IRBA briefing

Joint Sitting of

Standing Committee on Finance
Standing Committee on Public Accounts
Portfolio Committee on Public Service and Administration

31 January 2018
Background

• Three previous visits to parliament to present to SCoF
  – November 2016 – on Annual Report and Consultation Process on Strengthening Auditor Independence
  – March 2017 – Mandatory Audit Firm Rotation Update on Consultation
  – October 2017 – Update on the status of high profile cases
• January 2018 – Steinhoff matter
• First time presenting to SCOPA and PCPSA
INTRODUCTION TO THE IRBA
Strategic focus

Protect the financial interest 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 ethical standards.
IRBA Objectives
Role of the IRBA

<table>
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<tr>
<th>Role</th>
<th>Description</th>
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<tr>
<td>High-quality audits.</td>
<td>To provide auditors with a Code that is consistent with International Codes and also enables the IRBA to take disciplinary action where necessary.</td>
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<td>To ensure that the environment is conducive to the development of audit competence.</td>
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<td>To ensure compliance with the Accreditation Model.</td>
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<td>Compliance of firms (including their individually registered auditors) with the auditing and ethical standards.</td>
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<td>Public trust in the profession.</td>
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<td>Financial sustainability to deliver on the mandate.</td>
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Regulatory Powers

- Auditing Profession Act 26 of 2005 (APA)
- Power to initiate investigations within its jurisdiction based on prima facie concerns (*mero motu*)
- Powers to make rules, conduct inspections and investigations and apply disciplinary measures arises from section 4(1) (a) of the APA
Auditor Investigation Process

- **Receipt of Complaint**
  - Complaints are received from members of the public, other regulators, the courts, the Inspections Committee, departments within the IRBA, or may be self-initiated.

- **Investigation**
  - Complaints are investigated if there is prima facie evidence of improper conduct on the part of a registered auditor.

- **Investigating Committee**
  - After considering the evidence before it, the Investigating Committee makes a recommendation to the Disciplinary Advisory Committee.

- **Disciplinary Advisory Committee**
  - The Disciplinary Advisory Committee ultimately decides on the matter referred by the Investigating Committee. The decision will be one of the following three options:

- **Matter is not prosecuted**
  - Matter is referred for a disciplinary hearing

- **Matter is prosecuted via consent order**
Status of Deloitte / Steinhoff Investigation

- December 2017 – mero motu case opened into the audits of Steinhoff 2014, 2015, 2016 and initial investigation letter issued to Deloitte on 14 December 2017
- January 2018 – Deloitte provides response
- February 2018 – Investigation to commence
What we are doing

• Manage risk of loss of confidence in the profession
• Focusing capacity on high profile cases
• Doubled investigations resources
• Enforce cooperation with the IRBA and act on non-cooperation
• Revision to sanctions approach and penalties
• Amendments to APA submitted to National Treasury
• Cooperating with other regulators for assistance in investigations
## Current initiatives of the IRBA

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<tr>
<th>Individual Auditors</th>
<th>Firms</th>
<th>The Audit Product</th>
<th>The User</th>
<th>The Beneficiary</th>
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<tbody>
<tr>
<td>Review of curriculum / ADP / skills / competencies</td>
<td>Appropriate sanctions</td>
<td>Audit Quality Indicators</td>
<td>Addressing secondary listing oversight</td>
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<td>CPD and life-long learning programmes</td>
<td>Transparency Reports</td>
<td>ISQC1 Reviews</td>
<td>Mandatory Audit Firm Rotation (MAFR)</td>
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<td>Appropriate sanctions</td>
<td>ISA220 Responsibilities Review</td>
<td>Engagement partner accountability</td>
<td>Transparency Reports</td>
<td>Amendments to APA</td>
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<td>ISQC1 Reviews</td>
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<td>Review of standards related to recent cases</td>
<td>Strengthening audit committees</td>
<td>Comprehensive Regulation</td>
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<td>Audit-only firms to increase independence</td>
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<td>Address governance issues</td>
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THANK YOU