



irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

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LET'S EMBARK ON THE RIGHT COURSE

Only when we collectively make the correct decisions will we restore confidence in the profession

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There is no better antidote to the gloom of an economic crisis laid bare in the medium-term budget speech than the national rugby team carrying the nation's hopes to a thrilling Rugby World Cup victory. The final showdown in Yokohama between the Springboks and England ended in a dominant 32-12 victory for South Africa, placing the Springboks back at the top as the world's number one team.

But it wasn't always so. At the end of 2017, Springbok supporters were disillusioned, following long runs of bad performance under coach Allister Coetzee and his predecessor Heyneke Meyer. So, for Rassie Erasmus – the coach tasked with turning around the team's performance – and for the team to come back from the doldrums to scoop the Webb Ellis Cup was no mean feat. While this triumphant win followed previous successes in 1995 (at home) and 12 years later in France (2007), it had taken another 12 years and was, perhaps, no coincidence.

Similarly, as with our rugby team's cyclical performance, the auditing profession is going through a bad performance patch. Since 2017 the profession has been besieged by high-profile corporate collapses that have implicated auditors, in addition to state capture revelations. The crisis continued through 2018, and this year we saw further share price collapses or corruption allegations at companies such as Tongaat Hulett, EOH, Ayo Technology Solutions and Ascendis Health, among others.

While a business failure is not always an audit failure, the situation that many of these beleaguered companies find themselves in could just as easily be linked to a struggling economy; questionable actions by management in preparing the financial statements; weak corporate governance; a lack of independence of audit committees and boards; and/or a lack of diversity of skills and gender in governance structures. The economy, as we heard in Finance Minister Tito Mboweni's budget speech, is in a more dire condition than we thought. Despite all these other factors, the auditors have remained in the spotlight, as the public continues to question how audit can be relied upon to protect its investments.

As the regulator, and with the public interest at heart, we have a responsibility to address all these concerns. We have to do this while making efforts to improve audit quality, enhance standards in relation to areas of weakness and help the profession to respond with changes that will restore confidence in the audit quality and opinions. Equally, we have a broader role to play in assisting audit committees and addressing any corporate governance weaknesses.

If we are to play a meaningful role in turning around the economy, we must restore confidence in financial reporting and auditing to ensure that investors can confidently rely on financial statements and make sound investment decisions. Two years into our Restoring Confidence Strategy, we have seen that the World Economic Forum Global Competitiveness Index has recorded slight improvements in perceptions about the strength of auditing and accounting standards and in the area of shareholder governance. Admittedly, it

is still early days to count any gains.

Sadly, though, we are still a long way off from the top of the rankings, a position we held for seven consecutive years.

The IRBA recently met with one of the presidential envoys from the task team that has been given the responsibility to work on bringing investment into South Africa. We used the opportunity to explain the way in which the auditing profession can support this national effort by rebuilding confidence in financial reporting.

It is clear that there is a role for auditors and accountants in the economic turnaround, specifically when it comes to driving ethical and accurate financial reporting, and focusing on the public and national interest. The turnaround will also need audit committees and boards to strengthen their independence and commit to holding management accountable.

Concerns around the quality of corporate governance, financial reporting and auditing are not just a South African phenomenon; in the United Kingdom there have been a number of reviews of the profession, the audit product and reporting requirements. The result has been the establishment of the Auditing Reporting and Governance Authority, which replaces the Financial Reporting Council. This new structure will regulate all accountants and auditors, as well as those charged with governance.

This is not unlike the comprehensive regulation model that the IRBA has researched on behalf of National Treasury. However, it remains to be seen whether our government will see comprehensive regulation as a solution to the current situation. We believe that regulation and oversight of the entire financial reporting chain are critical if we are to root out all corruption and malfeasance.

What is also becoming clearer is that the country has a leadership crisis, across all spheres. With so many leadership positions at state-owned entities standing vacant, in addition to the number of disgraced CEOs revealed in recent months, we are seeing a real gap in terms of ethical leaders. For too long now, the tone at the top has been self-serving and self-interested. With insufficient accountability, corruption has continued unabated as there is a sense that perpetrators are not getting punished for their wrongdoings. To turn the country around, we need a new generation of leaders who are committed to ethics, professionalism and public interest.

Auditors and accountants have a role to play in turning around the economy, and this entails holding themselves, their clients and employers to the highest standards. The regulator will continue to play its role in strengthening regulation and implementing measures to address the root causes. Despite initial fierce resistance to increased or tighter regulation, we are seeing that there is a general recognition that the profession must change, improve and do more. Therefore, we are starting to see greater collaboration and willingness to work together to return our profession to its number one ranking. To borrow from the Rugby World Cup, "we are #StrongerTogether".

I wish you all a wonderful festive season and a restful holiday. My hope for 2020 is that we can stand together and make a real impact on the economy. I am also confident that if we stand together, in the new year we can give the nation new hope that the profession can fulfil its role of holding business to account.



Bernard Peter Agulhas
Chief Executive Officer

THE FOLLOWING TOPICS ARE DISCUSSED IN THIS ISSUE:

- Standards:
 - Proposed Guide for Registered Auditors: Joint Audit Engagements.
 - Proposed Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised November 2019).
 - IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers.
 - The IRBA Aligns South African Auditing Pronouncements with the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).
 - Revised Illustrative Banks Act Regulatory Auditor's Reports.
 - Performance of Engagements and Preparation of Reports that Do Not Comply with the International Auditing and Assurance Standards Board's Standards and IRBA Pronouncements.
 - Reminder: IRBA Seeks Feedback on Implementing SAAEPS 1.
 - The IAASB Issues an Exposure Draft on *Conforming Amendments to the IAASB's International Standards as a Result of the Revised IESBA Code*.
 - IAASB Projects in Progress.
 - Recent Amendments to the JSE Listings Requirements.
 - Zimbabwean Public Accountants and Auditors Board Pronouncement 01/2019 on the Application of International Accounting Standard 29, *Financial Reporting in Hyperinflationary Economies*.
- Ethics:
 - Use of the Registered Auditor Designation.
 - IESBA Projects in Progress.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Proposed Guide for Registered Auditors: Joint Audit Engagements

The CFAS approved the release of the Proposed Guide for Registered Auditors: Joint Audit Engagements (this proposed Guide) in November 2019 for a 90-day exposure period for public comment.

This proposed Guide provides guidance to registered auditors (auditors) on the application of International Standards on Auditing (ISAs) and IRBA pronouncements in the circumstances in which auditors or firms perform a joint audit engagement.

The guidance contained in this proposed Guide does not establish new requirements or contain exemptions from the requirements of the ISAs. As such, it should be read in conjunction with the ISAs, as applicable. The auditor exercises professional judgement to determine the extent to which any of the guidance provided in this proposed Guide may be appropriate, in light of the requirements of the ISAs and the particular circumstances of the joint audit engagement.

This proposed Guide is authoritative and includes:

- Descriptions and/or definitions to appropriately describe the features of a joint audit engagement;
- Roles and responsibilities of the joint auditors, individually and together (including addressing the risk of fronting);
- Independence and other relevant ethical requirements;
- A quality control system;
- Acceptance and continuance of audit client relationships and engagements;
- Joint auditors' agreements;
- The role of an engagement quality control reviewer in a joint audit engagement;
- An audit plan and strategy;
- A new joint audit engagement;
- Consultations on technical, independence/ethical or other matters;
- Access to the working papers of a joint auditor;
- The cross-review of the work performed by the other joint auditor and documentation of the cross-review;
- Communication;
- The role of joint auditors in reporting a reportable irregularity in terms of the Auditing Profession Act, 2005;
- The joint auditor's report and the resolution of differences of opinion between joint auditors;
- Concluding in a joint audit engagement;
- Documentation;
- Archiving of the audit file; and
- Considerations of Mandatory Audit Firm Rotation on joint audit engagements.

Proposed Effective Date

Depending on the comments received, it is anticipated that the final Guide will be approved by the CFAS in June 2020. Following that, it will then be issued in that same month, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that the final Guide will be effective for audits of financial statements for periods beginning on or after 31 December 2020.

Request for Comments

The CFAS welcomes comments on all matters addressed in this proposed Guide and seeks responses to four specific questions that are set out in the Explanatory Memorandum section.

We invite auditors and other interested parties to submit any

comments regarding this proposed Guide to the IRBA by **6 March 2020**. Comments, in Word format, should be submitted via e-mail to standards@irba.co.za. All comments will be considered a matter of 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](#).

Proposed Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised November 2019)

The CFAS approved the release of the *Proposed Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised November 2019)* (this proposed Revised Guide) in November 2019 for exposure for public comment by **5 February 2020**.

This proposed Revised Guide provides guidance to registered auditors (auditors) in the special circumstances applicable to engagements on legal practitioners' trust accounts, as required by the Legal Practice Act, Act No. 28 of 2014 (the Act), and the South African Legal Practice Council Rules made under the authority of Sections 95(1), 95(3) and 109(2) of the Act (the Rules), including an auditor's responsibility to report a reportable irregularity. It is also relevant for legal practitioners in understanding the nature of the engagement, and the respective responsibilities of the parties.

This proposed Revised Guide has been updated for the following:

- The "new" Act, which was enacted on 22 September 2014 (Government Gazette No. 38022). With the exception of certain chapters, the Act was implemented on 1 November 2018 (Government Gazette No. 42003), thereby replacing the Attorneys Act 53, 1979, in its entirety (with some exclusions);
- The Rules, as published in Government Gazette No. 41781 on 20 July 2018 and effective from 1 November 2018;
- The IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code); and
- Other relevant editorial changes.

Proposed Effective Date

Depending on the comments received, it is anticipated that the final Guide will be approved by the CFAS in March 2020. Following that, it will then be issued in that same month, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that the final Revised Guide will be effective for engagements in respect of financial periods commencing on or after 1 March 2019, which is consistent with the approach of the extant Guide.

Request for Comments

The CFAS welcomes comments on all matters addressed in this proposed Revised Guide and seeks responses to two specific questions that are set out in the Explanatory Memorandum section.

We invite auditors and other interested parties to submit any comments regarding this proposed Revised Guide. Comments, in Word format, should be submitted via e-mail to standards@irba.co.za. All comments will be considered a matter of 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](#).

IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers

The IRBA Chief Executive Officer has approved for issue the IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers, for use by registered auditors (auditors).

This alert, hereafter referred to as the IRBA Staff Audit Practice Alert, is the IRBA's response to the interest and concerns raised about the audit implications of International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers. It was prepared by the IFRS15 Task Group of the CFAS.

IFRS 15 became effective for annual reporting periods beginning on or after 1 January 2018, an effective date that also applies to entities that apply IFRSs in South Africa.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Therefore, in applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

This change in the framework for recognising revenue from the traditional "risks and rewards" approach in International Accounting Standard 18, Revenue, impacts how auditors audit revenue from contracts with customers.

As a consequence, this IRBA Staff Audit Practice Alert serves to provide auditors with:

- The background to the risks related to, and audit implications of, IFRS 15; and
- Questions to be considered that can be used by the audit firm, the audit engagement team and the engagement quality control reviewer when considering certain audit implications of IFRS 15.

This IRBA Staff Audit Practice Alert does not constitute an authoritative pronouncement from the IRBA, nor does it amend or override the ISAs, South African Standards on Auditing, South African Auditing Practice Statements, South African Guides (collectively called pronouncements), or the IFRSs. Also, this IRBA Staff Audit Practice Alert is not meant to be exhaustive. Reading it is

not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the [IRBA website](#).

The IRBA Aligns South African Auditing Pronouncements with the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)

The IRBA Chief Executive Officer has approved for issue updates to South African auditing pronouncements aligned with the IRBA Code. The updates to the South African auditing pronouncements have been prepared by a Task Group of the CFAS.

Several CFAS pronouncements that make specific reference to the IRBA Code required consequential amendments. These amendments are as a result of the revision and restructure of the

IRBA Code. They include an update of section and paragraph references, and alignment of wording with the terminology used in the revised and restructured IRBA Code.

This project did not include updates for outdated International Auditing and Assurance Standards Board (IAASB) standards, other new legislation or regulations, and amendments required to ensure consistency between auditing pronouncements.

Matters of alignment include updates to:

- Illustrative Auditor's Reports in line with the [IRBA communique issued on 30 May 2019](#);
- Illustrative Assurance Provider's Reports in line with the [IRBA communique issued on 2 July 2019](#);
- Illustrative Engagement Letters;
- References to the IRBA Code paragraph numbers; and
- Updates to the name of the IRBA Code of Professional Conduct.

	Pronouncements that have been updated	Relevant page numbers	Link to the website
1	Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements	Appendix 3, pages 49-51: Illustration 1: Independent reporting accountant's report on property forecast information	Click here
2	Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme	Appendix 5, pages 66-69: Illustrative auditor's report	Click here
3	IRBA Staff Audit Practice Alert: The Audit Implications of the Expected Credit Loss Model for the Auditors of Banks	Pages 18-21	Click here
4	Revised Illustrative assurance report prepared in terms of ISAE 3420, to meet the JSE Listings Requirements	Update to the report	Click here
5	Sustainability engagements: Revised limited assurance illustrative engagement letter	Update to the letter	Click here
6	Sustainability engagements: Revised limited assurance illustrative assurance report	Update to the report	
7	Sustainability engagements: Reasonable assurance illustrative engagement letter	Update to the letter	
8	Sustainability engagements: Reasonable assurance illustrative assurance report	Update to the report	
9	Sustainability engagements: Combined reasonable and limited assurance illustrative engagement letter	Update to the letter	
10	Sustainability engagements: Combined reasonable and limited assurance illustrative assurance report	Update to the report	

CFAS REGULATED INDUSTRIES AND REPORTS STANDING COMMITTEE (RIRSC)

Revised Illustrative Banks Act Regulatory Auditor's Reports

The CFAS approved the issue of the following revised illustrative Banks Act and Mutual Banks Act regulatory auditor's reports (revised illustrative regulatory reports) for use by registered auditors (auditors) for banks with year-ends on or after 31 December 2019:

- South African and Consolidated Operations – revised illustrative regulatory reports A-I;
- Foreign Operations (BA 610 returns) – revised illustrative regulatory reports A-H; and
- Mutual Banks Act (MBA) reports – revised illustrative regulatory reports A-F.

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

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

Performance of Engagements and Preparation of Reports that Do Not Comply with the International Auditing and Assurance Standards Board's Standards and IRBA Pronouncements

Clients, on behalf of third parties such as government departments, regulatory bodies, banks or attorneys, may require registered auditors to perform engagements and prepare reports that do not comply with the IAASB's Standards and IRBA pronouncements, leading them to fall outside the scope of these Standards.

We draw registered auditors' attention to the SAICA [Guide on Considering the International Standards to be used for Audits, Reviews, Other Assurance, and Related Services Engagements](#), issued in July 2017. It provides guidance to assist practitioners with deciding whether the engagement falls within the scope of the Standards that are currently effective. The Guide also assists practitioners to determine which Standard(s) applies in a particular case, considering a practitioner may receive numerous and varied requests to enter into an engagement to provide or issue a report, or to sign a standard format report or certificate from clients or prospective clients.

It is advisable for the practitioner to consult with the firm's risk management and/or technical department before accepting engagements that fall outside the scope of the Standards. This consultation is necessary as such engagements may not meet the needs of users, and may expose all parties to risks and unmatched expectations. It is further advised that should the practitioner decide to accept an engagement that is outside the scope of the Standards, care should be taken by the registered auditor to ensure

that any report issued does not contain wording that could create the impression or imply that an engagement has been performed in accordance with the Standards and relevant ethical requirements.

CFAS SUSTAINABILITY STANDING COMMITTEE (SSC)

Reminder: IRBA Seeks Feedback on Implementing SAAEPS 1

Practitioners are reminded that the IRBA seeks 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), by 15 December 2019. An initial call for feedback was issued on [26 June 2019](#).

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 allows preparers of sustainability reports to receive training on the content of SAAEPS 1, as it relates to them.

Providing 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.

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD

The IAASB Issues an Exposure Draft on Conforming Amendments to the IAASB's International Standards as a Result of the Revised IESBA Code

The IAASB is requesting public comments on its [Exposure Draft, Conforming Amendments to the IAASB's International Standards as a Result of the Revised IESBA Code](#). The exposure draft focuses on conforming amendments to the IAASB's International Standards (the International Standards) that are as a result of the revised International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

The project aims to align the IAASB's International Standards with the revisions to the IESBA Code by way of conforming amendments, thus ensuring that the IAASB's International Standards can continue to be applied together with the IESBA Code.

The International Standards refer to the IESBA Code in various

ways, ranging from simple references to the title of the IESBA Code to detailed references to specific paragraphs in the IESBA Code.

This project involves coordination between the IAASB and the IESBA. As a strategic engagement between the two Boards, the project builds on their overarching commitment for enhanced connectivity and coordination to better serve the public interest.

Relevance to South Africa

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

Request for Comments

We invite registered auditors and other interested parties to submit comments directly to the IAASB via the [IAASB website](#) by **10 January 2020**. Respondents are asked to submit their comments electronically (as both PDF and Word files).

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

IAASB Projects in Progress

- Auditor risk assessments (ISA 315 (Revised));
- Audit evidence;
- Technology;
- Quality management at firm level (ISQM 1);
- Engagement quality review (ISQM 2);
- Quality management at engagement level (ISA 220);
- Group audits (ISA 600);
- Agreed-upon procedures engagements (ISRS 4400);
- Extended external reporting (EER) assurance;
- Audits of less complex entities (LCE); and
- Professional scepticism.

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

RECENT AMENDMENTS TO THE JSE LISTINGS REQUIREMENTS

In November 2019, the Johannesburg Stock Exchange (JSE) finalised amendments to its Listings Requirements. These amendments include a requirement for the CEO and the financial director of an entity listed on the JSE to make a positive statement confirming that the annual financial statements fairly present the state of affairs of the business, and that internal financial controls are adequate and effective. This particular amendment impacts both the preparer of the annual financial statements as well as the auditor thereof. Auditors are alerted to the following available resources on the subject matter:

- [Financial Sector Conduct Authority Board Notice 180 of 2019 – Approved Amendments to the JSE Listing Requirement.](#)

- [Amendment schedule – JSE Listings Requirements \(October 2019\).](#)
- [Article: Proposed amendments to the JSE listings requirements and possible impact on the auditor.](#)
- [Article: How preparers of financial statements and auditors will be impacted by the recent amendments to the JSE Listing Requirements.](#)
- [The JSE's transitional arrangements with respect to the Amendments to the JSE Listings Requirements \(October 2019\).](#)

ZIMBABWEAN PUBLIC ACCOUNTANTS AND AUDITORS BOARD PRONOUNCEMENT 01/2019 ON THE APPLICATION OF INTERNATIONAL ACCOUNTING STANDARD 29, FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

The Public Accountants and Auditors Board (PAAB) in Zimbabwe has issued [Pronouncement 01/2019 on the Application of International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies \(IAS 29\), in Zimbabwe](#) (this pronouncement). Following consultative work undertaken by the Zimbabwe Accounting Practices Board (ZAPB), the PAAB has advised that there is a broad market consensus within the accounting and auditing professions that the factors and characteristics to apply IAS 29 in Zimbabwe have been met.

According to this pronouncement, it “shall apply to all entities that report based on International Financial Reporting Standards (IFRSs) in Zimbabwe. Entities that report based on International Financial Reporting Standard for Small and Medium Enterprises (IFRS for SMEs) and International Public Sector Accounting Standards (IPSASs) financial reporting frameworks are expected to apply the equivalent standards in those frameworks”.

Effective Date

According to IAS 29, it is preferable that all entities that report in the currency of the same hyperinflationary economy apply this standard from the same date. Nevertheless, IAS 29 applies to the financial statements of an entity from the beginning of the reporting period in which it identifies the existence of hyperinflation in the country in whose currency it reports.

This pronouncement covers the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after 1 July 2019.

Should you have any further queries, please contact the PAAB directly at secretary@paab.org.zw.

USE OF THE REGISTERED AUDITOR DESIGNATION

It has come to our attention that clarification is needed with regard to the use of the registered auditor (RA) designation when signing certain professional reports.

RAs signing off on audit, review and other assurance reports are reminded of paragraph R115.6 SA in the IRBA Code of Professional Conduct (Revised November 2018) (IRBA Code), which states the following:

- 'R115.6 SA** The individual registered auditor responsible for the audit, review or other assurance engagement shall, when signing any audit, review or other assurance report or certificate, reflect the following:
- the individual registered auditor's full name;
 - if not a sole proprietor, the capacity in which they are signing;
 - the designation 'Registered Auditor' underneath their name; and
 - if not set out on the firm's letterhead, the name of the registered auditor's firm.'

The effect of this requirement is that all RAs, irrespective of their registration status with the IRBA, must fulfill all the requirements of R115.6 SA; and, in particular, RAs may not omit or substitute their designation as an RA (as per R115.6 SA (b)) with any other professional designation. The IRBA Code does not differentiate whether an RA's registration status with the IRBA is assurance or non-assurance. Thus, paragraph R115.6 SA applies equally to RAs who are registered as non-assurance.

RA's Assurance/Non-Assurance Status

It is important that RAs ensure that the IRBA has their correct status on record. All RAs are asked in their Individual Annual Returns whether they perform assurance work. If an RA answers "no" to this question, their status will reflect as non-assurance in the IRBA register. However, if it is subsequently established that the RA is in fact performing assurance work, then that RA may be subject to a disciplinary investigation by the IRBA.

How to Change Your Assurance Status

In the event of an assurance status change, it is incumbent upon each RA to take the necessary steps and request a status change, regardless of when this occurs.

Requests to change an assurance status may be made at any time during the year. Please do not wait until the submission of the Individual Annual Return to request a change in status.

If you wish to change your status, please refer to the relevant page on the [IRBA website](#); or contact Registry at registry@irba.co.za.

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

IESBA Projects in Progress

- Non-assurance services;
- Fees;
- Technology;
- Alignment of Part 4B of the Code and ISAE 3000 (Revised);
- Definition of PIE and Listed Entity; and
- IAASB-IESBA Coordination.

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

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



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INVESTIGATING COMMITTEE

The Investigating Committee met once during this period and referred 17 matters to the Disciplinary Advisory Committee.

DISCIPLINARY ADVISORY COMMITTEE

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

Decisions Not to Charge

One matter 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.

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

Decisions to Charge and Matters Finalised by Consent Order

Six matters were finalised by consent order.

Matter 1

The respondent, as CEO of the firm, failed to ensure that the firm complied with the training requirements of the *Guide for Registered Auditors: Combating Money Laundering and Financing of Terrorism* issued by the IRBA in 2010. Furthermore, the respondent, as CEO of the firm, failed to ensure that the firm implemented effective quality control procedures on engagement performance for a particular group of companies over a number of engagement years.

The respondent was sentenced to a fine of R200 000 for charge 1 and R200 000 for charge 2; no cost order; and publication by the IRBA in general terms.

Matter 2

The respondent, as CEO of the firm, failed to ensure that the firm complied with the training requirements of the *Guide for Registered Auditors: Combating Money Laundering and Financing of Terrorism* issued by the IRBA in 2010. Furthermore, the respondent, as CEO of the firm, failed to ensure that the firm implemented effective quality control procedures on engagement performance for a particular group of companies over a number of engagement years. In addition, the respondent, as CEO of the firm, failed to ensure that the firm terminated the relationship with the particular group of companies timeously.

The respondent was sentenced to a fine of R200 000 for charge 1, R200 000 for charge 2 and R200 000 for charge 3; no cost order; and publication by the IRBA in general terms.

Matter 3

The matter was a referral from the Inspections Committee. The respondent failed to obtain sufficient appropriate evidence, as required by the International Standards on Auditing, on numerous balances and transactions as well as on risk assessment and compliance with laws and regulations. In addition, the respondent failed to respond to communication from the IRBA.

The respondent was sentenced to a fine of R120 000, of which R60 000 has been suspended for three years on condition that the respondent is not found guilty of improper conduct relating to work done during the period of suspension; no cost order; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that external training on the practical application of auditing standards is attended by the respondent and the firm's audit staff within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 4

The respondent failed to comply with the requirements of the Code of Professional Conduct pertaining to independence.

The respondent was sentenced to a fine of R100 000, of which R50 000 has been suspended for three years on condition that the respondent is not found guilty of improper 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 evidence, as required by the International Standards on Auditing, on numerous balances and transactions as well as on risk assessment. In addition, the audit report format used was outdated.

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

Matter 6

KPMG Incorporated failed to comply with the training requirements of the *Guide for Registered Auditors: Combating Money Laundering and Financing of Terrorism* issued by the IRBA in 2010. Furthermore, the respondent failed to implement effective quality control procedures on engagement performance for a particular group of companies over a number of engagement years. In addition, the respondent failed to terminate the relationship with the particular group of companies timeously. Finally, the respondent, through the

actions of its then CEO and certain partners, breached paragraphs 290.4 and 290.230 of the Code of Conduct.

The respondent was sentenced to a fine of R200 000 for charge 1, R200 000 for charge 2, R200 000 for charge 3 and R200 000 for charge 4; no cost order; and publication by the IRBA of the name of the firm, the findings of the investigation and the sanction imposed on the firm.

Decisions to Charge and Matters Referred for a Disciplinary Hearing

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



Jillian Bailey

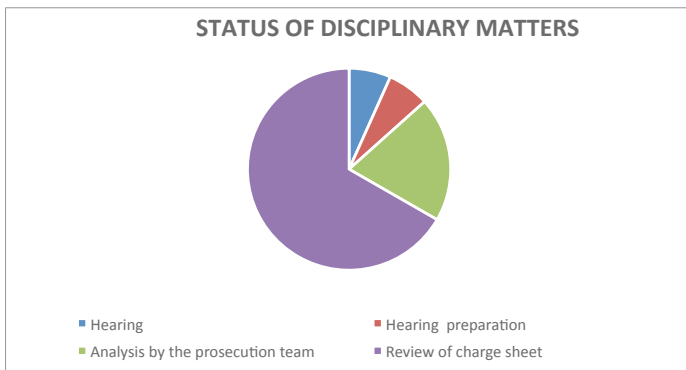
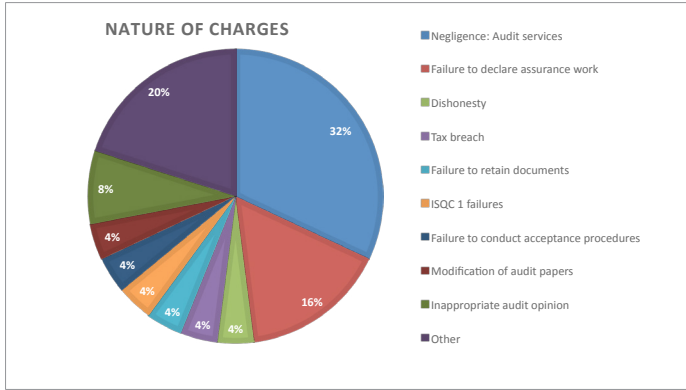
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DISCIPLINARY COMMITTEE

Currently, there are 16 open cases that have been referred to the Legal Department for disciplinary hearings; and six of these were referred during the period under review. The charts below outline the nature and status of all matters referred for hearings.



Matters Before the Committee

During the period under review, the committee convened for 29 days in continuation of the part-heard disciplinary hearing pertaining to African Bank. The matter adjourned on the 6th of December 2019 and will once again reconvene from the 4th to 5th of May 2020 for parties to present their heads of arguments.

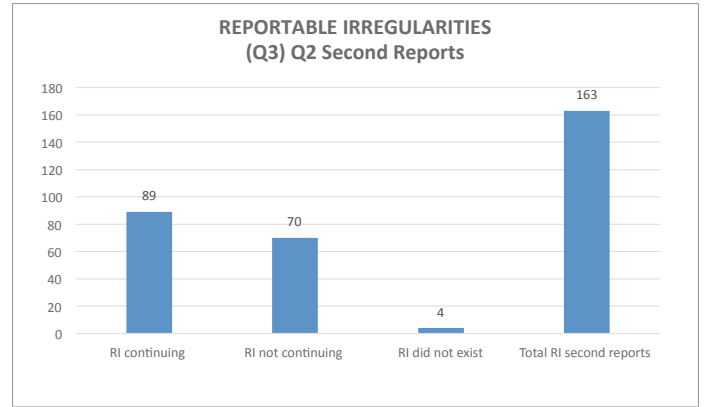
Upcoming Hearings

The Disciplinary Committee will convene between the 16th of March 2020 and the 4th of April 2020 to consider charges preferred against the then three partners of ACT Audit Solutions Incorporated, in relation to services rendered to Sharemax.

Sharemax was an irregular property syndication scheme that collapsed during 2010/2011. The respondents are facing numerous charges of improper conduct in relation to the audit of Sharemax financial statements and their assurance reports on various prospectuses issued by Sharemax between 2007 and 2010 – and these were utilised to raise funding from the public.

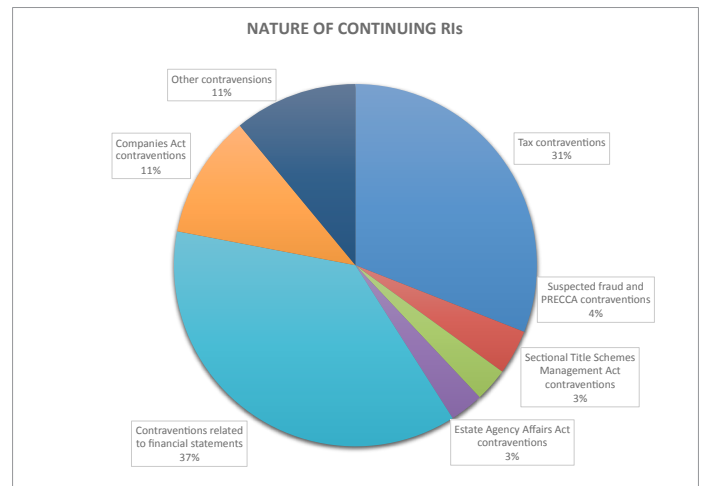
REPORTABLE IRREGULARITIES

The IRBA received 238 reports on reportable irregularities (RIs) for the period under review. At the end of the reporting quarter, 163 second reports were received and their nature is highlighted below.



Note: The above graph depicts a difference of 75 reports between the first reports and second reports received. The difference recorded herein is due to a reporting time difference, which means that some of the second reports fell outside the current reporting period. There were no areas of non-compliance detected in as far as the submission of second reports was concerned.

Of the 89 continuing RIs received, the top six types of RIs most frequently reported, categorised by nature, are reflected in the chart below.



Note: As depicted above, the top two reported contraventions related to financial statements requirements as well as tax requirements. There were also several RI contraventions of the Companies Act, the Estate Agency Affairs Act, the Sectional Title Schemes Management Act and PRECCA.

All reports received were sent to the relevant regulators and/or authorities, in line with the provisions of the Auditing Profession Act 26 of 2005 (APA), for action.

EFFECTS OF THE CIPC COMPLIANCE CHECKLIST ON REPORTABLE IRREGULARITIES REPORTING



The Companies and Intellectual Property Commission (CIPC) introduced a compliance checklist aimed at monitoring and regulating proper compliance with the Companies Act. The checklist – which must be completed by companies and requires declarations on the company’s compliance with various provisions of the Companies Act – becomes mandatory with effect from 1 January 2020.

The introduction of the checklist has spiked confusion among registered auditors (RAs), particularly, as to its effects on RI reporting.

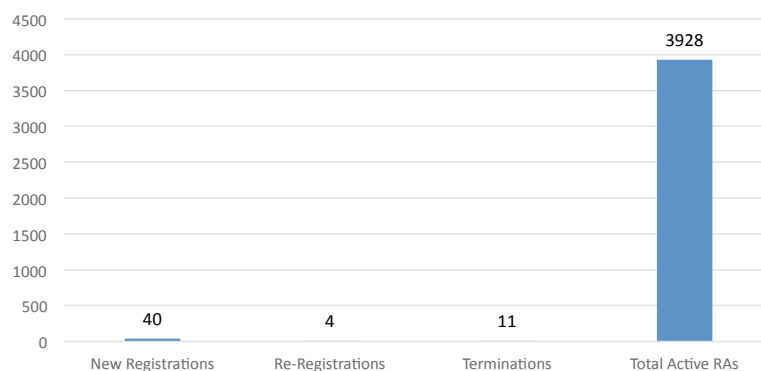
The IRBA engaged the CIPC on the checklist and consensus was reached to the effect that, prior declaration of any non-compliance with the provisions of the Companies Act on the CIPC checklist will not absolve the RA of his/her obligations to report any identified RIs in line with Section 45 of the APA. Therefore, a company’s individual appointed auditor must still consider whether any non-compliance declarations made to the CIPC constitute RIs, as per the requirements of Section 45 of the APA. If so, those areas of non-compliance must then be reported to the IRBA. The RI report must reference prior declaration to the CIPC.

A presentation on the CIPC checklist can be accessed on the [CIPC website](#) landing page under “Important Notices”.

RAs are encouraged to send any queries relating to the compliance checklist directly to the CIPC via the following email: COR135.1complaints@cipc.co.za.

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

REGISTRY MOVEMENTS
Quarter 3: 2019/2020



Note: During the period under review, 40 new registrations were approved and entered into the register. Four auditors were re-registered, bringing the total of registrations to 44 for the reporting period. Meanwhile, 11 RAs were removed from the register, with the most prevalent reason for removal being resignations, followed by emigrations..

The tables below list the names of RAs who were entered into the register and those who were removed.

INDIVIDUALS ADMITTED TO THE REGISTER OF THE IRBA FROM 22 JULY 2019-1 NOVEMBER 2019

Akoojee, Saaleha	Ntsoane, Legohu Stephen
Bootha, Saffiyah	Nyoni, Desire
Brouard, Christopher Giles Andrew	Oosthuizen, Nato
Chetty, Karmani	Pelcher, Pieter
Coetzer, Solize	Pillay, Anandhren Moonsamy
De Villiers, Ian Eugene Leonard	Potgieter, Hans Jurie
Fouche, Maria Johanna	Pretorius, Johan Andries
Govender, Reveshen	Reed, Keziah Gaye Doreen
Gregory, Benjamin Paul	Roopnarain, Rivaan
Halenyane, Onalenna	Santana, Sebastian
Harvey, Arcontia Karpathaki	Sieberhagen, Johann Hendrik Reinhard
Hassim, Yusuf	Steyn, Crystelle
Hoon, Christiaan	Timol, Mohammed Cassim
Jensen, Elenor	Truter, Gregory Michael
Kharwa, Yusuf Saleem	Usher, Lawrence George
Laloo, Akhin	Van Noordwyk, Renshia
Mbolambi, Itumeleng Veronica	Van Wyk, Melanie
Moodley, Navasha	Vawda, Bibi Ayesha
Myburgh, Gert	Viljoen, Esmarie
Naran, Kashmira Dalpat	Whitehouse, Jennifer

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 22 JULY 2019-1 NOVEMBER 2019

Baloyi, Vulani Pride

Botha, Johan

Jan, Cornelis

Van Zyl, Joshua Pieter

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 26 SEPTEMBER-29 NOVEMBER 2019

Bank, Brian Harold

Emigrated

Bethell, Leonette

Resigned

Goldacre, Matthew Paul

Emigrated

Mehta, Bharatkumar Kantilal

Resigned

Meiring, Frederik Jacobus

Resigned

O Reilly, Gwendolyn Viniam

Emigrated

Pretorius, Maria Magdalena

Resigned

Swenson, Raymond

Resigned

Van Der Merwe, Stephanus Rudolf

Resigned

Van Der Westhuizen, Michael

Resigned

Waller, Natalie Mackay

Resigned

ANNUAL RENEWALS

The Registry Business Unit has been engaged in the RA annual renewal process, which is now nearing an end.

During the current period, 94 RAs were lapsed for non-payment of individual annual fees, with 37 subsequently being reinstated.

Further to the above, a number of RA registrations are in the process of cancellation for failure to submit Individual Annual Returns. This

process is expected to be completed by the end of this quarter.

RAs may request reinstatement, upon payment of reinstatement fees together with the annual fees and/or the submission of Annual Returns, up until 31 January 2020. After this date, RAs who have been lapsed or were cancelled in 2019 will be required to apply for re-registration with the IRBA.



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MORE CANDIDATES COMPLETE THE ADP

Our list of candidates who successfully completed the Audit Development Programme (ADP) had more additions during this quarter, with those listed below completing the ADP between September and November.

Coenraad Hendrik Eales

Kylie Deveugele

Lorene Wartington

Similo Mathuthu

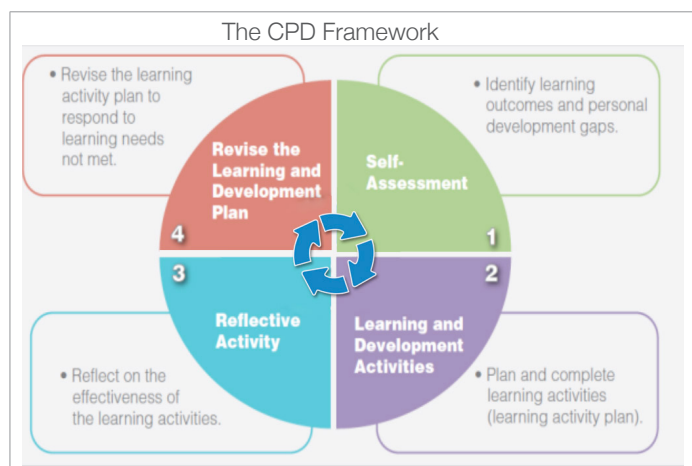
Sonelle Wilken

To these candidates, we wish you all the success in your roles within the profession. We would also like to extend our gratitude to the candidates' oversight registered auditors and their firms for their commitment and contribution to the success of these candidates.

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 having a workshop hosted at your firm, please contact adpadmin@irba.co.za.

NEW POLICY ON CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

The IRBA's new CPD Policy has been approved by the Board and is effective from 1 January 2020. As highlighted in the previous issues, the policy follows an output-based approach that is combined with a minimum requirement of hours for ethics learning and development activities.



In addition, the policy introduces the requirement for registered auditors (RAs) to reflect on their development needs, the effectiveness of their learning and development activities as a response to those needs. This is mandated through the requirement to apply the CPD Framework that is contained in the policy and explained in the guidance document.

It should be noted that all RAs are required to comply with the existing policy for the 2019 calendar year. Also, this CPD Policy will be subject to declaration and monitoring in 2020.

This new CPD Policy and the related guidance may be accessed on the IRBA website on the [CPD](#) page.

PROFESSIONAL BODY ACCREDITATION

The Accreditation Model

The reputation, relevance and value of the auditing profession depend on the ability of RAs to continually meet the expectations of stakeholders and provide a service that is appropriate to the needs of the South African economy within the global context. Therefore, the IRBA has a duty to ensure that all RAs:

- Have the necessary professional competence on entering the auditing profession to serve the public interest and the needs of the economy;
- Further develop and maintain their professional competence after registration; and
- Are subject to appropriate ethical requirements and get disciplined, where appropriate.

Supporting the realisation of the IRBA's objectives for the development, assessment and maintenance of the professional competence of auditors demands more than high-quality education, training, assessment and CPD programmes. Professional bodies that are devoted to providing relevant, effective and efficient services to members and other stakeholders also need to exercise high-quality governance and management of these programmes. For this reason, the accreditation of a professional body addresses the institutional effectiveness and efficiency as well as the quality of programmes that develop and assess professional competence.

The IRBA accredits professional bodies as a statutory mechanism through which to support its objectives. To this end, the IRBA's Accreditation Model is prescribed in order to outline the accreditation philosophy and requirements for professional bodies.

Further details on the [Accreditation Model](#) can be found on the IRBA website.

Accreditation and Monitoring of SAICA

Currently, the South African Institute of Chartered Accountants (SAICA) is the only professional body that has been accredited by the IRBA, in terms of our Accreditation Model. As part of the process, SAICA is subject to annual monitoring by the IRBA and it is assessed according to the standards contained in the Accreditation Model. In November 2019, the IRBA issued its Final Monitoring Reports to SAICA. Significant issues were identified and these have been reported to SAICA for its response. Overall, it was concluded that SAICA would maintain its accreditation status, while subject to ongoing monitoring.

Access to the Auditing Profession

The accreditation process is intended to provide access to the auditing profession to all who have the ability and desire to qualify, register and practise as RAs. As such, we welcome the interest of other professional bodies that may be interested in being accredited to support the objectives of the IRBA. To this end, the IRBA is advertising for membership to its Accreditation Committee (ACCOM), which will have the responsibility of reviewing new applications from professional bodies that seek accreditation.

The advert for membership to ACCOM can be found on the [IRBA website](#).



Nadine Kater

Director Education and Transformation

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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 at www.irba.co.za under the News section.

27 November 2019	The IRBA aligns South African auditing pronouncements with the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)
26 November 2019	IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers
22 November 2019	Proposed Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised November 2019)
19 November 2019	The IRBA Issues a New Continuing Professional Development (CPD) Policy and Related Guidance
5 November 2019	Reminder: IRBA Seeks Feedback on Implementing SAAEPS 1
5 November 2019	Zimbabwean Public Accountants and Auditors Board Pronouncement 01/2019 on the Application of International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies
22 October 2019	SAICA Special General Meeting
16 October 2019	Disciplinary Committee of the IRBA – Call for Nominations
14 October 2019	Use of the RA Designation
3 October 2019	New appointments at the IRBA

IRBA PUBLICATIONS

Please advise Lebogang Manganye (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.

OBITUARY: JUDGE WILLEM VAN DER LINDE



It was with great sadness that we learnt of the passing of Judge Willem van der Linde. He was the chairman of the IRBA's Disciplinary Committee from 1 April 2006 to 31 March 2011; and the chairman of the Board from 1 April 2011 to 31 March 2015, while he was a Senior Counsel.

Besides setting the tone for oversight and public protection during his tenure, he was responsible for crafting the IRBA's Four-Pillar Strategy, which has

been the framework for the vision he and the Board, at the time, had for audit regulation.

His understanding of the audit profession, in which he was not trained, was remarkable. It attested to his extraordinary ability to guide, lead and motivate the directorate through challenging times. As he recalled during his farewell hosted by the IRBA, he always appreciated and enjoyed the briefings ahead of each meeting, whether it was at his chambers or his home. He said this assisted him to be fully prepared for the important decisions he had to make on behalf of the auditing profession.

Willem was a true professional and gentleman, and we will always remember the invaluable contribution he made during the IRBA's start-up years – a contribution that will be felt for years to come.

CEO SPEAKS ON THE STATE OF THE PROFESSION AT AN ABASA CONFERENCE



IT'S TIME FOR CONCERTED EFFORTS: During his keynote address at the Advancement of Black Accountants of Southern Africa conference held recently, IRBA CEO Bernard Agulhas called for a united front in restoring the audit profession's reputation. "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," he said.

LET'S PULL TOGETHER TO REGAIN TRUST, CEO SAYS

JOINT ACTION IS KEY: Bernard Agulhas was the keynote guest speaker at the annual release of the Institute of Internal Auditors' Corporate Governance Index Report in November at the Sandton Convention Centre. This 7th edition of the report measures corporate governance across all economic sectors in South Africa. Speaking on key governance issues arising out of recent corporate, accounting and auditing failures, he highlighted how important it is for all role-players in the financial reporting chain to work together to eliminate fraud, fight corruption and regain the trust and confidence of investors.



CEO INTERACTS WITH THE PROFESSION IN KZN

One of the IRBA's interactions with the profession this quarter saw the CEO, Bernard Agulhas, being part of a workshop that was convened by the South African Institute of Chartered Accountants (SAICA) Eastern Region. The event, which was also addressed by SAICA CEO Freeman Nomvalo, looked at issues that currently face the profession.

Some of the issues raised included the following:

- Advocating and selling the value of audit.

- Fast-tracking comprehensive regulation to hold audit committees and other roleplayers responsible.
- Moving from compliance with the IRBA to professional skepticism.

Meanwhile, participants agreed that in the interim there were some quick gains that could be focused on to further strengthen the profession. These included attracting more people to the audit profession and restoring confidence in it.

A PROACTIVE LOOK INTO THE FUTURE OF ACCOUNTANCY



NEW TECHNOLOGIES, NEW PROSPECTS: The Fourth Industrial Revolution and how it will impact the accounting profession were the discussion points at the Southern African Institute for Business Accountants Quickbooks gathering held in November in Sandton. Speakers at the event included (from left): Heidi Giokos, the panel moderator; Luyanda Ngonyama, from the Department of Social Development; Adv Rory Voller, CIPC Commissioner; and Bernard Agulhas, IRBA CEO. *Photo courtesy of SAIBA*