

IFIAR 2020 Member Profile – IRBA

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Republic of South Africa
2. Member¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Independent Regulatory Board for Auditors (IRBA)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Building 2, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, 1616 (Street address) P O Box 8237, Greenstone, 1616 (Postal address)</p> <p>Tel.: +27 87 940 8800 Fax: +27 87 940 8868 Email: Board@irba.co.za Website: www.irba.co.za</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The Independent Regulatory Board for Auditors (IRBA) was established in terms of Section 3 of the Auditing Profession Act, 2005, (Act 26 of 2005), (the APA) and came into effect on 1 April 2006. The objects of the Act as set out in Section 2 of the Act are as follows:</p> <ul style="list-style-type: none"> ➤ To protect the public in the Republic by regulating audits performed by registered auditors; ➤ To provide for the establishment of an Independent Regulatory Board for 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;

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<ul style="list-style-type: none"> ➤ 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. <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>In response to the recent failures in the auditing profession, the IRBA, as a proactive regulator, embarked on a legislative process to strengthen its regulatory powers through amendments to the Auditing Profession Act 26 of 2005 (APA). These amendments were included in the Financial Matters Amendment Bill. This step was necessary to ensure that the IRBA’s primary mandate of protecting the investing public’s interest is relevant and effective.</p> <p>As of February 2020, the Chief State Law Advisor certified the Bill to Parliament, and it is in the process of being legislated. A summary of the amendments is as follows:</p> <ul style="list-style-type: none"> • No auditors in public practice can serve on the governing structure of the IRBA, thus strengthening independent regulation in the public interest. • Clients cannot dismiss their auditor while the auditor is in the process of reporting a reportable irregularity, thereby strengthening the independence of the auditor and facilitating the reporting of irregularities. • The Investigating Committee has the power of subpoena, search and seizure to facilitate speedier investigations. • The limitation on maximum fines has been removed. <p>The disciplinary process has been simplified to facilitate a speedier response to auditors who have been referred for a hearing.</p>
3. Governing Body Composition and members	3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The Auditing Professions Act, 2005, requires that the Board consists of not less than six but not more than 10 members who are appointed by the Minister of Finance. The Board comprise of 6 independent members who have been appointed by the Minister. The Board has no auditors in public practice but has one registered auditor as is required by the Act.</p> <p>(Refer to 2.4 above for legislative amendments that aim to strengthen the independence of the IRBA's governing structure.)</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Board may not in its membership have more that 40% members who are registered auditors in public practice. The Minister is required to appoint competent persons, who must include registered auditors, to effectively manage and guide the activities of the IRBA.</p> <p>(Refer to 2.4 above for legislative amendments that aim to strengthen the independence of the IRBA's governing structure.)</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is "No", is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is "No", which safeguards are in place to provide for the Member's overall independence from the audit profession?</p> <p>To ensure the IRBA remains independent, the Board adopted a protocol to ensure all current board members are independent from the auditing profession and there are no auditors in public practice serving on the board.</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a "cooling-off" period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

	<p>If yes to either of the above, please describe:</p> <p>N/A – The current board has no auditors in public practice.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The IRBA is funded by:</p> <ul style="list-style-type: none"> ➤ the collection of prescribed fees and levies from Registered Auditors and firms; ➤ all other monies which may accrue to the Regulatory Board from any other legal source, including sanctions imposed by the Regulatory Board; and ➤ monies appropriated for that purpose by Parliament through the National Treasury <p>The budget is approved by the Board and tabled in parliament</p> <p>The IRBA reports annually to the Minister of Finance, who then tables the report in Parliament.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The Board comprise independent members who are not in public practice. Furthermore, the governing legislation provides the board with powers to prescribe any rules with regards to any matters that is permitted by the act, which also includes license fees paid by auditors. The auditors are required to pay annual fees as a license to operate and practice as auditors. Secondly, audit firms are required to pay an annual assurance fee to operate. Failure to pay annual fees will result in a license to practice as an auditor being revoked by the regulator. The auditors do not influence how they should be regulated as they are not part of the governing structure. The IRBA is also partly funded by the government.</p>

5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>Inspections are performed by the IRBA Inspections Department, in terms of section 47 of the Auditing Professions Act (APA).</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The risk-based approach focuses the IRBA’s attention on audit firms and auditors who perform statutory assurance work, and the IRBA allocates its resources accordingly over a three-year cycle. The IRBA adopted the International Forum of Independent Audit Regulators (IFIAR) Core Principles for Inspections. These principles seek to promote effective independent audit oversight globally, thereby contributing to IFIAR members’ overriding objectives of serving the public interest and enhancing investor protection by promoting high audit quality. All firms that audit public companies are inspected at least once in a three cycle.</p> <p>More information on our Inspections can be accessed on the IRBA website at https://www.irba.co.za/guidance-to-ras/inspections.</p>				
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>Number of audit firms subject to inspections – Approximately 1576 Number of public interest audits – N/A. Auditors subject to inspection – Approximately 2844 Number of other audits – N/A</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Largest firms</td> <td style="width: 50%; padding: 5px;">Approximate % of market share for Public Interest Entities audit fees</td> </tr> <tr> <td style="height: 30px;"> </td> <td> </td> </tr> </table>	Largest firms	Approximate % of market share for Public Interest Entities audit fees		
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	<table border="1"> <tr> <td>PWC</td> <td>26%</td> </tr> <tr> <td>Deloitte & Touché</td> <td>19%</td> </tr> <tr> <td>Ernst & Young</td> <td>17%</td> </tr> <tr> <td>KPMG</td> <td>15%</td> </tr> <tr> <td>BDO</td> <td>5%</td> </tr> <tr> <td>SNG Grant Thornton</td> <td>4%</td> </tr> </table>	PWC	26%	Deloitte & Touché	19%	Ernst & Young	17%	KPMG	15%	BDO	5%	SNG Grant Thornton	4%	
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<p>Please note that the above market shares have been calculated based on the assurance fees charged by firms for statutory engagements in 2019. This approximates the percentages for the Public Interest Entities market.</p>														
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ </p> <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The IRBA’s 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, among others, the registration of auditors who meet the registration requirements. Candidates should meet strict educational and practical competencies, including fit and proper criteria, to ensure that only those individuals who meet these measures will be permitted to enter practice or continue practicing in the profession.</p>													

7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?

Directly **Through Oversight**

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The IRBA Committee for Auditing Standards (CFAS) continues to apply its prioritization process, using a scoring model to identify the high priority projects that arise from a range of stakeholder requests. This has allowed both the CFAS and the secretariat to get closer to a two-year activity plan, with a balance between tracking and the implementation of international standard-setting initiatives and local priorities, as well as matching these projects to the available time among CFAS members and the secretariat's resources.

The Committee for Auditor Ethics (CFAE) focuses on matters that affect and impact the ethics of auditors. The committee continues to research emerging ethics issues and developing guidance for auditors on a number of topics.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly **Through Oversight**

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

Audit Development Programme (ADP)

The ADP is an 18-month specialisation programme undertaken by professional accountants who want to become registered auditors (RAs). The ADP became effective in 2015. All aspirant RAs who qualify as professional accountants through a professional body accredited by the IRBA, and wish to become RAs, must undertake the ADP in order to obtain eligibility to register as RAs. The South African Institute of Chartered

	<p>Accountants (SAICA) is currently the only professional body accredited by the IRBA. The ADP is premised on the fact that professional competence is best developed and assessed on the job. Registered candidate auditors (RCAs) will therefore be required to demonstrate professional competence on the job and develop a portfolio of evidence that supports their application to become RAs.</p> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>An investigation is initiated either once a complaint is received from an external party or it has been initiated from within the IRBA. Externally originated complaints are lodged by a member of the public or are matters referred by a court or other regulator. Internally originated complaints are raised by the IRBA itself, such as those arising out of the inspection process, or matters where investigations are initiated by the IRBA as a result of information that comes to its attention.</p> <p>Complaints lodged with the IRBA are required (as per 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. If the information that forms the subject of the investigation is a matter of public record, it is not necessary for this to be on an affidavit. The Disciplinary Rules also stipulate that the affidavit should set out clearly what is being complained of.</p> <p>Once a complaint is received and it is verified that the respondent is a registered auditor, the complaint is then perused by the Investigation Department's investigators to ascertain if 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), whether to refer the matter to the Investigating Committee (INVESCO). Most matters will be referred, and INVESCO must then investigate the matter in terms of Section 48(3) of the Auditing Profession Act.</p>
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	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p style="text-align: center;">N/A</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>Restoring Confidence in the Auditing profession.</p> <p>Following the number of scandal involving auditing firms and auditors linked to allegations of corruption, the IRBA set out a strategy 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.</p> <p>IRBA Code of Professional Conduct (Revised November 2018)</p> <p>The IRBA focused on the adoption of the IESBA International Code of Ethics (including International Independent Standards) and the restructuring and amendments to the IRBA Code of Professional Conduct (the IRBA Code). These comprehensive changes address both new requirements, and also engender a better understanding and improvement in the usability 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.</p> <p>Audit Quality Indicators and Transparency Reporting</p> <p>The IRBA launched its Feedback Report on Audit Quality Indicators (AQIs). This report provides feedback on a set of measures that audit firms reported on to the regulator, as well as provides audit committees with insights relevant to the appointment, performance, independence and reappointment of the auditor. The report was launched on the IRBA website this week and is the culmination of a project started by the IRBA in 2017, as part of the IRBA’s restoring confidence efforts.</p> <p>The project to develop the measures included engagement with users of audit services as well as with the audit firms. These measures cover the thematic areas of independence, audit tenure, internal firm quality review</p>

processes, workload of engagement partners and managers, span of control, technical resources and training. These criteria may all be linked to audit quality.

Financial Matters Amendment Bill

The Financial Matters Amendment Bill relates to short-term amendments of the Auditing Profession Act 26 of 2005, aimed at strengthening the independence of the IRBA, strengthening the independence of auditors, increasing the powers of the IRBA to improve its efficiency in its investigation and disciplinary processes, and to introduce deterrents to undesirable behaviour by auditors. These measures will contribute significantly to public protection.

Mandatory Audit Firm Rotation

With less than four years remaining until the effective date of Mandatory Audit Firm Rotation (MAFR) (1 April 2023), the IRBA continues to monitor audit firm rotations and early adopters of MAFR. Early adoption of MAFR by companies, indicates that audit committees are paying greater attention to the independence of their auditors.

Comprehensive Regulation

The IRBA was asked to assist the National Treasury with, with a research project into Comprehensive Regulation models which would see all those in the financial reporting chain, including directors of companies and audit committees, maintain a professional registration and come under some oversight. The aim is to improve overall financial reporting and controls throughout the financial reporting process, and to ensure that all role-players take responsibility for high quality reporting.