irba

INDEPENDENT REGULATORY BOARD FOR AUDITORS

Annual Report

2019

Table of Contents

Part A: General Information

Public Entity's General Information 2
Highlights of the Year 3
List of Abbreviations 4
Significant Features Summary 5
Message from the Minister of Finance 6
Foreword by the Chairman 8
Chief Executive Officer's Overview 10
Statement of Responsibility and Confirmation of Accuracy of the Annual Report 13
Strategic Overview 14
Organisational Structure 16

Part B: Performance Against Measurable Objectives 18

Performance Against Measurable Objectives for the Year Ended 31 March 2019 19

Part C: Governance 23

Part D: Human Resources Management 31

Introduction 32
Human Resources Oversight Statistics 33

Part E: Feedback from Statutory Committees 37

Education and Transformation Committee 38
Committee for Auditing Standards 41
Committee for Auditor Ethics 44
Inspections Committee 46
Investigating Committee 49
Disciplinary Committee 50

Part F: Financial Information 52

Report of the Audit and Risk Management Committee 53
Report of the Auditor-General 55
Annual Financial Statements 59

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART A

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name: *Independent Regulatory Board for Auditors*

Physical Address: *Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609*

Postal Address: *P O Box 8237, Greenstone 1616*

Telephone Number: *087 940 8800*

Fax Number*: 087 940 8873*

Email Address: *board@irba.co.za*

Website Address: *www.irba.co.za*

External Auditors: *Auditor-General South Africa*

Bankers: *Standard Bank of South Africa*

Board Secretary: *Ms Jill Levendal*

Rebuilding Trust

- **Restoring Confidence:** The IRBA developed a strategic plan to restore confidence in the auditing profession and made significant progress on several of its identified projects and activities.

Audit Quality

- **Audit Quality Indicators (AQIs):** A set of AQIs that have been rolled out to JSE-accredited firms means AQI information will help audit committees to critically assess the performance of their current and (if relevant) future auditors.
- **Transparency Reports:** At the IRBA's request, some firms have now started to voluntarily publish transparency reports. This will provide users with vital information on the firms' risk management practices, among others.
- **Mandatory Audit Firm Rotation:** With four years before its effective date, about 17% of the JSE Ltd main board listed companies have already voluntarily rotated their auditors.
- **Inspections:** The IRBA issued its fourth Public Inspections Report, which highlights common firm and audit file deficiency themes reported to INSCOM during the previous financial year and throughout the Sixth Inspections Cycle.

Ethics

- **Revised Code of Conduct:** The IRBA published the revised Code of Professional Conduct for Registered Auditors (Revised November 2018), with an effective date of 15 June 2019.

Education and Transformation

- **Audit Development Programme (ADP):** Since its launch in 2015, the ADP has had a gradual increase in the number of candidates. This year 31 candidates completed the programme and 170 new candidates were registered.

Investigations

- **Disciplinary Action:** The Linkway Trading auditor was found guilty on all six charges, leading to the cancellation of his registration and the removal of his name from the register of auditors.

Governance

- The IRBA achieved its 9th clean audit award from the Auditor-General South Africa, and is one of the few state entities to maintain this achievement.
- **Integrated Report:** The IRBA published its fifth Integrated Report, which reflects the strategy, governance, prospects and ability to create value for our stakeholders in both the internal and external environments in which we operate.
- **IFIAR:** The CEO was reappointed to the board of the International Forum of Independent Audit Regulators and continued to serve as the chairman of the Audit and Finance Committee.

List of Abbreviations

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

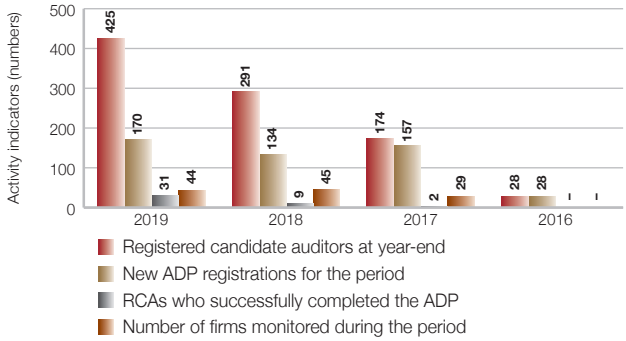
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspections Committee
INVESCO	Investigating Committee
<IR>	Integrated Report
IIRC	International Integrated Reporting Council
IRBA	Independent Regulatory Board for Auditors
NOCLAR	Non-compliance with Laws and Regulations
NT	National Treasury
PAO	Professional Accountancy Organisation
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
PIE	Public Interest Entity
PSSC	Public Sector Standing Committee
RA	Registered Auditor
RCA	Registered Candidate Auditor
RI	Reportable Irregularity
RIRSC	Regulated Industries and Reports Standing Committee
ROSC	Report on Observance of Standards and Codes
SAICA	South African Institute of Chartered Accountants
SCWG	Standards Coordination Working Group
SSC	Sustainability Standing Committee

Significant Features Summary

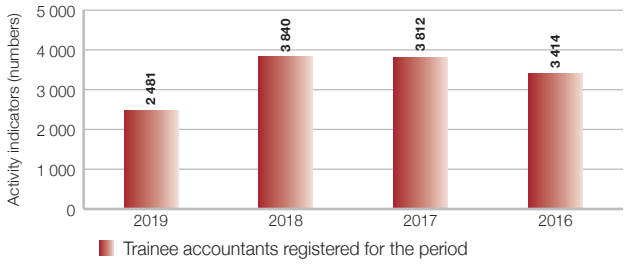
The graphs below reflect the significant performance numbers over a four-year period.

Registered Auditors

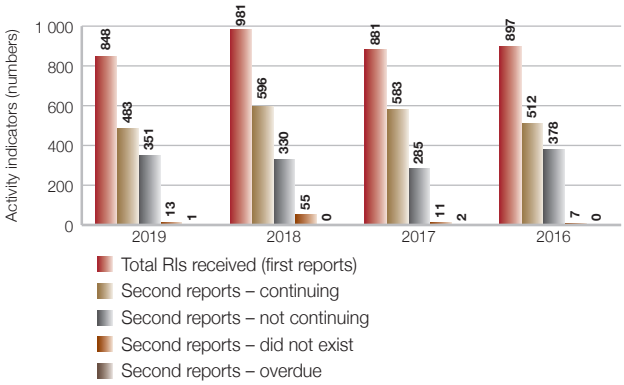
Audit Development Programme



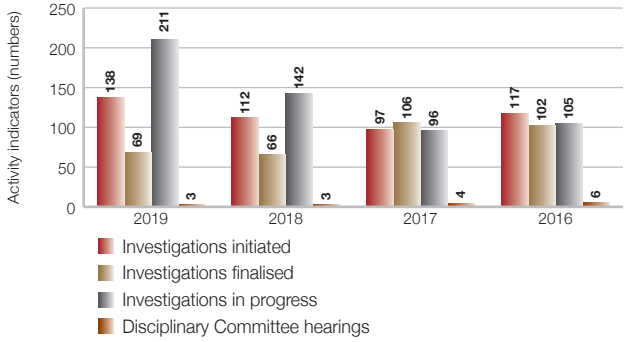
Training Contracts



Reportable Irregularities (RI)

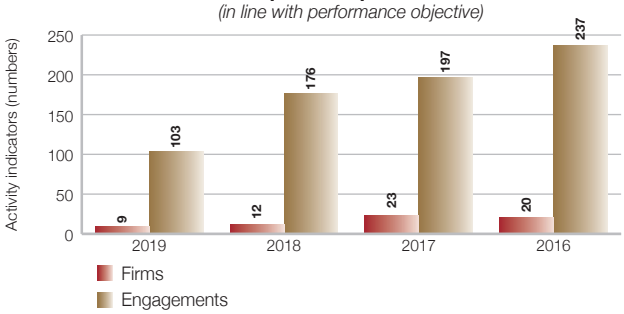


Disciplinary matters



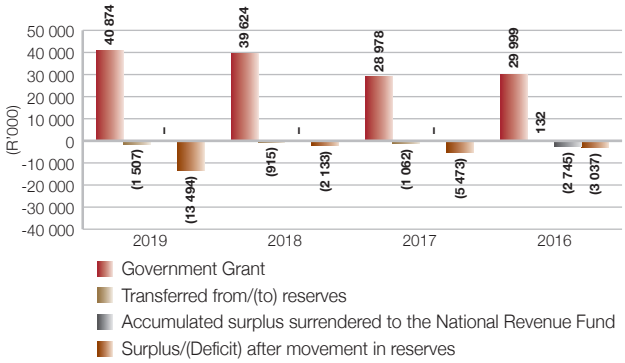
Inspections performed

(in line with performance objective)



For more details, refer to the INSCOM report on page 46.

Financial indicators



Message from the Minister of Finance

Tito Mboweni

In the past two years, the auditing profession has faced many challenges that can be attributed to a lack of professional scepticism – the need for an attitude that includes a questioning mind; being alert to conditions that may indicate possible misstatement due to error or fraud; and a critical assessment of audit evidence. As a result, this has led to the credibility of auditors' work being questioned both locally and globally.

Some of the biggest firms, on whose services we have come to rely, have been mentioned in connection with "state capture" and there has been a collapse of key institutions, with the role of external auditors being questioned. When you have auditing firms and auditors failing us in this manner, that is a major concern. Auditors, though, remain a key stakeholder in protecting the interests of the investing public and a link in attracting much needed investments to the country.

In the 2019 State of the Nation Address, our President set out an ambitious agenda for our nation. It is an agenda that speaks to the South Africa that we can be. It is a task list for all of us. It lays out a series of interventions that will put South Africa on a bold new path.

Policy uncertainty and a decay in government's relationship with the private sector have reduced South Africa's global competitiveness. As a result, South Africa dropped from the 44th position on the Global Competitiveness Index to 67th in 2018. This is due to corporate scandals, auditing firm failures, widespread corruption in both the public and private sectors, and the perceived erosion of government's commitment to macroeconomic stability.

A failure by an auditing firm will be catastrophic to the country's economy, so we must guard against that. The country needs strong and independent public and private institutions in order to attract investments and grow the economy.

Despite the challenges in the auditing profession, the Independent Regulatory Board for Auditors (IRBA) has forged ahead with measures to restore confidence in the auditing profession and to build a strong culture of ethics. Among its achievements, the IRBA issued the Revised Code of Professional Conduct for Registered Auditors and developed a set of audit quality indicators to help audit committees, in addition to requesting firms to publish transparency reports that will give clients and the public more information on the operations of the firms.

We are pleased with the many companies that have adopted the Mandatory Audit Firm Rotation rule and rotated their auditors before the implementation date of 2023. We are encouraged that the rotations are also benefitting some of the medium and smaller firms.

The regulator, together with National Treasury, has made good progress with the amendments to the Auditing Profession Act 26 of 2005, which will give it more powers. The IRBA has also demonstrated that it is holding errant auditors accountable and continues to deliver on its mandate – and I would like to congratulate it on the outcome of the disciplinary case against the auditor implicated in the Linkway Trading matter. The disciplinary hearing against the two audit partners involved in the audit of African Bank Investments Limited and African Bank Limited will resume in July 2019. We hope that the regulator will conclude this process soon.

I am also confident that the other initiatives of the IRBA to restore confidence will bring about the much needed change to the status of the auditing profession in the country. The

implementation of restoring confidence projects will continue for the next couple of years while the regulator and the profession find ways to work around the current challenges.

Restoring confidence in the auditing profession will take great courage and commitment from all stakeholders.

Our economy relies on the integrity of our financial services industry to grow and create jobs.

I would like to thank the Board of Directors and the management of the IRBA for their commitment to rebuilding the trust in the profession and for steering this organisation in the right direction over the years.

Tito Mboweni

Minister of Finance

Foreword by the Chairman

Abel Dlamini

I am pleased to present the 13th Annual Report of the Independent Regulatory Board for Auditors and my last as Chairman of this Board.

The auditing profession remains in the spotlight for the role of individual auditors and audit firms in aiding state capture. The negative conduct of a few errant auditors has impacted what until recently has been a trusted profession.

The recent audit and business failures that we have witnessed are not only due to poor audit quality. They have a lot to do with auditors behaving unethically, not exercising professional scepticism and not acting independently. What we thought were isolated cases of unethical behaviour soon became clearer as systemic problems in the profession as more wrongdoings came to light. As a regulator, we are really concerned about this and we cannot continue with business as usual.

Audit is a public interest responsibility and, as such, auditors must consider the cost of their decisions on the public, investors and the economy. During our engagements with the profession, it became clear that some do not see the gravity of the reputational damage and do not realise the extent of the measures that need to be taken to reverse this.

Furthermore, if leadership of firms support a culture that makes profits more important than ethical behaviour, this tone will permeate throughout the organisations. Therefore, it is critical that we get the tone at the top right, if we are to steer the profession in the right direction.

The audit failures witnessed in the recent past resulted in the auditing profession in South Africa moving from being one of the most respected globally to becoming one of the most vilified, in the shortest space of time. Our global ranking dropped along with the confidence that South Africans had in our profession.

In the past year, the Board focused its efforts on restoring confidence and trust in the auditing profession. We have been monitoring the implementation of the approved strategy to restore confidence in the profession and are pleased with the progress made by the management of the IRBA and all stakeholders in regaining the trust of the investing public.

The number of investigations has also increased in the past year. The Board requested management to prioritise public interest entity and high profile matters for investigation as these require more resources and are generally more complex. We are pleased with the outcome of the disciplinary hearing into the audit of Linkway Trading. We are encouraged that this matter was dealt with as quickly as possible to minimise the damage to the profession as a whole.

The Amendments to the Auditing Profession Act went through a parliamentary process. While these were not finalised in time, we are hopeful that the new Parliament will continue to prioritise these amendments to give the IRBA the ability to strengthen sanctions in order to deter errant behaviour and toughen the investigations process.

I wish to emphasise that the regulator is here to assist firms that carry out their duties competently, fearlessly and in good faith, and caution them against potential audit failures. The public expects more work to be done by auditors and, as a profession, we must respond to the needs of the market.

Let's not wait for the market to change audit and decide on its continued relevance. Let's work together and agree to make changes in the profession that are necessary to restore confidence and trust.

As the Board, we are committed to steering the IRBA in the right direction as it has been entrusted to us by the Minister of Finance; and to help restore trust and confidence in the profession.

I wish to thank my fellow Board members, the Chief Executive Officer, as well as the directors and staff of the IRBA for their valuable contribution and support during the year. I would also like to thank Martie Janse van Rensburg, the Deputy Chairman, for taking over as Acting Chairman while I was away.

This has been my final term as a Board member and Chairman, and it has been a pleasure serving the profession and the country. Let us all continue to work towards restoring confidence and trust and rebuilding an even better, globally respected auditing profession.

Abel Dlamini

Chairman

Martie Janse van Rensburg

Acting Chairman (From June 2018)

Chief Executive Officer's Overview

Bernard Peter Agulhas

It is my pleasure to present the IRBA's 13th Annual Report.

The year 2018 will go down in audit history as one in which the profession hit a crossroad. Throughout this time, we have been engaging with various stakeholders and developing strategies and projects to restore confidence in the auditing profession.

The pressure from the market for audit reform increased significantly following the VBS Mutual Bank failure and the collapse of the firm Nkonki Inc., while public sentiment towards the role of the auditing profession, the professional body as well as the regulator became increasingly critical.

During the previous financial year the IRBA set out a strategy, which was adopted by the Board, to restore confidence in the public interest role of auditors and the regulator. Many of the activities and projects included in the Restoring Confidence Strategy are integral steps that must be taken to demonstrate that the profession and the regulator are committed to transforming and responding in order to better meet public expectations.

We recognise that now is not the time to try to restore the status quo but to listen to the market not only about what is expected from auditors but also from the audit product, and then adapt to address challenges presented by the new landscape.

We recognise that to respond to the market and close the expectation gap we will have to rely on understanding what needs to change, how it should change and what we can do to help enable that change. For those reasons, we continue to employ a stakeholder-centred approach in responding to the market.

In the past year there was an increase in the number of high-profile public interest entity investigations that we had to deal with. We commenced and concluded the investigation of the auditor of Linkway Trading and we were very pleased with the sanction handed down by the Disciplinary Committee. The sanction delivered a clear message to investors, the public and the profession that the IRBA will take appropriate action against errant auditors.

Our engagement with Parliament has also increased in the past year, with the amendments to the Auditing Profession Act (APA) being tabled by National Treasury, following the calls by the Standing Committee on Finance for greater oversight and investigation powers for the IRBA.

Governments and audit regulators globally are also calling for reforms and we are following with keen interest the recommendations in the Kingman and other reports issued on audit reform of the audit profession and how it is regulated in the United Kingdom.

The current negative state of the profession brought on by unprofessional conduct of a few forced the collapse of trust in the auditing profession and cannot continue unabated. As a regulator we have to work even harder to restore confidence and get this profession to being one of the most trusted and respected again.

Restoring Confidence in the Audit Profession

During the past year, we made significant progress on several projects to restore confidence in the auditing profession, as seen below.

- The IRBA has requested audit firms to publish transparency reports on a voluntary basis. In addition, the IRBA will work with audit firms and users of transparency reports to determine what the future minimum mandatory requirements will be for audit firms to publish these reports on an annual basis. The reports will provide users with information that will help them understand the firms' approach to audit quality, leadership, culture and ethics, risk management practices, relationships with staff and service providers, and independence. They will also address the firms' internal and external inspection and monitoring results.
- The IRBA has formulated a set of Audit Quality Indicators (AQIs) that have been rolled out as a pilot project with JSE-accredited audit firms. These firms are required to submit

AQI assessments to the IRBA in 2019, and the information supplied will be used to provide guidance to audit committees on how to assess the performance of firms.

- We have also made significant progress in the review of the international quality standards. The International Quality 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 will replace the International Standard on Quality Control (ISQC 1); and ISQM 2, *Engagement Quality Reviews,* will cover the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performing and documenting an engagement quality review. The exposure drafts (ED) for these enhanced international standards, together with the revised International Standard on Auditing (ISA) 220, *Quality Management for an Audit of Financial Statements,* were released in February 2019. The proposals bring important changes to the way audit firms are expected to manage the quality for audits, or reviews of financial statements or other assurance or related services engagements.
- In November 2018, we published the revised IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) with an effective date of 15 June 2019. The IRBA Code is based on the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards).
- Internally, the IRBA has also focused on rebalancing its resources to enable it to respond to the demands of the market and the ever-changing auditing environment.
- The APA amendments were drafted by National Treasury and are being processed in Parliament. The amendments include several changes to address not only the low level of fines, but also seek to remove restrictions on obtaining critical information for investigations, with the addition of the power to subpoena information and search and seizure powers. The ability to subpoena will ensure that the IRBA has immediate access to all the evidence and audit files required to complete an investigation more speedily. The amendments to the APA also propose that the disciplinary process be simplified, without infringing on the rights of any of the parties, by removing many of the burdensome legal practices causing disciplinary matters to be heard in a manner similar to that of a high court, making them unnecessarily lengthy and costly.

While the IRBA's focus has been on restoring confidence in the profession, we continued to implement our extended mandate of the four pillars, namely: Independence, Leadership in Africa, Transformation and Comprehensive Regulation.

Independence

The Mandatory Audit Firm Rotation (MAFR) rule set down by the Minister of Finance in June 2017 is now only four years away from the effective date of 1 April 2023. During 2017, the IRBA began tracking the number of JSE Ltd main board listed companies that have voluntarily rotated audit firms ahead of the effective date. We are extremely encouraged by the early adopters, and we expect that by 2021 most listed companies would have complied well ahead of the effective date.

We continue to engage with the profession and various stakeholders to discuss and find practical solutions and interventions in preparation for the implementation of MAFR. We are confident that with the recent spike in rotation and the increased expectations for the profession to perform its public protection role to the highest standard, we will have greater cooperation from auditors and their clients as we implement further regulatory measures to enhance independence.

Leadership in Africa

The IRBA participated in the African Forum of Independent Accounting and Auditing Regulators (AFIAAR) meeting held in Maputo, Mozambique, in September 2018. Following the signing of the AFIAAR charter in Zimbabwe, the Maputo meeting developed a two-year strategy that is aligned to the IFIAR strategy. The strategy identified the following key focus areas that AFIAAR will focus on in the next two years:

- Enhanced audit quality;
- Advocacy and outreach; and
- Data (knowledge) management and information sharing.

The Financial Reporting Council of Mauritius hosted the follow-up AFIAAR meeting in May 2019.

We continued to support and engage with our African counterparts, and have hosted members from Botswana, Namibia and Zimbabwe for learning opportunities with our Investigations, Inspections and Standards departments. We also continue to have members from these countries as observers at our statutory committee meetings.

Transformation

The IRBA serves on the CA Charter Council and has signed the charter, which was supported by the Minister of Finance and gazetted by the Department of Trade and Industry. The charter was specifically adapted to reflect the unique structure of the CA (SA) profession; and it places greater emphasis on skills development, ownership of sub-indicators of economic interest and employment equity in order to facilitate meaningful transformation.

We continue to engage and partner with the African Women Chartered Accountants and the Association for the Advancement of Black Accountants in SA in addressing issues related to race and gender transformation in the profession. The IRBA has always maintained that transformation cannot only be about numbers but rather about the quality of opportunities afforded to black people and women within the firms.

Comprehensive Regulation

The IRBA continues to pursue comprehensive oversight over all the stakeholders involved in the financial reporting chain, including those charged with governance. The recent business failures have increasingly highlighted the deficiency of regulating only auditors; and security exchanges and oversight structures worldwide are consequently taking a stronger position in responding to accounting and auditing failures from a systemic point of view. We can no longer afford to have a financial system that is not appropriately regulated. This is critical in protecting the financial interests of the public. The IRBA will continue to support the Minister of Finance and National Treasury in the process of developing a model for comprehensive regulation.

Audit Quality

The 2018 Public Inspections Report released in February 2019 shows a marginal decline in unsatisfactory findings at firm and engagement levels. Overall, the Sixth Inspections Cycle was characterised by recurring quality deficiency themes. The report records the findings of 199 inspections performed at 111 firms (2017:101). These are divided into 11 firm-wide quality control inspections (2017: 23) and 188 audit file inspections (2017: 197).

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

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

International Participation

The IRBA continues to participate and influence standards and regulation through its participation on various international auditing, ethics and education boards. The CEO serves as the chairman of the Audit and Finance Committee of the International Forum of Independent Audit Regulators (IFIAR), which has members who include audit regulators from 54 countries. The Director Inspections serves on the IFIAR Inspections Working Group, while the Director Investigations serves on the IFIAR Enforcement Working Group.

In addition, the CEO continued to serve on the International Accounting Education Standards Board (IAESB), and has advocated for the inclusion of behavioural competencies for auditors in the audit curricula standards. The IAESB will cease to exist in its current form, following its June 2019 meeting in Toronto, and will be replaced by a new structure under the global Monitoring Group.

The Director Standards continues to serve as a public member of the International Auditing and Assurance Standards Board, with the Professional Manager Standards as his technical advisor. The Professional Manager Ethics continues to serve as the technical advisor to the deputy chairman of the International Ethics Standards Board for Accountants.

Stakeholder Engagements

Stakeholder engagement is critical in building collaborative and constructive relationships, especially during this period of restoring confidence in the auditing profession. We continue to engage with our stakeholders and have identified others with whom we should build relationships to create more awareness of our role as an independent audit regulator.

Human Resources, Financial Matters and Performance

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

Appreciation

I thank the Board, management team and staff of the IRBA, the statutory committees as well as our stakeholders for the support and commitment on which we inevitably rely in driving the IRBA's strategy towards achieving our goals.

The auditing profession has been called upon to take a hard look at itself. At the core of restoring confidence in the profession is the ability to instil confidence in the investors and the public again. Such confidence is enhanced when all the role players in the financial reporting chain, including management, those charged with governance and investors, assume the required responsibility for creating the necessary trust in our markets.

Bernard Peter Agulhas

Chief Executive Officer

Statement of Responsibility and Confirmation of Accuracy of the Annual Report

To the best of our knowledge and belief, we confirm the following:

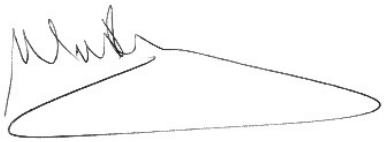
- All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the Auditor-General.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on annual reports, as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The Board is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.
- The Board is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the IRBA for the financial year ended 31 March 2019.

Bernard Peter Agulhas

Chief Executive Officer

30 July 2019



Martie Janse van Rensburg

Acting Chairman of the Board

30 July 2019

The IRBA Strategic Focus

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

The IRBA Vision

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

The IRBA Mission

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

The IRBA Objectives

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

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

The IRBA Goal

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

This is done through:

- Developing and maintaining auditing and ethics standards that are internationally comparable.
- Providing an appropriate framework for the education and training of properly qualified auditors and their ongoing competence.
- The registration of auditors who meet the registration requirements.
- Monitoring compliance with reportable irregularities.
- Monitoring registered auditors' compliance with professional standards and applicable legislation.
- Investigating and taking appropriate action against registered auditors in respect of improper conduct.
- Developing and maintaining stakeholder relationships to enhance performance, accountability and public confidence.
- Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economic, efficient and effective manner, in accordance with the relevant regulatory frameworks.

Regulatory Philosophy

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

Value Proposition

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

The IRBA Values

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

Independence, Integrity and Objectivity

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

Commitment

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

Transparency and Accountability

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

Legislative Mandate

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

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

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

Organisational Structure

The organisation operates through an Executive and a total staff complement of 80 employees. The Executive reports to the Board, the members of which are appointed by the Minister of Finance.

Members of the Board

Abel Dlamini
CA (SA)
Chairman
Appointed April 2016

Martie Janse van Rensburg
CA (SA)
Deputy Chairman
DAC Chairman
Appointed May 2017
Interim appointment to ARMCO in June 2018

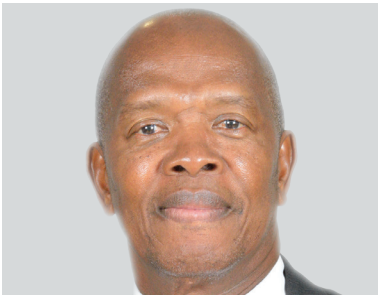
Iqbal Motala
B Proc
Member of DAC
Appointed May 2017
Interim appointment to OPSCOM in May 2018

Madoda Petros
CA (SA)
Member of OPSCOM
Appointed May 2017

Thiru Pillay
CA (SA), RA
ARMCO Chairman
Appointed April 2015
Resigned 30 June 2018

Matshepo More
CA (SA)
OPSCOM Member
Appointed December 2016
Term ended 30 November 2018

Zuziwe Ntsalaze
CA (SA)
Member of ARMCO
Appointed May 2017
Appointed ARMCO Chairman in July 2018



Joe Lesejane
CA (SA)
OPSCOM Chairman
Appointed December 2016
Resigned 30 May 2018

Nkabaneng Mashile
CA (SA)
Member of ARMCO
Appointed May 2017

Executive

Bernard Agulhas
CA (SA)
Chief Executive Officer
Appointed June 2003

Imran Vanker
CA (SA), RA
Director: Standards
Appointed May 2014

Imre Nagy
CA (SA), RA
Director: Inspections
Appointed February 2013

Jillian Bailey
CA (SA), RA
Director: Investigations
Appointed November 2015

Nitasha Naicker
CA (SA)
Director: Operations
Appointed October 2018

Jane O'Connor
BA, LLB
Director: Legal
Appointed June 1986
Resigned July 2018

Willemina de Jager
CA (SA), FCMA
Director: Operations
Appointed May 2009
Resigned July 2018

Robert Zwane
CA (SA)
Director: Education and Training
Appointed October 2016
Resigned September 2018

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART B

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

for the year ended 31 March 2019

We have to work hard to return to our high global ranking status as a country and as the auditing profession.

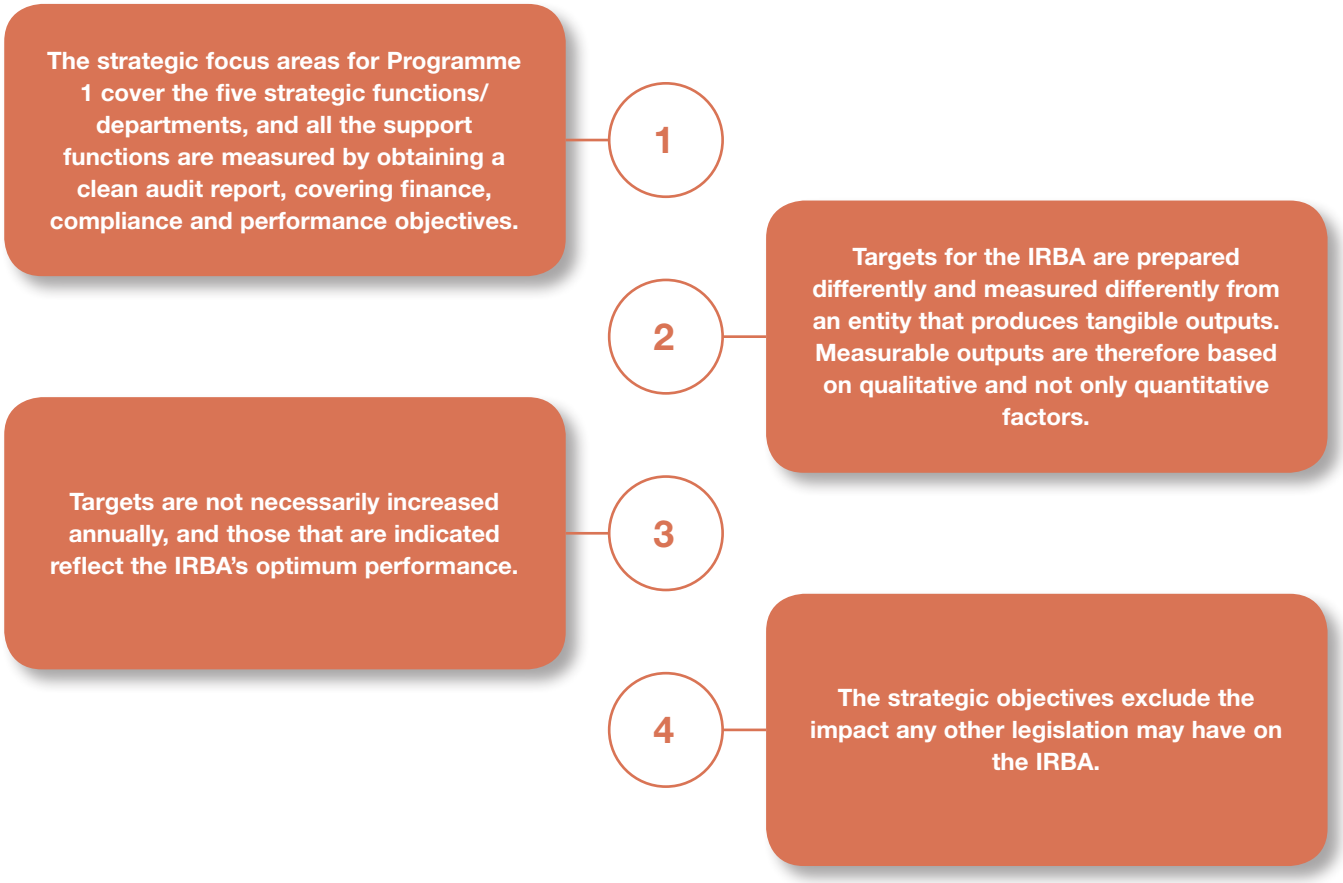
Tito Mboweni, Minister of Finance

Performance Against Measurable Objectives

Strategic Focus Areas

Based on the strategic analysis, a review of the past years' performance and the reviewed strategic intent, the Executive identified the focus areas detailed below as critical to the business.

The following assumptions inform the Strategic Focus Areas:



Programme 1

Strategic Focus Area 1: Auditing and Ethics Standards

STRATEGIC OBJECTIVE	To develop and maintain auditing and ethics standards which are internationally comparable				
				Performance Targets	
Measurable Objective	Output	Outcomes	Measurable Indicator	2018/2019	Status for the 12 months ended 31 March 2019
Standards and Guidance issued.	Issued auditing pronouncements, auditor reports and comment letters.	High-quality audits.	Target dates for issuing audit pronouncements, audit reports and comment letters, as per the CFAS Project Timetable adjusted on a quarterly basis.	85%	**Target:** 16 project target dates achieved. **Actual:** 16 projects target dates met. **Achieved:** 100% ***Explanation:*** *No delays experienced in meeting project target dates.*

STRATEGIC OBJECTIVE	To develop and maintain auditing and ethics standards which are internationally comparable				
				Performance Targets	
Measurable Objective	Output	Outcomes	Measurable Indicator	2018/2019	Status for the 12 months ended 31 March 2019
To adopt and/or develop and issue additional guidance on ethical issues, based on the IRBA Code of Professional Conduct.	Issued additional guidance on ethical issues, comment letters and Code amendments.	To provide auditors with a Code consistent with International Codes and one that enables the IRBA to take disciplinary action where necessary.	Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments, as per the CFAE Project Timetable adjusted on a quarterly basis.[1]	85%	**Target:** 10 projects target dates achieved. **Actual:** 10 projects target dates met. **Achieved:** 100% ***Explanation:*** *No delays experienced in implementing projects.*

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

Strategic Focus Area 2: Education

STRATEGIC OBJECTIVE	To provide an appropriate framework for the education and training of properly qualified auditors and to establish processes so that only competent candidates enter the audit profession				
				Performance Targets	
Measurable Objective	Output	Outcomes	Measurable Indicator	2018/2019	Status for the 12 months ended 31 March 2019
To monitor the environment in which the Audit Development Programme is offered.	Monitoring reports.	To ensure that the environment is conducive to the development of audit competence.	The percentage of monitoring visits completed in accordance with the monitoring plan approved by ADCOM.	90%	**Target:** 48 **Actual:** 44 **Achieved:** 92% **Explanation:** More resources were allocated to ADP monitoring.
To monitor the programmes and institutional requirements of accredited professional bodies.	Monitoring reports.	To ensure compliance with the Accreditation Model.	Final monitoring reports to be submitted to the accredited professional body 10 working days after EDCOM's third quarter meeting.	Submit within target date.	**Achieved:** 100% The EDCOM third quarter meeting was held on 15 November 2018 and the Final Monitoring Reports were submitted to the accredited professional body on 23 November 2018.

Strategic Focus Area 3: Inspections

STRATEGIC OBJECTIVE	To monitor registered auditors' compliance with professional standards				
				Performance Targets	
Measurable Objective	Output	Outcomes	Measurable Indicator	2018/2019	Status for the 12 months ended 31 March 2019
Inspections performed in accordance with the Inspection Plan.	Inspection reports.	Compliance of firms (including their individually registered auditors) with the auditing and ethical standards.	The percentage of inspections completed in accordance with the Inspection Plan.	85% adherence to the Inspection Plan.	**Target:** 126 Inspections. **Actual:** 112 Inspections performed. **Achieved:** 89% adherence to the Inspection Plan . ***Explanation:*** The percentage achievement is due to a number of smaller inspections conducted at smaller firms to cover risks in that area.

Strategic Focus Area 4: Investigations

STRATEGIC OBJECTIVE	To investigate and take appropriate action against registered auditors in respect of improper conduct				
				Performance Targets	
Measurable Objective	Output	Outcomes	Measurable Indicator	2018/2019	Status for the 12 months ended 31 March 2019
Completed investigations.	Closed case files.	Public trust in the profession.	Percentage of complaints closed within 18 months of receipt of complaint.	80%	**Target:** 70 of 87 matters. **Actual:** 54 of 87 matters. **Not achieved:** 62% of matters closed within 18 months. ***Explanation:*** The target was not achieved due to prioritising the high-profile public interest matters that are more complex to investigate. ***Action Plan:*** Recruit more investigators when we receive funding to do so.

Strategic Focus Area 5: Operational Effectiveness

STRATEGIC OBJECTIVE	**Strengthening the IRBA's organisational capability, capacity and performance to deliver on its mandate in an economically, efficient and effective manner, in accordance with the relevant regulatory frameworks**				
				Performance Targets	
Measurable Objective	**Output**	**Outcomes**	**Measurable Indicator**	**2018/2019**	**Status for the 12 months ended 31 March 2019**
Reports from internal and external audits.	Systems, policies and processes that ensure compliance, accountability and sound management of the revenue, expenditure, assets and liabilities.	Financial sustainability to deliver on the mandate.	Clean audit report.		**Target:** Clean audit report. **Actual:** Clean audit report. **Achieved:** 100%
Promote transformation through targeted procurement policies.	Implementation of the preferential procurement policy framework.	Increased procurement and effective payments to promote empowered businesses.	90%		**Target:** 90% **Actual:** 91.68% **Achieved:** 91.68% payments within 30 days. **Explanation:** The target achieved is in line with the actual.
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation achieved according to the relevant B-BBEE codes.	15/20		**Target:** 15.00 **Actual:** 15.13 **Achieved:** 15.13 scored out of a possible 20. **Explanation:** The target achieved is in line with the target of 15 for the year.

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART C

GOVERNANCE

Let's not wait for the market to change audit and decide on its continued relevance. Let's work together and agree to make changes in the profession that are necessary to restore confidence and trust.

Abel Dlamini, Chairman

The Board

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

In line with its policy to adhere to best practice, the IRBA considers and monitors relevant codes on governance and any further available guidance that will enhance current practices. No material issues were identified to suggest shortcomings in governance.

Composition of the Board

Board members are all non-executive members appointed by the Minister of Finance. In terms of the Act, the Minister must appoint not less than six but not more than 10 persons as members of the Board. The Board currently consists of six members.

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

Board Meetings

The Board met nine times during the year under review. Attendance at the Board (inclusive of special Board meetings) and subcommittee meetings for 2018/2019 is set out below.

Board Member	Board	Operations Committee (OPSCOM)	Audit and Risk Management Committee (ARMCO)	Disciplinary Advisory Committee (DAC)
Total Number of Meetings	9	4	5	5
A Dlamini (Chairman)*	3	n/a	n/a	n/a
M Janse van Rensburg (Deputy Chairman)**	9	n/a	2	5
J Lesejane	0	1	n/a	1
N Mashile	6	n/a	5	n/a
M More	4	3	n/a	n/a
M Motala***	8	2	n/a	5
Z Ntsalaze	8	n/a	5	n/a
M Petros	7	3	n/a	n/a
T Pillay	3	n/a	2	n/a

**The Chairman of the Board asked to be recused from Board meetings due to conflict of interest on certain matters and took leave of absence due to personal matters. The Deputy Chairman took over the role of the Acting Chairman in June 2018.*

***Interim appointment to ARMCO in June 2018.*

****Interim appointment to OPSCOM in May 2018.*

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

Name	Qualifications	Designation	Date appointed to the Board	Position/Directorships
Mr Zolile Abel Dlamini (Chairman)	B Com (Acc) B Compt (Hons)	CA (SA)	15 April 2015	• Executive Chairman at SekelaXabiso • SekelaXabiso CA Incorporated • SekelaXabiso Financial Services • Cross Border Life Cover • Alpha Conference Centre • SKX Foundation • Pazocap • Julosol • Sportsfam International
Ms Martie Jacoba Janse Van Rensburg (Deputy Chairman and Chairman of DAC)	B Com B Compt Hons	CA (SA)	10 May 2017	• Development Bank of Southern Africa • Etion Ltd • Sephaku Holdings Ltd • Savetnet Cyber Security NPC
Mr Joe Lesejane (Chairman of OPSCOM)*	B Com B Com (Hons) B Compt	CA (SA) FCMA	1 December 2016	• Attorneys Insurance Indemnity Fund • Government Employees Medical Scheme
Ms Nkabaneng Tebogo Mashile	B Acc Sci M Com	CA (SA)	10 May 2017	• Senior Lecturer at Wits University • Phenyo Entertainment Unlimited (Pty) Ltd • Phepo Holdings (Pty) Ltd • Potego Properties (Pty) Ltd
Ms Matshepo More**	B Bus. Sc B Bus. Sc (Hons) B Com (Hons)	CA (SA)	1 December 2016	• Chief Financial Officer and Executive • Director at the Public Investment Corporation Ltd • Grit Real Estate Income Group • Industrial Development Corporation • ADR International Airports South Africa
Mr Mohamad Iqbal Motala	B Proc	Attorney	10 May 2017	• Partner at a law firm
Ms Zuziwe Ntsalaze	B Com Accounting Honours MBA (cum laude)	CA (SA)	10 May 2017	• Operational Risk Manager at Investec • Drivers Licence Card Authority
Mr Madoda Alfred Petros	B Com Advanced Tax Certificate	CA (SA)	10 May 2017	• Chief Risk Officer at Ubank
Mr Thiru Pillay (Chairman of ARMCO)***	B Compt B Compt (Hons)	CA (SA) CIA (SA), RA	15 April 2015	• Group Executive at Liberty Holdings Ltd

**Resigned with effect from 30 May 2018.*

***First term ended 30 November 2018.*

****Resigned with effect from 30 June 2018.*

On the Board, the Minister is represented by the Acting Accountant-General.

Responsibility

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

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

Audit and Risk Management Committee

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

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

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

Disciplinary Advisory Committee

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

The Board has delegated to the Disciplinary Advisory Committee (DAC) the function of considering the matters on which INVESCO has made a recommendation. The DAC consists exclusively of Board members. It functions independently from INVESCO and the Disciplinary Committee and reports to the Board.

There has been a 23% increase in the number of investigations initiated during the 12 months under review. The investigations in progress comprise 34% public interest entity/high profile matters and 66% other matters. At the Board's request the public interest entity/high profile matters are being prioritised for investigation. These matters are complex and require significant resource capacity.

Matters finalised

During the 12 months under review, the DAC met five times (2018: 6) and finalised 65 (2018: 60) matters.

Decisions not to charge

- Nine matters in terms of Disciplinary Rule 3.5.1.1 – the respondents were not guilty of improper conduct.
- Four matters in terms of Disciplinary Rule 3.5.1.2 – there were reasonable explanations for the respondent's conduct.
- Six matters in terms of Disciplinary Rule 3.5.1.4 – there were no reasonable prospects of succeeding with charges of improper conduct against the respondents.
- One matter in terms of Disciplinary Rule 3.5.1.5 – in all the circumstances it was not appropriate to charge the respondent with improper conduct.

Decisions to charge and matters finalised by consent order

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

Decisions to charge and matters referred for a disciplinary hearing

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

Operations Committee

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

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

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

Internal Auditors

The IRBA appointed National Treasury's Internal Audit Shared Services with effect from 1 November 2018. The Audit and Risk Management Committee (ARMCO) approved an internal audit plan for the 4th quarter of the 2018/2019 financial year. Internal audit performed its activities as per the plan and tabled progress reports at ARMCO meetings.

External Auditors

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

Strategic Plan and Budget

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

Social Responsibility

The Corporate Social Responsibility Committee is the IRBA's formal approach for its involvement with community projects and Social Economic Development (SED) organisations. The functions and projects of this committee are managed mostly through donations from staff members which are then matched by the IRBA.

During the 2018/2019 financial year the IRBA adopted feeding scheme learners of Nobel Primary School, which is located within the Modderfontein precinct. The IRBA took the responsibility of supporting the feeding scheme learners, who reside predominantly in the Tembisa area, with various donations.

Below is the list of projects that were undertaken by the committee during the year under review.

- ***Mandela Day Project – Nobel Primary School***

  A school uniform drive was hosted at Nobel Primary School during break time, and 22 learners received gift packs from the IRBA. The gift packs included school uniforms, school shoes, socks and a snack. The children ranged from seven to 12 in age. Grocery items were also donated to the school's feeding scheme to assist with the pantry stock items.

- ***Matric Dance – Alexandra High School***

  The IRBA took pleasure in sponsoring one learner from Alexandra High School with a matric farewell dress and shoes. The matric dance took place during December and the opportunity ensured the learner received attire to make it possible for her to attend the memorable event.

- ***Winter Drive – Nobel Primary School***

  The IRBA team went back to Nobel Primary School and presented 30 learners with tracksuits to help keep them warm during the winter season. In addition, the IRBA donated a mural to enhance the school's welcome corner, which was well received by the school.

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

The consideration and application of the recommended practices are proportionally in line with the IRBA's size and resources, as well as the extent and complexity of its activities

Principle 1	Explanation
Leadership The Board should set the tone and lead ethically and effectively.	The Board members hold one another accountable for decision-making and act in a way that displays the ethical characteristics stated in King IV. The chairman of the Board has been tasked to monitor this as part of his duties. Also, we have scheduled performance assessments of individual Board members, which includes peer evaluations of their ethical behaviour.
Principle 2	**Explanation**
Organisational Ethics The Board should ensure that the organisation's ethics are managed effectively.	Our guiding values are independence, integrity and objectivity. Our code of conduct is applicable to employees and is also part of contractual arrangements with parties in the supply chain. Behavioural competency evaluations of employees also include an assessment of ethical conduct and a consequence management system is in place to address breaches.
Principle 3	**Explanation**
Responsible Corporate Citizenship The Board should ensure that the organisation is a responsible corporate citizen.	We strive to integrate responsible corporate citizenship as part of the way we do things, and performance measures in respect thereof are shared across functions and the departments. The Board oversees and monitors (using agreed performance indicators and targets) our status as a good corporate citizen in areas such as compliance, stakeholder perceptions and employment equity in line with our Strategic Plan. Compliance is monitored by the compliance officer. Quarterly reports are submitted to management, ARMCO and the Board.
Principle 4	**Explanation**
Strategy and Performance The Board should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements.	The Board steers and sets our direction, purpose and strategy. Management has been delegated with the formulation of the Strategic Plan. During the process, risks and opportunities, resources and relationships, among others, are considered. Through the Board and the relevant committees there is ongoing assessment and response to any negative consequences for the economy and public interest in general.
Principle 5	**Explanation**
Reporting The Board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.	This report and the Integrated Report provide users with a holistic, clear, concise and understandable presentation of our performance in terms of sustainable value creation in the economic, social and environmental context within which we operate. To further refine our performance regarding this principle, we actively solicit input from key users of our reports so as to enhance our reporting.
Principle 6	**Explanation**
Primary Roles and Responsibilities of the Board The Board should serve as the focal point and custodian of corporate governance in the organisation.	These roles and responsibilities are documented in the Board charter, reflected in the work plan and executed through the duties and decision-making with which Board members are tasked.

Principle 7	Explanation
Composition of the Board The Board should ensure that in its composition it comprises a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.	During the period under review, the Board, with OPSCOM, considered its composition in terms of balance of power, skills, experience, diversity, independence and knowledge, including whether all this enables it to effectively discharge its role and responsibilities. It did this when submitting the short-list of nominations for the new Board to the Minister for approval. As a result of this consideration, the Board identified that there was a need for more diversity to add depth to discussions. A Request for Nominations was published in the Government Gazette and national newspapers to ensure a variety of submissions. In January 2018, the Board approved a skills matrix for the Board and Statutory Committees.
Principle 8	**Explanation**
Committees of the Board The Board should consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating accountability.	Membership of the committees is as recommended in King IV. The composition of the committees and the distribution of authority between the respective chairs and other individuals lead to neither the chairs nor any other individual(s) being able to dominate decision-making or cause undue dependency on such individual(s).
Principle 9	**Explanation**
Evaluation of the Performance of the Board The Board should ensure that the appointment of, and delegation to, competent executive management contributes to an effective arrangement by which authority and responsibilities are exercised.	Discussions by the Board on its performance and that of its committees, its chair and its members took place in July 2018, a period under review after its appointment. This appraisal is conducted once during the two-year term of the Board. The first external performance evaluation of the Board was scheduled for September 2018. A detailed delegation of authority is in place. The CEO does not have work commitments outside the organisation. Refer to page 17 for the structure, including the role and relevant qualifications of each executive member. We appointed a Board Secretary with the requisite knowledge and experience. The Board Secretary's performance is assessed by the CEO every period under review. The CEO is satisfied that the Board Secretary and the functions that she oversees are performing well.
Principle 10	**Explanation**
Appointment and Delegation to Management The Board should ensure that the performance evaluations of the Board, its structures, its chair and members, the CEO and the company secretary or corporate governance professional result in continued improved performance and effectiveness.	Assessments of the performance of the CEO, management and the Board Secretary are conducted annually. It is the opinion of the Board that it, and its structures, should function in an integrated manner. The Board, with the assistance of the Board Secretary, continues to take a holistic view of its charter.
Principle 11	**Explanation**
Risk Governance The Board should govern risk and opportunity in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.	The Board sets the approach for risk governance within the IRBA. ARMCO has been tasked to assist the Board with the governance of risk and has approved the risk management policy. As risk management permeates all aspects of the operations of the organisation, risk is overseen at executive level and continuously assessed by the accounting authority.

Principle 12	Explanation
Technology and Information Governance The Board should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.	The Board assumes responsibility for the governance of technology and information by setting the direction for how technology and information should be approached and addressed in the organisation to achieve its strategic objectives. Information governance documents and policies for technology and information are in place and approved by ARMCO, which has been delegated with the responsibility over information technology governance.
Principle 13	**Explanation**
Compliance Governance The Board should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards.	Compliance with all applicable laws is governed by the Board in a way that allows us to achieve our strategic objectives and also allows us to be an ethical and good corporate citizen. There were no regulatory penalties, sanctions or fines for contraventions of, or noncompliance with, statutory obligations.
Principle 14	**Explanation**
Remuneration Governance The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.	The Board ensures that we remunerate fairly, responsibly and transparently so as to promote the achievement of our strategic objectives and positive outcomes in the short, medium and long terms.
Principle 15	**Explanation**
Assurance The Board should ensure that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.	This report gives detailed information on assurance provided. The disclosure by ARMCO on internal financial and reporting controls is also included in this report. A Combined Assurance Plan was approved by the Board in May 2018.
Principle 16	**Explanation**
Stakeholders As part of its decision-making in the best interests of the organisation, the Board should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations.	We have identified key stakeholder groupings as well as their legitimate and reasonable needs, interests and expectations. Stakeholder relationship programmes have been developed to ensure continuous engagement. Also, strict requirements and processes have been developed for the dissemination of content to our stakeholders.

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART D

HUMAN RESOURCES MANAGEMENT

At the core of restoring confidence in the profession is the ability to instil confidence in the investors and the public again.

Bernard Agulhas, CEO

Human Resources Management

The Value of Human Capital

The IRBA is a service entity and, as such, its most valuable asset is its staff. The staff complement, excluding contract workers, was 80 as at 31 March 2019. At year-end, nine positions were vacant due to staff turnover. The total staff expenditure was R83 million (2018: R82 million), which represents 57% (2018: 71%) of the IRBA's total expenses.

Overview of HR Practices

The IRBA ensures that it complies with employment legislation, i.e. the Labour Relations Act (Act 66 of 1995); the Basic Conditions of Employment Act (Act 75 of 1997); the Employment Equity Act (Act 55 of 1998); the Skills Development Act (Act 97 of 1998); the Occupational Health and Safety Act (Act 181 of 1993); and various human resources (HR) codes of best practice. To ensure ongoing communication with staff members, the Chief Executive Officer and/or senior management hold monthly staff meetings to provide feedback on relevant matters. The IRBA has a manual of human resource policies and practices that is reviewed regularly. During the year under review the following policies were updated and approved by the Board:

- Substance Use Workplace Policy;
- Working Hours Policy;
- Internship Policy; and
- Pension Fund Policy.

Employee Reward and Performance Management Framework

The IRBA recognises that reward is a business issue as it has a direct impact on operational expenditure, culture, employee behaviour and ultimately the sustainability of the organisation. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers.

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

- Compete for talent in an increasingly competitive labour market.
- Ensure a transformed workforce.
- Retain competent employees who enhance business performance.
- Motivate individual and team performance that drives stakeholder value for the IRBA.
- Achieve most effective returns (employee productivity) for total employee costs.

To achieve these objectives, the IRBA rewards employees in a way that reflects the dynamics of the market and the context in which it operates. All components of the reward strategy, including the fixed pay portion, variable pay, performance management, learning and personal growth and the work environment, are aligned to the strategic direction and specific value drivers of the IRBA. The performance measurement of staff is extended to include the behavioural competencies of the staff by including a 360-degree evaluation of behaviours. All employees took part in the development of the evaluation technique, which has been successfully implemented since 2015.

Human Resources Oversight Statistics

Staff Complement

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

	2019	%	2018	%	2017	%	2016	%	2015	%
Black Female	32	40	33	40	33	41	24	33	25	36
White Female	15	19	16	19	16	20	20	27	18	26
Black Male	24	30	26	29	23	27	18	24	15	21
White Male	9	11	10	12	10	12	12	16	11	17
Total Staff	**80**	**100**	**85**	**100**	**82**	**100**	**74**	**100**	**69**	**100**

Personnel Cost of Permanent Staff by Salary Band

Level	Personnel Expenditure R	% of Personnel Expenditure to Total Expenditure	Number of Employees	Average Personnel Cost per Employee R
Top management	3 567 230	5%	1	3 576 230
Senior management	12 716 979	17%	4	3 179 245
Professionally qualified	48 345 081	63%	42	1 151 073
Skilled	6 010 951	8%	11	546 450
Semi-skilled	5 329 412	7%	18	296 078
Unskilled	581 074	1%	4	145 268
Total	**76 559 726**	**100%**	**80**	**956 997**

Training Costs

Level	Personnel Expenditure R	Training Expenditure R	Training Costs as % of Personnel Costs	Number of Employees Trained	Average Training Cost per Employee R
Top management	3 567 230	16 138	0.5%	1	16 138
Senior management	12 716 979	127 129	1.0%	6	21 188
Professionally qualified	48 345 081	266 253	0.6%	37	7 196
Skilled	6 010 951	37 175	0.6%	8	4647
Semi-skilled	5 329 412	33 887	0.6%	14	2 421
Unskilled	581 074	1 042	0.2%	1	1 042
Total	**76 559 726**	**481 624**	**3.4%**	**67**	**52 632**

*Performance Rewards**

Level	Bonus R	CTE R	% of CTE
Top management	0	3 567 230	0.00%
Senior management	0	12 716 979	0.00%
Professionally qualified	1 200	48 345 081	0.002%
Skilled	1 900	6 010 951	0.03%
Semi-skilled	300	5 329 412	0.01%
Unskilled	0	581 074	0.00%
Total	**3 400**	**76 559 726**	**0.004%**

Long-Service Awards

Level	Rewards R	Personnel Expenditure R	% of Rewards to Personnel Expenditure
Top management	272 361	3 576 230	7.1%
Senior management	0	12 716 979	0%
Professionally qualified	0	48 345 081	0%
Skilled	45 162	6 010 951	0.7%
Semi-skilled	55 209	5 329 412	1%
Unskilled	0	581 074	0%
Total	**372 732**	**76 559 726**	**0.484%**

Employment and Vacancies

	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of Vacancies
Top management	1	1	1	0	0%
Senior management	6	6	4	2	33%
Professionally qualified	42	45	42	3	9%
Skilled	12	12	11	1	8%
Semi-skilled	20	23	18	5	22%
Unskilled	4	4	4	0	0%
Total	**85**	**91**	**80**	**11**	**12%**

**The accrual date for performance rewards was changed during the period and rewards only accrued in the following period.*

Employment Changes

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

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top management	1	-	-	1
Senior management	6	1	3	4
Professionally qualified	42	4	4	42
Skilled	13	-	2	11
Semi-Skilled	19	3	4	18
Unskilled	4	-	-	4
Total	**85**	**8**	**13**	**80**

The IRBA experienced a low staff turnover rate during the year, a sign of tough economic conditions in the country. Staff retention is high and this is due to the IRBA being seen as an employer of choice.

Reasons for Staff Leaving

Reason	Number
Resignation	10
End of contracts	3
Total	**13**

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Written warning	-
Final written warning	1
Dismissal	-
Referral to CCMA	1

Equity Target and Employment Equity Status

Target 2019

Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
102	44	56	56	8	10	25	1	2
100%	44%	56%	55%	8%	10%	24%	1%	2%

Actual 2019

Total	Male	Female	African	Coloured	Indian	White	Non-SA	Disabled
80	33	47	35	6	14	24	1	2
100%	41%	59%	44%	7.5%	17.5%	29%	1%	2%

The total target for black employees is 74% against the actual of 67%. The IRBA made every effort to achieve its employment equity targets for the period. This is addressed by incorporating the premium approach into the Recruitment and Selection Policy. This method is being used in pursuance of establishing an equitable staff composition for the IRBA.

The Employment Equity Forum, consisting of eight staff members representing all employment equity categories, assists management to ensure compliance with the policy as well as fairness and transparency throughout all recruitment drives within the IRBA.

The Employment Equity Plan was revised, updated and approved by the Board in December 2015 for the five years from 2016 to 2020.

Employment Equity status per level is as follows:

	2018/2019 No. of Employees	African	Indian	Coloured	White	Foreign
Top management	1	-	-	1	-	-
Senior management	4		2		2	-
Professionally qualified	42	13	11	2	15	1
Skilled	11	4	1	2	4	-
Semi-skilled	18	14	-	1	3	-
Unskilled	4	4	-	-	-	-
Total	**80**	**35**	**14**	**6**	**24**	**1**

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART E

FEEDBACK FROM STATUTORY COMMITTEES

It is critical that we get the tone at the top right, if we are to steer the profession in the right direction.

Martie Janse van Rensburg, Deputy Chairman

Education and Transformation Committee

R Malahleha

Members	Number of Meetings Attended	Membership Status
Ms R Malahleha	3 of 4	Chairman
Ms T Naidoo	4 of 4	Deputy Chairman
Ms S Mokoena	3 of 4	Member
Ms B Jackson	–	Resigned effective 1 April 2018
Mr B Nyembe	1 of 1	Resigned effective 3 July 2018
Mr V Pangwa	3 of 4	Member
Prof K Barac	4 of 4	Member
Ms P Mvulane	1 of 4	Member

I am pleased to report on the significant activities of the Education and Transformation Committee (EDCOM) for the 2018/2019 financial year.

Audit Development Programme (ADP)

Since the implementation of the ADP in 2015 we have seen annual increases in the number of candidates registering on the programme. During the period under review we welcomed 170 (2018: 132) candidates onto the programme. We also saw 31 (2018:9) candidates successfully complete the programme during the period. To our newly Registered Candidate Auditors (RCAs), we wish you a fulfilling journey; and to our candidates that have completed the programme, we wish you all the success in your roles within the profession. I would also like to extend our gratitude to the candidates' Oversight RAs and their firms for their commitment and contribution to the success of these candidates. To learn more about their experiences on the programme, I encourage you to peruse the IRBA newsletters **(https://www.irba.co.za/library/irba-news).**

While we see a steady increase in the number of candidates registered on the programme, we continue to strive towards increasing both the number of candidates and the quality of our programme.

The IRBA undertook ADP workshops, hosted across the country, to raise awareness of the programme and encourage more candidates to register, with a specific focus on transformation candidates. These workshops also facilitated discussions on specific aspects of the programme, such as the portfolio of evidence, and identified areas within the programme that can be improved. We aim to conduct a comprehensive post implementation review of the programme during the 2019/2020 financial year.

During these workshops it has also been encouraging to note that members of the profession are acknowledging and accepting the fast-paced changes occurring in the profession and the resultant need to adapt their business processes and models.

A notable event during the period was the official ADP launch hosted by the Auditor-General South Africa (AGSA) on the 27th of September 2018, to which the IRBA was invited. This has resulted in 33 AG candidates being registered on the programme during the period.

A key aspect of the programme are the monitoring activities undertaken on the work being performed by RCAs and on their firms to ensure that these environments are conducive to the development of audit competence and to independently validate the six monthly reports and portfolios of evidence submitted by RCAs. During the period under review we completed 44 (2018: 45) ADP monitoring visits in different audit firms across the country. Monitoring activities include monitoring firm policies as well as engagement files. Key findings that have emerged from these monitoring visits include:

- Deficiencies in HR practices, including lack of formal processes relating to performance appraisal and employee training and development. Our monitoring visits have also revealed that several firms do not have an established framework against which competencies of employees are assessed.

Since the implementation of the ADP in 2015 we have seen annual increases in the number of candidates registering on the programme.

- Inappropriate application of the firms' EQCR policies where files that should be reviewed have not been reviewed.
- Insufficient consideration of the audit client's integrity and the capability of the engagement team to perform the audit when making decisions to accept or continue relationships with clients.
- Firms do not have policies and procedures regarding the lockdown of files to ensure that audit files are archived within 60 days of signing the audit report.
- Lack of evidence supporting the Engagement Partners review of key sections of the audit file.
- Insufficient documentation of planning of the audit and considerations relating to risk assessment and risk assessment due to fraud.
- Lack of assessment of independence of staff at both the firm level and at engagement level.

The ADP monitoring revisits will look at whether these findings have been addressed by the firms.

Monitoring of recognised programmes

Central to achieving the objectives of the IRBA is the monitoring of the institutional and programme requirements to be complied with by accredited professional bodies.

SAICA, currently the only accredited professional body, submitted its self-evaluation and regular formal reports for the programme and institutional requirements. External validation procedures were also followed to assess compliance with these requirements. Key focus areas in our review for continued institutional accreditation of the professional body included the institution's:

- Governance structures and processes;
- Disciplinary processes; and
- Focus on transformation (institutionally and across the programmes).

Monitoring of the programme requirements included a focus on:

- The professional body's own monitoring processes, especially for the academic programme and the training element of the professional development programme;
- Ethics included within programmes;
- Transformation in the academic programme, including throughputs of transformation students and the transformation of academic staff; and
- The impact of the "fees must fall" movement across the country.

EDCOM identified areas of improvement and concluded that SAICA's programmes were of an appropriate standard and the IRBA will continue to accredit SAICA and its programmes. In the new year, the areas of improvement identified by the IRBA, and those identified by SAICA through self-evaluation, will be focus areas in the monitoring processes.

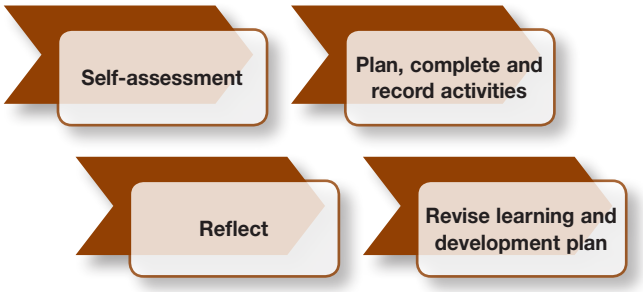
As part of the accreditation model, trainees that select the audit and assurance elective are required to first register their training contract with the IRBA. During the year under review 2 481 (2018: 3 840) training contracts were invoiced. The decline is due to most of the larger firms registering fewer trainees compared to previous years. This may be driven by various environmental factors and firm decisions. The IRBA will be engaging with the firms to understand the decline in registrations.

Transformation

In addition to transformation activities discussed above, the IRBA continued to visit schools, universities and audit firms across the country to raise awareness of our profession, the path to become a registered auditor and to attract and retain transformation candidates to our profession.

Continuing Professional Development (CPD)

A significant development during the period under review was the development of an updated International Education Standard (IES) on CPD (IES 7). These developments were prompted by the increase in the number of audit failures that have highlighted the need for the professional competence of members to be strengthened. In line with these revisions, we have been developing a new CPD policy that all RAs will be required to comply with. This will be issued during the 2019/2020 financial year together with guidance for RAs to ensure compliance. The IRBA will adopt a CPD policy that will require that a framework be followed in identifying and completing CPD activities:



CPD Framework

During the period under review, a sample of RAs were selected for the review of their CPD records. The majority of those reviewed had complied with their CPD requirements.

Proficiency Interviews

Proficiency interviews may be conducted as part of the RA registration process. The purpose of these interviews is to assess the level of audit proficiency of registering RAs. During the period under review the IRBA conducted four (2018: 15) proficiency interviews. The common recommendation following a majority of these interviews was that the prospective RA should draft a practice plan, quality manual and update their CPD.

Competency Framework

In 2017 the IRBA, together with SAICA, commissioned a study into the competencies of future CAs and RAs. The objective of the study was to identify the competencies of future RAs and then adapt our education models to ensure our RAs remain competent. During the period under review, those commissioned to perform the study carried out a series of focus group sessions, extensive surveys and interviews to identify these competencies. We anticipate being presented with this data, coupled with research into global practices. A proposed competency framework will be issued for public comment during the 2019/2020 financial year. I urge you to follow this project closely and share your valuable input into the development of this framework.

International Involvement

During the period under review the IAESB, of which the CEO is a member, has worked on a number of significant projects. In addition to the CPD project discussed above, two key projects that the Board has focused on during the period under review are on professional scepticism and the revision of education standards for information, communication and technology developments. These topics have been extensively deliberated on by the Board and have been issued on exposure for public comment. Further information on these projects may be found on the IFAC website (http://www.iaesb.org/). We look forward to developments on these projects that will be incorporated into our education model.

The IRBA also participated in and facilitated several sessions at the Accounting Education Forum – Partnering for Quality Accounting Education and Practice – Lessons from East Africa that was held in April 2018 in Kenya. The event drew delegates from across the African region and focused on IES implementation challenges and projects of the Board, including CPD.

Appreciation

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

EDCOM is supported by its sub-committees, the ADP Committee and the Monitoring Committee. I would like to extend EDCOM's gratitude to both sub-committees for their continued commitment in delivering on EDCOM's mandate.

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

R Malahleha

Chairman

Committee for Auditing Standards

R Fourie

Members	Number of Meetings Attended	Membership Status
Ms R Fourie	4 of 4	Chairman, registered auditor
Mr M du Toit	3 of 4	Deputy Chairman, Financial Sector Conduct Authority representative
Ms J Christian	4 of 4	Member, academic
Ms L du Plessis	4 of 4	Member, registered auditor
Mr W Kinnear	2 of 4	Member, registered auditor
Ms Y Lange	4 of 4	Member, registered auditor
Ms D Lawrence	4 of 4	Member, South African Revenue Service representative
Mr N Maree[2]	1 of 1	Member, South African Reserve Bank representative
Ms I Peter[3]	1 of 1	Member, South African Reserve Bank representative
Ms Z Mshengu[4]	2 of 2	Member, South African Reserve Bank representative
Ms C Mbili	3 of 4	Member, registered auditor
Mr Z Rashid	3 of 4	Member, Johannesburg Securities Exchange regulator representative
Ms L Le Roux	2 of 4	Member, Auditor-General South Africa representative
Ms S West[5]	1 of 4	Member, academic
Ms B Tlhakung[6]	3 of 3	Member, attorney

Four CFAS meetings were held during the year under review and these took place in May, August, November 2018 and March 2019.

It gives me pleasure to present this report on the strategic and standard-setting activities of the Committee for Auditing Standards (CFAS) for the 2018/2019 financial year.

CFAS Standing Committees

To address demands for auditing pronouncements, the CFAS maintains the following standing committees:

- CFAS Steering Committee;
- Regulated Industries and Reports Standing Committee (RIRSC);
- Public Sector Standing Committee (PSSC); and
- Sustainability Standing Committee (SSC).

CFAS Strategy 2015-2019

The CFAS strategy focuses the activities of the CFAS, establishes predetermined objectives and prioritises projects that address emerging issues. The CFAS strategy for 2015-2019 is based on the IRBA's public interest mandate, the IRBA's Four Pillar Strategy, the IAASB's Strategy for 2015-2019 and demands for local projects with a high public interest.

The CFAS strategy for 2015-2019 comprises the following three focus areas:

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

[2]*Resigned from the committee in May 2018.*

[3]*Interim SARB member until Ms Z Mshengu was appointed.*

[4]*Appointed as SARB representative in November 2018.*

[5]*On maternity leave for 3 of the 4 meetings.*

[6]*Appointed as attorney representative in August 2018.*

(b) Consider and respond to developments in the IAASB international standards, and consider the adoption of new and revised international standards.

(c) Monitor jurisdictional legislative and regulatory requirements and work with stakeholders and regulators to develop auditing pronouncements that are relevant to jurisdictional needs.

International and Regional Liaison

The Secretariat is engaged in a programme of liaising with relevant African and international bodies. The Director Standards, Mr Imran Vanker, is an IAASB Board Member; and Professional Manager Standards, Ms Nicolette Bester, is the Technical Advisor to Mr Vanker.

The IRBA provides ad-hoc assistance to the Pan-African Federation of Accountants' (PAFA) Technical and Standard Setters Forum's Secretariat, and also participates in the work of the Standards Coordination Working Group of IFIAR and the IAASB's Project Advisory Panel on Emerging Forms of External Reporting.

CFAS Projects Identified and Outputs Achieved to Fulfil the Strategy

Project Outputs	
Local Auditing and Assurance Pronouncements and Guidance	
Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), Illustrative Reports	Exposure Draft issued in December 2018. The comment period closed on 28 February 2019.
South African Assurance Engagements Practice Statement (SAAEPS) 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria	Final Statement issued in September 2018. 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.
International Standards	
Comment on International Consultation Papers and Exposure Drafts and Engagement with International Stakeholders	
IAASB's Exposure Draft: Proposed International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements	Comment letter submitted to the IAASB on 15 March 2019.
IAASB's Exposure Draft: Proposed International Standard on Auditing 315 (Revised), Identifying and Assessing the Risks of Material Misstatement	Comment letter submitted to the IAASB on 2 November 2018
Jurisdictional, Legislative and Regulatory Requirements	
Revised Guide for Registered Auditors: Access to Working Papers	Final Guide issued in June 2018, effective from the date of issue.
Proposed Revised Guide for Registered Auditors: Assurance Engagements on Financial Service Providers' Separate Accounts (Section 19(3)) and Reporting Requirements (Section 19(4)) of the Financial Advisory and Intermediary Services Act, including auditor reports	Exposure Draft issued in December 2018. The comment period closed on 7 March 2019.
Proposed SAAPS 4, Letters of Specific Inquiry to the Entity's External Legal Practitioner Regarding Litigation and Claims Involving the Entity	Exposure Draft issued in March 2019. The comment period closed on 14 June 2019.
Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts, including auditor reports	Exposure Draft issued in December 2018. The comment period closed on 15 March 2019.

Jurisdictional, Legislative and Regulatory Requirements	
Revised Illustrative Banks Act Regulatory Auditor's Reports	Issued in December 2018, effective for year-ends on or after 31 December 2018.
Proposed and Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme, including auditor reports	Final Guide issued in December 2018, effective for engagements on accounting periods ending on or after 31 December 2018.
Proposed Revised Guide for Registered Auditors: Auditing in the Public Sector	Exposure Draft issued in April 2019. The comment period closed on 7 June 2019
Illustrative engagement letters, assurance reports and related guidance notes – sustainability engagements	Issued in June 2018, effective for assurance engagements where the assurance report is dated on or after 31 December 2018

Appreciation

I wish to express my appreciation to the members of the CFAS, its standing committees, the various task groups, the South African Institute of Chartered Accountants, the Auditor-General South Africa, the Financial Sector Conduct Authority, the Johannesburg Stock Exchange, the South African Reserve Bank, the Prudential Authority, the South African Revenue Service, the auditing firms that support the CFAS with resources and the staff of the Standards Department for their commitment and support in delivering on the mandate of the CFAS.

R Fourie
Chairman

Committee for Auditor Ethics

V Naicker

Members	Number of Meetings Attended	Membership Status
Mr V Naicker	4 of 4	Chairman
Mr S Davies	4 of 4	Deputy Chairman
Ms M Bezuidenhout	4 of 4	Member
Mr A Bulbulia	3 of 4	Member
Ms F Jeeva	4 of 4	Member, appointed from 1 April 2018
Mr R Mahabeer	3 of 4	Member
Mr F Mitchell	3 of 4	Member
Ms L Ratsoma	3 of 4	Member

It gives me pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2018/2019 financial year. The auditing profession has faced a lot of scrutiny, specifically relating to ethical behaviour. Audit failures are caused when auditors fail to exercise professional scepticism and do not act independently of their clients. The CFAE is concerned with the increasing number and the seriousness of these alleged ethics transgressions. The committee has already taken steps to increase the advocacy of the IRBA Code. Additionally, upcoming CFAE projects will consider the committee's responsibility to restore confidence in the profession.

IRBA Code of Professional Conduct (Revised November 2018)

The CFAE focused its activities on the adoption of the IESBA International Code of Ethics (including International Independent Standards) and the restructuring of local South African amendments to the IRBA Code of Professional Conduct (the IRBA Code). These comprehensive changes will address both new requirements, and also engender a better understanding and improvement in the usability of the IRBA Code. As these changes become effective and are applied by registered auditors, it is the CFAE's intention that they will play a part in restoring confidence in the work of registered auditors.

The CFAE is concerned with the increasing number and seriousness of alleged ethics transgressions … and has already taken steps to increase the advocacy of the IRBA Code.

Updates to the IRBA Code continue, in order to address emerging needs aligned with maintaining auditor independence and to keep the South African profession in step with global developments. The CFAE also continues to reflect on the developments in the audit profession in South Africa and considers how these developments impact on the work of the CFAE.

Other CFAE Projects

CFAE task groups supported the following projects of the CFAE by researching emerging ethics issues and developing guidance for auditors:

Restructure of the IRBA Code

The Restructure Task Group is responsible for drafting the South African paragraphs in the IRBA Code in line with the IESBA Restructure Drafting Convention. This project considered input from the following CFAE Task Groups, focusing on final amendments of IESBA Projects:

Structure Phase 1 and Phase 2

The Structure Task Group considered the final amendments made to the IESBA Code and recommended these amendments to the IRBA Board for adoption. These significant changes, if properly implemented by practitioners and firms, will enhance the usability and understandability of the IRBA Code.

Safeguards Phase 1 and Phase 2

The Safeguards Task Group considered the final amendments made to the IESBA Code and recommended these amendments to the IRBA Board for adoption. The changes in the pronouncement enhanced the robustness and prominence of the Conceptual Framework as well as the description of safeguards and consideration of examples of safeguards used in the IRBA Code.

Professional Scepticism and Professional Judgement

The Professional Scepticism and Professional Judgement Task Group considered the final amendments made to the IESBA Code and recommended these amendments to the IRBA Board for adoption. The changes included application guidance on the concepts of professional scepticism and professional judgement in the IRBA Code.

Inducements

The Inducements Task Group considered the final amendments made to the IESBA Code and recommended these amendments to the IRBA Board for adoption. While tracking the global project on inducements, the CFAE considered these amendments of value in light of recent developments in the profession in South Africa. It then recognised that with diligent implementation, the improved conduct of practitioners and firms in this area could have an impact on how the profession restores the public's confidence in its work, and it should also lead to more ethical conduct. These changes relate to the offering and acceptance of inducements in the IRBA Code.

Second Opinions

The Second Opinions Task Group considered amendments to Section 321 of the IRBA Code. This project involved the withdrawal of Circular 01/2006, Giving Second Opinions, issued in November 2006 by the Committee for Auditing Standards (CFAS), and incorporates key concepts from the Circular and other enhancements into the IRBA Code.

Rules Regarding Improper Conduct

The Rules Regarding Improper Conduct Task Group considered and proposed amendments to the IRBA Rules Regarding Improper Conduct. The need for revisions to the Rules is due to the following:

- Recent IRBA disciplinary hearings have brought to light potential improvements in the wording of certain of the Rules.
- Some of the Rules are outdated or no longer required. For example, reference to training contracts can be removed as these are now dealt with by SAICA, and not the IRBA.
- The Rules required some amendments in light of the issuing of the IRBA Code.
- The Auditing Profession Act amendments in 2015 included the regulation of registered candidate auditors. An update to the Rules was required to consider potential investigations of these individuals.

IESBA and National Standard-Setters Meeting

The IRBA maintains contact with the IESBA by attending its meetings, provides written comment on its projects, and meets annually with other national standard setters, under the auspices of the IESBA.

Comment Letters Provided on International Pronouncements

Comment letters were submitted to the IESBA during the year on the following:

- The IESBA's Consultation Paper: IESBA Strategy and Work Plan 2019-2023; and
- The IESBA's Consultation Paper – Professional Scepticism: Meeting Public Expectations.

Outlook

The CFAE has two priorities for the immediate future:

- Awareness raising on the IRBA Code.
- Responding appropriately in its work programme to environmental factors in South Africa, and to any relevant outcomes of the IRBA's other regulatory functions.

Appreciation

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

V Naicker

Chairman

Inspections Committee

E Nyandoro

Members	Number of Meetings Attended	Membership Status
Ms E Nyandoro	4 of 4	Chairman
Ms L du Plessis	1 of 3	Resigned August 2018
Mr Z Rashid	4 of 4	Member
Mr N Ngaka	4 of 4	Member
Mr G Mnguni	3 of 4	Member
Ms E Goodchild	4 of 4	Member
Ms P van der Wouw	3 of 4	Member

It gives me great pleasure to report on the Inspections Committee's (INSCOM) current and strategic activities for the 2018/2019 financial year.

Outcomes for the 2018/2019 Year

In the current year, the IRBA issued inspection reports on a total of 116 (2018: 199) inspections performed at 44 (2018:111) firms. These reports include both firm-wide and individual engagement inspections.

Firm-wide Inspections

The objective of a firm-wide inspection is to inspect the design and implementation of a firm's quality control system in accordance with the International Standard on Quality Control (ISQC) 1, and to prompt remedial action on identified deficiencies.

Depending on the size of the firm, various elements of ISQC 1 are monitored during a firm inspection. A full scope inspection is performed for larger network firms and all elements of ISQC 1 are inspected. For small and medium-sized firms the scope of the inspection is confined to selected elements of ISQC 1. The classification of the firm is done based on the size of the firm as well as the level and extent of public interest in its assurance portfolio.

In the current year, 14 (2018: 11) firm-wide inspections were reported to INSCOM. Of these inspections, three (22%) required no further action; one (7%) required some improvement; nine (64%) required significant improvement; and one (7%) was referred for an investigation to the IRBA's Investigations Department.

There is an increased cause for concern as these results are indicative of systemic quality control deficiencies at some firms and they require urgent attention. More details about firm-wide deficiency themes are reported in the IRBA's Annual Public Inspections Reports.

Engagement Inspections

The objective of an audit file inspection is to inspect the individual auditor's compliance with relevant standards, the ethics code and legislation in performing audit work. These inspections form part of the firm-wide inspections and are used as an indicator of the effectiveness of the firm's quality control system across all audits. Where there is a negative pattern or trend observed, these issues are reported to the firm leadership for prompt remedying as part of the firm's system of quality control and continuous improvement.

In the current year, 102 (2018: 188) individual audit inspections were reported to INSCOM. Of these, 17 (17%) required no further action; 21 (20%) required some improvement; 42 (41%) required significant improvement; and 22 (22%) inspections were referred for an investigation to the Investigations Department.

The frequency of findings in general are still significantly higher compared to the latest global inspections survey results released by the International Forum of Independent Audit Regulators. As such, there is a heightened level of concern, especially in light of the negative audit revelations of the past year. More details about audit deficiency themes are reported in the IRBA's Annual Public Inspections Reports.

To address the trend of undesirable results, the Inspections Department has taken a strategic view to focus on firm leadership in the new cycle.

Communication

The IRBA's latest Public Inspections Report highlights common firm and audit file deficiency themes reported to INSCOM during the 2017/2018 financial year and throughout the Sixth Inspections Cycle. The objective of the report is to promote audit quality at a broader level by highlighting significant themes arising from firm-wide and individual audit file inspections performed by the IRBA.

The report is aimed at auditors and those responsible for quality control systems within firms as well as other relevant stakeholders, such as audit committees, investors, company directors and financial accountants who are responsible for the integrity of financial information. The intention is to assist these stakeholders in their respective roles by encouraging robust discussion with regard to matters affecting audit quality.

The deficiencies identified in the current year bear a stark resemblance to those presented in the 2018, 2017 and 2016 Public Inspections Reports, and the recurring nature of reported deficiency themes is a cause for concern.

The report is available on the IRBA website.

Proactive Approach

Following an analysis of the Sixth Inspections Cycle inspection outcomes, and the past year revealing serious audit failures that have been unfolding in the public domain, INSCOM escalated to the IRBA Board serious concerns about the observed ineffectiveness of certain network firms' systems of quality control and poor audit quality trends during the cycle. Over and above the IRBA's normal inspections and Remedial Action Processes – and as part of its more proactive approach to promote audit quality through transparency and focusing more on leadership – the IRBA Board has tasked the Director Inspections to communicate with the different levels of firm leadership at the firms where there are indications of systemic audit quality deficiencies.

In addition, the IRBA has put in place several measures to help restore confidence in the profession, and this includes specific projects that are being rolled out by the Inspections Department over the short to medium terms. We believe that by working together with stakeholders we can rebuild the trust in the profession.

Seventh Inspections Cycle

Inspections are performed in three-year inspection cycles and the year under review represents the first year of the IRBA's Seventh Inspections Cycle.

In response to the current environment, the Inspections Department continues to strengthen its processes and focus areas, including robust risk-based selections based on business intelligence/risk factors; financial reporting reviews; industry specialisation that comprises information technology (IT) audit; reinforced inspection procedures to address audit quality risks more proactively; increased emphasis on the firm leadership's responsibility for quality control; enhanced reporting; and an enhanced remedial action process.

Inspections continued to focus mostly on audits with a higher public interest exposure, such as audits of listed entities, public interest entities and state-owned companies. This resulted in fewer inspections that took longer to complete due to a broader scope of inspections to address potential systemic risks. As a result, inspectors focused mainly on inspecting the quality of specific components of selected audits rather than the quantity of inspections completed, which is in line with the IRBA's objective to put quality before quantity. Despite the focus on firms and audits with greater public interest, the inspections process also incorporates an element of unpredictability in cases where firms and audits have been selected randomly.

The new cycle introduced a new way of reporting inspection results. Previously, an inspection yielded a satisfactory, unsatisfactory, referral (for an investigation) or conditional result, based on certain specified actions that the practitioner and/or firm needed to implement. The new method of reporting includes the following outcomes:

- No further action required – similar to the previous satisfactory result;
- Some improvement required – similar to the previous conditional satisfactory result;
- Significant improvement required – similar to the previous unsatisfactory result;
- Referral for investigation, with significant improvement required – remains unchanged; and
- INSCOM has included a mechanism ("Pending") to allow for additional information to be considered before determining a final result.

As part of the actions to address the trend of undesirable results, the Inspections Department has taken a strategic view to focus on firm leadership in the new cycle. Inspection reports are being addressed to leadership, and not only to the individual auditors responsible for an audit, to drive a proactive firm-wide response that will impact all engagement partners rather than the specific partners subjected to an inspection. Also, for each inspection performed at a firm, an executive summary report is compiled and issued to leadership, and this will be an easy-to-read view of the themes for each inspection performed at the firm. This also gives audit committees a high-level overview of the deficiency themes reported to firms, enhancing robust dialogue on specific themes affecting a firm's audit quality.

The mandatory remedial action process of the IRBA now plays an even more critical role in identifying the most appropriate follow-up action where deficiencies were reported. These could include a follow-up on the Root Cause Analysis (RCA) and the Remedial Action Plan (RAP); verifying

specific action required by INSCOM; and/or trigger a specific follow-up inspection or follow-up during the next firm-wide inspection.

During the year, the Inspections Department continued with its Remedial Action Process, requiring firms and/or engagement partners that received significant inspection findings to submit their RCA and RAP to the IRBA. In turn, the IRBA assesses these internally and then discusses them with each firm's leadership and/or individual engagement partner to help promote effective remedial action by the firms.

Inspections Process

Inspections of registered auditors (RAs) in South Africa are performed in terms of Section 47 of the Auditing Profession Act, 2005. One of the objects of the Act is to protect the public by regulating audits performed by RAs.

There are two types of regulatory inspections that are performed: inspections of firm-wide systems of quality control and inspections of selected individual audit files.

The Inspections Department follows a risk-based approach when selecting firms and audit files for inspection, and this is in line with international best practice. The risk-based approach is also applied to determine the scope of the inspection and the sections to be inspected within an audit file. The selection of firms and audits is biased towards higher risk audit areas and specific risk indicators, where any deficiencies in these areas could potentially create risks to the public, if not identified or appropriately responded to by the auditor.

Formal Inspections reports are tabled quarterly, on an anonymous basis, before INSCOM. The committee is responsible for determining the final outcome of the inspection and, in particular, whether any further action is required, and that could be a follow-up, specific conditions or an investigation. All members of INSCOM are independent of the audit firms and are competent in financial reporting and auditing.

Appreciation

I wish to extend my sincere appreciation to the Inspections Department for its commitment to the monitoring of auditors in serving the public interest. I am grateful to the committee members for their time and dedication to the inspections process and ensuring that inspection results are fair. I extend my appreciation to audit firms and engagement partners for their co-operation during the inspections process and their commitment to remedy reported deficiencies.

E Nyandoro
Chairman

Investigating Committee

S Masuku

Members	Number of Meetings Attended	Membership Status
Mr S Masuku	6 of 6	Chairman
Mr M Gani	6 of 6	Member
Prof B Stobie	6 of 6	Member
Ms K Govender	2 of 6	Member, term ended on 1 April 2019
Mr A Ndurunduru	4 of 6	Member
Mr B Maasdorp	6 of 6	Member
Ms C Schoeman	6 of 6	Member
Mr R McKaiser	3 of 5	Member, resigned on 26 February 2019
Ms L Tromp	4.of 5	Member
Mr D Mahony	6 of 6	Member

It gives me great pleasure to report on the Investigating Committee's (INVESCO) activities for the 2018/2019 financial year. The committee comprises chartered accountants, attorneys and members with business qualifications.

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

Externally originated complaints are lodged by members of the public or are matters referred by courts or other regulators. Internally originated complaints are raised by the IRBA itself, an example being those arising out of the inspections process, or matters where investigations are initiated by the IRBA as a result of information that comes to its attention, mostly through the media.

A total of 138 new investigations were initiated during the year.

Complaints lodged with the IRBA are required by the Disciplinary Rules to be on an affidavit. This requirement is an indication of the seriousness of lodging a complaint. Furthermore, this is essential when the information is solely within the knowledge of the complainant. The Disciplinary Rules also stipulate that the affidavit should set out clearly what is being complained of.

Once a complaint is received and it is verified that the respondent, at the date of the alleged transgression, was a registered auditor with the IRBA, the complaint is then perused by the Investigations Department's investigators to ascertain whether further information is needed from the complainant, or if specific information is needed from the respondent.

After a preliminary investigation has taken place, the Director Investigations must decide, in terms of Section 48 (1) of the Auditing Profession Act of 2005 (the Act), whether to refer the matter to INVESCO. Most matters will be referred and INVESCO must then investigate the matter in terms of Section 48 (3) of the Act. INVESCO then deliberates on the matters before it and recommends to the Disciplinary Advisory Committee whether to (a) dismiss the matter, (b) impose a monetary and/or non-monetary sanction, or (c) refer it for a disciplinary hearing.

Year under Review

During the year under review 138 new investigations were initiated. This figure represents only matters where case files were opened, and excludes matters resolved on an informal basis, or at an early stage, without the necessity of a case file being opened. These investigations concerned registered auditors from audit firms across the spectrum, from the smallest to the largest firms, and covered various conduct issues.

Investigations Concluded

The committee met six times during the year under review and 91 matters were referred to the Disciplinary Advisory Committee with recommendations.

Appreciation

I commend my fellow committee members for their dedication and professional input, and thank them for their support over the past year.

INVESCO has seen a marked increase in the number of matters referred to it over time. These include a number of high-profile and complex matters, resulting in a strain on the Investigations Department's capacity. The committee sincerely appreciates the level of commitment and dedication of the Director Investigations and her staff, despite the increase in their workload. They have done and continue to do a tremendous amount of work in compiling the matters for the committee's consideration and we would not be able to operate without their well-documented support.

S Masuku
Chairman

Disciplinary Committee

AC Dodson

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

The registered auditors who served on the committee were Messrs S Sooklal, N Russouw and I Akoodie. The non-auditor members were two lawyers, Adv GN Muvangua and Mr LX Pierce; and five chartered accountants, Mesdames RA van Wyk and S Vanker, as well as Messrs A Moosa, H Griffiths and CR Qually.

> During the period under review the committee dealt with three matters, one of which was finalised within the year.

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

Note: Some sessions extended over several days, including Saturdays.

Members	Number of Meetings Attended	Membership Status
AC Dodson SC	7	Chairman
IV Maleka SC	3 (as Chairman)	Vice-Chairman
JMA Cane SC	3 (as Ordinary member)	Vice-Chairman
I Akoodie	3	Member
H Griffiths	10	Member
A Moosa	7	Member
N Muvangua	0	Member
LX Pierce	7	Member
CR Qually	3	Member
N Russouw	0	Member
S Sooklal	10	Member
S Vanker	3	Member
R van Wyk	7	Member

During the period under review the committee dealt with three matters, one of which was finalised within the year. These cases appear below.

First Matter – During July 2018-March 2019 the committee heard and finalised the matter of Mr Jacques Wessels.		
The Charge	**Plea**	**Outcome**
Charge One Failure to comply with S41(6)(b) of the Auditing Profession Act 26 of 2005 (the Act); failure to comply with certain auditing p ronouncements; negligence; and conducted himself in a manner which is improper or discreditable or which tends to bring the profession into disrepute (rules 2.1, 2.5, 2.7 and 2.17 of the Rules regarding Improper Conduct).	Pleaded guilty	Guilty

Charge Two Failure to comply with S45 of the Act; failure to comply with certain auditing pronouncements; negligence; and conducted himself in a manner which is improper or discreditable or which tends to bring the profession into disrepute (rules 2.1, 2.5, 2.7 and 2.17 of the Rules regarding Improper Conduct).	Pleaded guilty	Guilty
Charge Three The practitioner was dishonest in the performance of professional services; failure to comply with the Code of Professional Conduct; negligence; assisted the client to evade tax; and conducted himself in a manner which is improper or discreditable or which tends to bring the profession into disrepute (rules 2.4, 2.6, 2.7, 2.8 and 2.17 of the Rules regarding Improper Conduct).	Pleaded guilty on a qualified basis	Guilty of all the charges
Charge Four The practitioner was dishonest in the performance of his duties; failure to comply with certain pronouncements; and negligence (rules 2.4, 2.5 and 2.7 of the Rules regarding Improper Conduct).	Pleaded guilty on a qualified basis	Guilty of contravening rule 2.4
Charge Five Negligence (rule 2.7 of the Rules regarding Improper Conduct).	Pleaded guilty	Guilty
Charge Six Failure to comply with S41(6)(b) of the Act; failure to comply with certain auditing pronouncements; failure to comply with the Code; and conducted himself in a manner which is improper, or discreditable or which tends to bring the profession into disrepute (rules 2.1, 2.5, 2.6 and 2.17 of the Rules regarding Improper Conduct).	Pleaded guilty on a qualified basis	Guilty of all the charges

Sanction

The Committee ordered the cancellation of the registration of the practitioner and the removal of his name from the register. In addition, the practitioner was ordered to contribute R300 000 towards the IRBA's costs.

In respect of publication, the committee ordered the IRBA to publish, in IRBA News, the practitioner's name, the name of his erstwhile firm, a summary of the charges, findings and sanction imposed on him.

The committee ordered further that the decisions on the charges and on the sanction be released to the media and that the South African Institute of Chartered Accountants be notified of the matter.

Second Matter

During July and October 2018 and January 2019 the committee continued with a part-heard matter. The matter will resume later in 2019 for sanction proceedings.

Third Matter

During September-December 2018 the committee recommenced with a matter against two practitioners concerning the audit of a bank that was placed under curatorship in 2014. The IRBA led its first witness at these sittings and the parties have since agreed to a timetable for the leading of their remaining factual and expert witnesses. This matter was then set to resume for another 41 days during July to December 2019.

Farewell

At the end of this reporting period we bid farewell to three members of the committee, namely, Adv Nyoko Muvangua, Rene van Wyk and Nico Russouw. Both Rene and Nico have served on the committee for 10 years, while Nyoko joined the committee in 2016. I thank the members for their outstanding and diligent service to the profession and to the Disciplinary Committee and wish them well.

Appreciation

On behalf of the committee, I express my sincere gratitude to committee members and the staff in the Legal Department for the exceptionally efficient and effective manner in which they convene, administer and support the proceedings of the Disciplinary Committee.

AC Dodson
Chairman

INDEPENDENT REGULATORY BOARD FOR AUDITORS

PART F

FINANCIAL INFORMATION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the IRBA as at 31 March 2019.

Auditor-General

Report of the Audit and Risk Management Committee (ARMCO)

Statement of Responsibility

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

Audit and Risk Management Committee Report

We are pleased to present the report for the financial year ended 31 March 2019.

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

Also, the committee assists the Board in fulfilling its responsibilities of risk management by ensuring that management identifies and addresses significant risks affecting its strategic objectives, and those associated with the environment within which the IRBA operates.

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

During this reporting year three meetings were held. Meeting attendance appears on page 24.

Committee Responsibility

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

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

Effectiveness of Internal Control

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

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

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

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance. It has delegated certain aspects of its authority that pertain to risk management to ARMCO.

The risk management policy ensures that the IRBA identifies and manages strategic, operational and, where relevant, project risks. In terms of the risk management policy, a risk plan must be prepared and linked to the risk register as well as back to the objectives of the IRBA. The Risk Governance Framework is based on the IRBA's maturity profile in terms of risk.

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

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

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

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

Information and Communication Technology (ICT)

One of the committee's responsibilities is the governance of information and communication technology. Its mandate is to ensure proper and appropriate governance of ICT within the IRBA through the creation and implementation of a suitable governance framework, in line with the principles and practices of corporate governance put forward in the ICT Policy.

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

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

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

Quarterly Reports

Management has submitted monthly reports to MANCO and quarterly reports to the Board and Executive Authority.

Evaluation of Financial Statements

The committee has:

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

In addition, the committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Internal Audit

During the previous year the committee was not satisfied with the quality of service provided by the internal audit service provider. The IRBA received approval in October 2018 to share internal audit services with National Treasury.

The following internal audit work was completed during the year under review:

- Review of the Contract Management process;
- Review of Critical Financial Reporting Controls;
- Review of the Investigations Process; and
- Performance Information Audit.

External Audit

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

Going Concern

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

Appreciation

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

Z Ntsalaze

Chairman

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

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Independent Regulatory Board for Auditors (IRBA), set out on pages 55-82, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the IRBA as at 31 March 2019, and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the IRBA, in accordance with Sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), Parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary information

7. The supplementary information set out on page 83 does not form part of the financial statements and is presented as additional information. I have not audited this information and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the IRBA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the appropriate governance structure either intends to liquidate the IRBA or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the Audit of the Annual Performance Report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic focus areas presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the IRBA. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic focus areas presented in the annual performance report of the IRBA for the year ended 31 March 2019:

Strategic focus areas	Pages in the annual performance report
Strategic focus area 1: Auditing and Ethics Standards	19
Strategic focus area 2: Education and Transformation	20
Strategic focus area 3: Inspections	21
Strategic focus area 4: Investigations	21

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for these strategic focus areas:

- Strategic focus area 1: Auditing and Ethics Standards
- Strategic focus area 2: Education and Transformation
- Strategic focus area 3: Inspections
- Strategic focus area 4: Investigations

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 19-22 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

Adjustment of misstatement

19. I identified an overstatement in the annual performance report submitted for auditing in respect of Strategic focus area 2: Education and Transformation. Due to a different basis of calculating the performance target, management had inadvertently reported that the target was overachieved at 102%, while a different basis of calculation indicates an overachievement of 92% against the target of 90%. The reasons for the overachievement were not documented. As there was no breakdown of controls, and as the misstatement had subsequently been corrected by management, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the Audit of Compliance with Legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the IRBA with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other Information

22. The IRBA's accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Board chairperson's foreword and the chief executive officer's overview. The other information does not include the financial statements, the auditor's report and those

selected strategic focus areas presented in the annual performance report that have been specifically reported in this auditor's report.

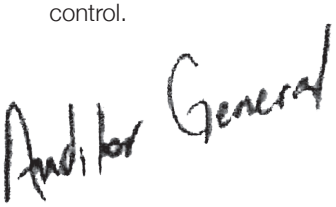
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic focus areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

25. I have nothing to report in this regard.

Internal Control Deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.



Pretoria

31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the IRBA's compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the financial statements, as described in this auditor's report, I also:
   - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IRBA's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority which constitutes the accounting authority.
   - Conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IRBA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the IRBA to cease continuing as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with Those Charged with Governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Independent Regulatory Board for Auditors
Annual Financial Statements

Index

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

Contents

Accounting Authority's Responsibilities and Approval	**60**
Report of the Accounting Authority	**61**
Statement of Financial Position	**64**
Statement of Financial Performance	**65**
Statement of Changes in Net Assets	**66**
Cash Flow Statement	**67**
Statement of Comparison of Budget and Actual Amounts	**68**
Accounting Policies	**69**
Notes to the Annual Financial Statements	**75**

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income Statement	**83**

Accounting Authority's Responsibilities and Approval

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

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

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

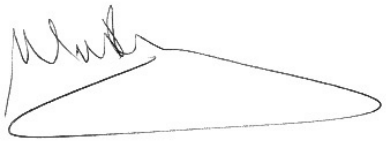
The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and places considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, it sets standards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

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

The accounting authority has reviewed the IRBA's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, it is satisfied that the IRBA has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 55-58.

The annual financial statements set out on pages 61-83, which have been prepared on the going concern basis, were approved by the accounting authority on 30 July 2019 and were signed on its behalf by:



M Janse van Rensburg

Acting Chairman

Report of the Accounting Authority

The accounting authority submits its report for the year ended 31 March 2019.

1. Introduction

The accounting authority presents its report, which forms part of the Annual Financial Statements of the IRBA for the year ended 31 March 2019, to the Minister of Finance, the Executive Authority, in terms of Section 55 (1)(d) of the Public Finance Management Act (Act 1 of 1999) as amended (PFMA).

2. Principle Activities of the IRBA

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

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

3. Analysis of Financial Statements

3.1 Revenue

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

Revenue from exchange transactions

Revenue from exchange transactions primarily comprises registration, license and training contract fees. Income from training contracts decreased to R7.3 million from R8.9 million as 914 less training contracts were registered. The annual license fees payable by registered auditors increased to R23.3 million from R22.0 million.

Revenue from non-exchange transactions

During the year under review, the IRBA received government grants amounting to R40.9 million (2018: R39.6 million). The funding from National Treasury was primarily used to ensure delivery on the IRBA's mandate in terms of the Act.

Firm fees increased to R37.7 million from R33.3 million primarily due to the increase in high-risk assurance work fees declared by audit firms.

3.2 Expenses

Operating expenses increased to R131.4 million from R115.1 million, representing an increase of 14%. This was mainly due to the increase in disciplinary and investigation expenses, (set off by a number of savings and the reduction of activities as explained below).

Increased expenditure:

- Total employment costs increased by 1.57% due to most vacant positions being filled. Salaries increased by an average of 6.78%, including a structural adjustment of 0.01% required to offer more market-related salaries to employees.
- Disciplinary hearing expenses increased by R14.4 million due to an increase in high-profile cases.
- Committee expenses increased by R1.2 million due to more disciplinary hearing days. Savings:
- Placement fees decreased by R0.3 million due to a stable workforce and fewer new position appointments during the year.
- Overseas travel decreased by R0.4 million due to more economical flights and accommodation being used for international stakeholder meetings.
- Auditors' fees decreased by R0.5 million due to no fees having been paid for internal auditor services as this is now provided by National Treasury's internal audit service.

3.3 Assets

The procurement of assets was limited to the replacement of computers, leasehold improvements funded mostly from a tenant allowance from the renewal of the lease contract) as well as furniture and fittings.

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

The cash balance decreased to R17.7 million from R32.6 million. Restricted cash remained constant at R10 million.

3.4 Liabilities

Payables from exchange transactions consist of trade payables of R2.6 million, accruals of R2.0 million and an accrual for leave pay of R1.7 million.

3.5 Deficit

In 2017, National Treasury adjusted its budget allocation to the IRBA, in accordance with austerity measures across the public sector. Accordingly, the IRBA secured permission from National Treasury to utilise accumulated reserves in order to fund its budgeted annual deficits. In the current year, the final budgeted deficit was R28.6 million, with an actual deficit of R12.0 million (2018: Deficit R1.2 million). (The savings in staff costs is from positions and performance bonuses that were not paid and disciplinary hearings that did not take place as planned.)

3.6 Reserves

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

- The Trust Fund was established in 2010 as prescribed by the Minister of Finance and it has R10 million, representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets.
- The contingency fund for disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen, exceptional disciplinary costs.
- The contingency fund for operational working capital requirements was established to accumulate funds for the IRBA's short-term working capital requirements, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at approximately three months' operational expenditure.

3.7 Budget

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

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

The final budget was approved by the Board, with a deficit of R28.6 million. National Treasury approved that the IRBA can retain its accumulated surplus of R14.5 million as at 31 March 2018 for specific projects. These projects were included in the budget of the subsequent two years. The approved accumulated reserves to be retained were therefore used against the budgeted deficit to achieve breakeven, as disclosed in the Statement of Comparisons of Budget and Actual Amounts.

4. Accounting Authority

		Board Members' Term	Term extended
A Dlamini	(Chairman)	May 17 – May 19	Up to 10 May 2020
M Janse van Rensburg	(Deputy Chairman)	May 17 – May 19	Up to 10 May 2020
T Pillay		April 15 – April 19 (Resigned – 30 June 2018)	
J Lesejane		December 16 – November 18 (Resigned – 31 May 2018)	
M More		December 16 – November 18 (Term ended)	
NT Mashile		May 17 – May 19	Up to 10 May 2020
MI Motala		May 17 – May 19	Up to 10 May 2020
MA Petros		May 17 – May 19	Up to 10 May 2020
Z Ntsalaze		May 17 – May 19	Up to 10 May 2020

5. Ministerial Representative

The person in the position of the Accountant-General represents the Minister.

6. Business and Registered Address

Physical address
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

Postal address
IRBA
P O Box 8237
Greenstone
1616

7. Bank

Standard Bank of South Africa

8. Auditors

Auditor-General South Africa

Statement of Financial Position

as at 31 March 2019

Figures in Rand	Notes	2019	2018
Assets			
Current Assets			
Inventories		132 340	162 034
Loans receivable	7	275 660	357 191
Receivables from exchange transactions	8	2 327 906	1 930 295
Receivables from non-exchange transactions	9	2 504 859	2 819 623
Cash and cash equivalents	10	17 687 345	32 603 714
		22 928 110	37 872 857
Non-Current Assets			
Plant and equipment	3	4 567 616	3 133 100
Intangible assets	4	1 632 811	1 941 174
Restricted cash	6	10 000 000	10 000 000
		16 200 427	15 074 274
Total Assets		39 128 537	52 947 131
Liabilities			
Current Liabilities			
Operating lease liability	5	250 000	45 678
Payables from exchange transactions	11	6 246 424	8 939 401
		6 496 424	8 985 079
Non-Current Liabilities			
Operating lease liability	5	661 287	4 617
Total Liabilities		7 157 711	8 989 696
Net Assets		31 970 826	43 957 435
Reserves			
Trust Fund		10 000 000	10 000 000
Contingency Fund – Disciplinary Cases		14 499 554	13 415 751
Contingency Fund – Operational		6 427 949	6 004 598
Accumulated surplus		1 043 323	14 537 086
Total Net Assets		31 970 826	43 957 435

Statement of Financial Performance

for the year ended 31 March 2019

Figures in Rand	Notes	2019	2018
Revenue	13	109 670 197	94 808 751
Operating expenses		(131 416 293)	(115 072 205)
Operating deficit	14	**(15 273 930)**	**(5 402 008)**
Investment revenue		3 287 321	4 184 088
Deficit for the year		**(11 986 609)**	**(1 217 920)**

Statement of Changes in Net Assets

for the year ended 31 March 2019

Figures in Rand	Trust Fund	Contingency Fund – Disciplinary Cases	Contingency Fund – Operations	Total Reserves	Accumulated Surplus	Total Net Assets
Balance at 01 April 2017	**10 000 000**	**12 610 598**	**5 894 721**	**28 505 319**	**16 670 036**	**45 175 355**
Changes in net assets						
Deficit for the year	-	-	-	-	(1 217 920)	(1 217 920)
Transfer to contingency fund: Disciplinary cases	-	805 153	-	805 153	(805 153)	-
Transfer from contingency fund: Operational	-	-	109 877	109 877	(109 877)	-
Total changes	-	805 153	109 877	915 030	(2 132 950)	(1 217 920)
Balance at 01 April 2018	**10 000 000**	**13 415 751**	**6 004 598**	**29 420 349**	**14 537 086**	**43 957 435**
Changes in net assets						
Deficit for the year	-	-	-	-	(11 986 609)	(11 986 609)
Transfer to contingency fund: Disciplinary cases	-	1 083 803	-	1 083 803	(1 083 803)	-
Transfer from contingency fund: Operational	-	-	423 351	423 351	(423 351)	-
Total changes	-	1 083 803	423 351	1 507 154	(13 493 763)	(11 986 609)
Balance at 31 March 2019	**10 000 000**	**14 499 554**	**6 427 949**	**30 927 503**	**1 043 323**	**31 970 826**

Cash Flow Statement

for the year ended 31 March 2019

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Receipts			
Cash receipts from registered auditors and other sources		116 368 865	109 931 091
Interest income		3 287 321	4 184 088
		119 656 186	**114 115 179**
Payments			
Cash paid to suppliers and employees		(132 079 128)	(110 923 877)
Net cash flows (utilised by)/generated from operating activities	16	**(12 422 942)**	**3 191 302**
Cash flows from investing activities			
Purchase of plant and equipment	3	(2 496 985)	(880 234)
Proceeds from sale of plant and equipment	3	1 899	147 271
Purchase of other intangible assets	4	(79 872)	(285 414)
Net cash flows utilised by investing activities		**(2 574 958)**	**(1 018 377)**
Cash flows from financing activities			
Movement in loans receivable		81 531	13 943
Net (decrease)/increase in cash and cash equivalents		**(14 916 369)**	**2 186 868**
Cash and cash equivalents at the beginning of the year		32 603 714	30 416 846
Cash and cash equivalents at the end of the year	9	**17 687 345**	**32 603 714**

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2019

Figures in Rand	Final Approved Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual
Statement of Financial Performance			
Revenue			
Revenue from exchange transactions			
Revenue from regulatory functions	34 856 960	33 660 081	(1 196 879)
Other income	88 504	260 549	172 045
Interest received	3 283 442	3 287 321	3 879
Total revenue from exchange transactions	**38 228 906**	**37 207 951**	**(1 020 955)**
Revenue from non-exchange transactions			
Government grant	40 874 000	40 874 000	-
Revenue from regulatory functions	41 546 536	41 347 687	(198 849)
Total revenue from non-exchange transactions	**82 420 536**	**82 221 687**	**(198 849)**
Total revenue	**120 649 442**	**119 429 638**	**(1 219 804)**
Expenditure			
Personnel	(92 364 570)	(83 263 089)	9 101 481
Depreciation and amortisation	(1 801 564)	(1 448 852)	352 712
Lease of building	(5 956 000)	(5 954 025)	1 975
Debt impairment	-	149 518	149 518
Committee expenses	(5 639 598)	(3 467 707)	2 171 891
General expenses	(10 576 483)	(7 823 455)	2 753 028
Direct expenses	(24 138 442)	(22 818 835)	1 319 607
Departmental expenses	(8 740 707)	(6 789 848)	1 950 859
Total expenditure	**(149 217 364)**	**(131 416 293)**	**17 801 071**
Actual Deficit on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(28 567 922)**	**(11 986 609)**	**16 581 313**
Approved accumulated reserves to be retained	28 567 922	12 509 058	(16 058 864)
	-	**522 449**	**522 449**

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

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

Impairment testing

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

Determination of useful lives for plant and equipment

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

Effective interest rate

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

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

Adequacy of the leave pay provision

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

1.3 Plant and equipment

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

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

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

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

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

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

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

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

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

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

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

1.5 Financial instruments

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from a Statement of Financial Position.

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

A financial asset is:

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

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

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

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

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

Classification

The IRBA has the following types of financial assets (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

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

The IRBA has the following types of financial liabilities (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

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

Initial recognition

The IRBA recognises a financial asset or a financial liability in its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The IRBA recognises financial assets using trade date accounting.

Derecognition

Financial assets

The IRBA derecognises financial assets using trade date accounting.

The IRBA derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The IRBA transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The IRBA, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the IRBA:
  - Derecognises the asset; and
  - Recognises separately any rights and obligations created or retained in the transfer.

Financial liabilities

The IRBA removes a financial liability (or part of a financial liability) from its Statement of Financial Position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

Presentation

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

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

1.6 Leases

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

Operating leases – lessee

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

1.7 Employee benefits

Employee benefits are all forms of consideration given by the IRBA in exchange for services rendered by employees. Termination benefits are employee benefits payable as a result of either:

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

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

1.8 Revenue from exchange transactions

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

Measurement

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

Revenue from regulatory functions

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

1.9 Revenue from non-exchange transactions

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

1.10 Investment income

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

1.11 Irregular expenditure

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

(a) This Act; or

(b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) Any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

1.12 Budget information

The Statement of Comparison of Budget and Actual Information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.13 Related parties

The IRBA is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the IRBA to have adopted if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the IRBA is exempt from the disclosures in accordance with the above, the IRBA discloses narrative information about the nature of the transactions and the related outstanding balances to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.14 Reserves

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

Contingency Fund – Disciplinary Cases

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

Contingency Fund – Operational

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

Trust Fund

This fund was established to ring-fence the capital proceeds of the sale in 2010 of a building previously owned by the IRBA, as prescribed by the Minister of Finance. The interest income on the funds in the trust is used for the development of previously disadvantaged students who aspire to become registered auditors, and to raise awareness of the auditing profession at various levels. The capital may be used for high-profile disciplinary cases.

Figures in Rand

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The IRBA has not applied the following standards and interpretations, which have been published and are mandatory for the IRBA's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
• GRAP 104 (revised): Financial Instruments	No effective date has been determined by the Minister of Finance	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted, as it has been used to inform current disclosures.
• GRAP 108: Statutory Receivables	01 April 2019	The impact on the financial results and disclosure is considered to be minimal when the Standard is adopted, as it has been used to inform current disclosures.

3. Plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	3 110 543	(2 518 617)	591 926	3 003 623	(2 382 099)	621 524
Motor vehicles	315 783	(126 313)	189 470	315 783	(63 157)	252 626
Computer equipment	7 177 581	(4 691 403)	2 486 178	5 733 102	(4 039 647)	1 693 455
Leasehold improvements	6 374 094	(5 074 052)	1 300 042	5 430 408	(4 864 913)	565 495
Total	**16 978 001**	**(12 410 385)**	**4 567 616**	**14 482 916**	**(11 349 816)**	**3 133 100**

Reconciliation of plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	621 524	108 819	(1 853)	(136 564)	591 926
Motor vehicles	252 626	-	-	(63 157)	189 469
Computer equipment	1 693 455	1 444 480	-	(651 757)	2 486 178
Leasehold improvements	565 495	943 686	-	(209 139)	1 300 042
	3 133 100	**2 496 985**	**(1 853)**	**(1 060 617)**	**4 567 615**

Reconciliation of plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation/ changes in accounting estimate	Total
Furniture and fixtures	573 520	190 960	(12 881)	(130 075)	621 524
Motor vehicles	341 803	-	(23 852)	(65 325)	252 626
Computer equipment	1 737 932	607 505	(14 032)	(637 950)	1 693 455
Leasehold improvements	628 844	81 769	-	(145 118)	565 495
	3 282 099	**880 234**	**(50 765)**	**(978 468)**	**3 133 100**

Figures in Rand

4. Intangible assets

Figures in Rand	2019 Cost	2019 Accumulated amortisation	2019 Carrying value	2018 Cost	2018 Accumulated amortisation	2018 Carrying value
Computer software and development cost	**6 043 431**	**(4 410 620)**	**1 632 811**	**5 963 559**	**(4 022 385)**	**1 941 174**

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	**1 941 174**	**79 872**	**(388 235)**	**1 632 811**

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Amortisation/ changes in accounting estimate	Total
Computer software and development cost	**2 099 427**	**285 414**	**(443 667)**	**1 941 174**

5. Operating leases

	2019	2018
Non-current liabilities	1 748 320	2 075 070
Current liabilities	(1 702 539)	(3 281 170)
	(911 287)	**(50 295)**
Total lessor incentive	(583 333)	(45 678)
Less: Current liabilities	250 000	45 678
Lessor incentive	(333 333)	-
Operating lease accrual	(327 954)	(4 617)
	(661 287)	**(4 617)**

The lessor gave an incentive on the extension of the lease. The incentive is set off against the rent payable over the term of the lease. The lease payment has an annual escalation of 8%.

The previous lease was extended in the current year for an additional three years.

6. Restricted cash

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

7. Loans receivable

At beginning of the year	357 191	371 134
(Repayments)/Advances	(81 531)	(13 943)
	275 660	**357 191**

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

Figures in Rand	2019	2018

8. Receivables from exchange transactions

Trade debtors	1 233 940	1 713 500
Prepaid expenses	1 096 577	217 643
Sundry – other	-	1 891
Less: Impairment provision	(2 611)	(2 739)
	2 327 906	**1 930 295**

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Trade and other receivables past due but not impaired

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

1 month past due	909 240	1 248 490
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(2 739)	(13 095)
Provision for impairment	128	10 356
	(2 611)	**(2 739)**

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance.

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

9. Receivables from non-exchange transactions

Fines, penalties and legal cost recoveries outstanding	2 457 853	2 773 842
Assurance fees debtors	1 600 154	1 748 320
Less: Impairment provision	(1 553 148)	(1 702 539)
	2 504 859	**2 819 623**

Receivables from non-exchange transactions pledged as security

Trade and other receivables are not pledged as security.

Receivables from non-exchange transactions past due but not impaired

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

1 month past due	963 173	932 685
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(1 702 539)	(3 281 170)
Provision for impairment	149 391	1 578 631
	(1 553 148)	**(1 702 539)**

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance.

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

Figures in Rand	2019	2018

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 288	5 218
Bank balances	16 796 281	31 713 720
12-Month Term Deposit	884 776	884 776
	17 687 345	**32 603 714**

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

Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Contingency Fund - Disciplinary Cases, R14 499 554 (2018: R13 415 751); and Contingency Fund - Operational,

R6 427 949 (2018: R6 004 598). The shortage in cash resources to fund these reserves will be funded from working capital.

The IRBA maintains an operating cash float of up to R10.3 million in its current account and call deposit account. The rest is invested in a Reserve Bank CPD account, as instructed by National Treasury.

12-Month Term Deposit

An amount of R884 776 (2018: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises.

11. Payables from exchange transactions

Trade payables	2 559 159	4 820 555
Accrued leave pay	1 681 707	1 558 216
Other accruals	1 528 993	2 223 235
Registration application fees	476 565	337 395
	6 246 424	**8 939 401**

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

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

12. Financial instruments

Financial assets at amortised cost

Loans receivable	275 660	357 191
Trade and other receivables from exchange transactions	1 231 329	1 712 652
Trade and other receivables from non-exchange transactions	2 504 859	2 819 623
Cash and cash equivalents	17 687 345	32 603 714
	21 699 193	**37 493 180**

Financial liabilities at amortised cost

Trade and other payables from exchange transactions	**6 246 424**	**8 939 401**

Figures in Rand	2019	2018

13. Revenue

Government grants	40 874 000	39 624 000
Revenue from regulatory functions – exchange	33 660 081	33 633 125
Revenue from regulatory functions – non-exchange	41 347 687	35 995 632
Other income	260 595	417 440
	116 142 363	**109 670 197**
The amounts included in revenue from regulatory functions (exchange transactions) are as follows:		
License fees	23 310 926	22 026 875
Monitoring fees	603 260	558 570
Proficiency test fees	7 880	19 462
Registration fees	2 476 214	2 144 228
Training contracts and levies	7 261 801	8 883 990
	33 660 081	**33 633 125**
The amounts included in revenue arising from regulatory functions (non-exchange transactions) are as follows:		
Contributions to disciplinary and investigation expenses	1 154 815	120 000
Sanctions for improper conduct	2 510 000	2 550 001
Firm fees	37 682 872	33 325 631
	41 347 687	**35 995 632**

14. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Building		
• Lease rentals on operating lease	5 954 025	5 348 065
Net gain/(loss) on sale of plant and equipment	46	96 507
Amortisation of intangible assets	388 235	443 667
Depreciation on plant and equipment	1 060 617	978 468
Employee costs	83 263 089	81 974 050

15. Bad debts

Bad debts	-	980 304
Reduction to debt impairment provision	(149 518)	(963 988)
	(149 518)	**16 316**

Figures in Rand	2019	2018
16. Auditors' remuneration		
Auditors' remuneration – internal	-	366 691
Auditors' remuneration – external	952 728	1 105 612
	952 728	**1 472 303**
17. Cash used in operations		
Deficit	(11 986 609)	(1 217 920)
Adjustments for:		
Depreciation and amortisation	1 448 852	1 422 135
Net (profit)/loss on sale of assets	(46)	(96 507)
Debt impairment	(149 518)	16 316
Movements in operating lease	656 670	76 244
Changes in working capital:		
Inventories	29 694	(5 184)
Receivables from exchange transactions	(397 611)	(586 624)
Impairment provision	149 518	(16 316)
Other receivables from non-exchange transactions	314 764	786 957
Trade and other payables from exchange transactions	(2 488 656)	2 812 201
	(12 422 942)	**3 191 302**
18. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	6 546 240	1 832 984
– in second to fifth year inclusive	10 049 185	-
	16 595 425	**1 832 984**

19. Contingencies

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The total accumulated surplus amounts to R1 043 323, as disclosed in the financial statements for the year ended 31 March 2019.

20. Related parties

Relationships

Members of key management	Refer to note 21 for the disclosure of key management's and Board members' remuneration

Figures in Rand

21. Key management and Board members' remuneration

Key management
2019

	Annual remuneration	Long Service Award	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	3 267 554	272 361	284 289	17 040	3 841 244
PJ O'Connor, Director: Legal (Resigned July 2018)	2 757 457	-	79 472	4 300	2 841 229
I Vanker, Director: Standards	2 324 878	-	148 855	12 900	2 486 633
WH de Jager, Director: Operations (Resigned July 2018)	664 378	-	56 843	4 300	725 521
I Nagy, Director: Inspections	2 327 878	-	148 855	12 900	2 489 633
J Bailey, Director: Investigations	1 969 687	-	168 521	168 521	2 151 108
RP Zwane, Director: Education and Transformation (Resigned September 2018)	894 272	-	71 619	6 450	972 341
Nitasha Naicker, Director: Operations (Appointed October 2018)	962 608	-	82 358	5 921	1 050 887
	15 168 712	**272 361**	**1 040 812**	**76 711**	**16 558 596**

2018

	Annual remuneration	Performance bonuses	Contributions to retirement fund	Telephone allowance	Total
BP Agulhas, CEO	3 322 799	1 071 900	308 675	16 140	4 719 514
PJ O'Connor, Director: Legal	1 675 670	20 370	239 819	12 240	1 948 099
I Vanker, Director: Standards	2 207 862	216 440	153 487	12 240	2 590 029
WH de Jager, Director: Operations	1 903 666	188 370	176 843	12 240	2 281 119
I Nagy, Director: Inspections	2 210 862	216 440	153 487	12 240	2 593 029
J Bailey, Director: Investigations	1 828 270	188 370	169 839	12 240	2 198 719
RP Zwane, Director: Education and Transformation	1 679 386	188 370	146 033	12 240	2 026 029
	14 828 515	**2 090 260**	**1 348 183**	**89 580**	**18 356 538**

Figures in Rand	2019	2018

21. Key management and Board members' remuneration *(continued)*

Board members' fees		
A Dlamini	18 390	40 670
M Janse van Rensburg	95 024	71 700
T Pillay	24 170	36 376
J Lesejane	15 310	89 656
MI Motala	100 100	46 200
NT Mashile	44 300	41 896
MA Petros	62 020	37 800
Z Ntsalaze	51 760	37 800
	411 074	**402 098**

22. Risk management

Financial risk management

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

Liquidity risk

The IRBA's liquidity risk arises from the funds that are available to cover future commitments. The IRBA manages liquidity risk through an ongoing review of future commitments, timely invoicing and collections.

Credit risk

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

Interest rate risk

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

23. Going concern

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

24. Events after the reporting date

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

Detailed Income statement

Figures in Rand	Notes	2019	2018
Revenue			
Government grants		40 874 000	39 624 000
Other income		260 595	417 440
Revenue from regulatory functions – exchange		33 660 081	33 633 125
Revenue from regulatory functions – non-exchange		41 347 687	35 995 632
		116 142 363	**109 670 197**
Other income			
Interest received		3 287 321	4 184 088
Operating expenses			
Audit Development Programme assessments		(124 240)	(289 242)
Auditors' remuneration	16	(952 728)	(1 472 303)
Bad debt	15	149 518	(16 316)
Building operating expenses		(2 207 492)	(1 925 649)
Committee expenses		(3 467 707)	(2 132 578)
Computer expenses		(3 148 719)	(2 624 348)
Consulting and professional fees		(361 048)	(409 259)
Depreciation, amortisation and impairments		(1 448 852)	(1 422 135)
Disciplinary and investigation expenses		(22 814 300)	(8 378 401)
Employee costs		(83 263 089)	(81 974 050)
Insurance		(188 610)	(272 545)
Lease of building		(5 954 025)	(5 348 065)
Other expenses		(1 653 182)	(1 829 794)
Placement fees		(1 095 553)	(782 410)
Printing and stationery		(421 025)	(386 432)
Proficiency tests		(18 386)	(18 404)
Public relations		(283 382)	(218 537)
Publications		(121 746)	(192 025)
Raising awareness and branding		(533 731)	(701 633)
Staff welfare		(770 698)	(1 444 513)
Travel - local		(1 126 194)	(1 257 751)
Travel - overseas		(1 579 950)	(1 937 233)
Workman's compensation		(31 154)	(38 582)
		(131 416 293)	**(115 072 205)**
Deficit for the year		**(11 986 609)**	**(1 217 920)**

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

Notes

www.irba.co.za

Physical address: Building 2, Greenstone Hill Office Park
Emerald Boulevard, Modderfontein, 1609

Postal address: PO Box 8237, Greenstone 1616

Telephone: 087 940 8800
Fax: 087 940 8873/4/5/6/7/8

RP: 239/2019
ISBN: 978-0-621-47550-0