

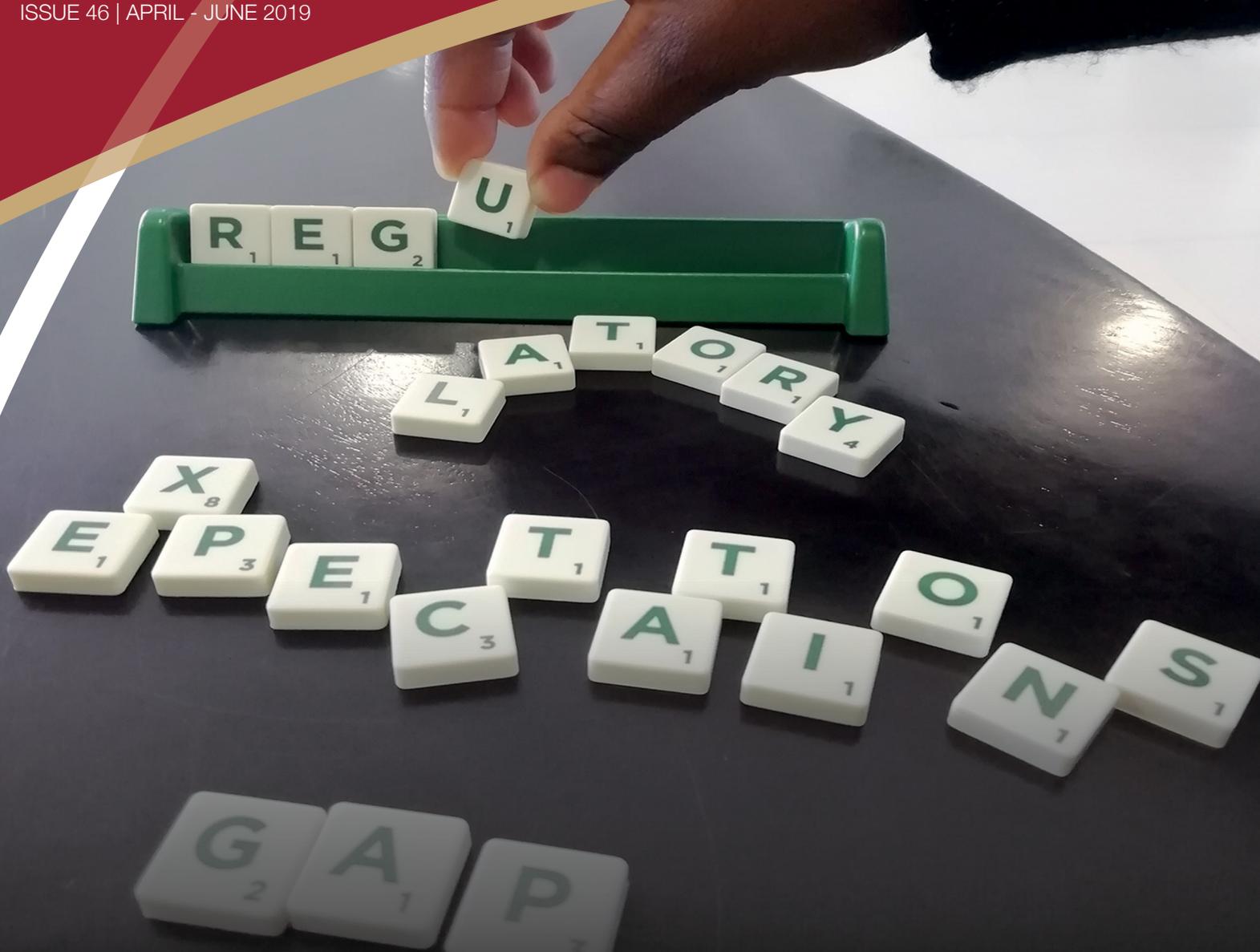


irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

NEWS

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THE NEED TO CLOSE THE GAP

Between expectations and regulation is becoming clearer and more urgent

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The past three months have been a significant period for the country, with the nation going to the polls on 8 May for the national general election that led to President Cyril Ramaphosa being elected as the president of the republic.

At his inauguration two-and-a-half weeks later he said: "It is a time for us to make the future we yearn for. It is through our actions now that we will determine our destiny. South Africans want action and not just words and promises – and there will be action. It is through our actions now that we will give form to the society for which so many have fought and sacrificed, and for which all of us yearn."

His promises of a clean government, an end to the culture of impunity and the establishment of strong anti-corruption machinery are needed to enable the country to arrest the misappropriation of public funds in the private and public sectors and attempt to recoup the losses.

The public, however, is all too aware that promises are empty if there is no action or delivery that follows them. Consequently, without action, confidence in our ability to change gets weakened.

The auditing profession has also been tainted by a string of high-profile corruption, fraud and corporate collapse cases that have cost the country, citizens and pensioners dearly. These include the Gupta-linked Linkway Trading (Pty) Ltd, which first shone the light on the misappropriation of funds from state projects; the mighty Steinhoff collapse under the weight of a lengthy and complex management fraud; the VBS Bank collapse, as a result of executive looting; and now Tongaat Hulett, the 127-year-old company that has suspended trade in its shares due to accounting irregularities. In each case the public response has been to look to the auditors for answers.

Recently, a journalist asked me whether the auditing profession has a future; adding that as the loss of confidence in the opinions of external auditors is significant, I would have to do something about it. The journalist also noted that with audit and business failures happening almost daily, it can't be easy.

It does seem to be a prevailing view that if the auditors were doing their job, this fraud and corruption would not be perpetuated.

While I stressed that not every business failure is an audit failure, it is becoming clear that auditors and the audit product must evolve to meet the expectation gap of the market. However, it is obvious that we also need to recognise that the financial reporting system and corporate governance are not working as they ought to.

Corporate governance seems to be a tick box exercise for many corporate governance structures. While companies set out their commitments to good governance in great detail and say that they comply, this appears to be merely lip service. In the words of President Ramaphosa: "South Africans want action and not just words and promises."

In a combined assurance model, an organisation relies on its governance processes and structures to prevent fraud, ensure the accuracy of financial accounts and manage organisational risk. In theory, these checks and balances allow those charged with governance to hold management to account and ensure that massive fraud and corruption are not perpetrated.

There are many safeguards that are required and ought to be there and implemented by boards, audit committees and directors before the financial results get to the external audit stage. The external auditors come into the financial reporting process as the last line of defence to determine whether the financial statements fairly present and comply with relevant laws.

However, how many organisations use governance and oversight as a mere checklist so they can produce financial statements? How many give any thought to developing the spirit of good governance throughout the organisation? It shouldn't be an exercise, but a mind-set. If management and governance structures are not driven by good governance thinking, businesses will continue to fail.

A case in point is Steinhoff which, after a 15-month wait for the forensic report into its collapse, revealed that its troubles were precipitated by a widespread fraud perpetrated by a small group of senior executives. It has since discovered that its options for recourse against directors, board members, internal auditors and others are scant. The reality is that there is no regulation, no professional regulatory oversight; therefore, there are few opportunities to take action. As a result, the Steinhoff case is a prime example for supporting the need for the comprehensive regulation of the financial reporting eco-system.

This need was first recommended to the Minister of Finance by the World Bank in 2013. Comprehensive regulation would lead to the broader accounting profession and those involved in the financial reporting chain being brought under one regulatory framework to ensure adequate oversight and accountability throughout the financial reporting chain.

The recommendation is not unusual. The UK's Financial Reporting Council (FRC) and its Mauritius counterpart have mandates extending to directors, audit committees, company directors, boards, financial statements and auditors. While the FRC in Mauritius is backed by legislation, the UK has just concluded several reviews of its FRC, the profession, audit firms and the risks of lack of market competition. Subsequently, it has resolved that the FRC must be transformed into an independent regulator that is supported by legislation and has the powers and resources to take action.

Last year, National Treasury asked the IRBA to do research into other regulators and then outline a proposal for South Africa to move towards a comprehensive regulation model for the broader accounting and financial reporting environment. The IRBA Board recently approved the detailed research, which will be submitted to Treasury.

The fight against corruption and President Ramaphosa's intention to turn words into action can be spurred on by regulating accountants across the financial reporting and governance eco-system. By holding all those accountable through regulatory oversight and allowing for speedy consequences for failure to execute good governance, we will be able to move from lip service to embedding a spirit of good governance at our entities – an action that is vital for business to succeed and for our economy to grow.



Bernard Peter Agulhas
Chief Executive Officer

THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Standards:
 - Quality Management for Firms and Engagements.
 - Risks and concerns relating to the audit of schools.
 - The ISA 540 (Revised) Implementation Working Group Provides Implementation Support on the Revised Standard.
 - Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts.
 - Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act.
 - Engagements on Attorneys' Trust Accounts.
 - The IRBA issues the South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), Illustrative Reports.
 - Illustrative Banks Act Regulatory Auditor's Reports.
 - Reminder: IRBA seeks feedback on implementing SAAEPS 1.
 - Exposure Draft: Proposed Revised Guide for Registered Auditors: Auditing in the Public Sector.
 - Audits of Less Complex Entities: Furthering the Debate on Applying the ISAs in Audits of Less Complex Entities.
 - IAASB projects in progress.
- Ethics:
 - IRBA Rules Regarding Improper Conduct (Revised 2019).
 - Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors in respect of Second Opinions.
 - Implementation Support Resources relating to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).
 - IESBA Proposes Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised).
 - IESBA projects in progress.

QUALITY MANAGEMENT FOR FIRMS AND ENGAGEMENTS

Registered auditors (auditors) are reminded that the International Auditing and Assurance Standards Board (IAASB) recently issued on exposure [three interrelated standards that address quality management](#), with the comment period closing on 1 July 2019.

The exposure drafts are:

- Overall Explanatory Memorandum, *The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews*.
- Proposed International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (previously ISQC 1)*.
- Proposed International Standard on Quality Management 2, *Engagement Quality Reviews*.
- Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*.

The proposals bring important changes to the way professional accountancy firms are expected to manage quality for audits, reviews and other assurance and related services engagements.

The proposed standards include a new proactive risk-based approach to effective quality management systems within firms that establishes the foundation for consistent engagement quality. The new approach improves the scalability of the standards because it promotes a system tailored to the nature and circumstances of the firm and its engagements.

The IAASB proposals are intended to improve engagement quality through:

- Modernising the standards for an evolving and increasingly complex environment, including addressing the impact of technology, networks and use of external service providers;
- Increasing firm leadership responsibilities and accountability, and improving firm governance;
- More rigorous monitoring of quality management systems and remediating deficiencies;
- Enhancing the engagement partner's responsibility for audit engagement leadership and audit quality; and
- Addressing the robustness of engagement quality reviews, including engagement selection, documentation and performance.

Given the significance of the changes and the need for firms to adjust how they manage quality, the IAASB has also developed draft guidance and tools, such as examples and frequently asked questions. These resources will help firms understand the proposals, including how to apply them in different circumstances.

Audit firms are urged to begin preparations for the transition to the new quality management system, well before the expected effective dates.

Copies of the exposure drafts are available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

RISKS AND CONCERNS RELATING TO THE AUDIT OF SCHOOLS

The Minister of Basic Education recently contacted the IRBA regarding risks and concerns relating to the audits of schools. The following concerns have been identified:

- Persons holding themselves out to be auditors are not registered auditors.
- The auditor is performing bookkeeping, accounting, preparation of the financial statements and auditing, in other words, the auditor is not independent.
- The financial statements are not prepared in accordance with a recognised accounting framework.
- The audit is not performed in compliance with International Standards on Auditing.
- Material misstatements are often not detected, meaning the audit opinion is incorrect.
- Alleged collusion between principals of schools, school governing bodies and auditors.
- Tender corruption (accountants/auditors appointed to schools without the proper tender process being followed).
- Poor audit quality.
- Perceived lack of integrity on the part of auditors.

The Department of Basic Education has indicated that auditors who are suspected of any transgressions will be referred to the IRBA for investigation.

Auditors are reminded that they should comply with the IRBA Code of Professional Conduct and apply the International Standards on Auditing when performing audits of schools.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

The ISA 540 (Revised) Implementation Working Group Provides Implementation Support on the Revised Standard

As previously [communicated](#) by the IRBA on 8 November 2018:

- The International Auditing and Assurance Standards Board (IAASB) issued the International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, on 3 October 2018.
- At its meeting on 6 November 2018, the IRBA Board approved ISA 540 (Revised) for adoption, issue and prescription for use by auditors in South Africa.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after 15 December 2019. Early adoption of ISA 540 (Revised) is permissible and is encouraged by the IRBA.

ISA 540 (Revised) may be downloaded from the [IRBA website](#).

This communique also noted that the IAASB will provide implementation support to help auditors navigate and apply the revised standard.

A project page, [ISA 540 \(Revised\) Implementation](#), has been added to the IAASB website as a repository for such implementation support. It contains links to useful materials and will continue to be updated.

Please continue to visit the [ISA 540 \(Revised\) Implementation](#) project page to check if any new implementation support has been issued by the Working Group.

Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts

The CFAS approved the release of the Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts (*this Guide*) in May 2019 for issue.

The guidance relates to understanding the nature and characteristics of an agricultural produce agent, and the nature and extent of assurance work on the engagement. As a consequence, this Guide emphasises professional competence and professional scepticism.

This Guide provides certain practical guidance to be considered in developing audit programmes. It, however, does not override the requirements of the International Standards on Assurance Engagements (ISAEs), nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement. As such, it should not be regarded as a checklist.

This Guide is authoritative and includes:

- Guidance to a registered auditor on conducting an assurance engagement in accordance with ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, on a fresh produce agents' trust accounts in terms of the Agricultural Produce Agents Act 12 of 1992;
- An illustrative engagement letter and representation letter; and
- Illustrative interim and annual auditor's reports based on ISAE 3000 (Revised).

The abovementioned ISAE is effective for assurance reports dated on or after 15 December 2015.

Effective Date

This Guide is effective for assurance engagements on trust accounts of financial year-ends ending on or after 31 December 2020. Early adoption is permitted.

Also, this Guide is available in PDF and Word formats, and may be downloaded from the [IRBA website](#).

Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act

The CFAS, at its meeting on 28 May 2019, approved the issue of the *Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act* (this Revised Guide) for use by auditors.

This Revised Guide provides guidance to auditors on various matters relating to the audit, limited assurance engagement and other reporting obligations for authorised financial services providers (Providers), in compliance with the requirements of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) as amended (the Act), and its subordinate legislation.

The purpose of this Revised Guide is to provide assistance to auditors of Providers with respect to the auditor's responsibilities:

- To report to the Provider in terms of Section 19(3) of the Act;
- To report to the Financial Sector Conduct Authority in terms of Section 19(4) of the Act; and
- Relating to his/her other reporting obligations.

This Revised Guide has been updated for the following:

- Clarifying that the limited assurance engagement (Section 19(3)) is conducted in accordance with ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
- Changes to legislation and the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018);
- Assurance related guidance in this regard; and
- The auditor's other reporting responsibilities.

Effective Date

This Revised Guide is effective for engagements commencing on or after 1 July 2019. Early adoption is permitted.

It is available for downloading in both PDF and Word formats from the [IRBA website](#).

Engagements on Attorneys' Trust Accounts

Work is progressing on the revision of the *Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts* (the proposed Revised Guide).

The proposed Revised Guide will be updated for:

- The Legal Practice Act, No. 28 of 2014 (LPA) that replaced the Attorneys Act 53 of 1979 in its entirety;
- The South African Legal Practice Council Rules made under the authority of Sections 95(1), 95(3) and 109(2) of the LPA that replaced the Uniform Rules; and
- Other issues identified by the Task Group.

It is likely that the proposed Revised Guide will be issued on exposure during the latter part of this year.

CFAS REGULATED INDUSTRIES AND REPORTS STANDING COMMITTEE (RIRSC)

The IRBA Issues the South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), Illustrative Reports

The CFAS approved the issue of the South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), *Illustrative Reports*, (SAAPS 3 (Revised May 2019)) for use by auditors in May 2019.

SAAPS 3 (Revised May 2019) is aimed at providing practical guidance to auditors who report on financial statements, both for compliance with the International Standards on Auditing (ISAs) or the International Standards on Review Engagements (ISREs), as applicable, and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of SAAPS 3 (Revised May 2019), the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No. 26 of 2005) (the APA); the Rule in terms of Sections 9 and 10, read with Sections 1, 2 and 3 of the APA, published in Government Gazette No. 39475 on 4 December 2015; the Companies Act, 2008 (Act No. 71 of 2008); and the Public Audit Act, 2004 (Act No. 25 of 2004).

SAAPS 3 (Revised May 2019) has been updated as a result of the amendments to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (now the IESBA *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)) and the amendments to the IRBA Code of Professional Conduct for Registered Auditors (now the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code)). Due to the different effective dates of the parts in both the IRBA Code and the IESBA Code, SAAPS 3 (Revised May 2019) makes provision for two options in the illustrative auditor's reports where references are made to the Codes, and clearly distinguishes between the two options as follows:

- *Transitional period:* Auditors who sign off auditor's reports issued on or after 15 June 2019 in respect of the audits for financial periods beginning before or on 14 June 2019; and
- *Periods going forward:* Auditors who sign off auditor's reports for audits of financial statements for periods beginning on or after 15 June 2019.

In addition, SAAPS 3 (Revised May 2019) has been updated to:

- Incorporate the guidance contained in the *IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context*. As a result, the IRBA will withdraw the Staff Audit Practice Alert as at the effective date of SAAPS 3 (Revised May 2019).
- Recognise that, in the public sector environment, other information does not include those selected objectives presented in the annual performance report that have been

specifically audited and reported on in the auditor's report.

The format of SAAPS 3 (Revised May 2019) has also been updated to enhance navigation and use.

Effective Date

SAAPS 3 (Revised May 2019) is effective for auditors' or independent reviewers' reports issued on or after 15 June 2019.

It is available for downloading in both PDF and Word formats from the [IRBA website](#).

Illustrative Banks Act Regulatory Auditor's Reports

The CFAS approved the issue of the following illustrative Banks Act regulatory auditor's reports on the Banks Act Returns (illustrative regulatory reports) for use by auditors for banks with year-ends on or after 28 February 2019:

- The revised Illustrative Macro-Prudential Foreign Exposure Limit Return (MPL) reports;
- The new Illustrative Mutual Banks Act (MBA) reports; and
- The new Illustrative BA 501 report.

In terms of Regulation 46 of the Banks Act (No. 94 of 1990), the external auditor of a bank is required to report to the Prudential Authority at the South African Reserve Bank (specifically to the Prudential Authority and the Financial Surveillance Department) on various regulatory matters.

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

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

CFAS SUSTAINABILITY STANDING COMMITTEE (SSC)

Reminder: IRBA Seeks Feedback on Implementing SAAEPS 1

The above titled communique was issued by the IRBA during June 2019, reminding interested parties to provide feedback on the implementation of the South African Assurance Engagements Practice Statement (SAAEPS) 1, *Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria* (SAAEPS 1).

Background

The CFAS approved the issuing of SAAEPS 1 in August 2018 for use by practitioners.

SAAEPS 1 is aimed at providing practical assistance to practitioners on certain preconditions that need to be present when requested to accept a sustainability assurance engagement in accordance with the requirements of the International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The characteristics dealt with in SAAEPS 1 are whether the sustainability assurance engagement exhibits:

- A rational purpose;
- That the underlying subject matter is appropriate; and
- That the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

The preparation of appropriate engagement documentation is emphasised.

The guidance is supplemented by a series of questions that the practitioner may ask. After receiving feedback from the reporting entity, the practitioner may consider the responses collectively to determine whether the sustainability assurance engagement exhibits the characteristics set out in the objective paragraph of SAAEPS 1.

Effective Date

SAAEPS 1 is effective for the *Acceptance and Continuance – Preconditions for the Assurance Engagement* phase of the sustainability assurance engagement for reporting periods beginning on or after **15 December 2020**. Early adoption is permitted.

Two years were provided to allow time for practitioners to prepare for and implement the guidance, receive training and provide feedback to the IRBA on any implementation lessons. This timeframe also allowed for preparers of sustainability reports to receive training on the content of SAAEPS 1, as it relates to them.

Feedback on Implementing SAAEPS 1

Should you have any comments on implementing SAAEPS 1, please contact the Standards Department by email at standards@irba.co.za. Please provide your feedback by 15 December 2019.

To assist you with providing feedback on implementing SAAEPS 1, the communique contains a set of four questions that you may consider answering in providing your feedback.

CFAS PUBLIC SECTOR STANDING COMMITTEE (PSSC)

Exposure Draft: Proposed Revised Guide for Registered Auditors: Auditing in the Public Sector

The CFAS approved the release of the *Proposed Revised Guide for Registered Auditors: Auditing in the Public Sector* (this proposed Revised Guide) in March 2019 for exposure for public comment until 7 June 2019. The exposure draft is available on the [IRBA website](#).

This proposed Revised Guide helps to improve the understanding and enhance the performance of quality public sector audits by registered auditors in public practice (registered with the IRBA), who are contracted by the Auditor-General South Africa (AGSA) or appointed as auditors of public institutions where the AGSA has opted not to perform the audit, in accordance with Section 4(3) and 4(3A) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

Section 12(3)(a) of the PAA requires the AGSA to determine “the minimum qualifications, experience and competence for authorised auditors”. Auditors performing public sector engagements need to ensure that they have the professional competence to perform such audit engagements, in accordance with the applicable professional standards, additional extensive legal and regulatory requirements as well as the unique circumstances of the public sector. The guidance herein is intended to assist auditors to meet these requirements.

This proposed Revised Guide has been updated for the following:

- Changes made to the AGSA's audit methodology;
- Guidance on how political governance structures in the public sector should be dealt with;
- Expanding/enhancing the sections dealing with legislation, guidance and key stakeholders/role players in the public sector;
- A new section on the role and powers of the Auditor-General;
- Changes to the financial reporting frameworks applicable to the public sector;
- Enhancing referencing to the International Standards of Supreme Audit Institutions (ISSAIs); and
- Amendments arising from the revision of the PAA.

The PSSC is considering and will thereafter prepare responses to the comment letters received. The final proposed Revised Guide will be presented to the CFAS in August 2019 for its review and approval to issue as final.

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

Audits of Less Complex Entities: Furthering the Debate on Applying the ISAs in Audits of Less Complex Entities

The IAASB has published a Discussion Paper, *Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the International Standards on Auditing (ISAs)*. Through the Discussion Paper, the IAASB seeks to further understand the challenges of using International Standards on

Auditing (ISAs) in audits of less complex entities and the views about possible actions to address those challenges.

The IAASB recognises the global call for action to address issues of complexity, length, understandability, scalability and proportionality in relation to using the ISAs. Continuing the debate on these strategic issues, the Discussion Paper explores how the IAASB, and others, could further support auditors working in increasingly evolving environments. The South African landscape for the audit of companies is influenced by the role of the so-called “PIS score”. However, audits are also mandated for entities other than companies, which may differ vastly in complexity. This Discussion Paper, therefore, is relevant to regulators, preparers, those charged with governance, other stakeholders and auditors across a wide range of industries.

Request for Comments

The IRBA welcomes comments regarding the Discussion Paper for consideration, as we prepare our response to the IAASB. Comments should be submitted by **29 August 2019** via email to standards@irba.co.za in Word and PDF formats. All comments will be considered as a public record.

Alternatively, we invite registered auditors and other interested parties to submit comments directly to the IAASB via the [IAASB website](#) by **12 September 2019**. Respondents are asked to submit their comments electronically (as both PDF and Word files).

Copies of the exposure draft are available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](#).

IAASB Projects in Progress

- Technology
 - IAASB's Technology Working Group issued Tech Talk: Technology and the Future Ready Auditor in May 2019. The publication is available on the [IAASB website](#).
- Quality management at firm level (ISQM 1).
- Engagement quality review (ISQM 2).
- Quality management at engagement level (ISA 220).
- Group audits (ISA 600).
- Agreed-upon procedures engagements (ISRS 4400).
- Extended external reporting (EER) assurance.
- Audits of less complex entities (LCE).
- Professional scepticism.
- Auditor risk assessments (ISA 315 (Revised)).
- Audit evidence.

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

COMMITTEE FOR AUDITOR ETHICS (CFAE)

IRBA Rules Regarding Improper Conduct (Revised 2019)

The IRBA approved and issued changes to the IRBA Rules Regarding Improper Conduct (IRBA Rules) (Revised 2019).

It adopted these amendments following their issue on exposure for public comment in Government Gazette No. 42304 on 15 March 2019 (Board Notice No. 30 of 2019).

Changes in Substance

The IRBA Rules (Revised 2019), which regulate the conduct of an investigation and the disciplinary process, were revised due to the following reasons:

- Recent IRBA disciplinary hearings have brought to light the need for potential improvements in the wording of certain IRBA Rules.
- Certain IRBA Rules are outdated or no longer required.
- The IRBA Rules required certain alignment amendments in light of the release of the IRBA Code (Revised November 2018).
- The APA, as amended in 2015, included the regulation of registered candidate auditors. An update to the IRBA Rules was required to consider the potential investigation of these individuals.

Auditors need to note that the deletion of certain IRBA Rules should not be read as a condonation of that conduct. Rather, these deletions are due to changes in laws and regulations, or the particular conduct is covered by the conceptual framework in the IRBA Code (Revised November 2018).

Effective Date

The IRBA Rules (Revised 2019) repeal and replace the IRBA Rules Regarding Improper Conduct issued in June 2010, referred to in Section 10(1) read with Section 21(2) of the APA.

The IRBA Rules (Revised 2019) have been prescribed by the Board under Section 4(1)(c) with effect from 1 January 2020.

Until the effective date of the IRBA Rules (Revised 2019), as mentioned above, the IRBA Rules Regarding Improper Conduct issued in June 2010 and effective from 1 January 2011 will remain in force.

A Board Notice will be published in the Government Gazette, advising of the publication of the amendments to the IRBA Rules pursuant to the provisions of Section 10(1)(a) of the APA.

The IRBA Rules (Revised 2019) may be downloaded from the [IRBA website](#).

Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors in respect of Second Opinions

The IRBA approved and issued changes to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) in respect of Second Opinions in June 2019.

It adopted these local amendments following their issue on exposure for public comment via Government Gazette No. 42092 on 7 December 2018 (Board Notice No.179 of 2018).

Changes in Substance

Amendments to the IRBA Code Section 321 include the following:

- Incorporate practical and relevant guidance from *Circular 01/2006, Giving Second Opinions* (the Circular), issued in November 2006 by the Committee for Auditing Standards;
- Align the guidance, where applicable, with South African amendments made elsewhere in the IRBA Code;
- Further strengthen the guidance by elevating certain application material to a requirement paragraph; and
- Include additional safeguards mentioned in other Sections of the IRBA Code that might be relevant in addressing a possible self-interest threat when an auditor is engaged to provide a second opinion.

Effective Date

To facilitate the implementation of the amendments to the IRBA Code, including their impact on the investigations and disciplinary functions of the IRBA, the amendments will be effective for engagements commencing on or after 15 January 2020.

A Board Notice will be published in the Government Gazette, advising on the publication of the amendments to the IRBA Code pursuant to the provisions of Section 10(1)(a) of the APA.

The amendments to the IRBA Code may be downloaded from the [IRBA website](#).

IMPLEMENTATION SUPPORT RESOURCES RELATING TO THE IRBA CODE OF PROFESSIONAL CONDUCT FOR REGISTERED AUDITORS (REVISED NOVEMBER 2018)

Daily Reminders

The IRBA has been running a 30-day daily reminder series to assist auditors to become familiar with the new IRBA Code. These daily alerts are available free of charge to all interested parties that subscribed.

At the end of the series, the 30 daily reminders will be made available on the IRBA website.

SAICA/IRBA Workshop

The South African Institute of Chartered Accountants (SAICA) and the IRBA held an Ethics Workshop on the IRBA Code on 3 April 2019. The recording of this interactive workshop as well as the handouts are available on the SAICA website. To access these, follow these steps: Login on the SAICA website >Membership >Click2start >Click here to go to online training >Elearning platform >webinars >Ethics >2019 Code of Professional Conduct for auditors' seminar.

IESBA Webinar

The International Ethics Standards Board for Accountants (IESBA) held two webinars that included an introduction to the substantive revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code).

The IRBA Code adopted the amendments made to the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. All amendments to the IRBA Code are in line with the IESBA Code.

For a recording of the IESBA webinar, click [here](#).

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

IESBA Proposes Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)

The IESBA released for public comment the Exposure Draft, *Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)*, on 27 March 2019.

This exposure draft proposed revisions to Part 4B, Independence for Assurance Engagements Other than Audit and Review Engagements, of the revised and restructured *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) to reflect terms and concepts used in International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The proposals in the Exposure Draft include:

- Changes in key terminology, including a revised definition of the term "assurance client";
- Enhanced and clarified independence requirements for attestation engagements;
- Clarification of the types of assurance engagement addressed in Part 4B; and
- Simplified guidance on assurance engagements that refers to the definitive source of explanatory material on such engagements in IAASB literature.

The IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) adopted the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. All amendments to the IRBA Code are in line with the IESBA Code. It is expected that these amendments will be incorporated in the IRBA Code.

In accordance with the provisions of Section 10(1)(a) of the APA, the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, a Board Notice to the same effect will be published in the Government Gazette for public comment for a minimum period of 30 days.

Comments to the IESBA closed on 26 June 2019.

IESBA Projects in Progress

- Non-assurance services.
- Fees.
- Role and mind-set expected of professional accountants (formerly professional scepticism).
- Technology.
- E-Code.

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

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



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INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 22 matters to the Disciplinary Advisory Committee with recommendations.

DISCIPLINARY ADVISORY COMMITTEE

The Disciplinary Advisory Committee met once during this period and concluded on 14 matters.

Decisions not to charge

Two matters in terms of Disciplinary Rule 3.5.1.1 – the respondent was not guilty of improper conduct.

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

Decisions to charge and matters finalised by consent order

Ten matters were finalised by consent order.

Matter 1

Mr Paul Richard Badrick, the respondent, failed to identify material misstatements in the financial statements, which resulted in restated financial statements in the subsequent year. As a result, the audit opinion issued by the respondent was inappropriate.

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

Matter 2

Ms Serena Ho, the respondent, failed to identify material misstatements in the financial statements, which resulted in restated financial statements in the subsequent year. As a result, the audit opinion issued by the respondent was inappropriate.

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

Matter 3

The matter was a referral from the Inspections Committee. A manager of the audit firm prepared the client's annual financial statements while the firm was engaged to perform the audit. As a result, the respondent breached Section 90(2) of the Companies Act.

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

Matter 4

The matter was a referral from the Inspections Committee. A consultant of the audit firm prepared the client's annual financial statements while the firm was engaged to perform the audit. Furthermore, the network firm of the audit firm was appointed as the company secretary of the company for the same period that the respondent was engaged to perform the audit of the annual financial statements of the company. As a result, the respondent breached Section 90(2) of the Companies Act.

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

Matter 5

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate audit evidence regarding property, plant and equipment. Land was revalued, which resulted in a contravention of the International Financial Reporting Standard for Small and Medium-sized Entities. As a result, the respondent issued an inappropriate audit opinion. Furthermore, the respondent onward invoiced the company for the preparation of the financial statements.

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

Matter 6

The matter was a referral from the Inspections Committee. The respondent's working papers reflected missing documents relating to the occurrence assertion for revenue, constituting a scope limitation. Furthermore, the respondent tested an insufficient sample size of source documents for the completeness assertion for revenue. In addition, the respondent did not modify the audit opinion due to a limitation of scope as revenue was not tested sufficiently and appropriately.

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

Matter 7

The matter was a referral from the Inspections Committee. The respondent did not have policies and procedures in place that complied with the International Standard on Quality Control 1 regarding certain ethical requirements, client acceptance and continuance procedures, human resource procedures, and engagement performance procedures.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for five years, on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the implementation of the International Standard on Quality Control 1 is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 8

The respondent failed to modify the audit opinion on the financial statements in respect of the inability to obtain sufficient appropriate audit evidence on certain aspects of the financial statements.

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

Matter 9

The respondent did not apply due care and skill while issuing share certificates. Furthermore, the respondent's firm issued an audit report without performing an audit. As a result, an inappropriate audit opinion was issued on the company.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for five years, on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 10

The matter was a referral from the Inspections Committee. The respondent did not document sufficient appropriate evidence regarding risk assessment, response and sampling. Furthermore, the respondent did not adequately evaluate the accounting framework that was applicable to the client. In addition, the engagement team did not design and perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence on certain items.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for five years, on condition that the respondent is not found guilty of unprofessional conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by the respondent and their audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Decision to charge and matters referred for a disciplinary hearing

No matter was referred to the Legal Department for a disciplinary hearing.

REGISTERED AUDITORS NEED TO CHECK THE CIPC RECORDS

A previous practice existed whereby auditors agreed to be registered as the auditor of "shelf" companies. While their intention may have been for the person who purchased the "shelf" company to then select an auditor of their choice and ask the previous auditor to resign, this did not often occur in practice.

It is critical that auditors are aware of the companies of which they are the auditors, as per the Companies and Intellectual Property Commission (CIPC) records. If the CIPC records do not correlate with the auditors' client listing, the auditor must follow the process required by the CIPC to correct the discrepancies.



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THE TOP ENGAGEMENT INSPECTIONS THEMES

Deliberations at the IRBA Inspections Committee meeting held in May 2019 highlighted the top five engagement inspections themes for the quarter, and these are briefly discussed below. Some of the themes are emerging while others are regrettably recurring. Individual auditors and those responsible for firm quality control are urged to proactively address these themes on their audits.

1. *Documenting sufficient appropriate audit evidence and procedures on the audit file*

Following numerous public communications and inspection reports issued to auditors over the past years, the IRBA continues to identify and report deficiencies related to no or poor documentation of sufficient appropriate evidence on the audit file (International Standard on Auditing (ISA) 230, paragraphs 8 and 9). In the absence of sufficient and appropriate audit evidence documented on the audit file, the IRBA is limited in its ability to understand and assess the nature, timing, extent and results of the audit procedures that would have detected misstatements; and to understand and assess professional judgments made by the engagement team in reaching conclusions.

As sufficient and appropriate documented audit evidence on the archived audit file is the only acceptable proof that the relevant audit work was performed and the audit evidence existed and had been considered at the time of the audit opinion, the IRBA applies the principle of *"if it is not documented, it is deemed not done"*.

This is a recurring inspections theme that requires much closer attention from auditors as it underpins most deficiencies reported by the IRBA.

Auditors are referred to the *"How a lack of documented evidence can trip you up"* information session held in June 2018. The slide presentation is available on the [IRBA website](#).

2. *Fraud risk related to revenue recognition*

The IRBA continues to identify and report deficiencies on inappropriately documented risk assessments related to revenue recognition (ISA 240, paragraph 26). These reportable deficiencies include the inadequate documentation related to the rebuttal of the presumed risk of fraud in revenue recognition (ISA 240, paragraph 47) to enable the IRBA to understand and assess the basis of the rebuttal and arrive at the same conclusion as the engagement team. Auditors are encouraged to consider the information contained in the *SAICA Frequently Asked Questions (FAQs): Application of the requirements of the ISAs in relation to matters arising from monitoring findings and other in-practice challenges*.

The FAQs document is available on the [SAICA website](#).

3. *Completion of the assembly of final engagement files*

Many instances were identified and reported where the engagement files selected for inspection were not assembled in accordance with the prescribed time limits of the audit firm's policies and procedures; ISQC 1, paragraph 45 (application paragraph 54); and ISA 230, paragraph 14.

Furthermore, there were ongoing instances where the IRBA identified modifications to the audit file after the auditor's report had already been signed off, or after the file assembly period had passed. However, there was no documented audit evidence on the audit file to support the modification, as required by ISA 230, paragraphs 13 and 16. This cast significant doubt on the integrity of the audit file and the firm. Such practice undermines the effectiveness of the IRBA's inspection process and poses a significant risk to the public due to the actual quality of the audit being obscured.

There were also still modifications made to selected audit files in connection with an inspection, which is seen in a very serious light and may result in a disciplinary referral.

4. *Statement of cash flows*

Numerous reportable deficiencies that relate to the inclusion of non-cash flow items in the statement of cash flows were identified and reported. It was further noted that audit files contained insufficient audit procedures and evidence supporting the classification of cash flows as either operating, investing or financing activities.

5. *Reliance on information systems*

The IRBA continues to identify and report deficiencies where engagement teams placed undue reliance on reports obtained from the auditee's information systems, without performing either appropriate tests on the information system or alternative procedures to verify the completeness and the accuracy of such reports (ISA 500, paragraph 9).

The IRBA urges all stakeholders to take cognisance of the above themes and to note that the list discussed here is not exhaustive. We encourage stakeholders to analyse our previous [Public Inspections reports](#) for a more comprehensive summary of the themes, most of which are recurring. Stakeholders are also referred to the latest Inspections Findings Survey Report issued by the International Forum of Independent Audit Regulators (IFIAR), as seen below.

IFIAR SURVEY OF AUDIT INSPECTION FINDINGS

In May 2019 IFIAR released a report on the results of its seventh annual survey of inspection findings arising from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. It collected information about two categories of activities: inspections performed on firm-wide systems of quality control and inspections of individual audit engagements.

IFIAR members reported in the 2018 survey that 37% of audit engagements inspected had at least one finding, compared to 40% in the 2017 survey and to 47% in the first survey capturing this percentage (2014 survey). While the downward trend is encouraging, the recurrence and level of findings reflected in the survey indicate a lack of consistency in the execution of high-quality audits and the need for a sustained focus on continuing improvement.

The survey results do not measure precisely – and are not the sole factor when considering developments in – firms' progress in improving audit quality. Members' inspection processes follow a risk-based methodology and are not necessarily intended to select a representative sample of all firms, firms' quality control elements or all assurance work throughout the year. A comprehensive evaluation of audit quality involves consideration of various factors beyond numerical information about deficiencies identified and reported over the course of an inspection.

While responsibility for improving audit quality rests with audit firms, IFIAR seeks to influence progress towards consistent, high-quality audits globally through various activities. It also encourages audit firms to execute on an ongoing cycle of continuous improvement, a topic that has been – and will remain – a prominent aspect of IFIAR's dialogue with the GPPC networks and knowledge sharing among IFIAR members.

To augment the survey's information about inspection findings, in the 2018 survey IFIAR collected information about its members' practices with respect to reporting the results of inspections to the inspected audit firms, audit committees/those charged with governance and the public. The 2018 survey also includes data about certain initiatives, beyond inspections, pursued by IFIAR members individually that are designed to contribute to improving audit quality. Forty-five IFIAR members contributed to the 2018 survey.



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DISCIPLINARY COMMITTEE

The Disciplinary Committee sat once during the period to hear a part-heard matter that had commenced in 2017. The matter was heard on 11 June 2019 and sanction is reserved.

REPORTABLE IRREGULARITIES

Reportable Irregularities (RIs) for the quarter 1 January 2019 to 31 March 2019:

(Note that RIs are reported on quarterly in arrears)

163 second reports were received, of which:

RIs were continuing	108
RIs were not continuing	55
RIs did not exist	0

Of the 108 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature, were:
(Note that in many cases a second report received would identify more than one RI)

Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
- Financial statements not prepared/not approved within the allotted timeframe.	41.01%	The South African Revenue Service (SARS), the Financial Sector Conduct Authority (FSCA) and the Companies and Intellectual Property Commission (CIPC).
- Tax and VAT-related contraventions, e.g. non-submission of tax returns, failure to register for tax, non-payment of PAYE, etc.	32.37%	SARS.
- Various Companies Act Contraventions, e.g. reckless trading, breach of directors' fiduciary duties, irregular financial assistance to directors, AGM-related irregularities, etc.	12.95%	CIPC.
- Suspected fraud and/or theft, and contravention of the Prevention and Combatting of Corrupt Activities Act (PRECCA).	4.32%	The Directorate for Priority Crime Investigation and the Financial Intelligence Centre.
- Contravention of the Pension Funds Act – i.e. fund not responding to FSCA queries, breaches in fiduciary duties, etc.	2.16%	FSCA.
- Contravention of the Trust Property Control Act – i.e. number of trustees falling below stipulated minimum, trustees acting negligently, etc.	1.44%	Master of the High Court.
- Other, e.g. contraventions of the Johannesburg Stock Exchange Listing Requirements, the Sectional Title Schemes Management Act, the Compensation for Occupational Injuries and Diseases Act.	5.75%	The Johannesburg Stock Exchange, the Community Schemes Ombud Service, the Compensation Fund, etc.

RIs Identified When Providing Professional Services Other Than Audit Services

When a registered auditor (RA) sends a first RI report to the IRBA detailing irregularities identified during the provision of professional services other than audit services, as defined in paragraphs 6.1.4 and 6.1.5 of the IRBA's 2015 Revised Guide for Registered Auditors on Reportable Irregularities in terms of the Auditing Profession Act (the RI Guide), the IRBA will question the validity of such a report to be processed as an RI in accordance with Section 45 of the Auditing Profession Act 26 of 2005.

The circumstances that are encountered by the RA in question might, however, very well be similar to the scenario that is described in paragraph 6.1.6 of the RI Guide where an audit firm that provides professional services other than audit services to a client is also, via a different RA in the same firm, providing audit services to that particular client. Should the RA responsible for providing such non-audit services inform the client's auditor of irregularities identified, then such disclosure may lead to a first RI report being sent to the IRBA under circumstances that meet the requirements of Section 45 RI reporting.

However, if such RI report to the IRBA makes no mention that the firm also provides audit services to the client – and where it merely refers to the professional services other than audit services that were provided – that will inevitably result in the IRBA not being in a position to fully appreciate the nature of the circumstances that led to the RI being reported.

Consequently, to avoid confusion, we request that an RI report sent to us under such circumstances as depicted above should disclose the fact that the firm provides both non-audit and audit services to the client that is referred to in the report. We also request that the RI report should disclose that, where applicable, the irregularities reported to the IRBA were identified during the provision of these non-audit services. Also, it should be noted that the RI report must be issued by the RA who is responsible for the client's audit rather than by the RA who provides the client with non-audit services.

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 29 JANUARY-29 MAY 2019

Bhika, Bhavesh Suresh Doolabh	Kotze, Johann Ernst
Bodha, Melanie	Lombaard, Elizabeth Christina
Botes, Anilda	Mabhena, Bekithemba
Botes, Marizanne	Mabindla, Zimkita Precious
Botha, Erika	Magano, Titus Kagiso
Diener, Johann Nicolas	Martin, Melissa
Du Toit, Daniel Johannes	Mills, Kelli
Fourie, Surette	Moller, Clovilde Emare
Galiem, Jamaal Ahmed	Ngumbela, Portia Nobantu
Geza, Thomas Masimba	Osman, Shaheed
Goba, Malerato	Ramalatso, Motsiri Stanley
Govender, Loganathan	Ramokhele, Bonolo Molemo
Gunasee, Ashen Ishwarlal	Villis, Jonathan David
Ismail, Ridwaan	Walele, Ridhwaan
Jacobs, Sunel	Zungu, Eugene Msawenkosi
Kamdar, Fathima Bibi	

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 29 JANUARY-29 MAY 2019

Erasmus, Paul Albert	Norkie, Fatima
Fischer, Andrew	Oosthuizen, Roelof
Masemola, Mangakane Mamahlape Andronicca	Rakoma, Matome Edgar
Mzimela, Cleopas Zenzele	Shezi, Ntobeko

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 26 MARCH-19 JUNE 2019

Abrahams, Gerald Arthur	Resigned	Minnaar, Philmar	Emigrated
Allison, David Martin	Resigned	Moodally, Teshika	Resigned
Amod, Younus Ebrahim	Resigned	Moosa, Ehsaan	Resigned
Andrews, Anneke	Resigned	Morkel, Brian	Resigned
Aucamp, Mandie	Resigned	Mudzengi, Takudzwa Wendy	Resigned
Aylward, Kevin	Emigrated	Murray, Elizabeth Magdalene	Resigned
Badenhorst, Pieter Andreas	Passed away	Murray, Neil Christiaan	Resigned
Ballot, Carl John Lawrence	Resigned	Mycielski, Mathias John	Resigned
Barlow, Luke Geoffrey Vermaak	Resigned	Naidoo, Megandra	Resigned
Barnes, Trevor Charles	Resigned	Narunsky, Allen	Resigned
Belitzky, Jack	Resigned	Nayager, Ratha Krishnan	Removed
Beukes, Pieter Christiaan Steyn	Resigned	Nel, Christiaan Mauritz Viljoen	Resigned
Bisset, Michael John	Resigned	Nel, Eben	Resigned
Black, Orlando Nilton Fernandes	Resigned	Noble, Gary Andrew	Resigned
Boakye, Emmanuel Nana Kwadjo Owusu	Resigned	Norval, Anthony Charles White	Resigned
Botes, Hendrik Stephanus	Resigned	Oberholzer, Willem J	Resigned
Botha, Nicolaas Johannes Gerhardus	Emigrated	Odendaal, Pieter Wilhelm	Resigned
Bowes, Gavin Barry John	Resigned	Patel, Chiman Vallabh	Resigned
Cajee, Zeinoul Abedien	Resigned	Patel, Imraan Mohamed	Resigned

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 26 MARCH-19 JUNE 2019

Cathrall, David Ian	Resigned		Patel, Ismail Dawood	Resigned
Chilcott, Alan Michael	Resigned		Pickering, Gary Mark	Resigned
Cikara, Frank Stephen	Resigned		Pienaar, Jacques Johannes	Resigned
Coetzee, Andries Renier	Resigned		Plenderleith, David Peter Wynn	Resigned
Conacher, Derrick John	Passed away		Potgieter, Johan	Resigned
Crauwcamp, Jolandie	Resigned		Pretorius, Gideon Joubert	Resigned
Cromhout, Christopher John	Resigned		Pyper, Daniel Francois	Passed away
Dawood, Nisar Ahmed	Resigned		Ramiah, Sastri	Resigned
De Beer, Anene	Resigned		Rose, David Leon	Resigned
De Beer, Theunie	Resigned		Sagar, Craig Archer	Resigned
De Castro, Sergio Luis Santos	Resigned		Saven, Hilton	Resigned
De Klerk, Barend Johannes	Resigned		Setshedi, Rachel	Resigned
De Villiers, Francois Du Preez	Resigned		Shaw, Mark	Emigrated
Du Preez, Laura	Resigned		Sickle, Christopher Clyde	Resigned
Ebrahim, Mahomed Sayeed	Resigned		Smit, Alida Maria	Resigned
Edwards, Clive John	Resigned		Smit, Patrick Joseph	Resigned
Ferreira, Mariette	Resigned		Smith, Cornelius Alewyn	Resigned
Fourie, Michiel Philippus Willem	Resigned		Steenkamp, Catharina Johanna	Resigned
Foxon, Ashley Anne	Resigned		Steenkamp, Johannes Benjamin	Resigned
Fryer, Graham Hendrie	Resigned		Streicher, Barry Daniel	Resigned
Gibson-Stevenson, Gail Caroline	Resigned		Stroh, Melinda	Resigned
Hanekom, Maritza	Resigned		Swanepoel, Andries Petrus	Resigned
Homann, Malcolm Paul	Resigned		Tam, Ling	Resigned
Hooghiemstra, Antoinette Maria	Resigned		Teichner, Irvin Malcolm	Resigned
Huysamen, Frederick Francois	Resigned		Theunissen, Robin Neill	Resigned
Jacobs, Lionel	Resigned		Van Der Westhuizen, Julian	Resigned
James, Alistair Wyatt	Resigned		Van Doorn, Jan Willem	Resigned
Jooste, Barrie Noel	Resigned		Van Heerden, Ine	Resigned
Jordaan, Rune	Resigned		Van Jaarsveld, Frans	Resigned
Katz, Peter Michael	Resigned		Van Jaarsveld, Maria Elisabeth	Emigrated
Kooi, Barteld	Resigned		Venter, Cornelius Jacobus	Resigned
Kruger, Johann Leonard	Emigrated		Vercueil, Maaiké Delene	Resigned
Kula, Ishak	Resigned		Vieira, Anabela	Resigned
Lockitch, Barry Dennis	Passed away		Viljoen, William	Resigned
Loubser, Johannes Stockenstrom	Resigned		Volschenk, Arnold Gerhard	Resigned
Louw, Steven Leon	Resigned		Wallace, Dean Ivan	Resigned
Lovely, Graham John	Resigned		Waterston, Douglas Gordon	Resigned
Mall, Farzanah	Resigned		Westraadt, Petrus	Resigned
Manga, Vasantjee	Resigned		Whitehorn, Robin	Resigned
Mann, Jeffrey Norman	Resigned		Wood, Trevor Harvey	Resigned
Matiyanganga, Fungai	Resigned		Zietsman, Solomon Pienaar	Resigned
Minnaar, Norman Willows	Resigned			

NEW CPD POLICY FOR REGISTERED AUDITORS

The new IRBA Continuing Professional Development (CPD) Policy mandates an output-based approach to CPD. Its planned effective date is 1 January 2020.

The policy applies to all registered auditors (RAs), including those registered as non-assurance and those in academia, technical positions and other roles. The policy also applies to RAs on special leave such as maternity leave or extended leave.

The existing policy requires RAs to complete a certain number of hours of CPD learning and development activities. The new policy requires the application of a CPD framework that includes active identification of individual learning needs as well as self-reflection on the effectiveness of the learning and development activities completed (see the graphic below).

Following the cycle of the framework allows RAs to better connect CPD to the responsibilities of their roles.

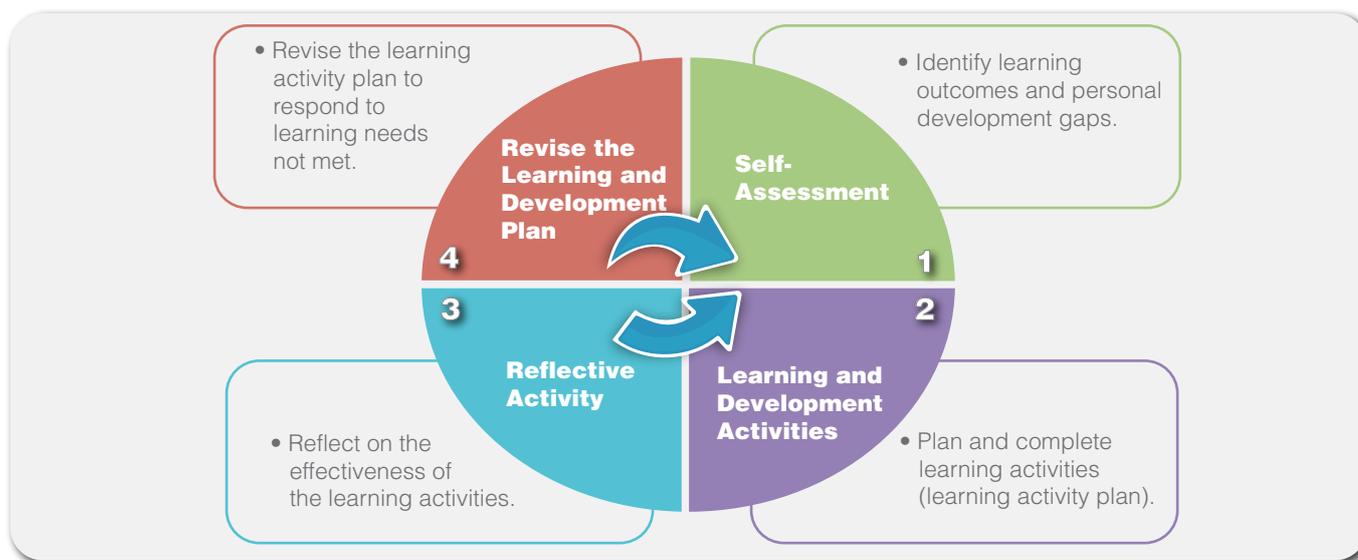


Figure 1: Cycle of the CPD framework

How an RA Can Prepare for the Self-Assessment

Self-assessment is when RAs identify the knowledge and skills required to fulfil their current and future roles, including responsibilities as RAs. This process identifies relevant learning outcomes and personal development gaps, which will be filled through output-based CPD activities.

Different activities can be used to gather information to identify these outcomes and gaps. Examples of the activities include:

- Understanding the roles, responsibilities, knowledge and skill required in current and future roles.
- Formal performance management processes at the firm that would identify development needs.
- Performance feedback from the firm, and any other relevant stakeholders where appropriate.
- Feedback from the internal and external firm quality review processes.
- Feedback from the IRBA, including the Public Inspections Report issued.
- Other specific requirements from the IRBA as communicated to RAs.

- Considering the demands of the employer, clients and the working environment.
- Considering specific changes to laws, regulations, standards, processes and technology impacting the role of the RA.
- Considering personal expectations and learning needs.

More details and guidance on the CPD Policy will be communicated to RAs in due course.

PROFICIENCY ASSESSMENTS REGISTRATION PROCESS

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

To ensure this, the IRBA must make an independent verification of the applicants' audit proficiency to ensure that only those who are proficient may be admitted to the register of RAs.

Assurance Registration

Accordingly, each applicant for assurance registration is required to undergo an IRBA proficiency interview. This includes those for whom it has been more than three years since they were last registered with the IRBA as an RA with an assurance status; and/or have passed the PPE or successfully completed the ADP, whichever is the latest.

The IRBA requires the applicant's CV; a record of CPD undertaken in the past three years to date; a motivation letter from the applicant explaining why they require registration; and, for RAs joining a firm, a letter from the senior partner of the firm confirming the applicant's role within the firm and whether, in the firm's opinion, the applicant is audit proficient.

It should, however, be noted that experience evidenced by these documents will not exempt an applicant who is joining an existing firm from having to undergo a proficiency interview.

Non-Assurance Registration

Applicants for non-assurance registration must also motivate the reason for their application. At the discretion of the IRBA, they may also be invited for a proficiency interview, depending on their role within the firm.

Proficiency interviews are scheduled in advance and will affect the timing of the registration process. Please take this timing into consideration when applying for registration.

THE AUDIT DEVELOPMENT PROGRAMME (ADP)

The ADP, launched in 2015, is a period of audit work experience undertaken by a qualified professional accountant who wants to become eligible to register as an RA. The programme is for candidates who have qualified through the South African Institute of Chartered Accountants (SAICA) APC exam.

Who May Offer the ADP?

The ADP may be offered by any RA firm that is registered with the IRBA. Registration with the IRBA provides some indication of quality as all RA firms are required to be ISQC 1 compliant. In addition, the firm must be able to provide the registered candidate auditor (RCA) with sufficient exposure to auditing work in order to satisfy the requirements of the ADP.

Who May Join the ADP?

Professional accountants who have qualified through the programmes of a professional body accredited by the IRBA may register for the ADP. Currently, the only professional body accredited by the IRBA is SAICA.

When to Register on the ADP?

Candidates may register for the ADP directly after completing their professional accountant qualification or at any later stage. An RCA's opportunity to join the ADP will be determined by whether an RA firm is prepared to register them on the ADP. However, the IRBA considers it preferable that RCAs register straight after the successful completion of their professional accountant qualification.

How is the Competence of Candidates on the ADP Assessed?

Candidates on the programme (RCAs) are required to submit six monthly reports signed off by the oversight registered auditor (ORA) as they progress through the programme. These reports form part of the Portfolio of Evidence (PoE) to be submitted. It is through the PoE that the RCA demonstrates that they have satisfied all the requirements of the ADP. This PoE is assessed by an assessment panel appointed by the IRBA. If you are interested in serving on an assessment panel, please contact adpadmin@irba.co.za.

For further information and to register a prospective candidate on the programme, please refer to our [website](#). The IRBA also regularly hosts ADP workshops around the country. If you are interested in hosting a workshop at your firm, please contact adpadmin@irba.co.za.

Successful Candidates

The following candidates completed the ADP during the period April 2019 to June 2019:

Tshililo Tshithavhani
Ruan van de Venter
Danika van Heerden
Hans Jurie Potgieter

We wish these candidates all the success in their roles within the profession. We would also like to extend our gratitude to the ORAs and the respective firms for their commitment and contribution to the success of these candidates.

Review of the ADP

The IRBA has commenced a project to review the ADP with the objective of identifying its successes and areas that need improvement.

To that end, a survey has been developed to obtain feedback from ORAs and RCAs on their experience on the programme. After the collation and analysis of the feedback, a series of focus groups will be hosted to develop recommended improvements to the programme.

We thank all the ORAs and RCAs who have participated in the survey and look forward to hosting them at our upcoming focus group sessions.

If you would still like to provide feedback on the programme, please contact adpadmin@irba.co.za.



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

24 June 2019	Changes to the eFiling system: Multiple Profiles
19 June 2019	Illustrative Banks Act Regulatory Auditor's Reports
13 June 2019	Assurance Fees Payable to the IRBA with Effect from 1 April 2019
11 June 2019	Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts
4 June 2019	IRBA Rules Regarding Improper Conduct (Revised 2019)
4 June 2019	Final Amendments to the IRBA Code of Professional Conduct for Registered Auditors in respect of Second Opinions
30 May 2019	The IRBA issues the South African Auditing Practice Statement (SAAPS) 3 (Revised May 2019), Illustrative Reports
27 May 2019	Estate Agency Affairs Board: 2019 Audit Reports Submission Reminder
24 May 2019	IFIAR issues a Report on the 2018 Global Inspections Findings Survey
16 May 2019	Call for persons to serve on the Disciplinary Committee of the Independent Regulatory Board for Auditors
14 May 2019	2019 Annual Renewal Reminder to all RAs
13 May 2019	Audits of Less Complex Entities Furthering the Debate on Applying the ISAs in Audits of Less Complex Entities
29 April 2019	Opportunity to Subscribe to Daily Updates on the IRBA Code of Professional Conduct (Revised November 2018) and Other Implementation Support Resources
29 April 2019	IESBA Proposes Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)
8 April 2019	Proposed Revised Guide for Registered Auditors: Auditing in the Public Sector
2 April 2019	IAASB Quality Management Webcast Series
2 April 2019	IAASB Consults on Extended External Reporting Assurance



A BOOST IN COLLABORATION EFFORTS: From left to right are Viswajithsing Tuhobol, Officer-in-Charge; Dr Satyabhooshun Gupt Domah, Chairman of the Financial Reporting Council Mauritius; Vickson Ncube, CEO of the Pan African Federation of Accountants; Dharmendar Sesungkur, Mauritius’ Minister of Financial Services and Good Governance; Admire Ndurunduru, AFIAAR Chairman; and Bernard Agulhas, AFIAAR Deputy Chairman.

AFIAAR REGULATORS COLLABORATE TO STRENGTHEN REGIONAL OVERSIGHT

The African Forum of Independent Accounting and Auditing Regulators (AFIAAR) reported at its recent meeting in Mauritius that it has made significant progress in its efforts to boost collaboration between regulators, while regulators reported on reforms in their respective countries.

The conference – themed *“Attracting investment through good governance and restoring confidence in audit and accounting”* – was opened by Mauritius’ Minister of Financial Services and Good Governance, Dharmendar Sesungkur. In his keynote address he emphasised the role of the auditing and accounting profession in contributing to investor confidence through creating a sustainable economic environment characterised by good governance and increased professionalism.

“Investors want a global product and so audit quality becomes an important matter of public interest. Audit quality issues transcend continental barriers and impact public confidence, either building confidence in capital markets when it is high or negatively [affecting it] when [the] quality is poor. As we have seen, just one audit failure, or one errant auditor, can taint the entire profession and create barriers to investment for our continent,” he said.

At its last meeting in Maputo in September 2018, the AFIAAR adopted its vision and strategy for the future of independent accounting and auditing regulation on the continent and established working groups. The working groups reported back on projects and work plans that have been formulated to address advocacy and outreach to governments, other Pan-African organisations and audit regulators on the continent. The projects and work plans are also aimed at improving audit quality and facilitating data management and knowledge sharing.



A LOOK INTO THE FUTURE: IRBA CEO and IAESB board member, Bernard Agulhas, attended the IAESB meeting in Bali, Indonesia, where the main focus was on the significant changes that the accountancy profession is undergoing as a result of the digital age. These changes mean that there has to be a shift in education and competency needs. The IAESB, which had its last meeting in June, will cease when it has completed its work plan.