



IFIAR 2017 Member Profile – IRBA

1. Jurisdiction	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>South Africa</p>
2. Member ¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Independent Regulatory Board for Auditors</p>
	<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) Tel: +27 87 940 8800 Fax: +27 87 940 8868 Email: Board@irba.co.za Website: www.irba.co.za</p>
	<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. <hr/> <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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>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 not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</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 7 independent members who have been appointed by the Minister. The Board has no auditors in public practice.</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>

² For the purpose of this Member Profile, the audit profession does not include an individual who 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>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.³</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, all current board members are independent from the auditing profession and no auditors in public practice.</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 type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input 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 (e.g., in a management or inspection function)?</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:</p>

³ Ibid.



4. Funding Arrangements	<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 ➤ The budget is approved by the Board and tabled in parliament <p>IRBA reports annually to the Minister of Finance, who then tables the report in Parliament</p>
	<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 of a 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 annual fees as a license to operate and practice as auditors. Secondly, audit firms are required to pay an annual license 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. 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>
	<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>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> <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 high-risk assurance work, and the IRBA allocates its resources accordingly. 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. In terms frequency, all firms that have clients that are listed on the stock exchange should be visited at least once in a three cycle.</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 1094 Number of public interest audits – N/A. Auditors subject to inspection – Approximately 1986 Number of other audits – N/A</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <table><tr><th>Largest firms</th><th>% of market share in terms of clients market capitalization (Listed companies)</th><th>% of market share in terms of number of clients (Listed companies)</th></tr><tr><td>PWC</td><td>48%</td><td>21%</td></tr><tr><td>Deloitte & Touché</td><td>22%</td><td>18%</td></tr><tr><td>KPMG</td><td>12%</td><td>17%</td></tr><tr><td>Ernst & Young</td><td>14%</td><td>11%</td></tr><tr><td>Grant Thornton</td><td>4%</td><td>14%</td></tr><tr><td>Mazars</td><td>1%</td><td>6%</td></tr></table>	Largest firms	% of market share in terms of clients market capitalization (Listed companies)	% of market share in terms of number of clients (Listed companies)	PWC	48%	21%	Deloitte & Touché	22%	18%	KPMG	12%	17%	Ernst & Young	14%	11%	Grant Thornton	4%	14%	Mazars	1%	6%
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7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight: <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: _____
	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? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight <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 profession⁴ 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>Audit Development Programme (ADP) The ADP is a 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.</p> <p>Proficiency Interviews The IRBA has, as one of its mandates, the responsibility to ensure that all RAs are competent at entry to the profession and remain so throughout</p>

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	<p>their professional lives. The IRBA also has the responsibility to ensure that all applicants who wish to enter the profession after an “extended absence” from the audit and assurance environment are competent</p> <p>The proficiency interviews are developmental in nature and the IRBA seeks to assist potential RAs in carefully considering their practices and the risks associated with public practice.</p> <hr/> <p>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?</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 ⁵ 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.</p> <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 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.</p> <hr/> <p>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?</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 ⁶ are involved in decision-making). Also give a</p>
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	<p>description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Audit Development Programme (ADP) The ADP is a 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.</p> <hr/> <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 profession⁷ 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</p>
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⁷ Ibid.



	<p>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> <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>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>N/A</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>Disclosure of Audit Tenure in audit reports The IRBA made the decision to require the mandatory disclosure of audit tenure in the context of strengthening auditor independence, which is consistent with measures implemented in other jurisdictions. The rule is applicable to audit reports issued on the Annual Financial Statements of all public companies – as defined in the Companies Act of 2008 – that meet the definition of a public interest entity as per the IRBA Code of Professional Conduct for Registered Auditors. As such, disclosing how long an auditor has been auditing a public company's financial statements will no longer be optional. The IRBA will closely monitor compliance with the rule, which has now been gazetted.</p> <p>Mandatory Audit Firm Rotation In August 2016, the Independent Regulatory Board for Auditors (IRBA) announced its decision to implement mandatory audit firm rotation, in line with other jurisdictions worldwide, to strengthen auditor independence</p>



	<p>and enhance audit quality. In terms of its consultation paper, the IRBA has outlined that MAFR is to occur every ten years for listed companies, effective for financial years commencing on or after 1 April 2023. There are transitional arrangements for companies with joint audits. The requirement further provides for a cooling off period of five years for the outgoing audit firm before that firm may be eligible to be reappointed to audit the client's financial statements.</p>
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