary action in respect of improper conduct.

Message from the Minister of Finance



In 2016, the Independent Regulatory Board for Auditors (IRBA) marks 10 years as the country's audit regulator and national auditing standard-setter. During this time, the IRBA has worked consistently to meet its statutory objective of protecting the public by regulating audits performed by registered auditors. With its firm commitment to good governance and financial accountability, the IRBA has maintained high performance levels.

As testament to its strong performance, the IRBA has retained its number one global ranking in the World Economic Forum Global Competitiveness Survey for the sixth consecutive year. This ranking means that as a country we can be proud of the work of the IRBA, and rest assured that we can rely on the work of our auditors and the audit reports they issue.

The world economy remains an uncertain and difficult environment. As South Africa, we have not been spared from the global economic challenges. Indeed, achieving stronger economic growth remains one of South Africa's most pressing

goals. The sound management of public finances remains the cornerstone of the country's development plans; and as an independent audit regulator, the IRBA plays an important role in promoting investment and creating employment.

While continuing to contribute to the international audit regulatory and standards-setting bodies, the IRBA must continue to engage with its stakeholders at the local level to ensure that it remains relevant to the South African market, bearing in mind that audit quality must be maintained at all times. One of the most important contributors to high audit quality is auditor independence, and I would like to commend the IRBA's proposed interventions on strengthening auditor independence.

The fight against corruption remains a critical challenge for our country, if we want to strengthen governance, build confidence and attract investors to help grow our economy. Auditors have an important role to play in reporting on financial management and undesirable practices, and the IRBA is well positioned to assist through balanced regulation of the profession.

Transformation of the auditing profession remains a priority. In the 22 years since the dawn of democracy, the profession has made some progress, but there is still a long way to go before we reach our transformation goals. I am confident that the IRBA will take the necessary steps to accelerate transformation of the profession to open the space for all South Africans to enter the auditing environment.

I wish to thank the IRBA Board members for their contribution in furthering the IRBA's strategic objectives and to wish the IRBA and its staff members well on their 10th anniversary. The road ahead is long, but I have no doubt that the IRBA will continue to play a pivotal role in protecting the financial interests of South Africans.

Pravin J Gordhan, MP
Minister of Finance

Foreword by the Chairman



I am pleased to present the Independent Regulatory Board for Auditors' (IRBA) 10th Annual Report. This is also my first report as chairman of the Board.

As we celebrate this milestone we take cognisance of the challenging time our country has faced – a time when political unrest has increased, with our economy unstable and under scrutiny with threats of possible downgrades by international rating agencies. It's also been a time of threats to our democracy, judiciary and education system, which we rely on for the growth of the profession – and the latter threat was marked by the country-wide eruptions by the “fees must fall” protests.

The impact of the possible downgrades by the ratings agencies will have a negative effect on the respect that our financial institutions and regulators have been enjoying worldwide.

The maintenance of appropriate auditing and reporting standards is a major contributor to the reputation of the IRBA in local and foreign financial markets, and it plays an important part in maintaining investor confidence. It remains critical that auditors provide assurance that the financial information that they report on is credible and reliable to enable investors to be confident about the decisions they take, especially in times of uncertainty. It is thus imperative that South Africa maintains its number one ranking in this space.

The previous Board approved a four-pillar strategy that aims to consolidate the IRBA's mandate while responding to developments in the country and the profession as a whole. These pillars are: to be a comprehensive regulator, independence, transformation and leadership in Africa.

This Board approved the implementation strategies and the organisation has been working hard to achieve the strategies, albeit at a slower pace than had been anticipated.

Our strategy on comprehensive regulation is a direct response to the recommendations made in the World Bank Report on the Observance of Standards and Codes (ROSC), which were also signed by the Minister of Finance in 2014. A tremendous amount of advocacy has been done in this space and we are committed to taking this initiative forward, pending the approval of the Minister of Finance and National Treasury. This specific pillar will change the entire landscape of the profession and the regulation of accountants and auditors in the future. The Minister of Finance's approval will result in all Professional Accountancy Organisations (PAOs) being regulated by the IRBA or an organisation that the Minister decides on, with the ultimate aim being to protect the public.

One of the main highlights to have come out of the ROSC recommendations is that the IRBA Board is now completely independent of practicing registered auditors. This is a great achievement for the Board as it seeks to drive its independence and that of the profession to ensure that the public is protected.

Transformation remains one of the profession's biggest challenges. The IRBA, through its Education and Transformation Department, continues to engage with the relevant stakeholders – especially trainees, students and educators – to encourage more people to join and remain in the profession.

The past 10 years have been both exciting and challenging for the IRBA and I look forward to the organisation growing and continuing to make its mark both locally and internationally.

I wish to thank my fellow Board members, the CEO, the directors and staff of the IRBA for their valuable contribution and support during the year. May we continue to steer the IRBA in the right direction as it has been entrusted to us by the Minister of Finance. I look forward to another successful year ahead, during which we will use every opportunity to maintain our international position for our standards while delivering on our mandate to serve and protect the public.

A handwritten signature in black ink, appearing to read 'R Kenosi'.

Rene Kenosi
Chairman

Chief Executive Officer's Overview



It is my pleasure to present the IRBA's Annual Report in a year when we celebrate our 10th anniversary as an independent regulator.

The last decade has been exciting for the organisation as we moved from operating as the Public Accountants and Auditors Board (PAAAB) to being the IRBA. First, we had to go through the changes in legislation and also had to establish all the committees that were required in terms of the Auditing Profession Act (APA). Our first Board was appointed by the Minister of Finance and became operational from April 2007.

Considerable time was spent to bring policies and procedures in line with the Public Finance Management Act (PFMA), which we were now subject to. Besides the PFMA, the APA had also necessitated an increase in our capacity to deliver on its objectives.

The establishment of the IRBA meant that we moved away from existing in a "self-regulated" environment funded by auditors to operating as an independent regulator.

We also had to spend significant time engaging with our stakeholders and sharing the new mandate and strategy linked to the transition to independent regulation. Our strategy was well received by our local and international stakeholders alike.

In September 2006, the IRBA became a founding member of the International Forum of Independent Audit Regulators (IFIAR) and we continue to influence the work of the IFIAR by participating on its various committees, including the Inspections Working Group and the Standards Coordination Working Group.

Four Pillar Strategy

Last year we started to implement our extended mandate, which comprises the following Four Pillars:

- Comprehensive Regulator;
- Independence;
- Leadership in Africa; and
- Transformation.

The issuance of the World Bank ROSC had a significant impact on the IRBA's operations. In the past year, we implemented some of the recommendations, including the strengthening of our inspections approach and the separation of our Legal and Investigations departments.

Some of the recommendations require legislative changes that still need considerable planning and preparation before they become law, but the process to accomplish this has been built into our five-year strategy. The strategy includes an extensive consultation process.

Transformation

Transforming the profession remains a challenge with which we are faced. The Board has, in this regard, approved a Transformation Project Plan, and the Education and Transformation Department continues to make inroads into high schools and universities to create awareness of the RA brand. We also conducted research into why trainees remain in, or leave the profession and the results were shared with auditing educators and heads of departments at the Annual Auditing Educators Workshop. More feedback sessions will take place with various stakeholders in the course of 2016.

International Participation

The IRBA continued to participate and influence standards on various international platforms. Notably, Imran Vanker, Director Standards, was appointed to the IAASB as a board member with effect from 1 January 2016; and following the resignation from the IRBA of the current representative on the IAESB, the CEO has been appointed to fill the vacancy as the South African representative. The CEO continues to serve on the IFIAR as a member and the Director Inspections serves on the IFIAR Inspections Working Group, while the IRBA is also a member of the IFIAR Standards Co-ordination Working Group.

In the past year, we assisted the Pan-African Federation of Accountants' (PAFA) Technical and Standard Setters Forum's Steering Committee with the formation of the forum's structures and processes.

The IRBA recently hosted the IAESB CAG and Board meetings in Johannesburg. Among others, the IAESB meeting focused on:

- The IAESB IESs Maintenance Review Project;
- Learning Outcomes Guidance;

- Professional Scepticism; and
- Continuing Professional Development.

The IRBA and the IAESB also jointly hosted the first Accounting Education Forum, where developing and maintaining competence in a rapidly changing environment and partnering for sustainability in the profession were discussed.

Stakeholder Engagement

In 2012, the Board approved the IRBA's branding strategy. Part of that strategy was a robust stakeholder engagement and communication plan, which we implemented to raise awareness and educate the public on the role of the IRBA as an audit regulator and protector of the public.

The IRBA regards ongoing engagement with stakeholders as a crucial ingredient in building collaborative and constructive relationships that can benefit all stakeholders.

Having achieved the number one position for the strength of auditing and reporting standards for the sixth year in a row, the IRBA will continue to serve on international structures and influence standards and regulation while responding to the needs of local stakeholders.

Strengthening Auditor Independence

The independence of auditors and regulators has become a focal point for governments and oversight structures globally. Investors and the public are also demanding more information and transparency and have become more aware of their rights that need to be protected. These developments have led international role players to implement more robust measures which will enhance the independence of auditors as well as audit regulators. The IRBA must therefore determine the measures that need to be introduced to further strengthen the independence of auditors, as appropriate for the South African environment, as well as strengthen its own independence, if it is to be regarded as a credible regulator. In this regard, the IRBA has conducted research and has also been engaged in a consultation process with various stakeholders, including auditors, investors and other regulators, on possible measures to strengthen auditor independence in South Africa.

The Board took a decision at the July 2016 meeting on the most appropriate solution for the South African environment.

Audit Quality

The IRBA recognises that, although audit quality remains the primary responsibility of auditors, other stakeholders, such as audit committees and audit regulators, also have a role to play.

In December 2015, the IRBA issued its *Public Inspections Report: Striving for Consistent, Sustainable High Audit Quality*. The report provides an analysis of key findings arising from firm and engagement inspections performed by the

IRBA Inspections Department and also includes other relevant information such as the scope of the IRBA inspections.

Therefore, in response to the number of findings on inspections, we introduced a process of remedial action, which requires audit firms to prepare root cause analyses to address the findings and avoid re-occurrence. We believe that this process will contribute to audit quality and simultaneously enhance investor protection, which is a shared objective of the regulator and the profession.

Audit Development Programme

The Audit Development Programme (ADP) is a specialisation programme undertaken by professional accountants who want to become registered auditors (RAs). Following the introduction of the ADP into legislation, the first registered candidate auditors (RCAs) registered with the IRBA in August 2015.

The ADP ensures that all prospective RAs have obtained managerial and other relevant experience before registering with the IRBA. In this way the ADP strengthens the IRBA's public protection mandate. This mandate is further strengthened by the Education and Transformation Department's ADP monitoring activities, which assist firms in the strengthening of their quality structures. The ADP's assessment is through the submission of a portfolio of evidence, which assists in developing the RCAs' non-technical competencies that have become even more important in our complex business environment.

Since the introduction of the ADP, the IRBA has worked closely with other countries and has shared the programme's policies and procedural documentation with those countries that have expressed an interest in our programme.

Human Resources, Financial Matters and Performance

Matters relating to human resources are set out in the section on Human Resource Management and financial matters are covered in the Report of the Accounting Authority and the Financial Statements. The performance of the IRBA against its predetermined objectives is included under Part B of the Annual Report.

Below are explanations for some of the changes in the Significant Features Summary.

We are pleased that, despite the expectation that there would be a decline in the number of registered auditors, there has actually been an increase, albeit by a small number.

Although the number of registrations for trainee accountants is less than the previous year, it is consistent with prior years, with last year's spike being due to training contracts being recognised as prepayments in the 2014 Financial Statements.

These prepayments arose due to SAICA systems for registering training contracts having been commissioned for upgrade, and the IRBA invoicing audit firms directly.

The decrease in the number of new registrations for the period is due to the introduction of the ADP.

The number of inspections fell mainly due to an increased focus on the quality and depth of inspections of larger and more complex public interest engagements which required more resources and time. Our focus was more on quality than the quantity of inspections, and the number of inspections performed is in line with those of other reputable international audit regulators. The year 2016 marked the first year of the sixth inspection cycle, which also marked the implementation of more robust inspection procedures, including financial reporting inspections, internal quality control processes and remedial action initiatives.

The deficit is mainly due to the 13% reduction in the government grant and would have been more had we not implemented the cost-saving measures introduced by National Treasury. As the reduction in government grants will continue in the next two years, the Board needed to consider alternative sources of finance to enable it to continue to deliver on its mandate, and this included an increase in registration fees.

Appreciation

I take the opportunity to thank the management team, the staff of the IRBA as well as the statutory committees for the support and commitment on which we inevitably rely in driving the IRBA's strategy towards achieving our objectives. In particular, I extend my heartfelt gratitude to Laine Katzin, Director Education and Transformation, who resigned with effect from 31 March 2016 to pursue other professional interests. Laine was instrumental in developing the ADP and influencing international developments as the South African representative on the IAESB, among others. I wish her all the best with her new venture.

Finally, I'd like to extend my sincere gratitude to the Board members for their unfailing commitment and dedication to support and promote the objectives of the IRBA. I trust that they will continue to support and drive the strategy to further the goals of the IRBA.



Bernard Peter Agulhas

Chief Executive Officer

Organisational Structure

The organisation operates through an Executive and a total staff complement of 73 employees. The Executive reports to the Board, the members of which are appointed by the Minister of Finance.

MEMBERS OF THE BOARD



Ms Rene Kenosi, CA (SA)
Chairman



Mr Abel Dlamini, CA (SA)
Deputy Chairman



Prof Alex van der Watt,
CA (SA), DAC Chairman



Mr Thiru Pillay, CA (SA), RA
ARMCO Chairman



Ms Phumzo Noxaka,
CA (SA), OPSCOM Chairman



Ms Amanda Mazibuko,
CIA (SA)



Advocate Lise Keech

Absent: Mr Zola Fihlani, CA (SA)

Executive



Bernard Peter Agulhas, CA (SA)

Chief Executive Officer

Appointed June 2003



Jillian Bailey, CA (SA), RA

Director: Investigations

Appointed November 2015



Willemina de Jager, CA (SA), FCMA

Director: Operations

Appointed May 2009



Laine Katzin, M.Ed Educational Psychology

Director: Education and Transformation

Appointed August 2009

Resigned 31 March 2016



Imre Nagy, CA (SA), RA

Director: Inspections

Appointed February 2013



Jane O'Connor, BA, LLB

Director: Legal

Appointed June 1986



Imran Vanker, CA (SA), RA

Director: Standards

Appointed May 2014

PART B

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

for the year ended 31 March 2016



PROGRAMME 1

STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS

STRATEGIC OBJECTIVE	Developing and maintaining auditing and ethics standards that are internationally comparable				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Standards and Guidance issued.	Issued auditing pronouncements, auditor reports and comment letters.	High-quality audits.	Target dates for issuing audit pronouncements, illustrative audit reports and comment letters as per the CFAS project timetable adjusted on a quarterly basis.	85%	Achieved: 100% 11 out of 11 project documents planned were completed.
To adopt and/or develop and issue additional guidance on ethical issues based on the IRBA Code of Professional Conduct.	Issued additional guidance on ethical issues, comment letters and Code amendments.	To provide auditors with a Code consistent with International Codes that enables the IRBA to take disciplinary action where necessary.	Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments as per the CFAE project timetable adjusted on a quarterly basis.	85%	Achieved: 100% 5 out of 5 project documents planned were completed.

Note: The CFAS and the CFAE deliver on projects according to Work Plans that are updated for progress and approved at each meeting of the committees. This is necessary as standard-setting projects necessarily extend over more than one reporting period and it is therefore not always possible to complete particular projects within a specific period. Projects are also influenced by a variety of external factors, such as unexpected delays caused by stakeholders and comments on exposure drafts, which could take considerable time to address. Therefore, although the targets appear static, these consist of different projects that are at different stages of progress at any point in time.

STRATEGIC FOCUS AREA 2: EDUCATION AND TRANSFORMATION

STRATEGIC OBJECTIVE	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Approved framework and processes.	Processes to manage the development and assessment of professional competence of candidate auditors.	Candidate auditors have satisfied the professional competence criteria required for registration with the IRBA.	Adherence to the Audit Development Programme (ADP) workflow process.	90% adherence to the workflow process.	Refer to Note 1 below.
Monitoring reports.	Monitoring reports of the recognised programmes of accredited professional bodies.	Partnerships with accredited professional bodies to ensure professional accountants are competent.	The IRBA's response to monitoring reports that have been submitted within 60 days after receipt.	100% adherence	Achieved: 100% adherence. All reports submitted within 60 days.

Note 1: The Audit Development Programme (ADP) was redefined to focus on ensuring that the environment is conducive to the development of professional competence. The previous indicator, which was determined before the implementation of the ADP, covered the entire ADP process (registrations, monitoring, inspections and assessments). This indicator therefore focused on all the processes that would ensure competence. However, this meant that the indicator was too detailed and therefore focused on operationalising the ADP. We saw the need to redefine the indicator to still focus on ensuring competence, but focus it more on our strategic goal by looking at the processes from a more combined approach. This approach meant that the focus would be on the ADP monitoring process, which in its nature would encompass all the other processes. Approval was requested from National Treasury (NT) in July 2015 for the abovementioned changes, but NT did not approve the change and advised that we should explain the change and therefore not report against the original objective.

STRATEGIC FOCUS AREA 3: INSPECTIONS

STRATEGIC OBJECTIVE	Monitor registered auditors' compliance with professional standards				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Inspections performed in accordance with the Inspection Plan.	Inspection reports.	Compliance of firms (including their individually registered auditors) with the auditing and ethics standards.	Number of inspections completed in accordance with the Inspection Plan.	90% adherence to the Inspection Plan.	Achieved: 93% of target met. ¹ Target: 239 inspections. Actual: 222 inspections performed.

¹ More inspections were performed than initially budgeted mostly due to unforeseen variances in capacity and following a risk-based approach that makes it difficult to accurately predict the exact number of inspections for the year.

STRATEGIC FOCUS AREA 4: INVESTIGATIONS

STRATEGIC OBJECTIVE	To investigate and take appropriate action against registered auditors in respect of improper conduct				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Completed investigations.	Closed case files.	Public trust in the profession.	% of complaints closed within 18 months of receipt of complaint (excluding matters referred for disciplinary hearings).	80%	Achieved: 92% ¹ 148 of 161 closed within 18 months.

¹ The overachievement is due to 70 matters that were finalised after a case file had been opened but before the matter was tabled at INVESCO. The majority of these matters related to practitioners failing to submit to the IRBA their assurance work declarations. Removing the 70 matters gives an achievement of 86% (78 of 91 matters closed within 18 months). The reason for the overachievement of 6% is because additional staff were contracted to assist with clearing backlog and they achieved more than had been planned.

STRATEGIC FOCUS AREA 5: OPERATIONAL EFFECTIVENESS

STRATEGIC OBJECTIVE	Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Reports from internal and external audit.	Systems, policies and processes that ensure compliance, accountability and sound management of revenue, expenditure, assets and liabilities.	Financial sustainability to deliver on the mandate.	Clean audit report regarding financial statements, compliance and performance information.	100% clean report.	Achieved: 100% Clean audit report was received for the financial year ending 31 March 2015.

PROGRAMME 2

STRATEGIC FOCUS AREA 6: COMPREHENSIVE REGULATOR

STRATEGIC OBJECTIVE	Expansion of the IRBA's offering to be a comprehensive, multi-disciplinary and value-adding regulator				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Identification and regulation of Professional Accountancy Organisations (PAOs) and other relevant professional bodies.	Approval and implementation of the expanded offering.	Expanded legislative mandate enacted and implemented.	Achievement of milestones per the stakeholder and implementation plans.	Approval of the framework/plan.	Achieved: 100% The framework/plan has been approved.

STRATEGIC FOCUS AREA 7: INDEPENDENCE AND AUDIT QUALITY

STRATEGIC OBJECTIVE	Enhanced independence of the IRBA				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
To obtain mandate approval and implement an Independence Plan (Independent Funding Model and Governance Structure).	Independence Plan comprising the approval, law-making and implementation of the Independent Funding Model and the Governance Structure.	A more independent regulator.	Achievement of milestones per the Independence Plan.	Approval of the Independence Plan.	Achieved: 100% The Independence Plan has been approved.

STRATEGIC FOCUS AREA 8: LEADERSHIP IN AFRICA

STRATEGIC OBJECTIVE	Enhance independent audit regulation throughout Sub-Saharan Africa				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
Relationships with relevant African stakeholders.	Stakeholder Plan.	Enhanced governance and reporting in Africa.	Progress against Stakeholder Plan.	Approval of the project plan.	Achieved: 100% The project plan has been approved.

STRATEGIC FOCUS AREA 9: TRANSFORMATION

STRATEGIC OBJECTIVE	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2015/2016	Status for the 12 months ended 31 March 2016
To promote transformation and raise awareness of the audit profession.	Project plan with activities that raise awareness and promote the transformation of the audit profession.	Progress with transformation in the profession.	Delivery against the project plan as approved by the Board.	Approval of the project list.	Achieved: 100% The project list has been approved.

PART C

GOVERNANCE STRUCTURE



GOVERNANCE STRUCTURE

The Board

The Board is the designated accounting authority and it governs the Independent Regulatory Board for Auditors (IRBA) in accordance with the provisions of the Auditing Profession Act, No. 26 of 2005 (the Act), the Public Finance Management Act, 1999 (PFMA) and good corporate governance principles.

The IRBA continues to assess the extent to which it applies the recommendations of the King III Report on Corporate Governance. No material issues were identified to suggest shortcomings in governance. The IRBA will continue to monitor and enhance current practices.

Composition of the Board

Board members are all non-executive members appointed by the Minister of Finance. In terms of the Act, the Minister must appoint not less than six but not more than 10 persons as members of the Board. The current Board was appointed with effect from 15 April 2015 and consists of eight members. The Minister appoints competent persons, who include a registered auditor, to effectively manage and guide the activities of the IRBA based on their knowledge and expertise.

The roles of the Chairman of the Board and the Chief Executive Officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The Chairman of the Board has no executive functions.

Board Meetings

The Board met five times during the year under review.

Board and Subcommittee Meeting Attendance 2015/2016

Board Member	Board	Operations Committee (OPSCOM)	Audit and Risk Management Committee (ARMCO)	IT Steering Committee*** (ITSCOM)	Disciplinary Advisory Committee (DAC)
Total Number of Meetings	5	4	3	1	6
R Kenosi (Chairman)	5	1*	n/a	n/a	n/a
A Dlamini (Vice-Chairman)	5	1*	n/a	n/a	5
Z Fihlani	1	1	n/a	n/a	n/a
L Keech	4	n/a	n/a	n/a	4**
A Mazibuko	4	n/a	2	-	n/a
P Noxaka	5	4	2	1	n/a
T Pillay	3	1*	3	1	n/a
Prof A van der Watt	5	4	n/a	n/a	6

* Additional attendance.

** Resigned on 17 February 2016 from the DAC.

*** ITSCOM was dissolved by the Board at the meeting on 4 November 2015 and incorporated into ARMCO.

During the year under review the Board members were as follows:

Title	Initials	Name	Surname	Qualifications	Designation	Date appointed to the Board	Age	Directorships
Ms	RA	Rene Aloise (Chairman)	Kenosi	B Compt B Compt (Hons)	CA (SA)	01 April 2013	45	Fraudsmiths (Pty) Ltd Per Procura (Pty) Ltd Bridging Concepts (Pty) Ltd Dikago Development CC Rand Water Board CIPC National Consumer Commission Advisory Council – GPW
Mr	A	Abel (Vice-Chairman)	Dlamini	B Com (Acc) B Compt (Hons)	CA (SA)	15 April 2015	50	SekelaXabiso Muggeridge Investments No 55 Cross Border Life Cover SekelaXabiso Financial Services Alpha Conference Centre St Mary's School Waverley Foundation First Republic Technologies Mentor Trading and Investment 123 Vengatrim
Mr	Z	Zola Luxolo	Fihlani	B Com B Com Hons Masters of Commerce Higher Diploma in Tax Law Higher Diploma in International Tax Law	CA (SA)	15 April 2015	44	EVI Capital Partners
Adv	L	Lise	Keech	B Iuris LLB	Advocate	15 April 2015	49	None
Ms	AL	Amanda Lethukuthula	Mazibuko	B Compt B Compt (Hons) MBA	CIA (SA)	15 April 2015	44	None

GOVERNANCE STRUCTURE *(continued)*

Title	Initials	Name	Surname	Qualifications	Designation	Date appointed to the Board	Age	Directorships
Ms	P	Phumzo (Chairman of OPSCOM)	Noxaka	B Admin B Compt B Com Acc (Hons) MBA HDip Computer Auditing NDip Financial Markets & Instruments	CA (SA)	15 April 2015	43	Alatha Consulting 8.8 Concepts City of Tshwane Metro Municipality
Mr	T	Thiru (Chairman of ARMCO)	Pillay	B Compt B Compt (Hons)	CA (SA); CIA (SA); RA	15 April 2015	46	None
Prof	A	Alex (Chairman of DAC)	van der Watt	B Com B Com Hons M Com	CA (SA)	01 April 2013	47	Accounting Professional Training (Pty) Ltd Accounting Education (Pty) Ltd Thuthuka Education Upliftment Fund (Pty) Ltd

Mr Michael Sass, ministerial representative, resigned from National Treasury on 30 September 2015.

Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information that is included in the annual report. It is ultimately responsible for ensuring that adequate accounting records and effective systems of internal control are maintained. To enable the Board to meet its responsibilities, it employs adequately trained and skilled personnel to implement and maintain the accounting records and systems of control in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the Auditing Profession Act, No. 26 of 2005.

The Board is assisted by the following committees in the execution of its duties:

Audit and Risk Management Committee

The objective of the committee is to assist the Board with the responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee operates in accordance with terms of reference authorised by the Board, and these are reviewed annually. The auditors have unrestricted access to the committee members. The committee is also responsible for overseeing risk management. It ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee met three times during the period to review matters arising from internal risk analysis, the external audit plan and the budget, matters arising from the completed audit and for the fair presentation of the financial statements presented to the Board.

The IT Steering Committee, which met once during the period, was dissolved by the Board at its 4 November 2015 meeting. The role of the committee, which was to assist the Board with IT governance, was returned to ARMCO.

Disciplinary Advisory Committee

In terms of the Auditing Profession Act (No. 26 of 2005), the Investigating Committee (INVESCO) investigates all complaints and then recommends to the Board whether to charge a practitioner with improper conduct.

INVESCO meets every six weeks, but the Board does not meet frequently enough to consider recommendations from the committee after each of its meetings. Therefore, the Board has delegated this function to the Disciplinary Advisory Committee (DAC). This committee consists exclusively of Board members. The DAC functions independently from INVESCO and the Disciplinary Committee, and reports to the Board.

The DAC meets approximately three weeks after each INVESCO meeting and considers all matters in which INVESCO has made a recommendation upon the finalisation of its investigations.

Matters finalised

During the 12 months under review, the DAC met six times (2015: 7) and finalised 91 matters (2015: 78).

Decisions not to charge

- 17 matters in terms of Disciplinary Rule 3.5.1.1 – the respondents were not guilty of improper conduct.
- Two matters in terms of Disciplinary Rule 3.5.1.2 – there were reasonable explanations for the respondent's conduct.
- Four matters in terms of Disciplinary Rule 3.5.1.3 – the conduct of which respondents may be guilty was of a negligible nature or consequence.
- Nine matters in terms of Disciplinary Rule 3.5.1.4 – there were no reasonable prospects of succeeding with charges of improper conduct against the respondents.
- Six matters in terms of Disciplinary Rule 3.5.1.5 – in all the circumstances it was not appropriate to charge the respondents with improper conduct.

Decisions to charge and matters finalised by consent order

- 45 matters were finalised by consent orders, and the respondents were fined.

Decisions to charge and matters referred for a disciplinary hearing

- Eight matters were referred to the Disciplinary Committee for a full hearing.

Operations Committee

The objective of the committee is to assist the Board with human resources, including the annual review of the performance and remuneration of the CEO, regularly assessing staff benefits and trends as well as reviewing changes to the personnel policies of the Board. The committee also assists with nominations for all appointments to IRBA committees by making recommendations to the Board. The committee is further tasked to consider reports from the directors on operational and functional issues.

The committee operates in accordance with terms of reference authorised by the Board, and these are reviewed annually.

The committee met four times during the financial year to consider and recommend to the Board matters arising from human resources, nominations of members to other IRBA committees and operational issues.

GOVERNANCE STRUCTURE *(continued)*

Internal Auditors

The IRBA appointed Business Innovation Group as a service provider for internal audit in 2012/2013. The Audit and Risk Management Committee (ARMCO) approved a three-year rolling internal audit plan. Internal audit performed its activities as per the plan and tabled progress reports at ARMCO meetings. ARMCO approved the early termination of the contract with Business Innovation Group at its 22 July 2015 meeting. Ubuntu Business Advisory and Consulting was subsequently appointed to complete the internal audit plan for the 2015/2016 financial year.

Significant risks identified by the internal auditors are monitored on a continuous basis.

External Auditors

The external auditors provide an independent assessment of the IRBA's systems of internal financial control and express an independent opinion on its financial statements. The external auditors' plan is reviewed by ARMCO to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit. The Auditor-General South Africa is the auditor of the IRBA.

Strategic Plan and Budget

The IRBA management prepares the business plan, strategic plan and budget for Board consideration and approval. The strategic plan and budget are duly submitted to National Treasury for consideration and approval. Quarterly reports, including the management accounts, performance information and the PFMA compliance checklist, are submitted to National Treasury as per the requirements of the PFMA and Treasury Regulations.

Social Responsibility

Thembalami Care Centre

Thembalami Care Centre has been the recipient of the IRBA CSR donations for seven years. The care centre looks after frail pensioners of limited means, primarily those receiving a social grant from government. Last year, the care centre extended its reach to 20 grandmothers from Alexander Township as part of its outreach programme. The IRBA provided reading material to the centre as well as Christmas food hampers to the grandmothers through the outreach programme.

Santa Shoebox Project

The Santa Shoebox Project is a community initiative of the Kidz2kidz Trust, which coordinates the donation, collection and distribution of personalised gifts at Christmas for underprivileged children across South Africa and Namibia.

The IRBA, through its staff members, participated in the Santa Shoebox Project donations drive for the third consecutive year and donated 18 Santa shoeboxes. The IRBA would also like to acknowledge the soccer gear donations from Mpumalanga Black Aces as part of the Santa Shoebox Project.

Flaming Burning Bush Ministries

Flaming Burning Bush Ministries (FBBM) is a faith-based organisation serving the community of Mandela Square in Kiptown, Soweto. The organisation provides a safe and secure environment where children are looked after and given refreshments while their parents are out looking for employment.

The IRBA donated a gas stove with a cylinder, children's clothes and toys. Through the items donated by the IRBA, FBBM now provides a soup kitchen for the children and the community, and it was also able to provide clothes and toys for more than 10 children.

Corporate Governance Environment in Relation to the King III Report on Corporate Governance

Governance Area	Current Status
Accounting authority and directors	The Board is the accounting authority and is appointed by the Minister of Finance. The Board Charter and Code of Conduct were approved by the Board in 2013 and are reviewed annually.
Performance assessment	Performance evaluation of the Board and its subcommittees for the financial year ended March 2016 was completed.
Board Secretary	A Board Secretary was appointed in November 2014 and is fully operational in handling the governance and compliance of the IRBA.
Board committees	Full compliance for the reporting period.
Remuneration of Board members and senior executives	Full compliance for the reporting period.
Audit committee	The Audit and Risk Management Committee's Terms of Reference were reviewed and approved by the Board in February 2016.
Risk	The risk evaluation and monitoring are done by management and reviewed by the Board. The revised Risk Management Policy Framework was approved by the Board in November 2015.
IT governance	The Information and Communication Technology (ICT) strategy was approved by the Board in February 2016.
Compliance with laws, rules, codes and standards	<p>The principal laws to comply with are the Auditing Profession Act and the PFMA, and there was full compliance during the reporting period. Compliance monitoring is handled by the Board Secretary, who also acts as the Compliance Officer.</p> <p>Reports on compliance with the PFMA are issued quarterly to National Treasury, following approval by the Board.</p>
Internal audit	The internal audit function is outsourced. Internal audit follows a risk-based approach and reports back to the Audit and Risk Management Committee on a quarterly basis.
Governing stakeholder relationships	A Stakeholder Management Plan was approved by the Board in July 2015 and the IRBA is satisfied that important milestones were reached during the year under review.
Integrated reporting and disclosure	The 2015 Integrated Report was prepared in accordance with the International Integrated Reporting Council's International <IR> Framework. This was the IRBA's third Intergrated Report.

PART D

HUMAN RESOURCE MANAGEMENT



HUMAN RESOURCE MANAGEMENT

The Value of Human Capital

The IRBA is a service entity and as such its most valuable asset is its staff. The staff complement, excluding contract workers, was 74 as at 31 March 2016. At year-end, 10 positions were vacant due to staff turnover and scarcity of skills. The total staff expenditure was R60 million (2015: R52 million), which represents 63% (2015: 57%) of the IRBA's total expenses.

Overview of HR Practices

The IRBA ensures that it complies with employment legislation, i.e. the Labour Relations Act (Act 66 of 1995); the Basic Conditions of Employment Act (Act 75 of 1997); the Employment Equity Act (Act 55 of 1998); the Skills Development Act (Act 97 of 1998); the Occupational Health and Safety Act (Act 181 of 1993); and various human resources (HR) codes of best practice. To ensure ongoing communication with staff members, the Chief Executive Officer and/or senior management hold monthly staff meetings to provide feedback on relevant matters.

The IRBA has a manual of human resource policies and practices that is reviewed regularly. During the year under review the following policies were updated and approved by the Board:

- Code of Conduct;
- Financial Assistance to Employees;
- Grievance;
- Incapacity;
- Leave;
- Recruitment & Selection; and
- Sexual Harassment.

Employee Reward and Performance Management Framework

The IRBA recognises that reward is a business issue and not just a human resources issue, as it has a direct impact on operational expenditure, culture, employee behaviour and ultimately the sustainability of the organisation. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers.

The objectives of the IRBA's reward programme are to assist it to:

- Compete for talent in an increasingly competitive labour market.
- Retain competent employees who enhance business performance.
- Motivate individual and team performance that drive stakeholder value for the IRBA.
- Achieve most effective returns (employee productivity) for total employee cost.
- Ensure sufficient equity levels.

To achieve these objectives, the IRBA rewards employees in a way that reflects the dynamics of the market and the context in which it operates. All components of the reward strategy, including the fixed pay portion, variable pay, performance management, learning and personal growth and the work environment, are aligned to the strategic direction and specific value drivers of the IRBA. The reward strategy is fully integrated into other management processes.

The performance measurement of staff is extended to include the behavioural competencies of the staff by including a 360 degree evaluation of behaviours. All employees took part in the development of the evaluation technique, which was successfully implemented.

HUMAN RESOURCE MANAGEMENT *(continued)*

Human Resource Oversight Statistics

Staff Complement

The workforce (excluding contract staff) over the past five years as at 31 March was as follows:

	2016	%	2015	%	2014	%	2013	%	2012	%
Black Female	24	33	25	36	26	37	27	42	25	39
White Female	20	27	18	26	19	27	19	29	20	31
Black Male	18	24	15	21	15	21	12	18	11	17
White Male	12	16	11	17	11	15	7	11	8	13
TOTAL STAFF	74	100	69	100	71	100	65	100	64	100

Personnel Cost of Permanent Staff

Total staff expenses consist of the following:

	R'000 2015/2016	R'000 2014/2015
Cost to employer	54 306	48 067
Overtime and relief staff	1 551	625
Consultants	384	1 338
Staff training and seminars	512	555
Incentives	3 451	2 888
TOTAL PERSONNEL COSTS	60 204	52 204
Total operating expense for the IRBA	95 630	91 241
Personnel expenditure as % of total expenditure	63%	57%
Number of employees	74	69

Training Costs

R '000

	2015/2016			2014/2015		
	Training Costs	Bursary Costs	Total Training Costs	Training Costs	Bursary Costs	Total Training Costs
Management	38		38	70		70
Professionally qualified	379	20	399	273		273
Skilled	65	103	168	174	120	294
Semi-skilled	12	35	47	6		6
Unskilled	17		17	13		13
TOTAL	512	158	670	538	120	657

The IRBA gave financial assistance to seven employees studying at university during the year.

Employment and Vacancies

	31 March 2016		31 March 2015	
	No. of Employees	Vacancies	No. of Employees	Vacancies
Top management	1		1	
Senior management	6		5	
Professionally qualified	33	5	30	7
Skilled	11		9	1
Semi-skilled	18	4	18	
Unskilled	5	1	6	
TOTAL	74	10	69	8

Due to the scarce skills in the market for senior management positions and professionally qualified individuals, the recruitment process for each of these positions usually takes some time. Every effort is made to advertise and conduct interviews for these positions as soon as a vacancy is identified. Due to the more competitive salaries being offered by other employers, it is difficult to find suitable employment equity candidates for these positions.

Two positions were kept on hold and not filled. The need for these positions will be re-evaluated before recruitment starts.

Employment Changes

The changes in employment over the financial year were as follows:

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top management	1			1
Senior management	5	1		6
Professionally qualified	30	7	4	33
Skilled	9	2		11
Semi-skilled	18	2	2	18
Unskilled	6		1	5
TOTAL	69	12	7	74

The majority of changes in recruitment occurred at the professionally qualified level. Most of the candidates that resigned at this level were CAs (SA) and employment equity candidates. These employees represent scarce skills within the financial field and are paid higher salaries and premiums by other employers. The IRBA is not in a position to compete with these salary expectations or the benefits paid to these candidates by other employers.

HUMAN RESOURCE MANAGEMENT *(continued)*

Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Resignation	6	86%
Retirement	1	14%
TOTAL	7	100%

One employee (support staff) turned 65 during the period and retired in September 2015.

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Written warning	0
Final written warning	3
Dismissal	0

Equity Target and Employment Equity Status

TARGET 2016

TOTAL	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
92	36	56	40	7	9	36	-	2
100%	39%	61%	43%	8%	10%	39%	-	2%

ACTUAL 2016

TOTAL	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
74	30	44	28	4	9	32	1	2
100%	40%	60%	38%	5%	12%	43%	1%	2%

The IRBA made every effort to achieve its employment equity targets for the period. This is addressed by incorporating the premium approach into the Recruitment and Selection Policy. This method is being used in pursuance of establishing an equitable staff composition for the IRBA.

The Employment Equity Forum, consisting of eight staff members representing all areas of employment equity, is also making every effort to become more involved in the recruitment process to ensure compliance with the policy and to ensure fairness and transparency throughout all recruitment drives within the organisation.

The Employment Equity Plan was revised, updated and approved by the Board for the next five years.

PART E

FEEDBACK FROM STATUTORY COMMITTEES



Education and Transformation Committee



Prof Amanda Dempsey

Members	Number of Meetings Attended	Membership Status
Prof A Dempsey	4 of 4	Chairman - Rotated off on 25 February 2016
Ms MY Ismail	4 of 4	Deputy Chairman - Rotated off on 25 February 2016
Prof A van der Watt	3 of 3	Rotated off on 19 November 2015
Mr E Belstead	3 of 3	Rotated off on 19 November 2015
Ms M Olivier	3 of 4	SAICA Observer
Mr B Hlongwe	2 of 4	Member
Mr S Sono	0 of 3	Resigned
Ms S Mokoena	3 of 4	Member
Ms T Ramawtar	3 of 4	Member
Ms B Jackson	4 of 4	Member
Mr B Nyembe	4 of 4	Member
Mr V Pangwa	2 of 4	Member
Ms R Malahleha	1 of 1	Appointed 1 April 2016
Prof K Barac	1 of 1	Appointed 25 February 2016
Ms P Mvulane	0 of 1	Appointed 1 April 2016
Mr S Marota	1 of 1	Appointed 1 April 2016

It gives me great pleasure to report on the Education and Transformation Committee's (EDCOM) current and strategic activities for the 2015/2016 financial year.

The Audit Development Programme (ADP)

The ADP is a specialisation programme undertaken by professional accountants who want to become registered auditors (RAs). It provides a context wherein the consolidated capabilities developed in the training programme can be refined in a more complex learning environment, and in performing roles more senior to those undertaken in the training programme.

The ADP became effective in 2015. All aspirant RAs who qualify as professional accountants through a professional body accredited by the IRBA, and wish to become RAs, must undertake the ADP in order to obtain eligibility to register as RAs. The South African Institute of Chartered Accountants (SAICA) is currently the only professional body accredited by the IRBA. The ADP is premised on the fact that professional competence is best developed and assessed on the job. Registered candidate auditors (RCAs) will therefore be required to demonstrate professional competence on the job and develop a portfolio of evidence that supports their application to become RAs.

The IRBA is confident that the ADP will provide further public protection and instil confidence in the markets to attract foreign investment. As at 31 March 2016, 13 candidates had registered for the ADP and the number had subsequently increased to 56 at the time of publishing this report.

The ADP also provides the IRBA with an opportunity to work with the firms in the development of their quality structures for the ADP; this is done through the IRBA's ADP monitoring processes. To date 10 training offices have been monitored. Some of these training offices have already developed action plans based on the IRBA's monitoring reports.

Transformation of the Profession

Transformation of the profession remains at the forefront of the IRBA's agenda. The Board has, in this regard, approved a Transformation Project Plan. The project plan works off the following three-pronged approach:

- Trainee level: Projects at this level are aimed at raising awareness of the ADP and thereafter retaining the trainees in the auditing profession.
- Student level: Projects at this level are aimed at recruiting students into the audit profession through:
 - Promoting auditing as an exciting profession, and influencing students to choose the audit elective for their training programme;
 - Raising awareness of the ADP programme; and
 - Raising awareness of the RA designation.
- Learner level: Projects at the learner level are aimed at raising awareness of the audit profession. The IRBA sees the promotion of pure mathematics as an important aspect of this level.

The IRBA also gets involved with the universities and firms in the following ways:

- Through auditing educators' workshops.
- Through engagement with the firms. The IRBA is constantly in contact and in consultation with professionals regarding changes taking place in the profession.

The IRBA has also conducted research into reasons why trainees remain in or leave the audit profession.

I am also pleased to announce that during this year the IRBA hosted its 2nd Annual Auditing Teaching, Learning and Training Workshop, where various models of teaching, learning and training of auditors and transformation initiatives were discussed and shared. The workshop was attended by educators and training officers. The main themes of the workshop were:

- Public protection through competence.
- A collaborative approach to training.

Monitoring of Recognised Programmes

Central to achieving the objectives of the IRBA is the monitoring of the institutional and programme requirements to be complied with by accredited professional bodies. Every professional body that is accredited by the IRBA will be subjected to an annual monitoring process by the regulator. The Institutional Requirements and the following recognised programmes were monitored during the period under review:

- The Academic Programme;
- The Core Assessment Programme; and
- The Professional Development Programme.

SAICA, currently the only accredited professional body, submitted its self-evaluation and regular formal reports for the Academic, Core Assessment, Professional Development Programmes and Institutional Requirements. EDCOM concluded that SAICA's programmes were of an appropriate standard and the IRBA will continue to accredit SAICA and its programmes.

Continuing Professional Development

In terms of the Continuing Professional Development (CPD) policy, all RAs are required to undertake a minimum of 90 verifiable hours of CPD, which include nine hours of compulsory ethics in a three-year rolling period.

RAs are also required to sign a declaration with their annual renewal documentation indicating that they have complied with the minimum requirements of the CPD policy, and that they will retain the relevant supporting documentation for a period of five years.

In the period under review, the IRBA selected a random

sample of RAs and reviewed their CPD records. The IRBA is in the process of finalising this CPD monitoring process.

CPD is an important aspect of being a professional and the IRBA recognises, and is proud to report, that the majority of RAs completed their CPD and endeavour to remain competent for the work that they undertake.

Proficiency Interviews

The IRBA has, as one of its mandates, the responsibility to ensure that all RAs are competent at entry to the profession and remain so throughout their professional lives.

The IRBA also has the responsibility to ensure that all applicants who wish to enter the profession after an "extended absence" from the audit and assurance environment are competent.

An "extended absence" from audit and assurance is defined as the following:

- More than three years since an applicant (whichever is the latter):
 - Was registered with the IRBA (assurance¹);
 - Successfully completed the ADP;
 - Completed a training contract in public practice; or
 - Worked in an audit and assurance environment.

During the period under review the IRBA conducted 24 proficiency interviews. Of the 24 interviews, seven candidates had developed their quality manuals and submitted the required documentation and have since been registered. The other 17 were given an opportunity to update their CPD, develop practice plans and quality manuals. The proficiency interviews are developmental in nature and the IRBA seeks to assist potential RAs in carefully considering their practices and the risks associated with public practice.

Participation on the International Accounting Education Standards Board (IAESB)

As the chairman of EDCOM, I am also a member of the Consultative Advisory Group (CAG) of the IAESB. During the year under review I participated in three CAG meetings. The CAG is an oversight body for the IAESB and it offers direction and advice for the Board's consideration.

The Director: Education and Transformation and the Senior Professional Manager Education and Transformation serve on the IAESB as a member and technical advisor respectively.

It is with great pleasure to report that the IRBA hosted the CAG and the IAESB's April 2016 meetings, which were held in Johannesburg from 11-15 April 2016.

The IAESB meeting focused on, among others, the following:

¹ This rule will also apply to non-assurance members who wish to change their status to assurance.

- The IAESB IESs Maintenance Review Project;
- Learning Outcomes Guidance;
- The IAESB Strategy and Priorities;
- Professional Scepticism; and
- IES 7: Continuing Professional Development.

During the aforementioned meeting, the IRBA and the IAESB jointly hosted an Accounting Education Forum where the following were discussed:

- Developing and Maintaining Competence in a Rapidly Changing Environment; and
- Partnering for Sustainability in the Profession.

Appreciation

My sincere gratitude is extended to the committee members for their valuable contributions and support in delivering on EDCOM's mandate. Without the commitment of all members, our achievements this year would not have been possible. I wish the committee members all the success in delivering on the mandate of EDCOM in future.

I also take the opportunity to report that Ms Laine Katzin, Director: Education and Transformation, resigned with effect from 31 March 2016 to pursue other opportunities. I would like to thank Ms Katzin for her support and contribution to the IRBA and the profession, locally and globally, and wish her only the best in her new venture.

I also wish to thank the staff of the Education and Transformation Department for their commitment and support in delivering on the mandate of EDCOM.

Prof A Dempsey

Chairman

Committee for Auditing Standards



M Engelbrecht

It gives me great pleasure to present this report on the strategic activities of the Committee for Auditing Standards (CFAS) for the 2015/2016 financial year.

CFAS Due Process

The CFAS continued to be guided in its work by the Auditing Profession Act; the CFAS Strategy for 2015-2019 (the *CFAS Strategy*), issued in December 2015; and the *Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements (Status and Authority)* issued in November 2013.

The *CFAS Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, issued in November 2013, sets out the due processes followed by the CFAS in its standard-setting activities during the year.

The CFAS continues to apply its prioritisation process, using a scoring model to identify the high priority projects that arise from a range of stakeholder requests. This has allowed both the CFAS and the secretariat to get closer to a two-year activity plan, with a balance between tracking and the implementation of international standard-setting initiatives and local priorities, as well as matching these projects to the available time among CFAS members and the secretariat's resources.

CFAS Standing Committees

In order to address demands for auditing pronouncements developed for auditors, the CFAS maintains the following standing committees:

CFAS Steering Committee

The CFAS Steering Committee guides the CFAS agenda and priorities, and considers proposals for new projects.

Regulated Industries and Reports Standing Committee (RIRSC)

The RIRSC maintains liaison with industry regulators and government departments to provide guidance for auditors in implementing international standards on audit, review and other assurance engagements by developing illustrative auditors' reports on financial information and regulatory returns that meet South African jurisdictional requirements while ensuring the consistency of auditors' reports with relevant reporting standards. Auditors' reports included in other auditing pronouncements developed by the CFAS are also subject to review by the RIRSC prior to issue by the IRBA.

Public Sector Standing Committee (PSSC)

The PSSC develops guidance jointly with the Auditor-General South Africa (AGSA) to assist registered auditors with understanding and meeting the additional requirements when performing audits in the public sector. During the year under review, the PSSC paused in its project activities in

Members	Number of Meetings Attended	Membership Status
Mr M Engelbrecht	4 of 4	Chairman
Mr R van Wyk ¹	1 of 4	Member
Mr R Makomva	0 of 4	Member
Ms B Sebesho	0 of 2	Resigned as of November 2015 CFAS meeting
Mr M du Toit	2 of 2	Appointed as of November 2015 CFAS meeting
Prof L de Beer	4 of 4	Member
Ms L du Plessis	4 of 4	Member
Ms C Mbili	4 of 4	Member
Mr M Bourne	4 of 4	Member
Mr M Maphiwa	2 of 4	Member
Ms R Fourie	4 of 4	Member
Ms Y Lange ²	3 of 4	Member
Prof H Wainer	2 of 4	Member
Mr S Badat ³	2 of 4	Member

¹ Mr N Maree attended two meetings on behalf of Mr R van Wyk, as his alternate. Ms Z Mshengu attended one meeting on behalf of Mr R van Wyk, as his alternate.

² Ms Y Lange was on maternity leave at the time of the March 2016 meeting.

³ Ms S Petzer attended two meetings on behalf of Mr S Badat, as his alternate.

order to provide a platform for the AGSA regarding the new AGSA audit methodology. This decision was taken in order to accommodate the significant changes in audit methodology for public sector audits planned by the AGSA.

Sustainability Standing Committee (SSC)

The SSC develops guidance for auditors performing sustainability assurance engagements to enhance the quality of assurance reporting and undertakes research into evolving demands for assurance on sustainability reports.

Integrated Reporting Standing Committee (<IR>SC)

Corporate reporting in South Africa is undergoing significant change. Integrated reports are being added to statutory financial statements and sustainability reports. For JSE-listed companies, the adoption of integrated reporting is becoming widespread, with the adoption of the framework published by the International Integrated Reporting Council (IIRC) in December 2013. In response to these developments, the IRBA established the terms of reference for a new standing committee to respond to the assurance needs of integrated reporting. As this is a new subject area, the IRBA is in the process of establishing a suitable local work programme, while supporting the activities of the IAASB in this area.

B-BBEE Advisory Committee (BAC)

The BAC develops standards and guidance for Broad-Based Black Economic Empowerment (B-BBEE) approved registered auditors when providing assurance services and issuing B-BBEE verification certificates in compliance with the B-BBEE Act, the Generic B-BBEE Codes of Good Practice and relevant Sector Codes. The BAC did not meet during the 2015/2016 financial year due to significant developments planned in the regulation of the verification industry and developments in the various codes and instruments issued by the DTI. The secretariat has been monitoring developments, meeting with stakeholders and responding to relevant technical queries.

CFAS Strategy

In November 2015 the CFAS approved its strategy for 2015-2019, which guided its work programme during the 2015/2016 financial year. The CFAS strategy focuses the activities of the CFAS, establishes predetermined objectives and prioritises projects that address emerging issues. The CFAS strategy for 2015-2019 is based on the new IRBA strategy (the Four Pillar Strategy), the IAASB's *Strategy for 2015-2019* and its *Work Programme for 2015-2016* as well as the priorities of public protection in South Africa.

The strategy for the past year was to:

- (a) Develop and maintain high-quality local auditing and assurance pronouncements, including the development of local implementation guidance.

- (b) Consider and respond to developments in the IAASB international standards, and consider the adoption of new and revised international standards.
 - (i) Comment on international consultation papers and exposure drafts.
 - (ii) Consider and adopt new and revised IAASB standards issued.
 - (iii) Engage with international stakeholders, for example, the IAASB's NSS as well as the IFIAR and their respective working groups.
- (c) Monitor jurisdictional legislative and regulatory requirements and work with stakeholders and regulators to develop auditing pronouncements that are relevant to jurisdictional needs.
 - (i) Continued engagement with local stakeholders, such as the South African government departments, regulators, audit firms and academics, regarding legislative and regulatory requirements affecting auditors, particularly in respect of audit and assurance reporting needs, as well as influencing legislation and regulation affecting the auditing profession.

International and Regional Liaison

The secretariat is engaged in a programme of liaising with relevant African and international bodies. Significantly, Imran Vanker, Director Standards, has been appointed as an IAASB Board member with effect from 1 January 2016. South Africa and the IRBA are therefore better positioned to provide direct input and direction into the international standard-setting process.

The IRBA is also a member of the International Forum of Independent Audit Regulators' (IFIAR) Standards Co-ordination Working Group (SCWG). The SCWG is responsible for establishing a forum for IFIAR members to share views and concerns about pronouncements from the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants (IESBA).

The IRBA assists the Pan-African Federation of Accountants' (PAFA) Technical and Standard Setters Forum's Steering Committee with the formation of the forum's structures and processes. This provides a useful link to various institutions from countries in Africa, assisting with fulfilling the IRBA's "Leadership in Africa" strategic pillar.

Auditor regulators and standard-setters from other African countries were invited to attend CFAS meetings. This initiative has been well received, with an increase in attendance by observers.

CFAS Projects Identified and Outputs Achieved to Fulfil the Strategy

Project	Outputs
Local Auditing and Assurance Pronouncements and Guidance	
South African Auditing Practice Statement 3 (SAAPS 3)	SAAPS 3 (Revised November 2015), Illustrative Reports, issued for use by registered auditors for the audits of financial statements for the periods ended on or after 15 December 2016 (with early adoption permissible).
International Standards	
Comment on international consultation papers and exposure drafts	
IAASB Exposure Draft (ED), Proposed Changes to ISA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, and ISA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement and Proposed Conforming Amendment to Another ISA	Comment letter submitted to the IAASB in April 2015.
IAASB ED - Proposed Amendments to the ISAs: Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations (NoCLAR)	Comment letter submitted to the IAASB in October 2015.
IAASB ED: ISA 810, Engagements to Report on Summary Financial Statements	Comment letter submitted to the IAASB in November 2015.
Consider and adopt new and revised IAASB standards issued	
Adoption and prescribing of the IAASB 2015 Handbooks	<p>Board Notice 272 included in Government Gazette 38263 of 18 December 2015, 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 (the Act)”.</p> <p>The International Audit and Assurance Standards Board’s Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2015 Edition Volume I, ISBN 978-1-60815-250-6.</p> <p>Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2015 Edition Volume II, ISBN 978-1-60815-250-6.</p> <p>Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2015 Edition Volume III, ISBN 978-1-60815-250-6.</p>
Engage with International Stakeholders	
Refer above.	
Jurisdictional Legislative and Regulatory Requirements	
Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements	Guide issued in November 2015.
Financial Services Board (FSB) – Solvency Asset and Management (SAM) insurance report/s – Quantitative Reporting Templates reports (QRT reports)	Reports issued in August 2015.
Illustrative Sustainability Assurance Report and Engagement Letter – GRI G4	Report and engagement letter issued in August 2015.

Appreciation

I wish to express my appreciation to the members of the CFAS, its standing committees, the various task groups, the auditing firms that support the CFAS with resources and emerging trends and the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAS. My term as the CFAS Chairman has now come to an end. I wish my successor a successful tenure in leading the CFAS in standard-setting.

M Engelbrecht

Chairman

Committee for Auditor Ethics



V Naicker

- Risk identification and emerging issues; and
- Strengthening the membership of the CFAE.

Advocacy of the Code

The IRBA held an Ethics Outreach Session on 7 March 2016. This session allowed for an interactive discussion with participants on proposed amendments to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code).

Activities of the Task Groups

The following CFAE task groups supported the CFAE in researching emerging ethical issues and developing guidance for auditors:

Public Interest Entities Task Group

The Public Interest Entities Task Group reviews global developments affecting enhancements to auditor independence, specifically in respect of the definition of public interest entities. During the year the Public Interest Entities Task Group engaged with relevant regulators to ensure consideration of possible implications of proposed amendments to the Code for those regulated industries. The task group finalised the amendment to the Code relating to the definition of public interest entities in Section 290.26 of the Code to provide further guidance to registered auditors engaged in audits of regulated entities in South Africa. The proposals that will have a wide ranging effect on the definition of public interest entities were adopted by the IRBA Board.

Non-Assurance Services Task Group

The Non-Assurance Services Task Group considered the final amendment made to the IESBA Code and recommended these amendments to the IRBA Board for adoption. The changes in the pronouncement enhance the independence provisions in the IRBA Code.

IESBA and National Standard-Setters Meeting

The IRBA maintains contact with the IESBA by attending its meetings. It also meets annually with other national standard-setters, under the auspices of the IESBA.

Members	Number of Meetings Attended	Membership Status
Mr V Naicker	4 of 4	Chairman
Mr S Davies	4 of 4	Deputy Chairman
Mr S Ball	4 of 4	Member
Mr J Beaumont	2 of 4	Member
Ms L Ratsoma	4 of 4	Member
Mr J Schoeman	2 of 4	Member
Ms E Hamman	2 of 4	Reappointed from 1 April 2015
Mr R Mahabeer	3 of 3	Appointed from 29 July 2015
Ms M Bezuidenhout	3 of 3	Appointed from 29 July 2015
Mr B Mbele	1 of 3	Appointed from 29 July 2015

It gives me great pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2015/2016 financial year.

Code of Professional Conduct and Rules Regarding Improper Conduct (the Code)

The CFAE focused its activities during the year on the implementation of the Code, and on ongoing updates to address emerging needs aligned with maintaining auditor independence.

CFAE Strategy

The CFAE aligned its activities with the Board's Four Pillar Strategy and approved a CFAE Work Plan detailing its objectives for the period 2015-2019. The CFAE four-pillar strategy encompasses:

- Advocating for the implementation of the Code;
- Monitoring international developments and their effect on the South African environment;

Comment Letters Provided on International Pronouncements

Comment letters were submitted during the year on the following:

- The IESBA exposure draft, *Responding to Non-Compliance with Laws and Regulations (NoCLAR)*; and
- The IESBA exposure draft on *Proposed Revisions Pertaining to Safeguards in the Code – Phase 1*.

Appreciation

I wish to express my appreciation to the members of the CFAE and its task groups for their professional contributions, commitment and support, as well as the staff of the IRBA Standards Department, in delivering on the mandate of the CFAE.

V Naicker

Chairman

Inspections Committee



G Joubert

Members	Meetings Attended
Mr G Joubert (Chairman)	4 of 4
Ms S Masuku	3 of 3 (resigned)
Prof M van Staden	2 of 4
Ms L du Plessis	3 of 4
Ms E Nyandoro	3 of 4
Ms A Baijnath	3 of 4

It gives me great pleasure to report on the Inspections Committee's current and strategic activities for the 2015/2016 financial year.

Inspections are performed in terms of Section 47 of the Auditing Profession Act, 2005. One of the objects of the Act is to protect the public by regulating audits performed by registered auditors (RAs). The functions of the IRBA include promoting the integrity of the auditing profession through conducting robust inspections that are performed by qualified professional staff who are employed on a full-time basis. As at 31 March 2016 the Inspections Department had in its employ 16 employees (2015: 18).

There are two types of inspections that are performed, namely, firm level and engagement level inspections. The objective of a firm inspection is to monitor compliance by firms to current standards of quality control, while that of an engagement inspection is to monitor compliance by individual RAs with professional standards in the performance of audits. Inspectors also inspect compliance by firms and RAs to the IRBA Code of Professional Conduct and applicable legislation.

Inspections are performed in three-year inspection cycles and 2016 marked the first year of the sixth inspections cycle. Further improvements were put in place in this cycle as the IRBA continues to implement the recommendations of the *2013 World Bank Report on the Observance of Standards and Codes (ROSC): Accounting and Auditing*. These improvements included the full implementation of a business intelligence function to support the risk-based inspections approach; greater independence of the Inspections Committee from the

profession; improved and more robust inspection procedures that cover robust financial reporting; increased capacity; and quality control processes. Our focus is more on the quality of public interest engagement inspections than the number of inspections performed, and this is aligned with international best practices of other respected regulators.

Findings from inspections are reported quarterly, on an anonymous basis, to the Inspections Committee, which is responsible for determining the final result of an inspection. Final results of inspections are determined in terms of predetermined criteria applicable to the inspection cycle.

The Inspections Committee has the required audit experience and is independent from the audit firms.

The committee's final decision would either be:

- Satisfactory, meaning an inspection only in a subsequent cycle;
- Unsatisfactory, meaning some significant matters still require attention before a satisfactory result can be achieved, and a follow-up inspection will be scheduled; or
- Referral to the Investigating Committee, meaning possible disciplinary action by the IRBA.

This year also marked the first formal implementation of the IRBA Remedial Action Process. This process – whereby RAs are required to submit root cause analyses and action plans, which are then reviewed by the IRBA and discussed with the auditors – has been widely welcomed. Auditors are encouraged continuously to make sustainable high audit quality a priority and to support the IRBA's drive to continue to deliver on its mandate to the best of its ability, not only in pursuit of protecting the public, but also in protecting the integrity and reputation of our profession.

Engagement Inspections

In the current financial year, 237 (2015: 368¹) engagement inspections were reported to the Inspections Committee. Our focus was primarily on larger public interest engagements at the larger firms, with deeper inspections that required additional resources and time to perform. Fifteen percent (15%) [2015: 6%] of unsatisfactory engagement inspections were referred to the IRBA's Investigating Committee. The majority of audit engagements selected on a risk basis showed some form of deficiency during the engagement inspections. Practitioners who identified the root causes and implemented appropriate remedial action plans were found more likely to be satisfactory upon re-inspection. The increase in unsatisfactory engagement inspection results is disconcerting and can be attributed to more instances of fundamental or ongoing non-compliance with the International Standard on Quality Control (ISQC) 1 and International Standards on Auditing (ISA), accounting and

¹ Restated to reflect the number of inspection reports tabled in the financial year

financial reporting standards, the IRBA Code of Professional Conduct or applicable legislation such as Section 90(2) of the Companies Act, 2008. Deficiencies in the documentation of sufficient and appropriate audit evidence remain one of the main reasons for unsatisfactory inspection outcomes.

Firm Inspections

The objective of a firm inspection is to inspect the design and implementation of a firm's quality control system, and this is organised under the following elements: leadership responsibilities; ethical requirements; client acceptance and continuance; human resources; engagement performance; monitoring; and documentation. The scope of these inspections ranges from a full scope, in which all elements are tested, to a limited scope, in which only selected elements are tested, based on the size of the firms and their public interest engagements. In the current financial year, 20 (2015: 37) firm inspections were reported to the Inspections Committee. This year our focus was mainly on the larger firms, which means that lesser inspections were performed due to additional resources and time required. Thirty percent (30%) [2015: 16%] of unsatisfactory firm inspections were referred to the Investigating Committee. The majority of firms showed some or other form of deficiency at their initial firm inspection. Those firms that identified the root causes and implemented appropriate remedial action plans were found more likely to be satisfactory upon re-inspection. The increase in firm level

referrals for investigation is disconcerting and can be attributed to more instances of fundamental or ongoing non-compliance with ISQC 1, ISA, the IRBA Code of Professional Conduct or applicable legislation such as Section 90(2) of the Companies Act, 2008.

Appreciation

I record my appreciation to the Director and his department for performing diligently and consistently throughout the year and for meeting the performance targets, and to the Inspections Committee members for their time and dedication to the inspection process. I also thank the practitioners and firms that were subject to inspections for their co-operation.

G Joubert

Chairman

Investigating Committee



BW Smith

Members	Number of Meetings Attended	Membership Status
Mr BW Smith*	7 of 7	Chairman
Mr H Wadiwala	2 of 3	Resigned 7 August 2015
Ms EH du Plooy*	7 of 7	Member
Mr A de Valence*	7 of 7	Member
Mr D Deysel *	7 of 7	Member
Mr DNH Mostert	5 of 7	Member
Mr U Shäckermann	7 of 7	Member
Prof. B Stobie	7 of 7	Member
Mr M Gani	6 of 7	Member
Mr S Masuku	7 of 7	Member

*Term of office expired on 31 March 2016.

It gives me pleasure to report on the Investigating Committee's activities for the 2015/2016 financial year. The committee comprises registered auditors, chartered accountants and lawyers.

An investigation is initiated either once a complaint is received from an external party or it has been initiated from within the IRBA.

Externally originated complaints are lodged by a member of the public, or are matters referred by a court or other regulator. Internally originated complaints are raised by the IRBA itself, such as those arising out of the inspection process, or matters where investigations are initiated by the IRBA as a result of information that comes to its attention.

Complaints lodged with the IRBA are required (as per the Disciplinary Rules) to be on an affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, this is essential when the information is solely within the knowledge of the complainant. If the information that forms the subject of the investigation is a matter of public

record, it is not necessary for this to be on an affidavit. The Disciplinary Rules also stipulate that the affidavit should set out clearly what is being complained of.

Once a complaint is received and it is verified that the respondent is a registered auditor, the complaint is then perused by the Investigation Department's investigators to ascertain if further information is needed from the complainant, or if specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director: Investigations must decide, in terms of Section 48(1), whether to refer the matter to the Investigating Committee (INVESCO). Most matters will be referred and INVESCO must then investigate the matter in terms of Section 48(3) of the Auditing Profession Act.

Period under Review

With effect from November 2015, the investigations function became a separate department and is no longer part of the Legal Department. This is as a result of the IRBA implementing the recommendation of the *World Bank Report on the Observance of Standards and Codes* to strengthen the investigations function.

During the year under review 192 new investigations (2015: 100) were initiated. This figure represents only matters where a case file is opened, and excludes matters conciliated on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned practitioners across the spectrum, from the smallest to the largest firms, and covered various conduct issues.

Seventy matters (2015: 9) were finalised after a case file had been opened but before the matter was tabled before INVESCO, usually after a resolution with the assistance of the directorate. The majority of these matters related to practitioners failing to submit to the IRBA their assurance work declarations despite reminders having been sent to them.

Investigations Concluded

The committee met on seven occasions during the year under review and 107 matters (2015: 67) were referred to the DAC with recommendations.

Appreciation

I commend the committee members for their dedication and professional input and thank them for their support over the past year and throughout my term of office.

I wish to record my gratitude to the Director Legal and the Director Investigations as well as the staff in their departments. They have done and continue to do a tremendous amount of work in compiling the case files for the committee and we would not be able to operate without their well-documented support.

This is my final report as the INVESCO chairman as my term of office expired on 31 March 2016 together with three of the committee members. I wish the Director Investigations, the new chairman and the incoming members all the best in fulfilling this important function in the regulation of the audit profession.

BW Smith

Chairman

Disciplinary Committee



AC Dodson

During the period under review the committee included the chairman, Adv AC Dodson SC, and two vice-chairmen, Adv IV Maleka SC and Adv B Neukircher SC.

The registered auditors who served on the committee were Messrs H Griffiths, CF Reid and N Russouw. The non-auditor members were two lawyers, Messrs H Goga and LX Pierce; and three chartered accountants, Ms R van Wyk, Mr A Moosa (who replaced Mr LP Fourie) and Mr CR Qally.

The following table reflects the number of sessions attended by these individuals.

Members	Number of Sessions Attended
AC Dodson SC (Chairman)	7
IV Maleka SC (Vice-Chairman)	3 (as chairman)
B Neukircher SC (Vice-Chairman)	0
A Moosa (joined in May 2015)	4
H Goga	9
H Griffiths	10
LX Pierce	6
CR Qally	2
CF Reid	8
N Russouw	8
R van Wyk	4

During the period under review the committee dealt with six matters, all of which were finalised within the year. Three of these cases were part-heard matters from previous periods. These cases appear below.

First Matter

On 20-22 April; 9-10 and 13 November 2015; and 9 March 2016 the committee heard and finalised the matter of Ms FP and Mr PB. At the sanction sitting in March, we were informed that the first practitioner intends launching judicial review proceedings against the findings and sanction of the

Disciplinary Committee. In the circumstance, implementation of the sanction (which includes publication of the matter) has been suspended pending conclusion of the review proceedings, provided that the first practitioner institutes review proceedings within two calendar months from the date of sanction (24 March 2016) and proceeds with the judicial review proceeding expeditiously, including any appeals.

Second Matter

On 26 June 2015 the committee finalised the part-heard matter of Mr LD that began in 2012. In 2014, the committee had found the practitioner guilty on certain counts of negligence and this finding is the subject matter of a current judicial review application instituted by the practitioner. On 26 June 2015, the committee handed down sanction in the matter and this sanction has been joined to the current judicial review proceedings.

Third Matter

On 26, 27 and 28 October 2015 and 14 January 2016 the committee heard and finalised the matter of Mr MD that began in 2014. On 31 March 2016, the IRBA was served with a judicial review application brought by the practitioner against the findings and sanction of the Disciplinary Committee pursuant to the disciplinary hearing. In the circumstances, the implementation of the sanction has been suspended (which includes publication of the matter) pending the conclusion of the current review proceedings.

Fourth Matter – On 23 November 2015 the committee finalised the matter of Mr JD, a part-heard matter that had commenced in 2014.

Charges	Plea	Outcome
Charge One: Negligence (rules 2.1.1, 2.1.2, 2.1.5 and 2.1.20 of the old Disciplinary Rules).	Pleaded guilty	Guilty
Charge Two: Negligence (rules 2.1.1, 2.1.5 and 2.1.20 of the old Disciplinary Rules)	Pleaded guilty	Guilty
Sanction		
In respect of both charges, the practitioner was fined R100 000, of which R40 000 was suspended for three years on condition that the practitioner is not found guilty of improper conduct relating to conduct during the period of suspension.		
The practitioner was ordered to make a contribution of R125 000 towards the IRBA's legal costs and the committee ordered that publication occur in general terms in <i>IRBA News</i> .		

Fifth Matter – On 23-27 November 2015 the committee heard the matter of Mr WP.

Charge	Plea	Outcome
Charge One: Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules)	Pleaded guilty	not Guilty
Charge Two: Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules)	Pleaded guilty	not Not guilty
Charge Three: Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules)	Pleaded guilty	not Not guilty
Charge Four: Negligence (rules 2.1.5 and 2.1.20 of the old Disciplinary Rules)	Pleaded guilty	not Not guilty

The following sanction was handed down on 27 January 2016:

The practitioner was fined R50 000 in respect of the first charge and was ordered to pay a contribution of R100 000 towards the IRBA's costs.

The committee ordered publication of a summary in general terms of the decisions on guilt and sanction without reference to the name of the practitioner or the name of his firm.

Sixth Matter – On 22 March 2016 the committee heard and finalised the matter of Mr MS.

Charge	Plea	Outcome
The Charge: Failure to comply with an order, requirement or request of the IRBA; failure to pay monies due to the IRBA; and bringing the profession into disrepute (rules 2.13, 2.15, 2.17 of the Rules regarding Improper Conduct).	Pleaded guilty	Guilty

Sanction

The Disciplinary Committee ordered the cancellation of the registration of the practitioner as a registered auditor and the removal of his name from the register. The sanction was made subject to the following conditions: first, the practitioner may only apply for re-registration upon payment of the outstanding amount due of R71 550; and second, the cancellation of the registration and removal of the practitioner's name only becomes effective from 2 May 2016.

No order was made as to costs and the committee ordered that a summary of the charge, the fact of the admission of guilt, the sanction and a summary of the reasons for it be published in *IRBA News* with no reference to the name of the practitioner.

Appreciation

On behalf of the committee, I express my gratitude to the Director and her department for the exceptionally efficient and effective manner in which the proceedings of the committee are administered and supported.

At the end of this reporting period we bid farewell to two long-serving members of the committee, Charles Reid and Hussan Goga. I thank them for their outstanding service to the profession and wish them well.

AC Dodson (SC)

Chairman

PART F
FINANCIAL INFORMATION



Report of the Audit and Risk Management Committee (ARMCO)

Statement of Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this annual report. This includes ensuring that adequate accounting records and effective systems of risk management and internal control are maintained. To enable it to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the Auditing Profession Act, 2005.

Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2016.

ARMCO is a subcommittee of the Board and it consists of independent, non-executive Board members. Its overall objective is to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded, assessing the going concern status, reviewing the financial information and overseeing the preparation of the annual financial statements.

The committee also assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies and addresses significant risks impacting on its strategic objectives and associated with the environment within which the IRBA operates.

The committee meets at least three times a year, as per its approved terms of reference. Management, internal auditors and external auditors attend these meetings by invitation. Since this is an advisory committee, it does not perform any management functions nor does it assume any management responsibilities. Its role is that of an independent and objective adviser, and it operates as an overseer, making recommendations to the Board for final approval.

During this reporting year five meetings were held. Meeting attendance appears on page 22.

Committee Responsibility

The committee has complied with its responsibilities as set out in Section 38(1)(a) of the Public Finance Management Act of 1999 (PFMA) and Treasury Regulation 3.1.

It has also operated within the terms of reference of the committee, regulated its affairs in compliance with the terms of reference and discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent.

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are adequately designed and operating effectively. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the external auditors' independent audit report on the annual financial statements and the management report of the Auditor-General South Africa, it was noted that no significant or material noncompliance with prescribed policies and procedures had been reported. Accordingly, we can report that the system of internal control for the period under review was adequate and effective.

The committee is satisfied with the expertise and adequacy of resources within the Operations Department, which is responsible for the finance function of the IRBA. The committee relies on feedback obtained from both external and internal audit to make these assessments.

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance. The Board has delegated certain aspects of its authority that pertain to risk management to the Audit and Risk Management Committee.

The risk management policy will therefore ensure that the IRBA identifies and manages strategic, operational and, where relevant, project risks.

In terms of the risk management policy, a risk plan must be prepared and be linked to the risk register as well as back to the objectives of the IRBA. The Risk Governance Framework is based on the IRBA's maturity profile in terms of risk.

The policy has been prepared in terms of the principles prescribed by the King III Report on Corporate Governance, the PFMA and National Treasury Regulations.

A Risk Management Strategy, incorporating a Fraud Prevention Plan, is in place. Given the dynamic environment within which the IRBA operates, the effectiveness and relevance of these plans are assessed on a regular basis. Risks identified as significant to the IRBA are periodically evaluated and the Risk Management Plan is reviewed accordingly.

The committee is satisfied with the effectiveness of the risk management process.

The committee is also satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of the IRBA during the year under review.

Information and Communication Technology (ICT)

The committee is also responsible for the governance of information technology. The mandate is to ensure proper and appropriate governance of IT within the IRBA through the creation and implementation of a suitable governance framework in line with the principles and practises of corporate governance put forward in the ICT Policy.

The primary objectives of the IRBA's ICT governance framework address the following:

- **Business Value:** Ensuring that ICT assists and enables the achievement of business objectives and meets the business needs of the IRBA.
- **Resource Optimisation:** Providing relevant ICT resources (people, process and technology), organisational structure, capacity and capability to enable ICT service delivery.
- **Risk Management:** Ensuring that ICT risk is managed and that ICT service delivery, performance and conformance to relevant internal and external policies are monitored.
- **Transparency to Stakeholders:** Ensuring that there is transparency to relevant stakeholders regarding ICT performance and plans.

The committee ensures that its procedures and processes are compliant with the recommendations in the King III Report on Corporate Governance.

Evaluation of Financial Statements

The committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report.
- Reviewed the Auditor-General's management report and management's response thereto.
- Reviewed changes in accounting policies and practices, where applicable.
- Reviewed possible significant adjustments resulting from the audit, of which there were none.
- Reviewed the information on predetermined objectives as reported in the annual report.

The committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be

accepted and read together with the report of the Auditor-General.

Internal Audit

The committee is satisfied that the internal audit function is operating effectively and that its internal audit procedures have addressed the risks pertinent to the IRBA.

External Audit

The committee has met with the Auditor-General to ensure that there are no unresolved issues.

Going Concern

The annual financial statements of the IRBA were prepared on a going concern basis and the Board is satisfied that the IRBA is financially sound and has adequate resources to continue operating for the foreseeable future.

Appreciation

I wish to express my appreciation to the members of the committee and to the Director: Operations and the Operations Department for their commitment and support in this financial year.

T Pillay

Chairman

Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Independent Regulatory Board for Auditors (IRBA) set out on pages 54-78, which comprise the Statement of Financial Position as at 31 March 2016, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The Board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the IRBA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected strategic focus areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected strategic focus areas presented in the annual performance report of the IRBA for the year ended 31 March 2016:

- Strategic focus area 1: Auditing and Ethics Standards on page 16.
- Strategic focus area 2: Education and Transformation on page 17.
- Strategic focus area 3: Inspections on page 17.
- Strategic focus area 4: Investigations on page 18.

9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles, and whether the reported performance was consistent with the planned strategic focus areas. I further performed tests to determine whether indicators and targets

were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic focus areas.

Additional matter

12. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic focus areas, I draw attention to the following matter:

Achievement of planned targets

13. Refer to the annual performance report on pages 16-20 for information on the achievement of planned targets for the year.

Compliance with legislation

14. I performed procedures to obtain evidence that the IRBA had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any material instances of non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor general

**Pretoria
29 July 2016**



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Annual Financial Statements

Index

The reports and statements set out below comprise the annual financial statements presented to the Parliament:

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Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is its responsibility to ensure that the annual financial statements fairly present the state of affairs of the IRBA as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and places considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, it sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the IRBA and all employees are required to maintain the highest ethical standards in ensuring the IRBA's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management at the IRBA is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the IRBA endeavours to minimise it

by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, it is satisfied that the IRBA has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 52-53.

The annual financial statements set out on pages 54-79, which have been prepared on the going concern basis, were approved by the accounting authority on 28 July 2016 and were signed on its behalf by:

R Kenosi
Chairman

Report of the Accounting Authority

The accounting authority submits its report for the year ended 31 March 2016.

1. Introduction

The accounting authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the year ended 31 March 2016, to the Minister of Finance, the Executive Authority, in terms of Section 55 (1)(d) of the Public Finance Management Act (Act 1 of 1999) as amended (PFMA).

2. Principle Activities of the IRBA

The IRBA was established in terms of Section 3 of the Auditing Profession Act, (No. 26 of 2005) (the Act), which had an effective date of 1 April 2006. The objectives of the Act as set out in Section 2 are as follows:

- to provide for the establishment of an Independent Regulatory Board for Auditors;
- to protect the public in the Republic by regulating audits performed by Registered Auditors;
- to improve the development and maintenance of internationally comparable ethics standards and auditing standards for auditors that promote investment and as a consequence employment in South Africa;
- to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- to provide for procedures for disciplinary action in respect of improper conduct.

3. Analysis of Financial Statements

3.1 Revenue

The operations of the IRBA are funded by revenue from exchange transactions and non-exchange transactions, including government grants.

Revenue from exchange transactions

Revenue from exchange transactions primarily comprises registration, license, examination and training contract fees. This revenue decreased to R27.3 million from R33.7 million. The reason was that income from training contracts decreased to R6.6 million from R9.5 million as 2 026 less training contracts were registered. Also, as the last PPE exam was written in November 2014, that resulted in less income of R4.7 million, with the same correlating saving in expenses.

Revenue from non-exchange transactions

During the year, the IRBA received government grants amounting to R30.0 million (2015: R34.6 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

Inspection fees charged to firms increased to R25.7 million from R23.4 million primarily due to the normal inflationary increase in fees declared by audit firms. The disciplinary expense contributions and fines increased to R5.1 million from R1.7 million as a result of the type of cases closed during the year, although R2.3 million was impaired at year-end.

An amount of R0.5 million was received from the DTI, compared to the R1.8 million budget, in terms of the memorandum of agreement for the regulation of Registered Auditors that issue B-BBEE certificates.

3.2 Expenses

Operating expenses increased to R95.5 million from R91.3 million, representing an increase of 5%. The main reason was due to the increase in employment costs set off by a number of savings and the reduction of activities as explained below.

- Total employment costs increased by 15.33% due to the creation of an Investigations Department and the strengthening of the Inspections Department as recommended by the World Bank Report on the Observance of Standards and Codes. Salaries increased by an average of 7.48% and a structural adjustment of 0.41% was done on salaries to move towards market-related salaries.

Other movements are:

- The provision for bad debts increased by R2.3 million due to fines and cost recoveries imposed against RAs that might not be recoverable.
- The final written PPE examination was conducted in November 2014, thus no expenses were incurred for it or the Support Programme.

3.3 Assets

The procurement of assets was limited to the replacement of computers and the renovation of the building after the extension of the lease for a further two years. The cost of the renovation was recovered from the landlord. Website development costs incurred amounted to R0.2 million.

A major portion of current assets is comprised of trade receivables. Most of the outstanding balance, excluding those impaired, was collected subsequent to year-end.

The cash balance decreased to R33.2 million from R38.1 million, and R17.4 million of the cash is required to fund the reserves needed to safeguard the IRBA's ability to continue as a going concern.

3.4 Liabilities

Trade and other payables consist of trade payables of R1.6 million, accruals of R1.5 million and an accrual for leave pay of R1.1 million.

3.5 Deficit

The IRBA had a budgeted deficit of R11.4 million, with an actual deficit of R3.2 million (2015: Surplus R7.5 million). The deficit reduction arose mainly from the saving of costs and additional income. Due to the scarcity of suitable candidates, vacancies could not be filled in time, resulting in a saving of R2.0 million against the budget. The registration of more training contracts than budgeted for contributed to the lower deficit for the year. The accumulated surplus, after transfers to the reserves, decreased by R3.0 million to R22.1 million.

3.6 Reserves

Reserves include three funds that were approved by National Treasury - a Trust Fund and two contingency funds for disciplinary cases and operational working capital requirements.

- The Trust Fund was established as prescribed by the Minister of Finance and it consists of R10 million, representing the proceeds on the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets.
- The contingency fund for disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs.
- The contingency fund for operational working capital requirements was established to accumulate funds for short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at approximately three months' operational expenditure.

An Education Fund was established to fund educational and training activities in support of previously disadvantaged persons who want to become Registered Auditors. The Education Fund was depleted by 2015/16 and further related activities will be accounted for in the normal operating activities of the IRBA.

3.7 Budget

The PFMA states the following in Chapter 6: Public Entities, Section 53 (3):

“A public entity which must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.”

The final budget was approved by the Board, with a deficit of R11.4 million. The National Treasury approved that the IRBA can retain its accumulated surplus of R25.1 million as at 31 March 2015 for specific projects. These projects were included in the budget of the next two years. The approved accumulated reserves to be retained were therefore used against the budgeted deficit to achieve breakeven as disclosed in the Statement of Comparisons of Budget and Actual Amounts.

4. Accounting Authority

R Kenosi	(Chairman)
A Dlamini	(Deputy Chairman)
ZL Fihlani	
L Keech	
AL Mazibuko	
NL Noxaka	
T Pillay	
Prof A van der Watt	

5. Ministerial Representative

M Sass (Resigned from the National Treasury in September 2015).

6. Business and Registered Address

Physical address	Building 2 Greenstone Hill Office Park Emerald Boulevard Modderfontein 1609
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Postal address	IRBA P O Box 8237 Greenstone 1616
DOCEX	DX008 Edenvale

7. Bank

Standard Bank of South Africa

8. Auditors

Auditor-General South Africa

Statement of Financial Position

as at 31 March 2016

Figures in Rand	Notes	2016	2015
Assets			
Current Assets			
Inventories		192 483	158 973
Loans receivable	6	258 090	193 730
Receivables from exchange transactions	7	1 650 118	1 636 106
Receivables from non-exchange transactions	8	2 246 627	2 744 504
Cash and cash equivalents	9	33 236 369	38 092 071
		37 583 687	42 825 384
Non-Current Assets			
Plant and equipment	3	3 749 447	3 958 405
Intangible assets	4	2 328 994	2 348 180
		6 078 441	6 306 585
Operating lease asset		70 368	-
Restricted cash	5	10 000 000	10 000 000
		16 148 809	16 306 585
Total Assets		53 732 496	59 131 969
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	4 146 202	6 377 165
Total Liabilities		4 146 202	6 377 165
Reserves		27 443 029	27 575 263
Accumulated surplus		22 143 265	25 179 541
Total Net Assets		49 586 294	52 754 804
Total Net Assets and Liabilities		53 732 496	59 131 969

Statement of Financial Performance

for the year ended 31 March 2016

Figures in Rand	Notes	2016	2015
Revenue	12	88 861 442	95 381 746
Operating expenses		(95 494 271)	(91 258 715)
Operating (deficit)/surplus	13	(6 632 829)	4 123 031
Investment revenue		3 464 319	3 358 978
(Deficit)/surplus for the year		(3 168 510)	7 482 009

Statement of Changes in Net Assets

for the year ended 31 March 2016

Figures in Rand	Trust Fund	Education Fund	Contingency fund - Disciplinary cases	Contingency fund - Operational	Total reserves	Accumulated surplus	Total net assets
Balance at 01 April 2014	10 000 000	1 251 958	10 506 082	5 845 322	27 603 362	20 414 433	48 017 795
Changes in net assets	-	(336 326)	417 617	(109 390)	(28 099)	4 765 108	4 737 009
Surplus for the year	-	-	-	-	-	7 482 009	7 482 009
Transfer from education fund	-	(336 326)	-	-	(336 326)	336 326	-
Transfer to contingency fund: Disciplinary cases	-	-	417 617	-	417 617	(417 617)	-
Transfer from contingency fund: Operational	-	-	-	(109 390)	(109 390)	109 390	-
Accumulated surplus to be surrendered to National Reserve Fund	-	-	-	-	-	(2 745 000)	(2 745 000)
Balance at 01 April 2015	10 000 000	915 632	10 923 699	5 735 932	27 575 263	25 179 541	52 754 804
Changes in net assets	-	(915 632)	132 507	650 891	(132 234)	(3 036 276)	(3 168 510)
Deficit for the year	-	-	-	-	-	(3 168 510)	(3 168 510)
Transfer to contingency fund: Disciplinary cases	-	-	132 507	-	132 507	(132 507)	-
Transfer to contingency fund: Operational	-	-	-	650 891	650 891	(650 891)	-
Transfer from education fund	-	(915 632)	-	-	(915 632)	915 632	-
Balance at 31 March 2016	10 000 000	-	11 056 206	6 386 823	27 443 029	22 143 265	49 586 294

Cash Flow Statement

for the year ended 31 March 2016

Figures in Rand	Notes	2016	2015
Cash flows from operating activities			
Receipts			
Cash receipts from registered auditors and other sources		89 429 954	97 740 060
Interest income		3 464 319	3 358 978
		92 894 273	101 099 038
Payments			
Cash paid to suppliers and employees		(96 152 596)	(96 646 210)
Net cash flows (utilised by)/generated from operating activities	16	(3 258 323)	4 452 828
Cash flows from investing activities			
Purchase of plant and equipment	3	(1 181 763)	(729 701)
Proceeds from sale of plant and equipment		-	20 899
Purchase of other intangible assets	4	(351 256)	(320 984)
Net cash flows utilised by investing activities		(1 533 019)	(1 029 786)
Cash flows from financing activities			
Movement in loans receivable		(64 360)	24 337
Accumulated surplus surrendered to National Reserve Fund	25	-	(2 745 000)
Net cash flows utilised by financing activities		(64 360)	(2 720 663)
Net (decrease)/increase in cash and cash equivalents		(4 855 702)	702 379
Cash and cash equivalents at the beginning of the year		38 092 071	37 389 692
Cash and cash equivalents at the end of the year	9	33 236 369	38 092 071

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2016

Figures in Rand	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance			
Revenue			
Revenue from exchange transactions			
Revenue from regulatory functions	25 581 880	27 267 960	1 686 080
Other income	132 272	229 024	96 752
Interest received	2 772 319	3 464 319	692 000
Total revenue from exchange transactions	28 486 471	30 961 303	2 474 832
Revenue from non-exchange transactions			
Government grant	29 999 000	29 999 000	-
Revenue from regulatory functions	27 611 152	31 365 458	3 754 306
Total revenue from non-exchange transactions	57 610 152	61 364 458	3 754 306
Total revenue	86 096 623	92 325 761	6 229 138
Expenditure			
Personnel	(62 205 053)	(60 204 768)	2 000 285
Depreciation and amortisation	(2 885 418)	(1 730 933)	1 154 485
Lease of building	(4 500 831)	(4 997 340)	(496 509)
Bad debts written off	-	(2 369 863)	(2 369 863)
Committee expenses	(2 401 899)	(2 671 948)	(270 049)
General expenses	(8 630 401)	(8 293 789)	336 612
Direct expenses	(9 426 539)	(9 297 455)	129 084
Departmental expenses	(7 466 616)	(5 928 175)	1 538 441
Total expenditure	(97 516 757)	(95 494 271)	2 022 486
	-	-	-
Actual Deficit on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(11 420 134)	(3 168 510)	8 251 624
Approved accumulated reserves to be retained	11 420 134	3 168 510	(8 251 624)
	-	-	-

Accounting Policies

for the year ended 31 March 2016

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the IRBA will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgements include:

Loans and receivables

The IRBA assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on an individual item basis, based on historical loss ratios.

Impairment testing

The IRBA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared.

Determination of useful lives for plant and equipment

The nature of the IRBA's operations results in difficulties in determining the useful lives of plant and equipment items. The assets' lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the income statement is adjusted.

Effective interest rate

The IRBA uses an appropriate interest rate, taking into account guidance provided in the accounting standards and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

Adequacy of the leave pay provision

The leave pay provision is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year. The provision is only required when staff resign, as unused leave is forfeited six months after the year in which it accrued.

1.3 Plant and equipment

Plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of a plant and equipment item is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the IRBA; and
- The cost of the item can be measured reliably.

Accounting Policies

for the year ended 31 March 2016

Plant and equipment is initially measured at cost.

The cost of a plant and equipment item is the purchase price and other costs attributable to bring the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Recognition of costs in the carrying amount of a plant and equipment item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of plant and equipment items have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 to 15 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3 to 5 years
Leasehold improvements	Straight line	7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in the accounting estimate.

Plant and equipment items are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of a plant and equipment item is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a plant and equipment item is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential attributable to the asset will flow to the IRBA; and

- The cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software and development cost	3 to 5 years

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of the IRBA and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Accounting Policies

for the year ended 31 March 2016

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
 - Receive cash or another financial asset from another entity; or
 - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables, on normal credit terms.

Classification

The IRBA has the following types of financial assets (classes and category) as reflected in the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial assets measured at amortised cost which, due to their short-term nature, closely approximate their fair value.
Receivables from exchange/non-exchange transactions	Financial assets measured at amortised cost which, due to their short-term nature, closely approximate their fair value.
Cash and cash equivalents	Financial assets measured at amortised cost which, due to their short-term nature, closely approximate their fair value.

The entity has the following types of financial liabilities (classes and category) as reflected in the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange/non-exchange transactions	Financial liabilities measured at amortised cost which, due to their short-term nature, closely approximate their fair value.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an

Accounting Policies

for the year ended 31 March 2016

unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- Derecognises the asset; and
- Recognises separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as other income or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs incurred on residual interests is accounted for in accordance with the International Accounting Standard on Income Taxes.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.7 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for services rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- The entity's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Provision for employee entitlement to annual leave represents the present obligation that the IRBA has to pay as a result of employees' services provided up to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

1.8 Revenue from exchange transactions

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from regulatory functions

Revenue from regulatory functions is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by regulatory functions performed to date as a percentage of total regulatory functions to be performed.

1.9 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Government grants

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the IRBA; and
- The amount of the revenue can be measured reliably.

1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

Accounting Policies

for the year ended 31 March 2016

1.11 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) This Act; or
- (b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note No. 4 of 2008/2009, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following:

“Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.”

1.12 Budget information

The statement of comparison of budget and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.13 Related parties

The IRBA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be

related parties.

Management are those persons responsible for planning, directing and controlling the activities of the IRBA, including those charged with the governance of the IRBA in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the IRBA.

Only transactions with related parties not at arm's-length or not in the ordinary course of business are disclosed.

Related party disclosure for transactions between government entities that took place on terms and conditions that are considered arms-length is not required in accordance with IPSAS 20, Related Party Disclosure.

1.14 Reserves

The following reserves as approved by National Treasury have been established in order to provide for sufficient cash resources for possible contingencies and for the education expenses and the Trust Fund:

Contingency Fund - Disciplinary Cases

This is a fund established to maintain the IRBA's long-term capital requirements and to protect the IRBA's operating capacity against the effects of inflation and unforeseen events. This will further cover the unforeseen expenses for disciplinary cases that cannot be covered within the normal budget parameters. This reserve is maintained at a maximum of approximately 20% of the income from Registered Auditors.

Contingency Fund - Operational

This is a fund established to accumulate funding for short-term working capital requirements of the IRBA, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at a level of approximately three months' operational expenditure.

Education Fund

This fund was established to fund educational and training activities in support of previously disadvantaged persons who want to become Registered Auditors. Any surplus or deficit arising out of these activities is transferred to or out of this fund at the end of each reporting period. This fund has been depleted as at the end of March 2016 and future related activities will be

Accounting Policies

for the year ended 31 March 2016

included in operating costs.

Trust Fund

This fund was established to ring-fence the capital proceeds of the sale of a building previously owned by the IRBA, as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantaged students who aspire to become Registered Auditors, and to raise awareness of the auditing profession at various levels.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for its accounting periods beginning on or after 01 April 2016:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

3. Plant and equipment

Figures in Rand	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 896 858	(2 210 129)	686 730	2 960 090	(2 145 363)	814 727
Motor vehicles	195 345	(143 307)	52 037	195 345	(117 289)	78 056
Computer equipment	5 311 460	(3 401 258)	1 910 202	4 675 206	(2 575 073)	2 100 133
Leasehold improvements	5 348 639	(4 248 161)	1 100 478	4 901 826	(3 936 337)	965 489
Total	13 752 302	(10 002 855)	3 749 447	12 732 467	(8 774 062)	3 958 405

Reconciliation of plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	814 727	73 048	(17 934)	(183 111)	686 730
Motor vehicles	78 056	-	-	(26 019)	52 037
Computer equipment	2 100 133	661 902	(12 296)	(839 537)	1 910 202
Leasehold improvements	965 489	446 813	-	(311 824)	1 100 478
	3 958 405	1 181 763	(30 230)	(1 360 491)	3 749 447

Reconciliation of plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	1 008 933	5 318	(2 053)	(197 471)	814 727
Motor vehicles	105 557	-	(1 368)	(26 133)	78 056
Computer equipment	1 992 402	724 383	(6 514)	(610 138)	2 100 133
Leasehold improvements	1 287 319	-	-	(321 830)	965 489
	4 394 211	729 701	(9 935)	(1 155 572)	3 958 405

Notes to the Annual Financial Statements

for the year ended 31 March 2016

4. Intangible assets

Figures in Rand	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software and development cost	5 519 546	(3 190 552)	2 328 994	5 168 290	(2 820 110)	2 348 180

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	2 348 180	351 256	(370 442)	2 328 994

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	2 437 247	320 984	(410 051)	2 348 180

5. Restricted cash

An amount of R10 million was received from the sale of a building owned by the IRBA. The Minister of Finance restricted the use of the capital amount.

6. Loans receivable

	2016	2015
At beginning of the year	193 730	218 068
Advances/(Repayments)	64 360	(24 338)
	258 090	193 730

Loans receivable consist of study loans and travel advances made to staff members. The loans are interest free and the effect of discounting is not material.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand	2016	2015
7. Receivables from exchange transactions		
Trade debtors	1 475 380	1 429 718
Prepaid expenses	174 662	239 738
Sundry - other	13 663	11 772
Less: Impairment provision	(13 587)	(45 122)
	1 650 118	1 636 106

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 172 221	1 114 762
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	(45 122)	(6 543)
Provision for impairment	31 535	(38 579)
	(13 587)	(45 122)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand	2016	2015
8. Receivables from non-exchange transactions		
Fines, penalties and legal cost recoveries outstanding	4 715 816	2 191 091
Inspection fees debtors	1 098 100	1 774 599
Less: Impairment provision	(3 567 289)	(1 221 186)
	2 246 627	2 744 504

Receivables from non-exchange transactions pledged as security

Trade and other receivables are not pledged as security.

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 075 920	845 390
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(1 221 186)	(2 037 806)
Provision for impairment	(2 346 103)	816 620
	(3 567 289)	(1 221 186)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 361	2 253
Bank balances	32 349 232	37 205 042
12-Month Term Deposit	884 776	884 776
	33 236 369	38 092 071

The cash and cash equivalents held by the IRBA may only be used in accordance with its mandate. No restrictions have been placed on the use of cash and cash equivalents for the operations of the IRBA.

Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Education Fund, Rnil (2015: R915 632); Contingency Fund - Disciplinary cases, R11 056 206 (2015: R10 923 699); and Contingency Fund - Operational, R6 386 823 (2015: R5 735 932).

The IRBA maintains an operating cash float of R3.3 million in its current account and call deposit account. The rest is invested in a Reserve Bank CPD account as instructed by National Treasury.

12-Month Term Deposit

An amount of R884 776 (2015: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand	2016	2015
10. Trade and other payables from exchange transactions		
Trade payables	1 628 525	3 161 770
Accrued leave pay	1 063 191	1 148 770
Operating lease payables	137 034	524 832
Other accruals	804 972	1 091 507
Registration application fees	512 480	450 286
	4 146 202	6 377 165

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average age credit period is less than 30 days. The IRBA considers that the carrying amount of trade and other payables approximates the fair value.

Included in trade and other payables is an accrual for leave pay. Employees' entitlement to annual leave is recognised when it accrues to the employee. An accrual is recognised for the estimated liability for annual leave due as a result of services rendered by employees up to the reporting date.

11. Financial instruments

Financial assets at amortised cost

Loans receivable	258 090	193 730
Trade and other receivables from exchange transactions	1 475 457	1 396 367
Trade and other receivables from non-exchange transactions	2 246 627	2 744 504
Cash and cash equivalents	33 236 368	38 092 071
	37 216 542	42 426 672

Financial liabilities at amortised cost

Trade and other payables from exchange transactions	4 146 202	6 377 165
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Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand	2016	2015
12. Revenue		
Government grants	29 999 000	34 577 000
Revenue from regulatory functions - exchange	27 267 960	33 699 734
Revenue from regulatory functions - non-exchange	31 365 458	26 900 160
Other income	229 024	204 852
	88 861 442	95 381 746
The amounts included in revenue from regulatory functions (exchange transactions) are as follows:		
Examination fees	-	1 824 207
License fees	17 831 261	16 135 508
Monitoring fees	461 620	419 650
Proficiency test fees	27 845	24 555
Registration fees	2 251 387	2 492 569
Support programme	-	2 916 400
Training programmes for registered auditors	72 068	405 799
Training contracts and levies	6 623 779	9 481 046
	27 267 960	33 699 734
The amounts included in revenue arising from regulatory functions (non-exchange transactions) are as follows:		
Disciplinary expense contributions	2 265 000	437 271
Disciplinary fines	2 852 500	1 265 000
Inspection fees	25 747 958	23 397 889
DTI transfer	500 000	1 800 000
	31 365 458	26 900 160
13. Operating (deficit)/surplus		
Operating (deficit)/surplus for the year is stated after accounting for the following:		
Operating lease charges		
Building		
• Lease rentals on operating lease	4 997 340	4 295 439
Net (loss)/gain on sale of plant and equipment	(30 230)	10 964
Amortisation of intangible assets	370 442	410 051
Depreciation on plant and equipment	1 360 491	1 155 572
Employee costs	60 204 768	52 204 181
14. Bad debts		
Bad debts	2 369 863	1 203 550

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand		2016	2015
15. Auditors' remuneration			
Auditors' remuneration - internal		357 340	436 122
Auditors' remuneration - external		839 051	814 138
		1 196 391	1 250 260
16. Cash (used in)/generated from operations			
(Deficit)/surplus		(3 168 510)	7 482 009
Adjustments for:			
Depreciation and amortisation		1 730 933	1 565 623
Net loss/(gain) on sale of assets		30 230	(10 964)
Debt impairment		2 369 863	1 203 550
Movements in operating lease		(70 368)	(1 590 189)
Changes in working capital:			
Inventories		(33 510)	7 813
Receivables from exchange transactions		(14 012)	1 437 280
Impairment provision		(2 369 863)	(1 203 550)
Other receivables from non-exchange transactions		497 877	844 745
Trade and other payables from exchange transactions		(2 230 963)	(4 039 489)
Trade and other payables from non-exchange transactions		-	(1 244 000)
		(3 258 323)	4 452 828
17. Commitments			
Authorised capital expenditure			
Already contracted for but not provided for			
• Intangible assets		126 392	347 578
Operating leases - as lessee (expense)			
Minimum lease payments due			
- Within one year		5 349 324	1 956 796
- In second to third year inclusive		7 196 160	-
		12 545 484	1 956 796
18. Contingencies			
In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The total accumulated surplus amounts to R22 143 265, as disclosed in the financial statements for the year ended 31 March 2016.			
19. Related parties			
Relationships			
Members of key management		Refer to note 20 for the disclosure of Key Management's and Board Members' remuneration	

Notes to the Annual Financial Statements

for the year ended 31 March 2016

20. Key Management's and Board Members' Remuneration

Key management

2016

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	2 800 000	500 000	427 229	14 340	3 741 569
L Katzin, Director: Education and Transformation (Resigned March 2016)	1 600 519	49 030	233 288	10 860	1 893 697
PJ O'Connor, Director: Legal	1 455 002	66 030	293 728	10 860	1 825 620
I Vanker, Director: Standards	1 903 510	164 110	217 351	10 860	2 295 831
WH de Jager, Director: Operations	1 641 245	141 030	250 424	10 860	2 043 559
I Nagy, Director: Inspections	1 903 510	164 110	217 351	10 860	2 295 831
J Bailey, Director: Investigations (Started November 2015)	642 079	-	98 824	4 525	745 428
	11 945 865	1 084 310	1 738 195	73 165	14 841 535

2015

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	2 550 128	387 000	384 469	13 440	3 335 037
L Katzin, Director: Education and Transformation	1 436 272	131 610	213 572	10 200	1 791 654
PJ O'Connor, Director: Legal	1 361 903	131 610	272 697	10 200	1 776 410
I Vanker, Director: Standards (Started May 2014)	1 649 792	153 460	184 782	9 350	1 997 384
SD van Esch, Director: Standards (Retired May 2014)	301 330	-	37 999	1 700	341 029
WH de Jager, Director: Operations	1 505 913	131 610	232 254	10 200	1 879 977
I Nagy, Director: Inspections	1 797 810	153 460	201 580	10 200	2 163 050
	10 603 148	1 088 750	1 527 353	65 290	13 284 541

	2016	2015
Board members' fees		
R Kenosi	63 975	62 756
A Dlamini	45 555	-
Prof A van der Watt	78 719	82 561
L Keech	33 788	-
T Pillay	38 172	-
AL Mazibuko	29 007	-
NL Noxaka	89 968	-
WHG van der Linde, SC	-	36 225
YGH Suleman	-	44 345
P Mothibe	-	49 702
Prof LY Majova	-	51 196
CN Mbili	-	51 643
MI Khan	-	33 976
	379 184	412 404

Notes to the Annual Financial Statements

for the year ended 31 March 2016

Figures in Rand	2016	2015
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21. Risk management

Financial risk management

The IRBA's activities expose it to a variety of financial risks.

The IRBA's risk to liquidity is a result of the funds available to cover future commitments. The IRBA manages liquidity risk through an ongoing review of future commitments.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The IRBA only deposits cash with major banks that have high-quality credit standing and limits exposure to any one counter-party.

Interest rate risk

The IRBA is exposed to interest rate risk as it places funds in the money market with the Reserve Bank. A significant balance of the cash is invested with the Reserve Bank as instructed by National Treasury.

22. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

23. Events after the reporting date

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters that would require adjustments to or disclosure in the annual financial statements.

24. Irregular expenditure

Add: Irregular Expenditure - current year	443 346	-
Less: Amounts condoned	(443 346)	-
	-	-

Details of irregular expenditure – current year and condoned

		Disciplinary steps taken	
Non-compliance with the Supply Chain Policy	A final written warning was issued, effective for 12 months	443 346	-

The non-compliance was investigated and the procurement process was reinitiated before invoices were paid. Based on this re-initiation the contract was awarded to the same supplier and no wasteful expenses were incurred. It was confirmed that the expenses were for the benefit of the IRBA and required to fulfil its mandate. Appropriate controls were introduced to prevent this from occurring again in future.

25. Surrendered accumulated surplus

Accumulated surplus surrendered to National Treasury	-	2 745 000
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In terms of the PFMA all public entities must request from National Treasury to retain accumulated surpluses. The IRBA applied to National Treasury for the retention of surpluses and surrendered the above amount to the National Revenue Fund.

Refer to note 18 for further details on the accumulated surpluses as at 31 March 2016.

Detailed Income Statement

Figures in Rand	Note	2016	2015
Revenue			
Government grants		29 999 000	34 577 000
Interest received		3 464 319	3 358 978
Other income		229 024	204 852
Revenue from regulatory functions - exchange		27 267 960	33 699 734
Revenue from regulatory functions - non-exchange		31 365 458	26 900 160
		92 325 761	98 740 724
Operating expenses			
Auditors' remuneration	15	(1 196 391)	(1 250 260)
Bad debts		(2 369 863)	(1 203 550)
Building operating expenses		(1 402 489)	(1 152 968)
Committee expenses		(2 671 948)	(1 946 170)
Computer expenses		(3 159 738)	(2 439 042)
Consulting and professional fees		(771 907)	(1 954 381)
Depreciation, amortisation and impairments		(1 730 933)	(1 565 623)
Disciplinary and investigation expenses		(7 911 806)	(8 235 654)
Employee costs		(60 204 768)	(52 204 181)
Examination expenses		-	(2 403 012)
Insurance		(237 707)	(229 391)
Lease of building		(4 997 340)	(4 295 439)
Loss on disposal of assets		(30 231)	-
Other expenses		(1 810 784)	(1 773 059)
Placement fees		(1 179 375)	(940 121)
Printing and stationery		(424 019)	(308 029)
Proficiency tests		(490 054)	(35 102)
Public relations		(175 070)	(706 882)
Publications		(263 377)	(335 476)
Raising Awareness and Branding		(1 246 254)	(461 994)
Staff welfare		(800 822)	(818 060)
Support programmes and Education Fund expenses		-	(3 841 323)
Training courses for Registered Auditors		-	(428 403)
Travel - local		(1 364 730)	(1 515 437)
Travel - overseas		(1 022 209)	(1 186 608)
Workman's compensation		(32 456)	(28 550)
		(95 494 271)	(91 258 715)
(Deficit)/surplus for the year		(3 168 510)	7 482 009

The supplementary information presented does not form part of the annual financial statements and is unaudited.

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