

WE HAVE ALL
NAVIGATED A
TOUGH TERRAIN,
but the lifting of the
pandemic-related restrictions
has brought a sense of hope
and reawakening.

This shift now needs to
translate into a renewed drive
to further strengthen the
principles that guide auditing.



ISSUE 58
APRIL - JUNE
2022



Content

| | |
|----------------------------|----|
| Acting CEO's Perspective | 1 |
| Standards | 4 |
| Ethics | 12 |
| Legal | 16 |
| Registry | 20 |
| Investigations | 26 |
| Inspections | 33 |
| Education & Transformation | 36 |
| Communications | 42 |
| General News | 44 |



ACTING CEO'S PERSPECTIVE

TRANSITIONING TO A NEW NORMAL

The final easing of the last COVID-19 restrictions has brought a general sense of relief and a certain level of excitement. With these changes, we are cautiously planning to transition to the new normal by creating a balance between remote work, through the effective use of technology, and physically working from our newly revamped offices in Greenstone (hybrid approach).

The past two-and-a-half years have been challenging for all of us, as we have been navigating the pandemic and its impact. However, a new sense of hope and achievement is on the horizon – and that needs to be embraced. We had our first in-person Board meeting, and it was exciting to meet and engage with the members around the same table.

The quarter under review has been quite exciting for the IRBA, as we achieved more milestones in line with our refocused strategy, underpinned by our focus on comprehensive stakeholder engagements. As we enter year two of this five-year strategy, our work on the Restoring Confidence 2.0 project is gaining momentum, and three workstreams under it continue to make steady progress.

Workstream 1, which is focused on the gap analysis in the broader financial reporting and



Imre Nagy
Acting Chief Executive Officer

governance ecosystem that impacts the auditing profession and audit quality, has concluded its project plan. It has also finalised its desktop review of this ecosystem, to identify the key role-players. Additionally, this workstream has conducted research into the major laws and regulations that currently impact the financial reporting and governance ecosystem; and is consolidating the data on the known gaps in this ecosystem, as previously identified by the IRBA and international stakeholders in their reviews of South Africa. These reviews include the World Bank Report on the Observance of Standards and Codes: Accounting and Auditing Standards Report (2013) and the United Nations' Development Account programme.

The next step for this workstream will be a comprehensive stakeholder engagement with focus groups, to help identify more gaps and possible solutions to the challenges in the ecosystem. Once these are

ACTING CEO'S PERSPECTIVE CONT...

completed, a discussion paper will be drafted and then shared with policymakers, to influence the steps needed to initiate the necessary changes.

Workstream 2 is dedicated to identifying gaps in the auditing profession that fall within the IRBA mandate, in addition to determining and prioritising potential reform topics. This includes conducting an analysis of the various gaps in the profession against the competing inputs and/or proposals from both the local and international auditing arena that are relevant to the South African context. The Enhanced Auditor Reporting project, together with its recommendations, is an example of a restoring confidence initiative under this workstream that is aimed at proposing significant enhancements to auditing standards, further enhancing the value of the audit product to the public. The next step will include engaging with stakeholders, to obtain feedback on gaps in the auditing profession and potential solutions.

Workstream 3's focal point is the sustainability and relevance of the IRBA. This is another exciting project for us, as we look forward to the new and improved IRBA and registered auditor (RA) brands that are supported by a set of values that will create a balance between enforcement and attracting more aspiring RAs into the profession. The workstream is also driving the IRBA's digital transformation process, platform enhancements and marketing. As we continue to make progress on this journey, more will be revealed in the near future.

AUDIT QUALITY

As a regulator, we continue to drive significant improvements in audit quality, and have released our third Audit Quality Indicators Report, which pursues advancement by placing actionable information in the hands of stakeholders, including those charged with governance. This report provides a benchmark against which to measure some quality-related impacts of the pandemic. While firms have shown agility in responding to the operational impact of the pandemic, the data in this report may have been affected accordingly. This latest report can be downloaded from the IRBA website.

AUDITING PROFESSION AMENDMENT ACT IMPLEMENTATION PROJECTS

We have completed all the Auditing Profession Amendment Act implementation projects. Most notably, we have also published the revised disciplinary rules that support the IRBA's mandate to promote the integrity of the profession by investigating allegations of improper conduct, conducting disciplinary hearings and imposing sanctions for improper conduct.

Concerns were raised by stakeholders in relation to the inclusion of search and seizure provisions that align with the legislation of other financial bodies. As such, we have had open and frank conversations with the concerned stakeholders and explained that the way in which the rules articulate how and when these powers will be implemented should allay many of the concerns. Importantly, following public comments, we have incorporated the insertion of sub-rule (4) under rule 30, which provides persons from whom search and seizure consent is required to elect to have their legal representative present before consenting to the search and seizure.

The rules also set out a procedure for the referral of non-audit related complaints to an IRBA-accredited professional body for investigation.

For more clarity, the IRBA has expanded the definition of non-audit complaints to include examples such as the administration of deceased estates; the administration of trusts; insolvency and liquidation services; as well as taxation and accounting services.

The last project was to recommend the maximum fine levels to the Minister of Finance, who will publish the new proposed fines for public comment in due course. These will replace the current maximum fine of R200 000 per charge.

APPEAL ON FEES JUDGEMENT

In early May 2022, we received a judgement handed down in the North Gauteng High Court regarding an application brought by the East Rand Member District of Chartered Accountants (ERMD) for the review and setting aside of certain fees and fee increases prescribed by the IRBA during the 2019/2020 and 2020/2021 financial years. The court found against the IRBA in all material respects, issuing an order reviewing and setting aside all relevant fees.

The IRBA received the judgement with disappointment; and following legal advice, the Board took the decision to appeal the judgement on the basis that the judge may have erred in her findings and order in a number of respects. As communicated to registered auditors in our communique issued on 6 May 2022, the notice of appeal was lodged and accordingly this suspended the judge's order. Therefore, while the appeal process is underway, RAs should continue to pay their fees that are due to the IRBA from 1 April 2022.

SELECT COMMITTEE ON FINANCE

We recently gave a Parliamentary briefing to the Select Committee on Finance and shared several initiatives that we are implementing. As part of this briefing, we also raised a concern regarding the risk of a lack of a functioning accounting

standard setter. I am pleased to report that following the briefing, the Department of Trade, Industry and Competition has started working on re-establishing the Financial Reporting Standards Council and has issued a call for nominations to that effect. This is one example of how important it is for stakeholders to work together to help ensure that we close the gaps in our financial reporting system.

There is a lot that is taking place and that we are excited about, as we continue to implement our strategy. Despite the challenges that we face, the IRBA team is set on working hard to protect the interests of the public and build strong and effective relations with our stakeholders. Together, functioning as a unit with all role-players, we can build a strong financial ecosystem for our country and restore trust in the accountancy profession.

Imre Nagy

Acting Chief Executive Officer

LIST OF TOPICS COVERED IN THIS ISSUE

Standards:

- o Proposed IRBA Rules Arising from the International Standards on Quality Management.
- o Political Party Funding Act No. 6 of 2018.
- o Conforming and Consequential Amendments to the Other International Standards as a Result of the New and Revised Quality Management Standards and the Alignment of Existing IRBA Pronouncements Following These Conforming Amendments.
- o Revised Illustrative Section 15 Retirement Fund Agreed-upon Procedures Reports.
- o Illustrative Regulatory Reports in terms of the Insurance Act.
- o Non-Authoritative Guidance: The Fraud Lens – Interactions Between ISA 240 and Other ISAs.
- o IAASB Projects in Progress.

Ethics

- o Quality Management-related Conforming Amendments to the IRBA Code of Professional Conduct (Revised November 2018).
- o IESBA Expands the Definition of Public Interest Entities and the Implications for South Africa.



Imran Vanker
Director Standards

- o IESBA Calls for Stakeholder Input on Future Strategy: Looking Beyond 2023!
- o IESBA Projects in Progress.

PROPOSED IRBA RULES ARISING FROM THE INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT

The IRBA Board approved the release of the [Proposed IRBA Rules Arising from the International Standards on Quality Management](#) (the proposed IRBA Rules) for public comment, alongside an Explanatory Memorandum.

The proposed IRBA Rules were informed by consultations with internal and external stakeholders and the input of the IRBA's Committee for Auditing Standards. These Rules, which arose from the International Auditing and Assurance Standards Board's [Quality Management](#) standards, are briefly highlighted below.

Proposed Rule 1: Firm CEO

A firm's CEO should be a registered auditor (RA), subject to firms being allowed to appoint CEOs for their assurance divisions (the CEO must be an RA), if a different non-RA CEO is to be appointed for the non-assurance division (the CEO can be an RA or any other suitable individual).

Proposed Rule 2: Transparency Reports

The mandatory annual preparation of transparency reports for firms, as defined in the Auditing Profession Act, as amended, that audit financial statements of listed entities.

Proposed Rule 3: Engagement Quality Reviews

An engagement quality review should be performed for all audits of financial statements of public interest entities, as defined in the IRBA Code, in addition to those engagements scoped in by International Standard on Quality Management (ISQM) 1.

Proposed Rule 4: Engagement Quality Reviewer (EQR) and an Assistant to an EQR

The engagement quality reviewer must be registered with the IRBA as a registered auditor. Further, an assistant to an EQR must have, as a minimum, three years of relevant expertise.

Proposed Rule 5: Assembly and Retention of Audit Documentation

- The assembly of the final engagement file shall not exceed 60 days;
- The retention period for the engagement documentation should be a minimum of five years, or such longer period as determined by other laws and regulations or firm policies/procedures; and
- The retention of documentation for the system of quality management should be a minimum period of five years, or such longer period as

STANDARDS CONT...

determined by other laws and regulations or firm policies/procedures.

Proposed Effective Dates for the Five Proposed IRBA Rules

Depending on the comments received, the IRBA recommends that:

- Proposed IRBA Rules 1-4 be effective 24 months (two years) after the IRBA Board's prescription and/or publication of the Rules.
- Proposed IRBA Rule 5 (Assembly and Retention of Audit Documentation) be effective 12 months (one year) after the IRBA Board's prescription and/or publication of the Rule.

Request for Comments

The IRBA welcomes comments from auditors and other interested parties on all matters addressed in the Proposed IRBA Rules. It also seeks responses to the six questions that are set out in the Explanatory Memorandum section.

Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by 19 August 2022.

The Exposure Draft is available in a PDF format and may be downloaded from the [IRBA website](#).

Should you have any further queries, please do not hesitate to contact the Standards Department by emailing standards@irba.co.za.

POLITICAL PARTY FUNDING ACT NO. 6 OF 2018

Auditors are reminded that the Political Party Funding Act came into

operation on 1 April 2021, and it introduces a strict regulatory framework for the private funding of political parties. This includes setting limits for the source, size and use of donated funds by political parties. Auditors are therefore advised to apply professional scepticism when performing these engagements.

COMMITTEE FOR AUDITING STANDARDS (CFAS)

Conforming and Consequential Amendments to the Other International Standards as a Result of the New and Revised Quality Management Standards and the Alignment of Existing IRBA Pronouncements Following These Conforming Amendments

IAASB – Conforming and Consequential Amendments

The IRBA Board, at its meeting in March 2022, approved the International Auditing and Assurance Standards Board's (IAASB) Conforming and [Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards](#) for adoption, issue and prescription by registered auditors in South Africa.

The conforming amendments remove actual or perceived inconsistencies between the IAASB's suite of standards and the Quality Management standards. This, therefore, allows for the IAASB's full suite of standards to operate in conjunction with each other and without creating confusion, which is especially crucial when considering the importance of firm-level quality management to the consistent performance of quality engagements.

The standards covered in this publication, though, do not include International

Standards on Auditing (ISAs). [Conforming and consequential amendments to the ISAs](#) were finalised and issued by the IRBA in March 2021, alongside the quality management standards.

The conforming amendments to the IAASB's International Standards become effective as of 15 December 2022, in line with the quality management standards.

IRBA – Conforming and Consequential Amendments to IRBA Pronouncements Arising from the IAASB's New and Revised Quality Management Standards

The CFAS has issued the following updated pronouncements, which resulted from the conforming and consequential amendments to the IAASB's International Standards:

| UPDATED PRONOUNCEMENT | |
|-----------------------|--|
| 1. | Guide for Registered Auditors: Joint Audit Engagements (August 2020) |
| 2. | Revised Guide (2019) for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act |
| 3. | Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts (June 2019) |
| 4. | Guide for Registered Auditors: Engagements on Legal Practitioners' Trust Accounts (Revised March 2020) |
| 5. | Revised Guide for Registered Auditors: Access to Working Papers (June 2018) |

| UPDATED PRONOUNCEMENT | |
|-----------------------|---|
| 6. | South African Auditing Practice Statement (SAAPS) 2 (Revised 2018): Financial Reporting Frameworks and the Auditor's Report |
| 7. | SAAPS 3 (Revised May 2019): Illustrative Reports |
| 8. | SAAPS 4 (Revised 2019): Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity |
| 9. | SAAPS 6: External Confirmations from Financial Institutions |
| 10. | South African Assurance Engagements Practice Statement (SAAEPS) 1: Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria |
| 11. | Guide for Registered Auditors: Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements (November 2015) |
| 12. | Revised Guide for Registered Auditors (November 2018): Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme |
| 13. | Guide for Registered Auditors (Revised August 2019): Auditing in the Public Sector |
| 14. | Illustrative Report: ISAE 3420 Compilation of Proforma Financial Statements – prospectus |

STANDARDS CONT...

| UPDATED PRONOUNCEMENT | |
|-----------------------|--|
| 15. | Illustrative Report: Mutual Banks Act Assurance Report (November 2020) Note: Updated illustrative reports that take these conforming and consequential amendments into account were issued on 18 March 2022. |
| 16. | Illustrative Report: Reg 46 SA Consolidated Report (March 2021) Note: Updated illustrative reports that take these conforming and consequential amendments into account were issued on 18 March 2022. |
| 17. | Illustrative Report: Reg 46 Foreign Operations Report (March 2021) Note: Updated illustrative reports that take these conforming and consequential amendments into account were issued on 18 March 2022. |
| 18. | Illustrative Report: SARB Macro Prudential Foreign Exposure Limit Return Report |
| 19. | Illustrative Report: Reg 28 Retirement Funds Report |
| 20. | Illustrative Engagement Letter: Sustainability limited assurance |
| 21. | Illustrative Report: Sustainability limited assurance |
| 22. | Illustrative Engagement Letter: Sustainability reasonable assurance |
| 23. | Illustrative Report: Sustainability reasonable assurance |

UPDATED PRONOUNCEMENT

| | |
|-----|---|
| 24. | Illustrative Engagement Letter: Sustainability combined assurance |
| 25. | Illustrative Report: Sustainability combined assurance |

The effects of the conforming and consequential amendments to the abovementioned pronouncements are illustrated in the Summary of Conforming and Consequential Amendments to IRBA Pronouncements Arising from the IAASB's New and Revised Quality Management Standards, which can be downloaded from the [IRBA website](#).

Effective Date

The conforming and consequential amendments to the IRBA pronouncements become effective for:

- Audits and reviews of financial statements for periods beginning on or after 15 December 2022; and
- Other assurance and related services engagements beginning on or after 15 December 2022.

REGULATED INDUSTRIES AND REPORTS STANDING COMMITTEE (RIRSC)

Revised Illustrative Section 15 Retirement Fund Agreed-upon Procedures Reports

The CFAS, at its meeting on 1 March 2022, subject to the Financial Sector Conduct Authority (Authority) issuing the appropriate exemption notice, approved the issue of the following Revised Illustrative Section 15 Retirement Fund Agreed-upon Procedures Reports (revised illustrative regulatory reports), for use by registered auditors (auditors):

- Ordinary Funds;
- Umbrella Funds; and
- Retirement annuity and preservation funds.

These revised illustrative regulatory reports have been updated for the following:

- The International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements (ISRS 4400 (Revised)), which was adopted, prescribed and issued by the IRBA Board on 29 October 2020. ISRS 4400 (Revised) is effective for agreed-upon procedures (AUP) engagements for which the terms of engagement are agreed on or after 1 January 2022.
- The changes in substance between the extant ISRS 4400 and ISRS 4400 (Revised), which include the following:

o Scope and Responsibilities

- New requirements and application material clarify the auditor's responsibilities in relation to the various parties involved in an AUP engagement, such as the engaging party, the intended users of the AUP report and the responsible party for the subject matter on which the AUP are performed.

o Compliance with Independence Requirements

- New requirements and application material recognise that, even when the auditor may not be required (for example, by law or regulation, an ethics code or contract) to comply with independence requirements, they may still agree with the engaging party that compliance with independence

requirements is appropriate for the purpose of the AUP engagement.

o The Agreed-Upon Procedures Report

- Enhanced transparency on:
 - The responsibilities of the various parties involved in an AUP engagement; and
 - Whether or not the auditor is required to comply with independence requirements; and if so, the relevant independence requirements. The independence paragraph in these revised illustrative regulatory reports states that there are no independence requirements with which the auditor is required to comply. The auditor may amend this wording, if they have agreed in the terms of engagement to comply with independence requirements.
- New application material to guide the auditor in deciding whether to restrict the use or distribution of the AUP report.

On 14 April 2022, the Authority published the appropriate exemption notice as follows:

- FSCA RF Notice 5 of 2022 – Exemption of funds from using certain prescribed formats for preparing financial statements under Section 15 of the Pension Funds Act, 1956.
- FSCA Communication 12 of 2022 (RF) – Exemption from using certain prescribed formats for preparing financial statements under Section 15 of the Pension Funds Act, 1956.

STANDARDS CONT...

The documents are available on the [Authority's website](#). The FSCA Communication is also available under [Industry Communication](#).

For further information regarding the abovementioned notice and communication, please contact the Authority by emailing Ms Wilma Mokupo at Wilma.Mokupo@fsca.co.za.

Effective Date

These revised illustrative regulatory reports are effective for engagements for which the terms of engagement are agreed on or after 1 January 2022, and this is consistent with the effective date of ISRS 4400 (Revised). Accordingly, engagement teams should consider updating previously signed engagement letters.

The reports are available for downloading in Word and PDF formats from the [IRBA website](#).

Illustrative Regulatory Reports in terms of the Insurance Act

The CFAS has approved the issue of the following Illustrative Regulatory Reports in terms of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act) (illustrative regulatory reports), for use by registered auditors (auditors):

- Insurers (solo insurers);
- Insurance groups;
- Branches of foreign reinsurers; and
- Microinsurers.

According to Section 63 of the Act, the Prudential Authority (PA) may

prescribe Prudential Standards on any matter that is required or permitted by the Act. As such, the PA has prescribed Prudential Standards that set out the regulatory framework for assessing the financial soundness of South African insurers, insurance groups, branches of foreign reinsurers and microinsurers (collectively referred to as insurers) from a regulatory perspective. Related to these Prudential Standards, the PA requires that regulatory information be submitted using the Quantitative Reporting Templates, for the purposes of ongoing supervision of the insurers.

Furthermore, in terms of Section 47, read with Section 44 of the Act, the insurer must cause the information provided to the PA for regulatory purposes to be audited.

The PA published the Prudential Standards on Audit Requirements for Insurers, Insurance Groups, Branches of Foreign Reinsurers and Microinsurers in December 2021. The Prudential Standards are effective for financial years ending on or after 1 January 2022.

These Prudential Standards specify the information that must be audited in terms of Section 47 of the Act and also require certain information to be reviewed, as set out in Section 44(1), read with 62(1)(c).

Effective Date

These illustrative regulatory reports are effective for financial years ending on or after 1 January 2022.

They are available for downloading in Word and PDF formats from the [IRBA website](#).

INTERNATIONAL AUDIT AND ASSURANCE STANDARDS BOARD (IAASB)

Non-Authoritative [Guidance](#): The Fraud Lens – Interactions Between ISA 240 And Other ISAs

This non-authoritative guidance illustrates the relationship between ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, and other ISAs when planning and performing an audit engagement and reporting thereon. It also illustrates how ISA 240 is currently applied in conjunction with the full suite of ISAs.

IAASB Projects in Progress

- Audit evidence;
- Technology;
- Audits of less complex entities (LCE);
- Complexity Understandability Scalability Proportionality (CUSP);
- Fraud;
- Going Concern;
- Listed Entity and Public Interest Entity; and
- Assurance on Sustainability/Environmental, Social and Governance (ESG) Reporting

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

QUALITY MANAGEMENT-RELATED CONFORMING AMENDMENTS TO THE IRBA CODE OF PROFESSIONAL CONDUCT (REVISED NOVEMBER 2018)

The IRBA draws the attention of all registered auditors to the Quality Management-related Conforming Amendments to the IRBA Code. The International Auditing and Assurance Standards Board issued its suite of Quality Management standards in December 2020, and the [IRBA Board adopted these in March 2021](#). This suite of standards comprises the following:

- [International Standard on Quality Management \(ISQM\) 1](#), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
- [ISQM 2](#), Engagement Quality Reviews; and
- [International Standard on Auditing \(ISA\) 220 \(Revised\)](#), Quality Management for an Audit of Financial Statements.

These standards will be effective as of 15 December 2022.

As a result of the finalisation of these standards, the International Ethics Standards Board for Accountants (IESBA) considered it necessary to make the following Quality Management-related Conforming

Amendments to the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code):

1. Where the IESBA Code refers to International Standard on Quality Control (ISQC) 1, as well as concepts and terminology in ISQC 1, replacing it with ISQM 1.
2. Where the revisions to the IESBA Code addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers (EQR revisions), issued by the IESBA in January 2021 and adopted by the IRBA Board in August 2021, stem from concepts and terminology in ISQM 2, reflecting these in the Glossary to the IESBA Code.

The IRBA has adopted these Quality Management-related Conforming Amendments made to the IESBA Code and published in April 2022. This adoption followed the issue, in South Africa, of the proposed amendments on exposure for public comment via Government Gazette No. 45176 on 17 September 2021 (Board Notice 124 of 2021).

ISA 220-related Conforming Amendments to the IESBA Code

Registered auditors should, however, note that consequential and conforming changes to the IESBA Code that stem from ISA 220 (Revised), including changes to the definitions of the terms “engagement team” and “audit team”, are excluded from the abovementioned Quality Management-related Conforming Amendments. The ISA 220-related conforming amendments are being addressed through a separate IESBA project that is known as Engagement Teams -

Group Audits Independence; therefore, they are subject to a separate due process.

When the IESBA finalises its Engagement Teams - Group Audits Independence project, the IRBA Board will consider the ISA 220-related Conforming Amendments for adoption as part of the other Engagement Teams - Group Audits Independence amendments.

Effective Date

The Quality Management-related Conforming Amendments to the IRBA Code will be effective as of 15 December 2022.

A Board Notice will be released in the Government Gazette, advising on the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act, as amended.

The amendments to the IRBA Code may be downloaded from the [IRBA website](https://www.irba.co.za).

Should you have any queries regarding the above-noted amendments, please email standards@irba.co.za.

IESBA EXPANDS THE DEFINITION OF PUBLIC INTEREST ENTITIES AND THE IMPLICATIONS FOR SOUTH AFRICA

The IESBA released a [revised definition of a Public Interest Entity \(PIE\)](#), together with other revised provisions, in the IESBA Code. The revised provisions specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence

requirements, as compared to the extant IESBA Code. The IESBA has made these changes to meet stakeholders' heightened expectations concerning auditor independence when an entity is a PIE.

Among other matters, the revisions also:

- Articulate an overarching objective for additional independence requirements for audits of financial statements of PIEs;
- Provide guidance on factors to consider when determining the level of public interest in an entity;
- Replace the term "listed entity" with "publicly traded entity", providing a definition of the latter term;

ETHICS CONT...

- Recognise the essential role local bodies (such as the IRBA) that are responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs within their respective jurisdictions, encouraging them to properly refine the PIE categories and add any other categories they might find relevant to their environments; and
- Introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs, where they have done so.

To recognise diversity in jurisdictional contexts, the IESBA has taken the approach of expanding the PIE definition globally at a high level, while providing guidance to regulators, national standard setters and other relevant local bodies on tailoring the broad definition for jurisdictional specificities.

When an entity falls within the definition of a PIE, relevant laws and regulations may impose additional requirements relating to objectivity, independence, reporting, disclosure and other requirements on the entity's auditors, and that may affect the entity. These additional requirements, though, are designed to enhance confidence in the audits of those entities. Firms may also be applying these definitions within their systems of quality management, reporting systems as well as policies and procedures. Accordingly, these revisions need to be carefully considered by all practitioners.

Local Implications of the Revisions

The IRBA adopted the IESBA Code, issued during 2018, following

the issue of the proposed amendments on exposure in South Africa, together with local enhancements. As such, all amendments to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) are in line with the IESBA Code. Since 2018, the IRBA Code has continued to track and be updated for developments in the IESBA Code, following local due process and adoption by the IRBA Board.

Paragraphs R400.8a SA to R400.8c SA of the IRBA Code already include South African requirements relating to the definition of a PIE. These local requirements, which came into effect on 1 July 2016, and are still in force in South Africa, were in addition to the IESBA Code requirements at that time.

Following the release by the IESBA of these revisions, the Committee for Auditor Ethics (CFAE), at its meeting on 6 May 2022, approved a project for the consideration of potential revisions to aspects of the IRBA Code, as amended. It took into consideration, among other things, the impact that the revised the IESBA Code has on the IRBA Code in relation to the definition of listed entity, PIE and related paragraphs.

The proposed amendments to the IRBA Code and further communication on these changes will be released as they are developed.

IESBA CALLS FOR STAKEHOLDER INPUT ON FUTURE STRATEGY: LOOKING BEYOND 2023!

This invitation presented a unique opportunity for everyone with an interest in the ethical conduct of accountants and registered auditors to influence the global standard-setting agenda.

The IESBA released a public survey seeking broad stakeholder input, to inform the

development of its Strategy and Work Plan (SWP) 2024-2027. The ultimate purpose was to actively respond to the changing needs of the economic system by providing appropriate and relevant standards for professional accountants, as they adapt their activities and work methods and evolve their services to meet those changing needs.

Potential strategic focus areas included:

1. Responding to developments relating to reporting and assurance of sustainability information;
2. Raising the bar of ethical behaviour for professional accountants in business;
3. Strengthening independence standards for audit engagements; and
4. Promoting a timely adoption and an effective implementation of the Code.

The survey, which had a closing date of 8 July 2022, sought input from all stakeholders on what key environmental trends, developments or issues the IESBA should consider, as it begins the process of developing its SWP 2024-2027. The SWP is expected to be finalised by the end of 2023, for release in early 2024.

Relevance for South Africa

The IRBA adopted the IESBA Code following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. As such, all amendments to the IRBA Code are in line with the IESBA Code.

The CFAE work plan is therefore directly influenced by the IESBA SWP.

IESBA PROJECTS IN PROGRESS

- ECode;
- Engagement Teams - Group Audits Independence;
- Technology;
- Tax Planning and related services;
- Benchmarking Initiative; and
- Long Association Post-Implementation Review – Phase 1

More information on these projects is available on the [IESBA website](https://www.iesba.org). Should you have any further queries, please send an email to standards@irba.co.za.

Imran Vanker

Director Standards

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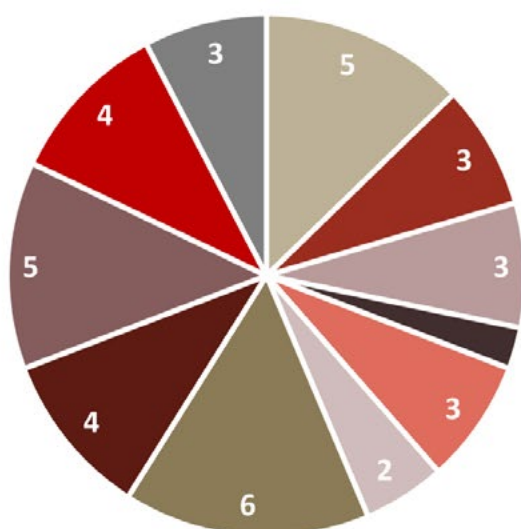
Rebecca Motsepe
Director Legal

DISCIPLINARY COMMITTEE

Overview of Matters Referred for Disciplinary Hearings

There are 22 open matters that have been referred to the Disciplinary Committee for disciplinary hearings. This represents a 22% increase in the total number of open matters. These matters involve numerous charges and are at various stages of the disciplinary process. The charts below provide further details in respect thereof.

NATURE OF CHARGES

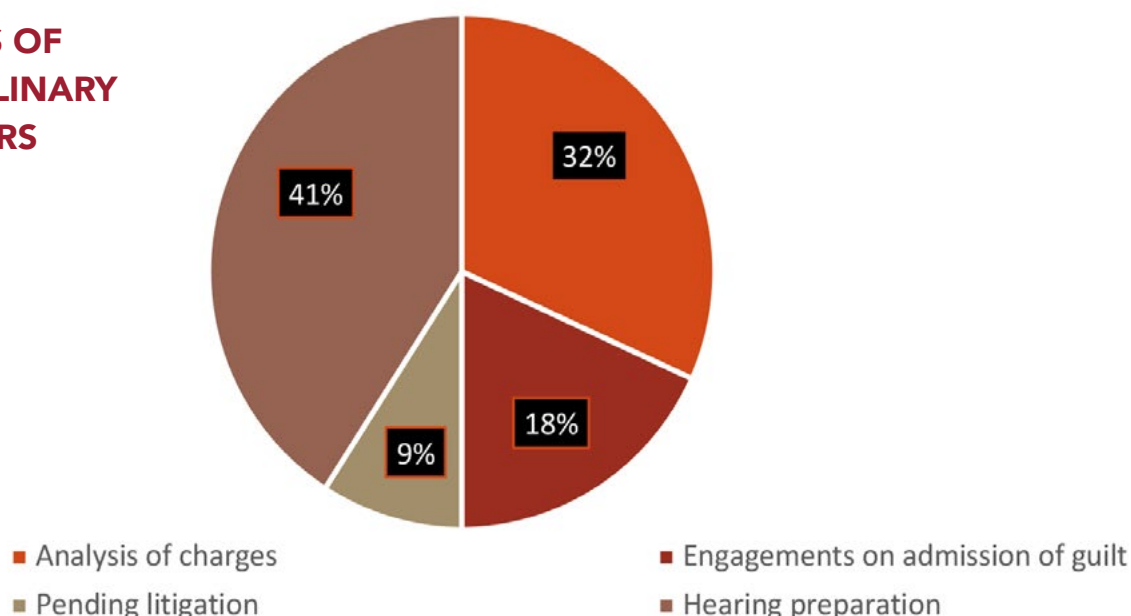


- Insufficient appropriate audit evidence
- Dishonesty/Integrity
- Accounting/Tax Breach
- Failure to retain documents
- ISQC failures
- Independence
- Incorrect audit opinion
- Precca
- RIs
- Failure to exercise due care and skill
- Other

Note: Overall, open matters involve 11 categories of improper conduct. While each matter may involve numerous charges, the charges most common among the matters relate to incorrect audit opinions, failure to report reportable irregularities and insufficient

appropriate audit evidence. These are followed closely by charges relating to failure to report in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA), failure to exercise due care and skill in the performance of professional services, dishonesty and integrity, International Standard on Quality Control (ISQC) 1 failures, as well as accounting/tax breaches. Other charges relate to lack of independence, non-compliance with trustee/executor functions, misappropriation of client monies, failure to obtain an adequate understanding of the client business and environment, as well as failure to respond to IRBA correspondence.

STATUS OF DISCIPLINARY MATTERS



Note: Preparations for hearings are underway in respect of 41% of the matters, while 9% are pending litigation. Engagements on admission of guilt processes are ongoing between the parties in respect of 18% of the matters, with 36% of the matters undergoing merits analysis by the Legal team.

Of the open matters, 86% represent failed consent orders or failed admission of guilt processes, with 22% of the total matters being public interest matters.

During the period under review, one matter previously referred for a disciplinary hearing was finalised through an admission of guilt process. This followed the respondent having accepted guilt in respect of the charges, as well as the sanction originally recommended by the Investigating Committee and approved by the

Enforcement Committee. Below is a summary of the matter.

IRBA V S

The respondent was charged with two charges of improper conduct, following audit services rendered to a school in 2016 and 2017. Specifically, in respect of each year, she was charged with failure to:

- Obtain an understanding of internal controls relevant to the auditing of the school;

LEGAL CONT...

- b) Obtain sufficient appropriate audit evidence regarding the risk assessment procedures necessary to assess the risks of material misstatement due to fraud at the financial statement level and at the assertion level of classes of transactions, account balances and disclosures; and
- c) Obtain sufficient appropriate audit evidence regarding the completeness, accuracy and occurrence of the school fee revenue.

Subsequent to an admission of guilt in respect of the above improper conduct, the following sanction was imposed on the respondent:

- a) A fine of R80 000 for the first charge, of which R40 000 has been suspended for a period of five years, on condition that she is not found

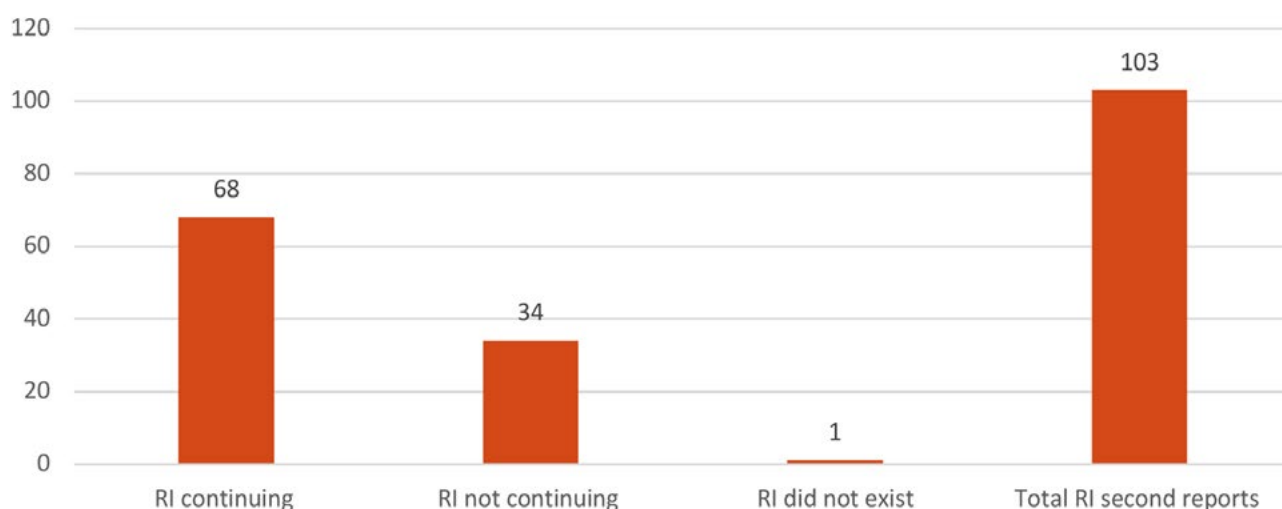
guilty of any unprofessional conduct during the suspension period;

- b) A fine of R80 000 for the second charge, of which R40 000 has been suspended for a period of five years, on condition that she is not found guilty of any unprofessional conduct during the suspension period;
- c) Attendance of recognised training on the auditing of schools;
- d) No order as to costs; and
- e) Publication by the IRBA in general terms only.

REPORTABLE IRREGULARITIES

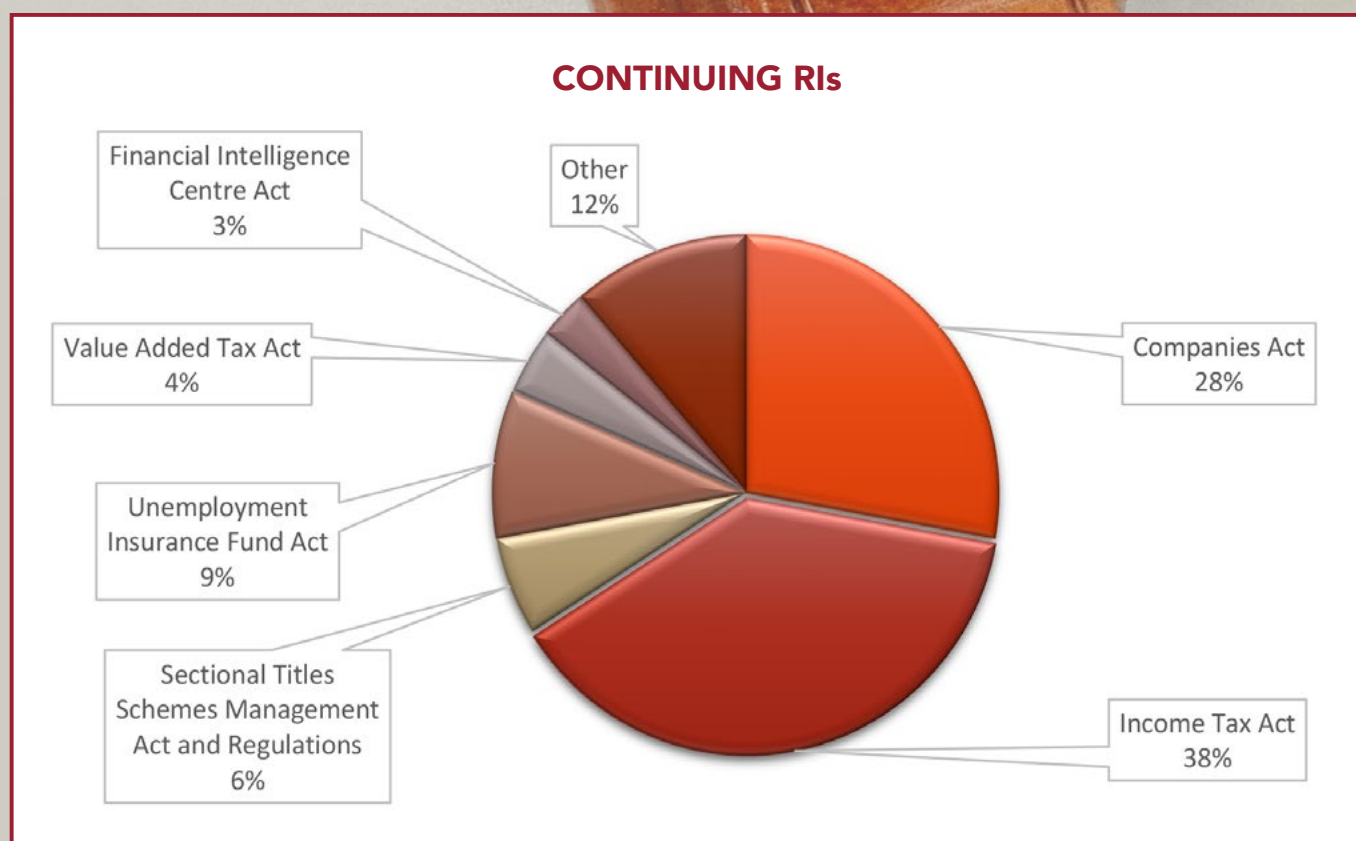
The IRBA received 174 first reports on reportable irregularities (RIs) during the 1st quarter reporting period ending 22 June 2022. In addition, 103 second reports, the nature of which is highlighted in the graphic below, were received and processed.

REPORTABLE IRREGULARITIES (Q1) SECOND REPORTS



Note: The difference of 71 reports between the first and second reports received is due to timing differences in reporting timelines.

The chart below reflects the 68 continuing RIs received, categorised by nature.



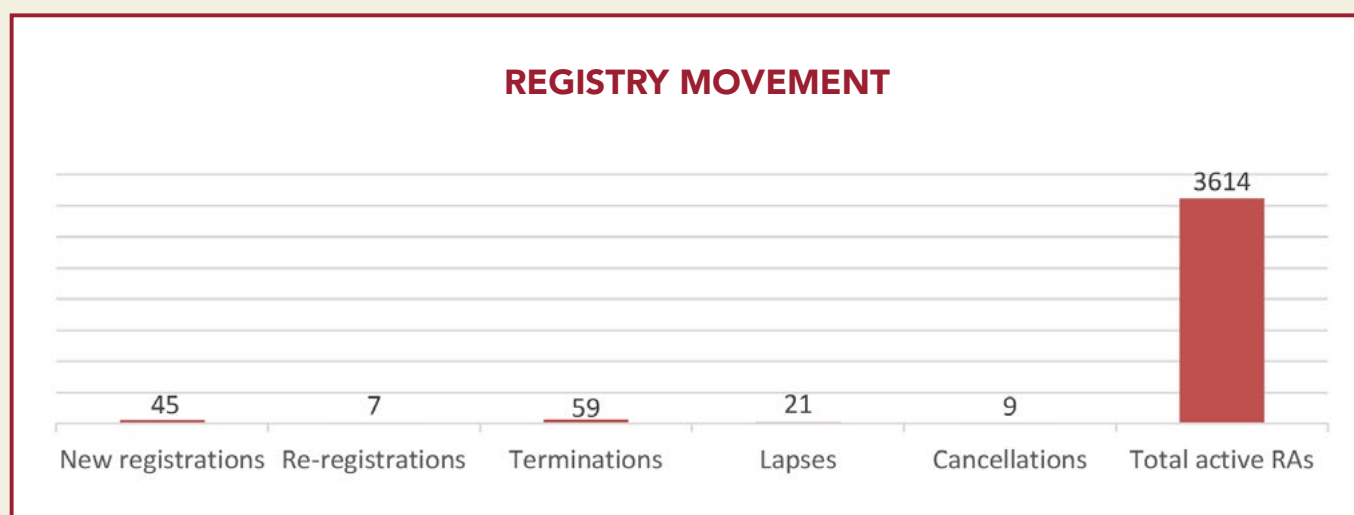
Note: As depicted above, the top three types of reported contraventions related to the Income Tax Act, the Companies Act and the Unemployment Insurance Fund Act. There were also several RIs highlighting contraventions of, among others, the Sectional Titles Schemes Management Act and its Regulations as well as the Value Added Tax Act.

All second reports indicating continuing reportable irregularities were sent to the relevant regulators and/or authorities for action, in line with the provisions of the Auditing Profession Act 26 of 2005, as amended.

REGISTRATIONS, RE-REGISTRATIONS AND TERMINATIONS

As at the end of the first quarter, there were 3 614 registered auditors (RAs), following the registration of 52 RAs and the termination of 59.

The chart below gives an overview of registry movement during the reporting period.



The most prevalent reasons for the termination of registration are movement from firms, retirement and emigration. As reflected above, in addition to terminations, 21 RAs were lapsed for the non-payment of annual renewal fees, with nine registrations being cancelled for failure to file individual annual returns.

Below are the names of the RAs who were entered into and/or removed from the register.

INDIVIDUALS NEWLY ADMITTED TO THE REGISTER OF THE IRBA FROM 16 NOVEMBER 2021 TO 11 APRIL 2022

Abrahamse, Claire Louise

Amoa-Mensah, Kwasi

Chigumba, Gauta Khumo Princess

Chohan, Azhar Yusuf

Dhulam, Amrissh

| |
|-------------------------------|
| Doolabh, Shaneal Harkisson |
| Els, Leonie |
| Gebashe, Felicity Nonkululeko |
| Grundlingh, Frederik Sarel |
| Hlela, Sicelo Conrad |
| Joubert, Liesl Dawn |
| Kokal, Monique |
| Ludick, Juanette |
| Maharaj, Reasha |
| Mahuma, Tshegofatso |
| Makhetha, Nomsa Annmoline |
| Makola, Mokgethoa |
| Makomana, Mothibelele Norman |
| Masekela, Mokgadi Antonette |
| Mathye, Manoka |
| Mavuso, Nokuthula |
| Mayat, Asif Mohammed |
| Mokorotlo, Lerato Malvin |
| Muthaphuli, Khakhu Barbara |
| Naicker, Dhiren |

| |
|------------------------------------|
| Naicker, Kamini |
| Nell, Teresa |
| Njenge, Evidence |
| Picota, Zanthea |
| Pienaar, Jacques |
| Pienaar, Morkel Hendrik |
| Pieterse, Mia |
| Pinto, Julio Ray |
| Pretorius, Jaques |
| Pretorius, Muller |
| Ramlal, Mitesh Ranjith |
| Schoonwinkel, Elaine |
| Smith, Mark Andrew |
| Subramanien, Letisha |
| Vallabh, Jyoti Bardavesigh |
| Van Der Merwe, Reinhardt |
| Van Der Schyff, Cornelius Johannes |
| Walters, Elizabeth Magdalena |
| Wessels, Wessel Hendrik |
| Zama, Sthandwa Sindisiwe Zamile |

REGISTRY CONT...

INDIVIDUALS RE-ADMITTED TO THE REGISTER OF THE IRBA FROM 16 NOVEMBER 2021 TO 11 APRIL 2022

| |
|--------------------------|
| Adendorff, Hubert Paul |
| Dhlamini, Lindani Lorna |
| Makamure, Simbarashe |
| Nkgodi, Rachel |
| Ntumba, Melusi Christian |
| Snow, Mark Ralph |
| Swartz, Naomi-Pearl |
| Tlhapane, Itumeleng |

INDIVIDUALS REMOVED FROM THE REGISTER OF THE IRBA FROM 28 MARCH 2022 TO 15 JUNE 2022

| | |
|--------------------------------|-----------|
| Arnott, Gary William | Resigned |
| Badenhorst, Adele | Resigned |
| Barbour, George Robert | Resigned |
| Barnard, Marthinus Christoffel | Resigned |
| Batchelor, Carol | Emigrated |
| Beyers, Stefan Maria Henri | Resigned |
| Botha, Roeloff Alexander | Resigned |

| | |
|-----------------------------|-------------|
| Buys, Pieter Barend | Resigned |
| Carrim, Tareq | Resigned |
| Chesler, Elick | Resigned |
| Conradie, Jan Marthinus | Resigned |
| Dagnin, Colin Stewart | Resigned |
| De Jager, John Henry | Passed away |
| De Wet, Johannes Marthinus | Resigned |
| Du Toit, Daniel Johannes | Emigrated |
| Ferreira, Johan | Resigned |
| Fourie, John Loftie | Resigned |
| Fourie, Petrus Stephanus | Resigned |
| Fuls, Anita | Resigned |
| Goldes, Rodney Paul | Resigned |
| Gregory, Melvin Clive | Emigrated |
| Harris, Richard Timothy | Resigned |
| Heiberg, Stephen John | Resigned |
| Hormann, Sune Janet | Resigned |
| Jacobs, Mark | Resigned |
| Joel, Howard Benjamin | Resigned |
| Karstens, Andries Stephanus | Resigned |
| Kemp, Bronwyn Gudrun | Emigrated |

| | |
|------------------------------|-------------|
| Kempen, Craig Anthony | Emigrated |
| Killin, Leigh-Ann Caroline | Resigned |
| Kotze, Marius Jacobus | Passed away |
| Leask, Grant David | Resigned |
| Lerm, Hertzog Johann | Resigned |
| Lloyd, Johann | Resigned |
| Maboa, Mashukudu James | Resigned |
| Maharajh, Naran | Resigned |
| Makan, Priyesh | Resigned |
| Marchbank, Melanie Shirley | Resigned |
| Mirkin, Heyman Wilfred | Resigned |
| Moeng, Benevolence Kgaogelo | Resigned |
| Movundlela, Mahlatsi Wilfred | Resigned |
| Nel, Christo | Resigned |
| Panday, Nadij | Resigned |
| Perry, Nicolien Susanna | Resigned |
| Pienaar, Corlia Fredrica | Emigrated |
| Pillay, Sivalingum | Resigned |
| Potgieter, Ockert Cornelius | Resigned |
| Rajcoomar, Sudheer Ishwarlal | Resigned |
| Reddy, Rajendran | Passed away |
| Ridgway, Peter | Resigned |

| | |
|-------------------------------|-------------|
| Seegers, Gerald Michael | Resigned |
| Stemmet, Anita | Resigned |
| Swartz, Naomi-Pearl | Passed away |
| Ungerer, Jacomina Louisa | Resigned |
| Van Rooy, Jean Corneille | Resigned |
| Van Wyk, Johannes Frederickus | Resigned |
| Van Zyl, Mariaan | Resigned |
| Verster, Melvin Roger | Emigrated |
| Walker, Jason John | Emigrated |

INDIVIDUALS WHOSE REGISTRATIONS LAPSED DURING 2021 DUE TO THE NON-PAYMENT OF ANNUAL RENEWAL FEES AND WHO REMAINED LAPSED AS AT 31 MARCH 2022

| |
|--------------------------------------|
| Baker, Nizaam Reshed |
| Bhula, Yusaf |
| Cloete, Arno |
| Dippenaar, Christina Petronella |
| Dludla, Xolani Khayelihle |
| Du Plessis, Cornelius Johannes Louis |
| Farrand, Stephen Starr |
| Griesel, Jan Gabriel |
| Lefutswe, Tshenolo Edwin |

REGISTRY CONT...

| |
|-------------------------------|
| Legge, Allison Christina |
| Manyosa, Rose Sello |
| Moosa, Rizana |
| Naik, Genevieve |
| Oosthuizen, Schalk Willem |
| Oosthuysen, Andries Cornelius |
| Rosen, Eric Martin |
| Roux, Gerrit |
| Sadie, Ashley James |
| Santana, Sebastian |
| Van Den Boogaard, Shaun |
| Watson, Terence John |

INDIVIDUALS WHOSE REGISTRATIONS WERE CANCELLED DURING 2021 FOR THE NON-SUBMISSION OF INDIVIDUAL ANNUAL RETURNS AND WHO REMAINED CANCELLED AS AT 31 MARCH 2022

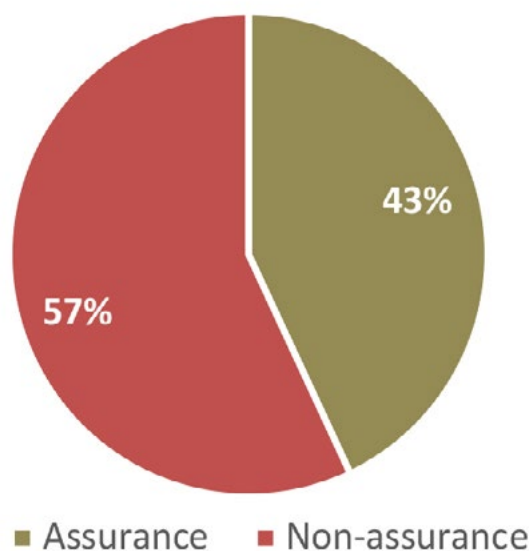
| |
|-------------------------|
| Bansee, Akesh |
| Bloch, Barry Michael |
| Botha, Theunis Johannes |

| |
|---------------------------------|
| Kapp, Steve Eugene |
| Naidoo, Poobalan |
| Reed, Keziah Gaye Doreen |
| Sneddon, Robert Michael |
| Torrinha, Nadia Karina Mendonca |
| Wellen, Sean Walter |

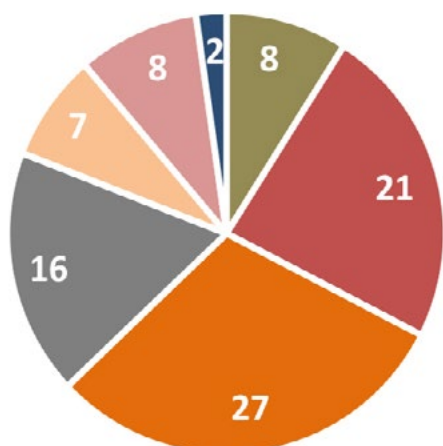
Statistics of Terminated RAs

The graphs below indicate the statistics of those RAs who have been terminated (including those whose registration has lapsed for the non-payment of fees and been cancelled for the non-submission of annual returns). They also indicate the split between RAs who were performing assurance work and those who were non-assurance, as well as the age groups of the terminated RAs.

ASSURANCE STATUS



AGE GROUP



■ 26 to 35 ■ 36 to 45 ■ 46 to 55
■ 56 to 65 ■ 66 to 75 ■ 76 to 85 ■ 86+

Annual Renewal Process

The annual renewal cycle began on 1 April 2022. The due date for the payment of annual fees and the submission of the Individual Annual Return was 31 May 2022. If you have not yet paid your annual renewal fees or submitted your Individual Annual Return, please do so immediately to avoid having your registration terminated.

Rebecca Motsepe

Director Legal

Telephone: (010) 496 0600

E-mail: legal@irba.co.za

INVESTIGATIONS

INVESTIGATING COMMITTEE

Between April and June 2022, this committee met twice and referred 26 matters to the Enforcement Committee.

ENFORCEMENT COMMITTEE

This committee met once during this period and concluded on 38 matters.

Decision Not to Charge

Five matters, where the respondents were not guilty of improper conduct.

Decision to Charge and Matters Finalised by Fines Issued

A total of 27 matters were finalised by fines issued.

Matter 1

The respondent failed to perform a valuation with the necessary professional competence, due care and skill. In addition, the respondent failed to document the considerations and safeguards applied relating to a familiarity and self-review threat on an independent review engagement. Furthermore, the respondent signed the independent reviewer's report prior to the directors' approval of the annual financial statements.



Jillian Bailey
Director Investigations

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 2

The respondent failed to remit Pay as You Earn (PAYE) and Unemployment Insurance Fund (UIF) deductions of a former employee to the relevant authorities, as required in terms of the relevant laws.

The respondent was sentenced to a fine of R30 000, of which R15 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must

self-report and regularise the underpayment of the PAYE and UIF with the relevant authorities; and must, within 30 days from the imposition of the sentence, provide evidence of compliance to the IRBA.

Matter 3

KPMG Incorporated, the respondent, failed to comply with certain elements of the International Standard on Quality Control 1 on a sample of internally reviewed engagement files for the 2016 and 2017 client year-ends.

The respondent was sentenced to a fine of R200 000; no order as to costs; and publication by the IRBA of the firm's name, the findings of the investigation and the sanction imposed.

Matter 4

The respondent did not adequately consider potential reportable irregularities relating to compliance with the Sectional Titles Act, missing books of account and outstanding annual financial statements relating to an audit of a body corporate.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 5

The respondent failed to document sufficient work on the audit file regarding opening balances, in breach of International Standard on Auditing (ISA) 510.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 6

The respondent failed to supervise the team that was providing tax compliance services to a client and ensure that correspondence from the South African Revenue Service (SARS) was timeously communicated to the client.

The respondent was sentenced to a fine of R70 000, of which R35 000 has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 7

The matter was a referral from the Inspections Committee (INSCOM). The respondent failed to identify material misstatements in the statement of cash flows relating to non-cash items, and to consider the effect on the audit opinion expressed.

The respondent was sentenced to a fine of R40 000; no order as to costs; and publication by the IRBA in general terms.

INVESTIGATIONS CONT...

Matter 8

The matter was a referral from INSCOM. The respondent failed to document sufficient appropriate audit evidence on numerous aspects of an attorneys' trust account audit engagement; and also failed to comply with the International Standard on Assurance Engagements 3000 and the Revised Guide for Registered Auditors: Engagements on Attorneys' Trust Accounts issued by the IRBA.

The respondent was sentenced to a fine of R150 000; no order as to costs; and publication by the IRBA in general terms. In addition, should the respondent wish to re-register with the IRBA in the future, they must arrange and ensure that they attend external training on the audit of attorneys trusts prior to re-registration, and must provide evidence of compliance to the IRBA.

Matter 9

The matter was a referral from INSCOM. The respondent failed to obtain sufficient appropriate audit evidence, as required by ISAs, on numerous transactions, balances and disclosures on an audit engagement. Furthermore, the respondent failed to archive the audit file within 60 days after the audit report date.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their audit staff attend external training

on the practical application of auditing standard within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 10

The matter was a referral from INSCOM. Mr Henry Hermanus van der Merwe, the respondent, failed to perform appropriate audit procedures and document sufficient appropriate audit evidence, as required by ISAs, on various aspects of the audit, transactions, balances and disclosures. The respondent also signed the audit report before the members of the close corporation approved the financial statements. In addition, the respondent signed an independent auditors' factual findings report without performing and/or documenting the agreed-upon procedures, as required by International Standard on Related Services 4400.

The respondent was sentenced on the two charges to a total fine of R350 000, of which R175 000 has been suspended for five years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed. In addition, the respondent must arrange and ensure that he and his audit staff attend external training on the practical application of the auditing standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 11

The matter was a referral from INSCOM. The respondent failed to obtain sufficient appropriate audit evidence, as required by ISAs, on prior period restatements and the adoption of IFRS 11: Joint Arrangements.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms. In addition, the respondent must arrange and ensure that they and their staff attend external training on International Financial Reporting Standards within 60 days of the imposition of the sentence, and must provide evidence of compliance to the IRBA.

Matter 12

The matter was a referral from INSCOM. The respondent failed to obtain sufficient appropriate audit evidence, as required by ISAs, on the valuation of property, plant and equipment.

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

Matter 13

The respondent failed to comply with the independence requirements of the Code of Professional Conduct, as the respondent was the auditor of an entity while also being a trustee of a trust that was the majority shareholder of the entity. Furthermore, the respondent was appointed as the executor of a deceased estate and failed to initially record all transactions and assets in the liquidation and distribution account.

The respondent was sentenced to a fine of R50 000; no order as to costs; and publication by the IRBA in general terms.

Matter 14

The respondent, as the accountant of a trust, failed to ensure that value added tax returns were timeously submitted to SARS, resulting in interest and penalties being levied by SARS on the client.

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

Matter 15

The matter was a referral from INSCOM. The respondent failed to identify material misstatements in the statement of cash flows relating to non-cash items, and to consider the effect on the audit opinion expressed.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

INVESTIGATIONS CONT...

Matter 16

The matter was a referral from INSCOM. The respondent failed to identify material misstatements in the statement of cash flows relating to non-cash items, and to consider the effect on the audit opinion expressed.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 17

Mr Edward Norman Jackson, the respondent, was registered as a tax practitioner; however, he failed to ensure that his personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for five years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 18

The respondent was registered as a tax practitioner; however, the respondent failed to ensure that their personal tax affairs were in compliance with the Tax Administration

Act and was accordingly de-registered as a tax practitioner by SARS.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 19

The respondent was registered as a tax practitioner; however, the respondent failed to ensure that their personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 20

Mr Allen Doev Behr, the respondent, was registered as a tax practitioner; however, he failed to ensure that his personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

The respondent was sentenced to a fine of R150 000, of which R75 000 has been suspended for five years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; the imposition of a previously suspended fine of R60 000; no order as to costs; and publication by the IRBA of his

name, the findings of the investigation and the sanction imposed.

Matter 21

The respondent was registered as a tax practitioner; however, the respondent failed to ensure that their personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 22

The respondent was registered as a tax practitioner; however, the respondent failed to ensure that their personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 23

The respondent was registered as a tax practitioner; however, the respondent failed to ensure that their personal tax affairs were in compliance with the Tax Administration Act and was accordingly de-registered as a tax practitioner by SARS.

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 24

The respondent incorrectly communicated to a client that the release of their SARS eFiling profile was contingent upon payment of an outstanding account.

The respondent was sentenced to a fine of R40 000, all of which has been suspended for three years, on condition that the respondent is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 25

The matter was a referral from INSCOM. The respondent failed to identify material misstatements in the statement of cash flows relating to non-cash items, and to consider the effect on the audit opinion expressed.

INVESTIGATIONS CONT...

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 any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Matter 26

Mr Bernardus Johannes Davel, the respondent, was found guilty, by a court of law, of numerous contraventions of the Tax Administration Act. Furthermore, the respondent was deregistered by SARS as a tax practitioner due to failure to adhere to the court order and continuing to contravene the Tax Administration Act.

The respondent was sentenced to a fine of R175 000, of which R87 500 has been suspended for five years, on condition that he is not found guilty of any improper conduct committed during the period of suspension; no order as to costs; and publication by the IRBA of his name, the findings of the investigation and the sanction imposed.

Matter 27

The respondent failed to exercise due care and notify all management board members of a reportable irregularity, as required by Section 45(3)(a) of the Auditing Profession Act, as amended, to afford them an opportunity to make representations on the report.

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 any improper conduct committed

during the period of suspension; no order as to costs; and publication by the IRBA in general terms.

Decision to Charge and Matters Referred for Disciplinary Hearings

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

Jillian Bailey

Director Investigations

E-mail: investigations@irba.co.za

INSPECTIONS

A RECURRING DEFICIENCY: EVALUATION OF UNCORRECTED MISSTATEMENTS

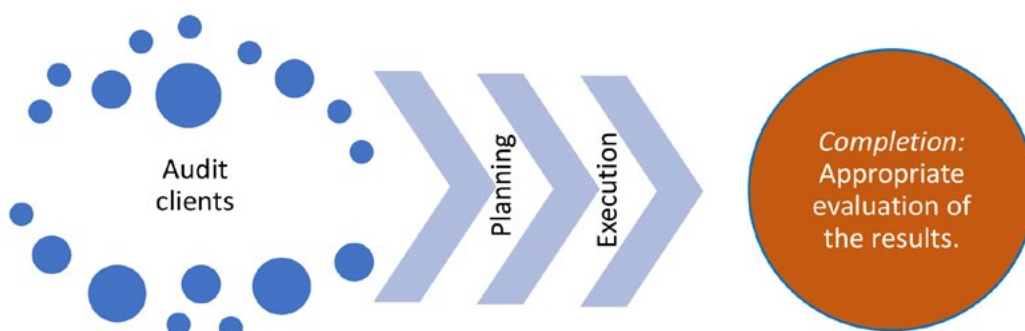
International Standard on Auditing (ISA) 450, Evaluation of Misstatements Identified During the Audit, deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and uncorrected misstatements (unadjusted audit differences), if any, on the financial statements. While many engagement teams spend a lot of time and effort on planning and executing an audit, they appear to be failing to perform an appropriate evaluation of the audit evidence during the completion stage of the audit.

The IRBA has noted an increasing trend of deficiencies being identified at the completion stage of the audit. This is where audit teams do not appropriately evaluate uncorrected misstatements, in line with the requirements of ISAs, specifically ISA 450.



Ntlambi Gulwa
Acting Director Inspections

So, to promote audit quality at a broader level, we highlight some of the significant deficiency themes that arise from firm-wide and assurance engagement file inspections. This information is relevant for registered auditors, those responsible for the quality management systems within firms and other relevant stakeholders, such as audit committees, investors, oversight bodies, company directors and financial accountants who are responsible for the integrity of financial information.



INSPECTIONS CONT...

We have observed several instances across audit firms where the auditor performs an evaluation of uncorrected misstatements and then accepts individually and/or cumulatively material uncorrected misstatements as unadjusted audit differences. Such misstatements are accepted as not being material to the financial statements, without sufficient and appropriate documentation on the audit files related to the judgements made and the significant factors considered. As a result, financial statements remain unadjusted for such material audit differences and are published with potentially misrepresentative financial statement accounts, balances, transactions and disclosures.

We have also noted an incorrect and inconsistent application of the ISAs, especially interpretation paragraphs such as A20 in ISA 450.

WHAT IS IN THE ISAs?

- A misstatement is defined in ISA 450, paragraph 4(a), as "a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework".
- ISA 315, paragraph A129, defines classification as "transactions and events [that] have been recorded in the proper accounts".
- ISA 450, paragraph A1, states that "misstatements may result from ...
(d) Judgments of management concerning accounting estimates that the auditor considers unreasonable or the selection and application of accounting policies that the auditor considers inappropriate ... (e) an inappropriate classification, aggregation or disaggregation of information".
- ISA 450, paragraph 11(a), requires the auditor to consider the size and nature of a misstatement and the circumstance of its occurrence, referencing paragraphs A16-A22 and A24-A25.
- More importantly, application paragraphs A14-A23 in ISA 450 provide guidance on the evaluation of misstatements. Paragraphs A18-A20 specifically provide guidance related to the evaluation of misstatements that are considered to be qualitatively material. These paragraphs note the following as some of the judgements and factors that a registered auditor may consider: the persistence or pervasiveness of errors, the number of misstatements related to the same issue, as well as the likelihood of offsetting a misstatement and whether it is a classification error.
- ISA 230, paragraph 8, requires the auditor to document significant professional judgements made in reaching conclusions. Paragraph 12 requires, where there is a departure from an ISA, the auditor to document the alternative audit procedures performed and the reasons for the departure.

Refer to SAICA FAQ Question 9

<https://www.saica.org.za/resources/52294>

WHAT DOES ALL THIS THEN TELL US?

If the nature of a misstatement is a classification error (that is, the misstatement occurred from an initial incorrect classification), then the misstatement can be evaluated in terms of ISA 450, paragraph A20. However, where a misstatement does not arise from an inappropriate classification, paragraph A20 would not be applicable in evaluating the misstatement. In essence, the auditor should document the judgements made and the factors considered in making such determinations.

Remember that professional scepticism is of utmost importance. When assessing uncorrected misstatements, quantitative and qualitative factors are both of importance and need to be

Professional skepticism - "An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence."

taken into consideration. The qualitative reasons need to be considered in line with the spirit of the ISAs. If the quantitative materiality (as set by the engagement team after factoring in the risk profile of the client) has been exceeded, it becomes more difficult for another experienced auditor to come to the same conclusion.

As such, professional scepticism needs to be fully demonstrated and applied at every step of the audit, and this can be achieved by asking questions such as:

- Why do we have quantitative materiality in the first place?
- What is it that is actually required by the ISAs?
- What is the impact on the audit opinion?

CONCLUDING REMARKS

If an engagement team merely documents that the impact is not material from a qualitative perspective, such an explanation will not suffice. The audit as a whole needs to be considered, given the risk factors present from planning through to the completion stage.

For additional information, please see our latest [Public Inspections Report](#).

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EDUCATION & TRANSFORMATION

AFTER A SIGNIFICANT RELOAD, THE ADP IS READY TO FIRE ON ALL CYLINDERS

With this being the first edition for this financial year, it is fitting that we also reveal, for the first time, the finalisation of the project that was initiated to bolster the Audit Development Programme (ADP). The ADP Reloaded initiative has been successfully completed. As we look back at what it has taken to reach this milestone, the following words from Socrates, the Greek philosopher, ring true: “The secret of change is to focus all of your energy not on fighting the old, but on building the new.”

Though we have not “built” a completely new programme through the ADP Reloaded project, we have rebuilt, reinforced and repositioned it for the future. Some of the notable changes that have now been introduced are as follows:

- A newly designed template that focuses on the IRBA’s competency framework and is streamlined to be less repetitive and administrative.
- A faster turnaround time in terms of obtaining feedback on progress reports from the IRBA.
- A client-centric approach that is aimed at supporting a registered candidate auditor (RCA) to successfully complete their Portfolio of Evidence (PoE) on time.



Nadine Kater
Director Education and Transformation

- Training for both the oversight registered auditors (ORAs) and the RCAs, to support them through the ADP journey. The programme has also been redesigned in a way that requires the active involvement of the ORAs throughout the 18 months, to facilitate a successful completion by the RCAs.

The next step will be to focus on enhancing the RCAs’ experiences through the development of digital content. During this quarter, we have already managed to finalise digital learning content for all our ADP stakeholders and this includes:

- a) A marketing video: This is aimed at promoting the ADP and the RA profession, and it will be accessible on social media platforms and the IRBA’s website.
- b) An animation video: While this resource is in a casual format, it is very informative and it breaks down the key information into simple

terms, tackling questions such as: What is an RA? What is the value of being an RA? What is the process followed to become an RA?

- c) Three eLearning platforms: These are comprised of an induction eLearning, information session eLearning and PoE guidance eLearning. All the eLearning material will be accessible to all RCAs and ORAs on the ADP, with a certificate being awarded upon completion. The eLearning platform will also have resource materials aimed at supporting the RCAs throughout their journey on the ADP, and to create an efficient and pleasant experience.

ADP REGISTRATIONS, DE-REGISTRATIONS AND COMPLETIONS

There was an increase in the number of registrations during the period under review. As this first quarter of the 2022/2023 financial year ended, the number of registrations stood at 25 (2021: 19).

Meanwhile, there were no de-registrations recorded. Since the launch of the new PoE template, which has resulted in a shorter submission period after completing the ADP, completions in Q1 increased to 30 (2021: 19).

| | 2016 | 2017 | 2018 | 2019 | 2019/ 2020 | 2020/ 2021 | 2021/ 2022 | 2022/ 2023 | Total |
|-----------------------------------|-----------|------------|------------|------------|---------------|---------------|---------------|---------------|------------|
| OPENING | 0 | 28 | 172 | 288 | 425 | 455 | 464 | 482 | 0 |
| REGISTRA- TIONS | 28 | 157 | 134 | 170 | 81 | 82 | 104 | 25 | 781 |
| DE-REGIS- TRATION | 0 | -11 | 9 | -2 | -18 | 0 | 0 | 0 | -40 |
| COMPLET- ED | 0 | -2 | -9 | -31 | -33 | -73 | -86 | -30 | -264 |
| TOTAL RCAs TO DATE | 28 | 172 | 288 | 425 | 455 | 464 | 482 | 477 | 477 |

ADP MONITORING VISITS

As depicted in the table below, a total of 12 audit firms were monitored during the period under review.

| Audit Firm | Date of Visit |
|---------------------------------|---------------|
| Meritz & Malan | 4 April 2022 |
| PKF Constantia Valley Cape Town | 6 April 2022 |
| Stuart Edward | 9 May 2022 |

EDUCATION & TRANSFORMATION CONT...

| Audit Firm | Date of Visit |
|-----------------------------|---------------|
| William IDM Inc | 10 May 2022 |
| KH Financial Services | 12 May 2022 |
| G & G Chartered Accountants | 14 May 2022 |
| Jeneen Galbraith & Co | 19 May 2022 |
| Khulagro | 23 May 2022 |
| Brand Scholtz | 25 May 2022 |
| Isizwe Registered Auditors | 30 May 2022 |
| Kettle Consulting | 8 June 2022 |
| Colenbrander | 14 June 2022 |

TRANSFORMATION

The Education and Transformation team has, as part of its transformation mandate, been consulting extensively with audit academic staff from the accredited universities on student engagement in relation to auditing courses.

While some universities have reported high student engagement and interest in auditing, there are factors that have been identified as contributing to a diminished interest. These factors, and the impact thereof, may then contribute to a lessened student interest in pursuing a career as a registered auditor.

One of the factors that have been reported to contribute to poor student engagement in auditing courses is the difficulty that students experience with

practically relating to auditing concepts and scenarios that are being taught and assessed. Also, a lack of awareness of a potential career as an RA and the impact of the corporate and auditing scandals on the reputation of the auditing profession have been identified as other contributing factors. Many students also do not have exposure to RAs; they perceive the profession through the lens of a trainee during their training contracts.

These factors, however, present numerous opportunities for the profession to positively impact the experience and learning opportunities of students and aspiring RAs. Furthermore, RAs and auditing firms can provide valuable exposure to auditing students through co-operation and collaboration with accredited universities. The

PRACTICAL EXAMPLES OF STUDENT-RELATED ACTIVITIES

Guest lecturing: Participate in the universities' auditing guest lecture programmes.

Vacation work: Opportunities can be provided to students.

Practical projects: Develop practical auditing projects that will enhance the students' competence in data usage, data analysis and data management.

Case studies: Develop case studies with universities on auditing topics and those can be used as teaching materials.

Career of choice: Identify opportunities to engage with auditing students on the value of the auditing profession and a career as an RA, focusing on the role RAs play in relation to protecting the financial interests of the public.

table below highlights some of the collaboration scenarios that can be initiated.

The IRBA recognises that many firms have established relationships with universities; and it commends the work of the firms in supporting and developing the pipeline of aspiring RAs through their initiatives with those academic institutions. However, we also note that there is a need to make these learning and career opportunities accessible to a larger number of students, across all of the accredited universities, including the historically disadvantaged universities (University of Fort Hare, University of the Western Cape, University of Zululand, Walter Sisulu University, University of Limpopo and the University of Venda).

The IRBA, individual RAs and auditing firms of all sizes also have a role to play in developing and supporting the pipeline of aspiring RAs.

ACCREDITATION OF PROFESSIONAL BODIES

The process that started in 2020 to review and evaluate the Association of Chartered Certified

Accountants' (ACCA) accreditation application is expected to be finalised in March 2023. The ACCA has been only the second professional body in the history of the IRBA to be evaluated. If it is successful in its application, it will provide a secondary direct pipeline into the auditing profession.

The Auditing Profession Act (APA) mandates the IRBA with certain functions regarding the accreditation of professional bodies. As per Section 5 of the APA –

5 Functions in regard to [the] accreditation of professional bodies

The Regulatory Board must, subject to this Act –

- (a) Prescribe minimum requirements for [the] accreditation of professional bodies in addition to those provided for in this Act;*
- (b) Consider and decide on any application for accreditation and grant such accreditation in full or in part;*
- (c) Prescribe the period of validity of the accreditation;*

EDUCATION & TRANSFORMATION CONT...

(d) Keep a register of accredited professional bodies and decide on –

- i. The register to be kept;
- ii. The maintenance of the register; and
- iii. The reviewing of the register and the manner in which alterations thereto may be effected; and

(e) Terminate the accreditation of professional bodies in accordance to the Act.

Evaluation Process

The IRBA took a practical approach, as depicted in Figure 1 below, in understanding the barriers as the accreditation process unfolded. This was to ensure that the overall measurement of success would be in alignment to the accreditation principles (Figure 2).

| | | |
|---|---|---|
| Accreditation process developed with the ACCA application | Delays caused by the recruitment, appointment and resignation of subject matter experts | Multi-layered evaluations and dependencies in the accreditation process |
| Internal resourcing requirements | Ensuring transparency, objectivity and credibility throughout the evaluation | Alignment to the accreditation principles |

Figure 1: A practical approach to the development of the accreditation process



Figure 2: The accreditation principles.

Accreditation Project Plan

The project plan is currently at a critical juncture, as all the relevant reports are being collated and finalised by the specialist working groups. Following this, the reports will be processed through the established structures of the Accreditation Committee, and that will culminate into a recommendation report on the accreditation. The project end-date is set for March 2023, subject to meeting the reporting and governance timelines stipulated in the project plan.

Also worth mentioning is that the governance process, which includes various processes that are carried out by different structures within

the IRBA, has recently been updated. This was undertaken to ensure an improved streamlining of inputs and outcomes at all decision-making levels.

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To ensure better communication with registered auditors and other stakeholders, a list of communiques sent by bulk e-mail during the quarter under review is set out below. To view or download any of these communiques, click on the respective entry in the table below. Previously published communiques can be downloaded from the [IRBA website](#) under the News section.

| | |
|--------------|--|
| 27 June 2022 | ERRATUM NOTICE: Assurance Fees Payable to the IRBA with Effect from 10 June 2022 |
| 27 June 2022 | Fees on Assurance Engagements Payable to the IRBA with Effect from 10 June 2022 |
| 15 June 2022 | Information from SARS: Periods within which Income Tax Returns Must be Furnished |
| 15 June 2022 | Section 15 Retirement Fund Agreed-upon Procedures Engagements |
| 14 June 2022 | 2022/2023 Assurance Fees Payable to the IRBA with Effect from 10 June 2022 |

| | |
|--------------|---|
| 14 June 2022 | Proposed IRBA Rules Arising from the International Standards on Quality Management |
| 10 June 2022 | Quality Management-related Conforming Amendments to the IRBA Code of Professional Conduct (Revised November 2018) |
| 31 May 2022 | IESBA Expands the Definition of Public Interest Entities and the Implications for South Africa |
| 31 May 2022 | Information from SARS: Submission of the EMP501s |
| 27 May 2022 | IRBA Announces New Telephone Contact Details |
| 25 May 2022 | 2022 Annual Renewal Reminder to All RAs |
| 24 May 2022 | Call for Nominations for the Financial Reporting Standards Council |
| 23 May 2022 | Information from SARS: Invitation to the PAYE Webinar for SMMEs |
| 19 May 2022 | Information from SARS: Notice of Dispute Update |
| 6 May 2022 | IRBA Appeals High Court Judgement on IRBA Fees |

| | |
|---------------|---|
| 5 May 2022 | <u>IRBA Issues Conforming and Consequential Amendments to the Other International Standards as a Result of the New and Revised Quality Management Standards and Aligns Existing IRBA Pronouncements Following These Conforming Amendments</u> |
| 26 April 2022 | <u>IESBA Calls for Stakeholder Input on Future Strategy: Looking Beyond 2023!</u> |
| 25 April 2022 | <u>Information from SARS: Changes on the PAYE Admin Penalties and Disputes Process</u> |
| 22 April 2022 | <u>Revised Illustrative Section 15 Retirement Fund Agreed-upon Procedures Reports</u> |
| 22 April 2022 | <u>IRBA News Issue #57</u> |
| 14 April 2022 | <u>Information from SARS: Trust Registrations via eFiling</u> |
| 12 April 2022 | <u>Information from SARS: Need to Safeguard SARS Systems</u> |

| | |
|---------------|--|
| 11 April 2022 | <u>Property Practitioners Regulatory Authority Issues Draft Guidelines on Audit, Accounting Records and Trust Account Requirements for Business Property Practitioners</u> |
| 8 April 2022 | <u>Investigating Committee of the IRBA Call for Nominations</u> |
| 8 April 2022 | <u>Issue of Illustrative Regulatory Reports in terms of the Insurance Act</u> |
| 5 April 2022 | <u>2022 Annual Renewal</u> |

IRBA COMMUNICATIONS

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

NEW TELEPHONE CONTACT DETAILS FOR THE IRBA

A recent partnership agreement with a new service provider for our calling services has led to a change in our telephone contact details. The new switchboard number is 010 496-0600. Consequently, we also have new direct telephone numbers for our various departments and staff members, and our receptionist will gladly share these with you.

As we go through this transition, be assured that calls that still come through the old general number will, for a while, be automatically diverted to the new switchboard number.

With these changes, please also note that the old fax numbers will no longer be active. Instead, we have now switched over to a fax-to-email service that is accessible via 086-482-3250. We do realize that during this changeover you might experience minor glitches when contacting our offices; therefore, we would like to thank you in advance for your patience and understanding.

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