



**irba**

INDEPENDENT REGULATORY BOARD FOR AUDITORS

# NEWS

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## ONLY THROUGH COMBINED EFFORTS

Will we be able to restore the reputation of the profession

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Following the significant loss of confidence in the audit profession in the second half of 2017, the IRBA Board tasked the executive in November 2017 to formulate a strategy addressing key issues raised by stakeholders. The strategy was adopted by the Board at its May 2018 meeting and included several projects to address the loss of confidence in the profession. During the past year, the IRBA has made significant progress on several of these projects.

The IRBA has required audit firms to publish transparency reports on a voluntary basis for 2019. In addition, it will work with audit firms and users of transparency reports to determine what the future minimum mandatory requirements will be for audit firms to publish these reports on an annual basis from 2020. Reports will provide users with information that will help them understand the firm's approach to:

- Audit quality;
- Leadership, culture and ethics;
- The firm's risk management practices;
- Its relationship with staff and service providers;
- Independence; and
- Addressing its external and internal inspection and monitoring results.

To assist audit committees, the IRBA has formulated a set of Audit Quality Indicators (AQIs) that have been rolled out as a pilot project with JSE-accredited audit firms. These firms will be required to submit AQI assessments to the IRBA in 2019, and the information supplied will be used to provide a thematic report and guidance to audit committees on how to assess the performance of firms.

We have also made significant progress in the review of quality standards. ISQM 1 will replace ISQC 1; ISQM 2 will cover EQCR; and the revised ISA 220 will deal with quality on audits. The exposure drafts of the enhanced standards were released in February 2019, with a closing date of 6 June 2019 for comments to be submitted to the IRBA or 1 July 2019 for comments submitted directly to the IAASB. 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 IRBA has also strengthened its inspection process to align it with requirements in ISQM 1 and ISQM 2. Inspection procedures have been updated to include additional focus areas on firm quality, governance and independence. The remedial action process will be far stricter, while root cause analyses and action plans are now compulsory for firms with repeat findings.

In November 2018, the IRBA published the revised IRBA Code (Revised November 2018), which is effective 15 June 2019. This followed the adoption of the amendments made to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued during 2018.

The IESBA announced that two 90-minute webinars to support the

roll-out of the IESBA Code would be held. One of these took place in March, while the second one is scheduled for April.

During the webinar the IESBA representatives will explain the IESBA Code's new structure. In addition, they will clarify the substantive revisions, such as the conceptual framework and provisions relating to inducements, including gifts and hospitality; pressure; as well as preparing and presenting information. The webinar will also touch on the new Non-compliance with Laws and Regulation (NOCLAR) and revised Long Association provisions that are already effective.

The new annual declaration requirements have been circulated to all firms that are required to submit by the end of March. Of the 11 additional fields of information, three are mandatory for submission in 2019, while the rest become mandatory from 2020. The information that the IRBA is now requesting will assist it in addressing various risks identified from market developments, and these include issues around audit firm governance, concentration risks and independence risks.

We have previously reported on the Auditing Profession Act Amendments (APAA) process that National Treasury has been engaged in for the past year. The draft amendments were introduced to the National Assembly by the Minister of Finance at the beginning of February as part of the Financial Matters Amendment Bill (FMAB).

As the National Assembly and the National Council of Provinces will rise early due to the 8 May elections, the Standing Committee on Finance made the decision to take the APAA out of the FMAB to allow the balance of the composite bill to be processed before the elections. I believe the temporary delay will allow Parliament to engage fully on the public interest reasons for the proposed amendments.

We recently launched our Inspections Report, which is a review of the sixth inspection cycle that covered 2015, 2016 and 2017. As these years fall in a period that has been one of the most turbulent eras in the history of the audit profession, the report is reflective of what the IRBA views as a systemic decline in audit quality.

Audits are conducted to strengthen capital markets and they are a public interest responsibility – a role that is the opposite of self-serving. The current audit failures have resulted in significant losses to the public and have had an impact on the credibility of the profession.

In the coming months, auditors must make every effort to meet the expectations of the public – not just their clients. Auditors should also be cognisant of the value of the audit and consider where the product may fail to meet stakeholder expectations. Audit quality relates to both technical and behavioural competence.

We recognise that there is a lot of work to be done to restore confidence in our profession and this will be achieved by treating audit quality as a business imperative rather than a risk issue. Starting today, we need to combine all our efforts to restore confidence and

the reputation of our profession. All of us – management, those charged with governance, auditors, investors, government and the public – need to pull together. I urge you to work with the IRBA to achieve this important milestone.



*Bernard Peter Agulhas*  
**Chief Executive Officer**

*More details on the various projects are in the IRBA Integrated Report 2018 under material issues and stakeholder engagement.*



## THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Standards:
  - Global Consultation on Quality Management for Firms and Engagements;
  - Adoption of the IAASB's 2018 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements;
  - Audit Quality Indicators;
  - Transparency Reporting;
  - Approved CFAS projects to commence;
  - The ISA 540 (Revised): Implementation Working Group Provides Implementation Support on the Revised Standard;
  - Exposure Draft: Proposed International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*;
  - Exposure Draft: *Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts*;
  - Exposure Draft: *Proposed SAAPS 4, Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity*;
  - Engagements on Attorneys' Trust Accounts;
  - Implications of the effective dates of the IRBA Code on the Auditor's and Assurance Provider's Reports;
  - IAASB Consultation Paper on Extended External Reporting Assurance;
  - IAASB Future Strategy and Work Plan Consultation;
  - IAASB projects in progress; and
  - CIPC Guideline for Corporate Compliance Programme.
- Ethics:
  - Communication with firms regarding the IRBA Code;
  - Exposure Draft: Proposed Amendments to IRBA Rules Regarding Improper Conduct;
  - IESBA projects in progress; and
  - IESBA webinars.

## Global Consultation on Quality Management for Firms and Engagements Now Open

The International Auditing and Assurance Standards Board (IAASB) seeks public comments by **1 July 2019** on [three interrelated standards that address quality management](#). 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 establish 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.

## Exposure Drafts

- 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*.

## Request for Comments

The Committee for Auditing Standards (CFAS) welcomes comments on all matters addressed in the three interrelated standards that address quality management, and this includes responses to the specific questions set out in each Explanatory Memorandum. Comments should be submitted via email to [standards@irba.co.za](mailto:standards@irba.co.za) and should be submitted in Word and PDF formats by **6 June 2019**. 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 **1 July 2019**.

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

## IAASB Webinars on the New and Revised Quality Management Standards

The IAASB will be presenting webinars on the topics listed below. To register, click on the dates below:

- Overview of Quality Management at the Firm Level  
[25 April 2019](#)
- Overview of Engagement Quality Reviews and Quality Management for Audit Engagements  
[7 May 2019](#)

### Adoption of the International Auditing and Assurance Standards Board's 2018 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements

The IRBA draws the attention of all registered auditors to Board Notice No. 33 of 2019 (Government Gazette No. 42323 of 22 March 2019) 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)*".

The IRBA hereby resolves to adopt, issue and prescribe the following publications known as the:

1. *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume I, ISBN 978-1-60815-389-3.*
2. *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume II, ISBN 978-1-60815-389-3.*
3. *Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition Volume III, ISBN 978-1-60815-389-3.*

These publications replace the following issues: the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2016-2017 Edition Volume I*, ISBN 978-1-60815-318-3; the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2016-2017 Edition Volume II*, ISBN 978-1-60815-318-3; and the *Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2016-2017 Edition Volume III*, ISBN 978-1-60815-318-3.

In these new publications references to the IESBA Code of *Ethics for Professional Accountants* must be read in conjunction with the IRBA Code of Professional Conduct for Registered Auditors (the Code). The Code has additional requirements for registered auditors in South Africa.

These 2018 publications are issued by the IRBA under the following copyright permission from the International Federation of Accountants:

*"The Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition is based on the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2018 Edition of the International Auditing and Assurance Standards Board, published by the International Federation of Accountants (IFAC) in December 2018 and is used with permission of IFAC.*

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By virtue of having adopted the publications listed under 1, 2 and 3 above, the Board deems them to have been prescribed without the publication of the entire books. As such, it hereby communicates their adoption to registered auditors and also makes them available on the IRBA [website](#). The Code and subsequent amendments are also available on the IRBA [website](#).

The IRBA auditing pronouncements are also published by the South African Institute of Chartered Accountants (SAICA) in the 2018/2019 SAICA Student Handbook.

### Audit Quality Indicators (AQIs)

The IRBA embarked on its AQI project in 2016. The objectives of the project are to enhance quality and improve insights about quality. This involved developing a minimum set of AQIs for use by firms and for internal use by the IRBA for risk analysis and business intelligence. The AQIs are also meant for external use by audit committees, to assist them in their oversight of their external audit function, and by audit clients.

AQIs refer to a portfolio of quantitative measures that could be used to enhance dialogue about and understanding of auditors and their audits and ways to evaluate their quality. For example, this may be to better inform audit committees about key matters that may contribute to the quality of an audit (both at audit firm level and at audit engagement level). This could be to the benefit of the audit committee in discharging its oversight responsibilities regarding the external audit process, including the appointment or reappointment of the external auditor.

The IRBA has since consulted extensively with various stakeholders, and has also researched global developments on AQIs. Our stakeholder consultations included workshops and meetings with

other regulators, audit committee members and Heads of Quality at several audit firms. Stakeholders that have been consulted include the JSE Limited, two of the new South African stock exchanges, several large and medium-sized audit firms, the South African Reserve Bank, the Companies and Intellectual Property Commission, the Auditor-General South Africa, the Association for Savings and Investment South Africa, SAICA and the Institute of Directors.

Based on the research and understanding of needs, the IRBA decided to request AQI-related information for public interest entities (PIEs) only, and from firms accredited with the JSE only (those firms registered as such on 31 December 2018).

The AQIs ultimately selected have been developed based on those that were raised frequently by other regulators and by certain parties we consulted, and they are also based on the local environment. These selected AQIs will provide valuable information to the IRBA and other stakeholders to better identify some indicators of independence and audit quality, and to make better informed assessments of risks. For firms, we also considered the practicality of collecting and collating the information.

The AQIs have been grouped into the following eight categories:

- Independence;
- Tenure;
- Review;
- Workload;
- Span of control;
- Technical resources;
- Retention; and
- Training.

Once all the information has been collated, the IRBA's Business Intelligence team will analyse the data. Depending on the usefulness of the data collected, the expectation is that the IRBA will prepare a thematic report on AQIs. In addition, the IRBA will draft guidance to share with audit committees around the use of AQIs, and that will be issued to audit committees through an appropriate platform.

For further information on AQIs, refer to the following two Accountancy SA articles:

- [Audit Quality Indicators: Promoting Transparency.](#)
- [Audit Quality: The Global Quest for the Best Indicators.](#)

Registered auditors are referred to the [IRBA webpage](#) on AQIs for resources regarding this topic.

## Transparency Reporting

Registered auditors are reminded of the IRBA's call on 27 July 2018 for audit firms to introduce the public reporting of relevant internal information in the form of a transparency report.

A transparency report provides insight into a firm's:

- Structures and governance processes;
- System of quality management and its effectiveness;
- Risks and responses to those risks; and
- Other relevant information that will assist the IRBA to discharge its oversight responsibilities.

For further information on transparency reporting, refer to the following Accountancy SA article:

- [Transparency Reporting – A Health Check.](#)

Registered auditors are referred to the [IRBA webpage](#) on transparency reporting for resources regarding this topic.

## Committee for Auditing Standards (CFAS)

### Approved projects to commence

At its meeting held in March 2019, the CFAS approved the following projects for its 2019/2020 work programme:

- Audit guidance on IFRS 15, *Revenue from Contracts with Customers*.
- Fraud considerations.
- Related parties guidance.
- Attorney trust accounts audit guide.
- Joint audits guidance.
- Collective investment schemes auditor reports.
- IRBA Code of Professional Conduct updates to existing CFAS pronouncements.
- Banks regulatory reports.
- Solvency Asset and Management (SAM) audit reports.
- Social and Ethics Committee report (awaiting legislation changes).
- Financial conglomerates (awaiting legislation changes).

The CFAS decides to take on projects using a prioritisation process that takes into account factors such as public interest, the regulator impacted, the number of auditors impacted and the nature of legislative changes.

### ***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 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 registered 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 communicate 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.

Should you have any further queries, please do not hesitate to contact the Standards Department by email at [standards@irba.co.za](mailto:standards@irba.co.za).

## **Exposure Draft: Proposed International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements**

The IAASB issued the proposed International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagement* (ED-ISRS 4400 (Revised)), for public comment in November 2018.

The demand for agreed-upon procedures (AUP) engagements continues to grow across jurisdictions. Changes in regulation, such as the increase in audit exemption thresholds in many jurisdictions, have also driven increased demand for AUP engagements.

To ensure that the IAASB's standard on AUP engagements remains relevant in the current business environment, the IAASB proposes to enhance key concepts in the standard, including:

- The role of professional judgment in an AUP engagement.
- Disclosures relating to the practitioner's independence or lack thereof.
- Guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports.
- The use of a practitioner's expert in an AUP engagement.
- Restrictions on the distribution and use of the AUP report.

The comment period ended on 15 March 2019. The IRBA submitted its comment letter on ED-ISRS 4400 (Revised) and this is available on the [IAASB website](#).

## **Outreach by the IRBA and APAC on the Exposure Draft: Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts**

The CFAS approved the issue of the *Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts* (the proposed Guide), in November 2018 for a 90-day exposure for public comment, with comments due to the IRBA by 15 March 2019. The Agricultural Produce Agents Council invited auditors and other interested parties to outreach events on the

proposed Guide and these were presented by the IRBA in February 2019. The proposed Guide is available on the [IRBA website](#).

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

## **Exposure Draft: Proposed SAAPS 4, Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity**

The CFAS approved the issuing of the proposed South African Auditing Practice Statement (SAAPS) 4, *Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity* (the proposed SAAPS), in March 2019 for exposure for public comment.

The proposed SAAPS is aimed at providing practical guidance to registered auditors who are required to seek direct communication with the entity's external legal practitioner, in line with paragraph 10 of the International Standard on Auditing (ISA) 501, *Audit Evidence – Specific Considerations for Selected Items*. Section 3 of the Explanatory Memorandum in the proposed SAAPS contains details relating to the change in the scope of the proposed SAAPS.

## **Proposed effective date**

Depending on comments received, the expectation is that the final SAAPS may be approved and issued by the CFAS in August 2019, with such approval and issue being noted at the subsequent meeting of the IRBA Board. It is expected that the proposed SAAPS will be effective for letters of specific inquiry requested on or after 1 September 2019.

## **Request for comments**

The CFAS welcomes comments on all matters addressed in the proposed SAAPS, especially those identified in the Request for Specific Comments section (Section 4) of the Explanatory Memorandum.

We invite registered auditors and other interested parties to submit any comments regarding the proposed SAAPS to the IRBA by **14 June 2019**. Comments, in Word format, should be submitted by e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a public record.

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

## **Engagements on Attorneys' Trust Accounts**

The CFAS approved a project for 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)

### ***Implications of the effective dates of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) on the Auditor's and Assurance Provider's Reports***

On 5 March 2019 the IRBA issued a communique, available on the [IRBA website](#), elaborating on the implementation risk of the different effective dates of the IRBA Code, and the effects thereof on the auditor's and assurance provider's reports.

As the effective date for Parts 1 and 3 of the IRBA Code differs from that of Parts 4A and 4B, careful attention needs to be paid to the timing of implementing the different parts of the IRBA Code, including how the IRBA Code is described in the auditor's and assurance provider's reports. Also, of importance is the date on which the auditor's and assurance provider's reports are signed. The implications of the effective dates on how the IRBA Code is described in the auditor's and assurance provider's reports differentiate the current period, the transitional period and the period going forward.

Registered auditors are alerted to these differences in descriptions as this will have an impact on the correctness of the auditor's report.

## International Audit and Assurance Standards Board (IAASB)

### ***IAASB Consultation Paper on Extended External Reporting (EER) Assurance***

The IAASB is consulting on its progress in developing draft guidance in the first phase of its EER Assurance project.

EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters.

This Consultation Paper includes the first part of draft guidance for practitioners applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to EER assurance engagements. It does not include an exposure draft of the anticipated full guidance as it is an interim consultation. In

addition, its purpose is to assist the IAASB to continue developing a complete non-authoritative guidance document that is due to be published in the second phase of the project as an exposure draft.

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

Respondents are asked to submit their comments electronically (in both a PDF and Word formats). The IAASB's request is that comment letters should not include tables as they are incompatible with the software used to help analyse respondents' comments.

The IRBA welcomes comments regarding the consultation paper for consideration, as we prepare our response to the IAASB. Comments should be submitted via email to [standards@irba.co.za](mailto:standards@irba.co.za) and should be submitted in Word and PDF formats by **31 May 2019**. 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 **21 June 2019**.

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

### ***IAASB Future Strategy and Work Plan Consultation Now Open***

This is an opportunity for everyone with an interest in standard setting to influence the global standard-setting agenda.

The evolving environment in which the IAASB operates demands a strategy that reflects, among others, changing technology; a dynamic small- and medium-sized entity landscape; and emerging reporting needs. This is an opportunity for global stakeholders to shape the board's strategy by commenting on the proposed draft.

In the [Proposed Strategy for 2020-2023 and Work Plan for 2020-2021](#), the IAASB puts forth a way forward that it believes meets stakeholders' evolving needs, and is in the public interest. Enhancing the IAASB's processes, using technology and appropriate resourcing are included in the strategy and are crucial to its success. These enhancements will also maximise the impact of the IAASB's activities, thereby enabling more timely responses to global trends and needs.

The Work Plan highlights the IAASB's commitment to completing significant projects that are currently underway, while balancing the needs of different stakeholders. This consultation is relevant to South African stakeholders as it has a bearing on the standard-setting agenda of the IRBA.



## Request for Comments

The IRBA welcomes comments regarding the consultation paper for consideration, as we prepare our response to the IAASB. Comments should be submitted via email to [standards@irba.co.za](mailto:standards@irba.co.za) and should be submitted in Word and PDF formats by **21 May 2019**. 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 **4 June 2019**.

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

- Group audits (ISA 600).
- Professional scepticism.
- Auditor risk assessments (ISA 315 (Revised)).
- Data analytics and audit evidence.
- Audits of less complex entities.

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

## CIPC Guideline for Corporate Compliance Programme

The Companies and Intellectual Properties Commission (CIPC) has published Guideline 1 of 2018 – *Guideline for Corporate Compliance Programme* (the Guideline). The Guideline is addressed to the Social and Ethics Committees of every state-owned company, every listed public company and any other company that has, in any two of the previous five years, scored above 500 points in terms of Regulation 26(2) of the Companies Act, 2008 (Act No. 71 of 2008).

The Guideline sets out minimum compliance principles that should be incorporated into a compliance programme. It is intended to assist the Social and Ethics Committee of a company to fulfil one of its obligations, which is to effectively identify and evaluate the corruption risks that its employees and others acting on its behalf are likely to encounter, and then use this knowledge as a basis to develop appropriate measures to reduce those risks.

A copy of the Guideline is available in PDF format and may be downloaded from the [CIPC website](#). Queries regarding the Guideline may be forwarded to Ms Lana Van Zyl, Senior Manager: Corporate Governance, Surveillance and Enforcement, at the CIPC at [LVanZyl@cipc.co.za](mailto:LVanZyl@cipc.co.za).

## Committee for Auditor Ethics (CFAE)

### **Communication with firms regarding the IRBA Code of Professional Conduct (Revised November 2018)**

Letters have been sent from the IRBA CEO to the leadership of audit firms reminding them of the fast-approaching effective date of the IRBA Code of Professional Conduct (Revised November 2018), with many of the amendments being effective as early as 15 June 2019. Firms are advised to make the necessary implementation plans in their firms. This may include the necessary training, updating of firm manuals and attention to how the IRBA Code (Revised November 2018) is referenced in engagement letters, audit reports and assurance reports. Firms have also been invited to inform the IRBA of implementation matters that they have identified that might benefit the wider profession.

### **Exposure Draft: Proposed Amendments to IRBA Rules Regarding Improper Conduct**

The CFAE approved the issuing of the proposed amendments to the IRBA Rules Regarding Improper Conduct (the Rules) on exposure in February 2019 for public comment by **15 April 2019**. In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish an amendment to the IRBA Code of Professional Conduct for public information and comment. Accordingly, Board Notice 30 of 2019 was published in Government Gazette No. 42304 on 15 March 2019 for public comment for a minimum period of 30 days.

### **Background**

The IRBA adopted Parts A and B and the Definitions of the International Ethics Standards Board (IESBA) Code of Ethics for Professional Accountants (July 2009) published by the International Federation of Accountants (IFAC) with effect from 1 January 2011. The Rules were approved by the IRBA Board, published by the IRBA and gazetted as Board Notice 89 of 2010 in Government Gazette No. 33305 on 18 June 2010. In November 2018, the IRBA published the revised IRBA Code (Revised November 2018). This followed the adoption of the amendments made to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) issued during 2018.

### **Proposed Amendments**

The Rules regulate the conduct of an investigation and the disciplinary process. The need for revisions to the Rules is due to the following reasons:

- Recent IRBA disciplinary hearings have brought to light the need for potential improvements in the wording of certain Rules.
- Certain Rules are outdated or no longer required. For example, reference to training contracts can be removed as this is no longer the mandate of the IRBA; this now falls under the South

African Institute of Chartered Accountants.

- The Rules required certain alignment amendments in light of the release of the IRBA Code (Revised November 2018).
- The Auditing Profession Act, as amended in 2015, included the regulation of registered candidate auditors. An update to the Rules was required to consider potential investigations of these individuals.

### **Proposed Effective Date**

The expectation is that in May 2019 the CFAE will consider comments received on the proposed amendments to the Rules and then recommend the amendments to the IRBA Board for approval in June 2019. It is expected that the proposed amendments to the Rules will be effective on or after 1 January 2020.

### **Request for Comments**

The CFAE welcomes comments on all matters addressed in the proposed amendments to the IRBA Rules, especially those identified in the Request for Specific Comments section of the Explanatory Memorandum. The IRBA invites auditors and other interested parties to submit any comments regarding the proposed amendments to the Rules by **15 April 2019**. Comments, in both Word and PDF formats, should be submitted by e-mail to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a public record. A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the IRBA website.

## International Ethics Standards Board for Accountants (IESBA)

### **IESBA projects in progress**

- Safeguards and their applicability pertaining to non-assurance services.
- Fees.
- Role and mind-set expected of professional accountants (formerly professional scepticism).
- Technology.
- E-Code.
- Alignment of Part 4B of the Code and ISAE 3000 (Revised).

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

### **IESBA webinars**

The IESBA announced two 90-minute webinars supporting the roll-out of the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (IESBA Code). All registered auditors and others have been invited to attend.

The first of the webinars took place on 28 March 2019. To join the second one, registered auditors and others should click on the link below to register on the IESBA website:

- [Wednesday, 17 April 2019 at 4:00 PM SAST](#)

During the webinar, the IESBA representatives will explain the IESBA Code's new structure; and the substantive revisions, including the conceptual framework and provisions relating to inducements, including gifts and hospitality; pressure; and preparing and presenting information. The webinar will also touch on the new Non-compliance with Laws and Regulation (NOCLAR) and revised Long Association provisions that are already effective.

### Relevance to South Africa

The IRBA approved and released [the IRBA Code of Professional Conduct \(Revised November 2018\)](#) (IRBA Code) on 12 November 2018. It adopted the amendments made to the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa. The IRBA Code applies to all registered auditors (firms and individuals), regardless of whether their status is recorded in the IRBA's register as assurance or non-assurance. All amendments to the IRBA Code are in line with the IESBA Code.



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## INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 18 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.

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

One matter in terms of Disciplinary Rule 3.5.1.4 – there are no reasonable prospects to succeed with a charge of improper conduct against the respondent.

### Decisions to charge and matters finalised by consent order

Nine matters were finalised by consent order.

#### Matter 1

The respondent failed to respond appropriately to allegations of fraud, failed in certain areas to document sufficient appropriate audit evidence and failed to timeously report a reportable irregularity in relation to the client's failure to issue approved financial statements.

The respondent was sentenced to a fine of R100,000 (the maximum fine applicable at the time of the respondent's conduct); no cost order; and publication by the IRBA in general terms.

#### Matter 2

The respondent, who was mandated to submit VAT returns on behalf of their client, failed to deal with additional assessments raised by SARS and failed to submit certain VAT returns, which resulted in penalty and interest charges for their client. The respondent failed to correspond with their client, withheld client documentation and failed to correspond with the IRBA. Furthermore, the respondent did not declare assurance reports issued on an attorney's trust account for several years in the annual return submitted to the IRBA.

The respondent was sentenced to a fine of R150,000, 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.

#### Matter 3

The matter was a referral from the Inspections Committee. Mr Nkanyiso Percival Ngobese, the respondent, failed to respond appropriately to the client's non-compliance with the disclosure requirements of International Accounting Standards regarding prior period errors, and failed to document sufficient appropriate audit evidence regarding the prior period errors. In addition, the audit opinion issued by the respondent in the prior year 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 4

The respondent failed to reassess the terms of the audit engagement after a change in ownership and size of the business. Furthermore, the respondent failed to respond, and apply professional scepticism, to indicators of possible fraud during the course of the audit.

The respondent was sentenced to a fine of R120,000, of which R60,000 has been suspended for five years on condition that the respondent is not found guilty of 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 respondent was responsible for the preparation of the annual financial statements of the client. The compilation report did not comply with International Standard on Related Services (ISRS) 4410 with regards to the financial reporting framework used. Furthermore, the respondent failed to document certain considerations required by ISRS 4410.

The respondent was sentenced to a fine of R40,000, of which R20,000 has been suspended for three years on condition that the respondent is not found guilty of 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 respondent failed to respond to the client's correspondence concerning the affairs of a deceased estate. Furthermore, the respondent failed to follow the client's directive to invest the funds of the estate into an interest-bearing account, despite having received instructions from the client to do so. In addition, the respondent unreasonably required the client to sign a "no claim" statement against the executors before releasing the funds to the client.

The respondent was sentenced to a fine of R150,000, of which R50,000 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 failed to respond appropriately to the client's non-compliance with Section 19.24(b) of International Reporting Standard for Small and Medium-sized Entities. As a result, the audit opinion issued by the respondent was inappropriate. In addition, the audit file contained an audit working paper created and modified after the audit file final assembly date, and there were no documented reasons for the change in the audit working paper.

The respondent was sentenced to a fine of R180,000, of which R90,000 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 8

The matter was a referral from the Inspections Committee. The audit file contained a number of audit working papers modified after the audit file final assembly date, and there were no documented reasons for the changes in the audit working papers. The respondent failed to identify that the cash flow statement included material non-cash items, resulting in an inappropriate audit opinion being issued. Furthermore, the respondent failed in certain areas to document sufficient appropriate audit evidence.

The respondent was sentenced to a fine of R180,000, of which R90,000 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 9

The matter was a referral from the Inspections Committee. The respondent breached Section 90(2) of the Companies Act when the network firm of the audit firm was appointed as the company secretary of the client for the same period that the respondent was engaged to perform the audit of the annual financial statements of the client.

The respondent was sentenced to a fine of R80,000, of which R60,000 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.

## Decisions to charge and matters referred for a disciplinary hearing

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



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## FINDINGS ARE STILL RECURRING, REPORT SHOWS

The [2018 Public Inspections Report](#), released in February, has revealed recurring quality deficiency themes. There has been, however, a marginal decline in unsatisfactory findings at firm and engagement levels for 2018.

The objective of the report is to promote audit quality at a broader level by highlighting significant themes arising from firm and engagement inspections performed by the IRBA. Inspections are performed in three-year inspection cycles and the year under review represents the third and last year of the Sixth Inspections Cycle.

There are two types of inspections that are performed by the IRBA: inspections of firm-wide systems of quality control and inspections of individual audit engagement files. The objective of a firm-wide inspection is to monitor overall compliance by the firm to standards of quality control. An engagement file inspection monitors compliance by selected individual auditors to applicable professional standards, codes and legislation in their performance of assurance (audit) work.

The 2018 Public Inspections Report records the findings of 199 inspections performed at 111 firms (2017:101). These are divided into 11 firm-wide quality control inspections (2017: 23) and 188 audit file inspections (2017: 197).

While the year-on-year comparison over the past three years of firm inspection results may show a marginal decline in the number of unsatisfactory inspections, this trend does not necessarily indicate that there was an overall improvement.

"During the year there was a decline in negative inspection results when compared to the prior two years, with 36% (4) of the 11 inspected firms and 46% (87) of the 188 inspected audit files receiving unsatisfactory outcomes," said IRBA CEO Bernard Agulhas.

"However, taken in an overall three-year analysis, of the 54 firm-wide quality control inspections reported on between 2016 and 2018, 50% (27) were unsatisfactory, 43% (23) were satisfactory and 7% (4) were referred for investigation. These results are worrying as they are indicative of systemic quality control deficiencies at some firms."

Similarly, while the number of unsatisfactory findings at an audit file inspection level declined year-on-year in 2018, when taken over the full three-year cycle the results suggest that the quality concerns expressed by the market are not unfounded.

"Of the 622 audits inspected between 2016 and 2018, 47% (289) were satisfactory, 42% (262) were unsatisfactory and 11% (71) were referred for investigation. The high number of audits referred to the Investigations Department is unacceptable as these are based on fundamental deficiencies on the files," said the CEO.

"In addition, the frequency of unsatisfactory findings in general are still higher than the latest global inspections survey results released by the International Forum of Independent Audit Regulators. Therefore, the IRBA encourages audit firms that it is necessary to focus much more on improving firm quality controls and audit quality, especially in light of the negative audit revelations of the past year."

The IRBA's analysis of deficiencies noted during the year identified that findings are recurring.

Said Director Inspections Imre Nagy: "To promote audit quality improvement over the broader profession, the IRBA has implemented projects such as Audit Quality Indicators (AQIs) and transparency reporting to share the reported audit deficiencies in a user friendly format. We strongly encourage auditors to communicate with their clients and audit committees and to be transparent with their inspection results, root cause analyses and remedial action plans. Audit firms must take audit committees into their confidence, and vice versa, to facilitate robust dialogue on matters affecting audit quality."

The report, according to the CEO, supports the repeated concerns the IRBA has had with regard to audit firm quality control as it relates to the risk to the public and investors in the capital markets. "While the IRBA calls on all stakeholders to play their role in improving the integrity of financial reporting and audit quality, it has responded by also increasing its focus on firm leadership and related issues, such as tone at the top, culture of quality, ethics, firm governance and management. In our view, leadership plays a crucial role in addressing deficiencies and is ultimately responsible for driving audit quality improvement and remediation of deficiencies within the firm," he said.

"The IRBA will be taking a much stricter approach with regards to deficiencies in audit firms. Furthermore, the initiatives taken by the IRBA in tightening regulation and amending the Auditing Profession Act will ensure that harsher penalties are imposed on firm leadership and errant auditors that fail to uphold the relevant ethical, quality control and engagement performance standards."



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## DISCIPLINARY COMMITTEE

The Disciplinary Committee sat twice during the period to hear two matters, both of which were part-heard matters that had commenced previously.

In the **first matter** the proceedings on the merits concluded on 21 January 2019 and the parties were directed to file heads of argument within a specified timeframe, which has since occurred, and judgment is now reserved.

In the **second matter** the committee met on 14 and 15 February 2019 to hear argument on sanction. In July 2018 the IRBA's Disciplinary Committee convened a disciplinary hearing against Mr Jacques Wessels (the practitioner), formerly of the audit firm KPMG Incorporated (KPMG). The practitioner faced six charges of improper conduct, each with several sub-charges. Two of the six charges involved allegations of dishonesty; three charges related to negligence; and one charge related to a breach of independence. All the charges emanated from professional work done by the practitioner in auditing the annual financial statements (AFS) of a company called Linkway Trading (Pty) Ltd (Linkway) for the year ended 28 February 2014. Linkway formed part of a group of companies called "Islandsite Group", whose major shareholders were members of the Gupta family. The practitioner was the KPMG engagement partner for Linkway and most of the companies in the Islandsite Group.

At the commencement of the disciplinary proceedings the practitioner pleaded guilty to all six charges of improper conduct on a qualified basis. In respect of the **first charge** the practitioner was found guilty of contravening rules 2.1, 2.5, 2.7 and 2.17 of the IRBA's Rules regarding Improper Conduct (the Rules). The essence of the first charge related to failures in respect of multiple aspects of the audit of Linkway that gave rise to breaches of nine International Standards on Auditing. The charge pertained to every stage of the audit, namely, planning, execution and finalisation. Among others, the practitioner had failed to design and perform sufficient audit procedures whose nature, timing and extent were responsive to the assessed risks of material misstatement due to fraud, as required by ISA 240 (*The Auditor's Responsibilities relating to Fraud in Audited Financial Statements*). Additionally, there was a failure to investigate about seven unusual transactions reflected in the financial records of Linkway, including the Gupta family wedding function. The practitioner had failed to evaluate the business rationale for these transactions, which were outside the normal course of business, and had failed to identify whether or not there might be fraudulent financial reporting in this regard.

The basis of the **second charge** was that the practitioner had failed to comply with the responsibilities imposed on registered auditors when conducting an audit in terms of the IRBA's Money Laundering Guide issued in 2011 in relation to the laws and regulations governing money laundering and terrorist financing. The practitioner was found guilty of contravening rules 2.1, 2.5, 2.7 and 2.17 of

the Rules. The Disciplinary Committee found that the practitioner had failed to apply his mind at all and had failed to document any considerations in respect of certain unusual transactions relating to revenue and the loan account of Linkway. The practitioner's conduct reflected a lack of understanding and compliance with the laws and regulations governing money laundering and terrorist financing.

In relation to the **third charge** the Disciplinary Committee found the practitioner guilty of contravening rules 2.4, 2.6, 2.7, 2.8 and 2.17 of the Rules. The practitioner was found to have acted dishonestly in restating the AFS by moving R6 900 000 in respect of hotel and accommodation expenses arising from the wedding from operating expenses of Linkway to cost of sales, without any corresponding raising of revenue. The result was that the aforesaid amount was treated as an unspecified tax deductible in the production of taxable income (which it was not) in the restated financial statements. The restatement was brought about by the practitioner having merely initialed and replaced a single original page in the original AFS with an amended and initialed page. The practitioner had failed to comply with the requirements of ISA 560 (*Subsequent Events*); and, among others, the practitioner had failed to include a new or amended auditor's report and emphasis of matter paragraph and did not date the restated financial statements at the date of their restatement. It was found that the restatement took place in the context of the preparation of Linkway's annual tax return. The committee found that the practitioner had actively participated in the subterfuge in that prior to the restatement requested by the client, the practitioner had concurred with a tax employee of KPMG that the tax deduction was not permissible. The consequences of the restatement were that neither SARS nor any other user reading the financial statements for the first time would have detected the amendment. Its impact on SARS would have been a loss of income tax of an amount in excess of R2 million. The committee found that the conduct of the practitioner was an egregious form of dishonesty.

The essence of the **fourth charge**, which factual matrix flows from the third charge, was that in a written response to the IRBA the practitioner had falsely represented his conduct in relation to the restatement of the AFS. The committee found that the practitioner's version was false insofar as the restated AFS (as a whole) had not been amended, re-printed or re-signed either by the directors of Linkway or the practitioner; and the original AFS had not properly been retracted and there were no documented considerations on the audit file regarding the changes made to the AFS. Accordingly, the practitioner was found guilty of contravening rule 2.4 of the Rules in that he was dishonest in correspondence with the IRBA.

The crux of the **fifth charge** was the practitioner's failure to ensure that appropriate procedures were performed regarding the continued relationship with Linkway as a client and the assessment of the client's integrity. The practitioner was found guilty of contravening rule 2.7 of the Rules. The practitioner's evaluation of the client engagement for Linkway for the year ended 28 February 2014

did not take into consideration the adverse media coverage of the Gupta family that was publicly available at the time. The practitioner allocated, or permitted to be allocated, the lowest category of risk, a rating of “one”, with regards to client acceptance/continuance.

The **sixth charge** pertained to the offer of hospitality by the client in the form of attendance at the wedding of a member of the Gupta family and the related implications for the audit of Linkway. The committee found that the practitioner had failed to apply his mind to and failed to document any considerations regarding the nature, value and intent of the hospitality. Furthermore, the facts gave rise to a self-interest and intimidation threat that the practitioner had failed to identify, resulting in him not being independent in appearance. There was no evidence that the practitioner had applied professional scepticism or that the threats to objectivity were identified or considered in the circumstances. The committee found that the hospitality was neither trivial nor inconsequential and therefore the practitioner should not have accepted the invitation. Accordingly, the practitioner was found guilty of contravening rules 2.1, 2.5, 2.6 and 2.17 of the Rules.

The committee considered sanction holistically and not on an individual charge basis and on 1 March 2019 ordered that the registration of the practitioner as a registered auditor be cancelled, in terms of Section 51(3)(a)(iv) of the Auditing Profession Act 26 of 2005 (the Act)(as amended), and the practitioner’s name be removed by the IRBA from the register referred to in Section 6 of the Act. In addition, the practitioner was ordered to pay a contribution of R300 000 towards the IRBA’s costs.

The committee ruled that the practitioner’s name, the name of his erstwhile firm, the charges against him, the findings in respect of the charges and sanction imposed on him (or a summary thereof) be published in IRBA News. In addition, it ordered that the decision on the charges and sanction may be released to the media and directed that the IRBA notifies the South African Institute of Chartered Accountants of the findings and sanction. The IRBA has since given effect to the decision.

## REPORTABLE IRREGULARITIES

Reportable Irregularities (RIs) for the quarter October to December 2018  
(Note that RIs are reported on quarterly in arrears)

255 second reports were received, of which:

- RIs were continuing	163
- RIs were not continuing	89
- RIs did not exist	3

Of the 163 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.	48.90%	The South African Revenue Service (SARS), the Financial Sector Conduct Authority 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.	21.43%	SARS.
Various Companies Act Contraventions, e.g. reckless trading, breach of directors’ fiduciary duties, irregular financial assistance to directors, AGM-related irregularities, etc.	9.34%	CIPC.
Contravention of the Sectional Titles Schemes Management Act – i.e. body corporates not having a reserve fund in place, no annual general meetings held, etc.	6.59%	The Community Schemes Ombud Service.
Suspected fraud and/or theft, and contravention of the Prevention and Combatting of Corrupt Activities Act.	2.75%	The Directorate for Priority Crime Investigation, the Financial Intelligence Centre, etc.



Unlawful Act or Omission	Reporting Frequency	Regulator(s) Informed
Contraventions of the Attorneys Act and Law Society Rules regarding attorneys trust accounts.	2.20%	The various Law Societies in South Africa.
Other, e.g. contraventions of the Johannesburg Stock Exchange Listing Requirements, the Trust Property Control Act, the Consumer Protection Act, etc.	8.79%	The Johannesburg Stock Exchange, the Master of the High Court, the National Consumer Commission, etc.

### Reportable Irregularities and SARS' Permanent Voluntary Disclosure Program

The IRBA met with representatives from the SARS' Voluntary Disclosure Program (VDP) Unit towards the end of 2018 with the aim of discussing tax-related RIs that involve VDP applications.

Concerns were raised by registered auditors (RAs) that a VDP application might potentially be compromised should it be submitted by an audit client to SARS only after the IRBA has received a corresponding second RI report, where the indication from the RA concerned is that the suspected tax-related contravention is continuing.

SARS confirmed in this regard that, when a VDP application is received on a date that is subsequent to the receipt of a corresponding continuing second RI report that bears relevance to the particular tax-related contravention in question, it might have a negative impact on the voluntary nature of the actual VDP application – thereby potentially rendering the VDP application as invalid.

Therefore, SARS advised that audit clients of RAs who wish to submit VDP applications should do so without delay and preferably before the IRBA receives any corresponding continuing second RI reports. Therefore, RAs are encouraged to remind their audit clients that the SARS' VDP Unit generally accepts an estimate in cases where the amount of the VDP default has not yet been finally determined. However, this estimate must – subsequent to the submission of a VDP application – ultimately be replaced with actual information once the applicant has determined the final amount involved. SARS also advised that it requires the applicant to commit to a reasonable period during which this final actual amount of the VDP default must be determined.

RAs wishing to obtain more information on the VDP process are encouraged to visit the VDP page on the SARS website at <http://www.sars.gov.za/Legal/VDP>.

## INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 7 NOVEMBER 2018-29 JANUARY 2019

Badenhorst, Andriette
Bikhani, Nishen
Blignaut, Aletta
Du Toit, Jean Llewellyn
Essack, Yusuf Mahmood
Hassam, Mubein Choglay
Mafela, Nomaqawe Proffessor
Mnguni, Sandile Brian
Van Der Ploeg, Ashleigh Rhona
Zimondi, Tatenda Emily

## INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 7 NOVEMBER 2018-29 JANUARY 2019

Olivier, Esti
Shezi, Malusi William

## INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 30 NOVEMBER 2018-26 MARCH 2019

Amod Ebrahim, Yusuf	Resigned	Marais, Andre Craig	Resigned
Berry, Brian Michael	Resigned	Muller, Alexandra	Resigned
Bischof, Anton Christopher	Resigned	Mynhardt, Kyle	Emigrated
Bodemer, Deirdre	Resigned	Nel, Gert Johannes	Resigned
Botha, Cornelius Johannes	Resigned	Nicolaou, Nicolas	Resigned
Buys, Isak	Resigned	Oosthuizen, Pedee	Emigrated
Cain, Brian Harvey	Resigned	Randall, Graham Owen	Resigned
Casey, Mark Anthony	Emigrated	Rapsch, Helgo	Resigned
Clulow, John William Scott	Resigned	Roberts, Jeanette Renette	Emigrated
De Rooij, Leonard Alexander	Emigrated	Robinson, Lorraine	Emigrated
Dortmundt, Bernard Willem Martien	Resigned	Simms, Gary Martin	Emigrated
Du Plessis, Eugene Eduard	Resigned	Smit, Andries Petrus	Emigrated
Du Toit, Pieter Leon	Resigned	Smit, Johannes Petrus	Resigned
Engelbrecht, Michiel Daniel	Resigned	Strydom, Manessa	Resigned
Evans, Michael George	Resigned	Suliman, Yasmeen	Resigned
Faris, Vincent John	Resigned	Symington, Phillipa	Emigrated
Fourie, Christie	Passed away	Thomas, Francis John	Resigned
Grant, Stuart Macgregor	Resigned	Turner, Oswald Frank	Resigned
Griffin, Robert Ashley	Resigned	Uys Ian Stephanus	Resigned
Grobler, Chane	Emigrated	Venter, Adriaan	Resigned
Kasselman, Wynand	Resigned	Volschenk, Heidi	Resigned
Kearney, Nicolaas Johannes	Resigned	Vorster, Ian David	Resigned
Kuhn, Kerrin Therese	Resigned	Walkerley, Garen Clint	Resigned
Latchminarain, Vasanth Seebreth	Resigned	Wessels, Jacques	Removed
Le Roux, Gavin Jean	Passed away	Williams, Andre Robert	Passed away
Le Roux, Jacob	Resigned	Wood, Liza Julie	Resigned
Lombard, Peter	Resigned	Wright, Anthony Hugh Graham	Resigned
Magill, Thomas	Resigned	Yuseph, Ebrahim Sulaman	Passed away

## INDIVIDUALS WHOSE REGISTRATIONS LAPSED DURING 2018 DUE TO NON-PAYMENT OF ANNUAL RENEWAL FEES AND WHO REMAIN LAPSED AS AT 18 MARCH 2019

Badenhorst, Rudolf Philippus
Cairney, Brent Warrick
Dimairo, Tinashe
Gernetzky, Chantelle
Hasluck, Marguerite
Hove, Edwin Mufaro
Human, Johannes Hermanus
Hummel, Basil Norval
Khan, Feroz
Malaba, Nhlanhla Kelvin Siphon
Manyemba, Farai
Masemola, Mangakane Mamahlape Andronicca
Mehlomakulu, Aquilina Teku
Moolman, Hubert Grant
Mountfort, Aletna Stephanie
Mugova, Sheila Rudo
Nkonki, Mzimtsha Vizia
Patharoo, Leshanne
Petzer, Jacobus Hendrik
Rabichand, Sanjay
Ranchod, Yatin
Riga, Kamlesh Motilal
Shezi, Ntobeko
Smit, Johan
Tshuma, Dumisani
Uys, Johannes Segismundus
Van Dyk, Peter-John
Van Rheede Van Oudtshoorn, Vaughan Johann
Veldtman, Marion
Vere, Nancy
Visser, Jacob Francois
Viviers, George Jakobus
Zilwa, Sindiswa Victoria

## INDIVIDUALS WHOSE REGISTRATIONS WERE CANCELLED DURING 2018 FOR NON-SUBMISSION OF INDIVIDUAL ANNUAL RETURNS AND WHO REMAIN CANCELLED AS AT 18 MARCH 2019

Davel, Bernardus Johannes
Du Toit, Johan
Erasmus, Marthinus Stephanus Albertus
Erasmus, Paul Albert
Fischer, Andrew
Frow, Michael Harry
Goosen, Daniel Johannes Andrias
Limekaya, Cuma
Louw, Petrus Serdyn
Mahomed, Ahmed Abdool Hack
Majova-Songca, Lindelwa Yvonne
Malan, Johannes Gerhardus
Maree, Anna Margaretha Christina
Mistry, Gitesh Baloobhai
Motlhamme, Lesego
Padayachee, Bhaveshen
Pienaar, Joanett
Pulker, Jeffrey John
Ross, Robert Keith
Scott, De Buys
Swana, Lubabalo Onke Wela
Van Zyl, Josua Pieter
Zakuza, Temba Stanley

## CPD: WHAT'S THE POINT?

An increase in the number of audit failures, amendments to the International Education Standard 7 (IES 7) on Continuing Professional Development (CPD) and the resulting need to strengthen the professional competence of its members led the IRBA to reflect on its CPD policy and its relevance to challenges in the profession.

IES 7 stresses that undertaking CPD does not guarantee the development and maintenance of professional competence necessary to provide high-quality professional services. It does, though, play an important part in enabling professional competence that is relevant to an individual's role.

This standard emphasises that CPD is necessary because professional accountants:

- Have an obligation to demonstrate professional competence and due care.
- Are subject to public scrutiny and contribute to maintaining public trust.
- Have potential to damage the reputation of the profession through incompetence.
- Need to develop new areas of professional competence due to rapidly changing environments.
- Are relied upon for professional competence expected by stakeholders due to their professional designation.

After reflecting on the intended purpose of CPD, the need for a mind-set change and the importance of getting RAs to take responsibility for their development, the IRBA will adopt a CPD framework that

will require the following:

- A self-assessment of competence and an identification of personal development gaps.
- Planning, completing and recording learning and development activities in response.
- Reflective activity to evaluate whether the completed activities addressed the gaps and achieved related learning outcomes.
- A revision of the learning and development plan as a result of the reflection.
- More stringent monitoring, by the IRBA, of compliance with CPD requirements.

## The CDP Framework



This framework, together with the output-based approach, will focus on what RAs have achieved through learning, development activities and reflection.

The CPD policy will be issued together with guidance for RAs to help them understand what is expected, how CPD will be measured and how to use the framework to engage in a meaningful CPD process.

The expected effective date of the IRBA's new CPD policy is 1 January 2020.

## THE AUDIT DEVELOPMENT PROGRAMME

### In celebration of successful journeys

The IRBA is proud to present the candidates who successfully completed the Audit Development Programme (ADP) in the period December 2018-March 2019. We wish them all the best in their future endeavours and hope to see their positive impact as registered auditors in the near future. We also take the time to congratulate their firms, especially the oversight registered auditors (ORAs), in supporting these candidates' journeys on the programme.

#	Candidate	Firm
1.	Ashen Gunasee	Nwanda Incorporated
2.	Anthony Hobson	Nolands Incorporated
3.	Candice Muhl	Ernst and Young
4.	Charmaine Pirrie	Sizwe Ntsaluba Gobodo Grant Thornton
5.	Elaina Arnold	Baker Tilly Johannesburg
6.	Margarita Trakoshis	PwC
7.	Marizanne Botes	PKF Rademeyer Wesson





**Ashen Gunasee**

I have a passion for auditing. I love the deadlines, interacting with trainees and the continuous education that one must engage in to stay relevant and up-to-date with our profession. It's fast-paced and ever-changing. I usually get to meet new people on a weekly basis and they always tend to add perspective in my life. Working in an audit team is more than just being an MVP [most valuable player]. It's about assisting each other and striving to achieve a greater goal, and that is what I love. Our profession has taken a lot of heat recently, and this motivates me to do better every day and to challenge myself every day. There is always something new that you learn daily. I believe that I don't just have a job, I have a career.

My future plan is to become an audit partner at an audit firm. Becoming a CA has been a dream of mine since I was eight years old. Now that I have achieved that, I believe that I need to take a bigger step and work towards building a portfolio of clients and nurturing the next generation of CAs.



**Anthony Hobson**

I enjoy the varied interaction with various clients working in different industries. This keeps me on my toes, especially with regulations constantly changing in various industries and with regards to auditing compliance.

I found the ADP quite stressful for my first submission. However, after receiving feedback from the IRBA, along with queries on my submissions, I was more comfortable as to what is expected of me. I would encourage CAs to participate in the programme, given that SAICA's APC does not put your foot in the door in the auditing profession. One never knows where the profession will be in a few years, but there will always be a need for auditors and audit partners.

My plans at the moment are to see what is going to happen within the auditing profession and the possible implications of the findings from the recent public scandals that have tarnished both the CA (SA) and the RA designations. I would like to go into consulting at some stage, but I believe I still have a lot to learn and a lot to give to the auditing profession.

### 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. Equally, the IRBA has the responsibility to ensure that all applicants who wish to re-enter the profession after an "extended absence" from the audit and assurance environment are competent. As such, proficiency interviews are regularly conducted to assess those candidates who would like to re-enter the profession.

Below are the scheduled dates for proficiency interviews in 2019/2020:

- 23 May 2019.
- 11 July 2019.

- 12 September 2019.
- 21 November 2019.
- 13 February 2020.

For queries on the ADP, please contact us at [adpadmin@irba.co.za](mailto:adpadmin@irba.co.za); and for all other queries on education and transformation matters, please contact us at [edutrain@irba.co.za](mailto:edutrain@irba.co.za).



*Nitasha Naicker*

**Acting Director Education and Transformation**

Telephone: (087) 940-8800

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

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 at [www.irba.co.za](http://www.irba.co.za) under the News section.

27 March 2019	SARS System Upgrade Notification
26 March 2019	Adoption of the International Auditing and Assurance Standards Board's 2018 Handbooks of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements
15 March 2019	Disclosure of Assurance Status on the IRBA Website and How to Change Your Status
14 March 2019	Two IESBA Global Ethics Webinars to Support the Revised and Restructured Code of Ethics
11 March 2019	Exposure Draft: Proposed SAAPS 4, Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity
8 March 2019	Proposed Amendments to IRBA Rules Regarding Improper Conduct
8 March 2019	Engagements on Attorneys' Trust Accounts - Notice from the Legal Practitioners Fidelity Fund
5 March 2019	Alert: Implications of the effective dates of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) on the Auditor's and Assurance Provider's Reports
5 March 2019	Fees Payable to the IRBA with Effect from 1 April 2019
25 February 2019	Committee for Auditing Standards: Global Consultation on Quality Management for Firms and Engagements Now Open
22 February 2019	IAASB Future Strategy and Work Plan Consultation Now Open
19 February 2019	IRBA 2018 Public Inspections Report reveals recurring quality deficiency themes
5 February 2019	The ISA 540 (Revised) Implementation Working Group Provides Implementation Support on the Revised Standard
04 February 2019	Tax Practitioner Connect
15 January 2019	Reminder: Standards-related communiques issued in 2018 with submissions due in 2019

## IRBA COMMUNICATIONS

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

## Transforming Pain to Healing

The IRBA staff got a chance to interact with Jesmane Boggenpoel, who has authored a thought-provoking book titled *My Blood Divides and Unites*. The book explores issues around racial divides, dealing with the past and the journey to personal healing.

Boggenpoel, a CA (SA), also had to overcome a number of obstacles in her career journey, and this included challenges she faced as an articled clerk. Through her story she wants to empower the marginalised so they can create positive change in themselves and others.

After graduating from a prestigious South African university, and later becoming Head of Business Engagement for Africa at the World Economic Forum, she continued to wrestle with internal conflicts and contradictions stemming from her past.

In this memoir, Boggenpoel and various South African colleagues explore their early lives, embrace the crippling contradictions forced upon them by apartheid and craft new narratives for themselves – narratives of acceptance, inclusion and boundless possibilities.

Boggenpoel is an experienced business executive who has served on the boards of various South African and international organisations. She has a master's degree from Harvard University's JFK School of Government. She was honoured as a Young Global Leader of the World Economic Forum and is a Harvard Mason fellow. She currently serves as a non-executive director at the AWCA Investment Holdings.



Jesmane Boggenpoel with IRBA CEO Bernard Agulhas.

## CEO Addresses the ACFE Imbizo

Regulating all stakeholders involved in the financial reporting chain through a comprehensive regulation process is important. This was the message that IRBA CEO Bernard Agulhas delivered during his address at the Association of Certified Fraud Examiners (ACFE) annual imbizo held in March. He also spoke about the risk of fragmentation, World Bank recommendations on the regulation of all accountants, as well as the proposed model and trends in the auditing and accounting profession.

The presentation created much debate among the delegates, including raising concerns of over-regulation, the cost of regulation on the individuals and lack of corrective measures. While there were concerns, there were also positive sentiments in that most of the delegates felt that comprehensive regulation would be a step in the right direction and that public protection should be the ultimate goal for the profession.

The session was also addressed by the CEO of the Private Security Industry Regulatory Authority, Sam Chauke, who agreed that in order to protect the public, all professionals should belong to a professional body that has a code of ethics and is regulated.