

## IFIAR 2022 Member Profile – IRBA

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Republic of South Africa
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  Independent Regulatory Board for Auditors (IRBA)
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  Building 2, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, 1616 (Street address) P.O. Box 8237, Greenstone, 1616 (Postal address)  <u>Tel.:</u> +21 87 940 8800 <u>Fax:</u> +27 87 940 8868 <u>Email:</u> <a href="mailto:Board@irba.co.za">Board@irba.co.za</a> <u>Website:</u> <a href="http://www.irba.co.za">www.irba.co.za</a>
	<b>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:</b>  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: <ul style="list-style-type: none"> <li>➤ To protect the public in the Republic by regulating audits performed by registered auditors;</li> <li>➤ To provide for the establishment of an Independent Regulatory Board for Auditors;</li> <li>➤ 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;</li> <li>➤ To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and</li> <li>➤ To provide for procedures for disciplinary action in respect of improper conduct.</li> </ul>
	<b>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?</b>

<sup>1</sup> 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.

	<p><input checked="" type="checkbox"/> <b>Yes</b>                      <input type="checkbox"/> <b>No</b></p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>An amendment to our existing Auditing Profession Act No. 26 of 2005 was passed into law on 23 April 2021 (referred to as the Auditing Profession Amendment Act No. 5 of 2021 – APAA) <a href="#">Link to the APAA</a> . This amendment gives the IRBA the necessary powers to deliver more effectively on its mandate through the following key amendments:</p> <ul style="list-style-type: none"> <li>• Strengthening the independence of the IRBA’s governing Board <ul style="list-style-type: none"> <li>○ Prohibition of registered auditors (RAs) from being appointed as members of the IRBA Board, the Investigating Committee and the Disciplinary Committee. Previously a maximum of 40% of the members of the Board could be RAs.</li> </ul> </li> <li>• Strengthening the investigating powers of the IRBA: <ul style="list-style-type: none"> <li>○ The power to enter and search premises for the purpose of seizing information relevant to an investigation.</li> <li>○ The power to subpoena persons with information that is required for an investigation.</li> </ul> </li> <li>• Improving the efficiency and effectiveness of the IRBA’s disciplinary process: <ul style="list-style-type: none"> <li>○ The power to refer non-audit complaints for investigation to registered accredited accounting bodies.</li> </ul> </li> <li>• Increasing the monetary sanctions that can be imposed on auditors (RAs) for improper conduct: <ul style="list-style-type: none"> <li>○ Stricter monetary sanctions (previous limits over the maximum monetary value of fines have been removed) in relation to both investigation and disciplinary outcomes.</li> </ul> </li> <li>• To provide for the protection and sharing of information: <ul style="list-style-type: none"> <li>○ The IRBA must in respect of personal information in its possession or under its control comply with the Protection of Personal Information Act No. 4 of 2013 (POPIA).</li> </ul> </li> </ul> <p>The IRBA is in the process of implementing the above amendments in accordance with an 11-point implementation plan.</p>
<b>3. Governing Body</b>	<b>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</b>

<b>Composition and members</b>	<p><b>are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>The Auditing Profession 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 current IRBA Board comprises of 10 members, all of whom are independent of the auditing profession.</p> <p>As mentioned in 2.4 above, with the recent amendments, the Auditing Profession Amendment Act No.5 of 2021 (APAA) now prohibits registered auditors (RAs) from being appointed as members of the IRBA Board, the Investigating Committee and the Disciplinary Committee. Previously a maximum of 40% of the members of the Board could be RAs.</p> <p>The Auditing Profession Amendment Act No. 5 of 2021 (APAA) requires competent persons with auditing knowledge, but prohibits registered auditors or members who directly or indirectly share[s] in profits of, or receive[s] payment from, or conduct[s] business with audit firms. The amendments further require the appointment of persons with at least 10 years' experience in auditing and who were formerly registered as auditors and the mandatory appointment of legal practitioners with at least 10 years' experience in practicing law.</p>
	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>The Auditing Profession Amendment Act No. 5 of 2021 (APAA) requires competent persons with auditing knowledge, but prohibits registered auditors or members who directly or indirectly share[s] in profits of, or receive[s] payment from, or conduct[s] business with audit firms. The amendments further require the appointment of persons with at least 10 years' experience in auditing and who were formerly registered as auditors and the mandatory appointment of legal practitioners with at least 10 years' experience in practicing law.</p>
	<p><b>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.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>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?</b></p>

<sup>2</sup> 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>Not Applicable.</p> <p><b>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?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>N/A – The current board has no auditors in public practice.</p>
	<p><b>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)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>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:</b></p> <p>The Committee of Auditing Standards (CFAS) includes 5/12 members of the profession in practice as its main focus is standard setting and it relies on the input of the profession to approve and implement the relevant standards for the South African profession.</p>
<p><b>4. Funding Arrangements</b></p>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>The IRBA is funded by:</p> <ul style="list-style-type: none"> <li>➤ the collection of prescribed fees and levies from Registered Auditors and firms;</li> <li>➤ all other monies which may accrue to the Regulatory Board from any other legal source, including sanctions imposed by the Regulatory Board; and</li> <li>➤ monies appropriated for that purpose by Parliament through the National Treasury</li> </ul> <p>The budget is approved by the Board and tabled in Parliament. The IRBA reports annually to the Minister of Finance, who then tables the report in Parliament.</p> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p>

	<p><input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>The Board comprise of complete 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 over a fraction of their assurance fees charged to clients to the IRBA annually. Secondly, audit firms are required to pay an annual license fee to operate and practice as auditors. 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. We receive approximately 1/3 of our funding from a government grant and the balance are fees payable by registered auditors that are not linked to the activities of the regulator.</p>
<b>5. Inspection System</b>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p>
	<p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly      <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> <li>• <b>If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.).</b> Inspections are performed by the IRBA Inspections Department, in terms of section 47 of the Auditing Profession Act of 2005 (APA). Refer to the following link for an overview of the IRBA’s Inspections process. <a href="#">Link to Inspections Process</a></li> <li>• <b>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:</b> Not Applicable.</li> </ul>
	<p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>Section 47(1)(b) of the Auditing Profession Amendment Act no. 2 of 2015 requires the IRBA to at least every three years inspect or review the practice of a registered auditor that audits a public company as defined in section 1 of the Companies Act no. 71 of 2008. The risk-based approach further 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</p>



	<ul style="list-style-type: none"> <li>• <b>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.</b></li> </ul> <p>The IRBA’s mandate is to protect the financial interests of the public and its goal is to 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 a number of functions including the registration of auditors who meet the registration requirements. Candidates should meet a strict criteria including the educational and practical requirements. The registration process includes a fit and proper assessment and proficiency interviews for members of the profession who have been out of practice for three or more years to ensure that only suitable candidates are registered with the IRBA and to practice as Registered Auditors.</p>
	<p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> <b>Directly</b>                      <input type="checkbox"/> <b>Through Oversight</b></p> <ul style="list-style-type: none"> <li>• <b>If directly, please describe the responsibility with an appropriate level of detail.</b></li> <li>• <b>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.</b></li> </ul> <p>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 have 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.</p> <p>The Committee for Auditor Ethics 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 including the Code of Professional Conduct for Registered Auditors.</p>
	<p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> <b>Directly</b>                      <input type="checkbox"/> <b>Through Oversight</b></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 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 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.

**7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?**

**Directly**

**Through Referral**

- **If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action.**
- **If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession<sup>3</sup> 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.**

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 through the media.

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

<sup>3</sup> Ibid.



	<p>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 was a registered auditor at the time of the transgression and the alleged transgression falls within the definition of improper conduct, the complaint is opened. The respondent is sent the complaint and asked to respond to the allegations in writing. The complainant is informed that the complaint has been initiated. The matters are allocated to investigators who analyse and collate the information on the matter. They request any further information required from the respondent, the complainant, or any person who has information directly related to the matter. The investigators where required, prepare draft schedules of charges of improper conduct relating to non-compliance with the professional standards and the code of professional conduct.</p> <p>The matter is then tabled at the Investigating Committee for deliberation and recommendation on the outcome of the investigation. Thereafter, the matter is tabled at the Enforcement Committee for deliberation and decision on the outcome of the matter.</p> <p>The outcome of the matter can either be:</p> <ul style="list-style-type: none"> <li>a) The matter is dismissed because there is no evidence of improper conduct by the registered auditor; or</li> <li>b) The registered auditor is found guilty of improper conduct and a monetary sanction is imposed; or</li> <li>c) The matter is referred for a disciplinary hearing in instances where the committee deems this necessary in the public interest.</li> </ul> <p>The respondent and the complainant are notified of the outcome of the matter.</p> <p>Matters referred for a disciplinary hearing are dealt with by the IRBA Legal Department.</p>
	<p><b>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:</b></p> <p style="text-align: center;">N/A</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>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:</b></p> <p style="text-align: center;">N/A</p>

<b>9. Major Events and Activities</b>	<b>9.1 Describe any recent major events and activities:</b> <ul style="list-style-type: none"><li>• Resignation of the IRBA CEO and subsequent appointment of an Acting CEO, effective 16 February 2021.</li><li>• IRBA introduced its refocused strategy aimed at enhancing audit quality and restoring confidence in the profession – 16 March 2021.</li><li>• Amendments to the Auditing Profession Amendment Act of 2021 was passed into law on 23 April 2021.</li><li>• Minister of Finance appoints a new IRBA Board – 11 June 2021.</li></ul>
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