

INDEPENDENT REGULATORY BOARD FOR AUDITORS

BERNARD PETER AGULHAS, CEO

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Standing Committee on Finance

9 October 2018

Agenda

Strategic Focus

Objectives

Highlights for the year

Report on Financial Statements

Report of the Auditor-General

Performance Information

Challenges

Restoring Confidence

Questions

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.

Objectives

- Developing and maintaining auditing and ethical standards which are internationally comparable.
- Providing an appropriate framework for the education and training of properly qualified auditors as well as their on-going competence.
- Registration of auditors who meet the registration requirements.
- Monitor compliance with reportable irregularities and anti-money laundering.
- Monitor registered auditors' compliance with professional standards.
- Investigating and taking appropriate action against registered auditors in respect of improper conduct.

Highlights for the year

- Opportunities to interact with Parliament regarding high-profile investigations and to demonstrate the role of auditors and audit regulation in strengthening the credibility of financial markets.
- Progressing the amendments to the Auditing Profession Act to strengthen the IRBA's oversight and ability to institute the required measures against errant auditors.
- Mandatory Audit Firm Rotation rule was gazetted.
- Transformation research and workshops conducted.
- Africa Forum of Independent Accounting and Audit Regulators (AFIAAR) charter was signed and South Africa elected as deputy chair.
- Disciplinary committee dealt with three matters, one of which was finalised in the year under review

Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE

YEAR	2018	2017
Government Grant	39 624	28 978
Total other income	70 046	65 830
Expenses	(115 072)	(103 139)
(Deficit)	(5 402)	(8 329)
Investment return	4 184	3 918
(Deficit)	(1 217)	(4 411)

Financial Performance

INCOME SOURCES			
	2018	2017	% of 2018 Total
Government grants	39 624	28 978	36.1%
Revenue from Regulatory functions			
Exchange transactions (License, monitoring, registration fees and training contract levies)	33 633	31 819	30.6%
Non-exchange transactions (Firm fees and contributions toward disciplinary and investigations and sanctions for improper conduct)	35 995	33 803	32.8%
Other income	417	207	0.03%
TOTAL REVENUE	109 670	94 809	100%

Financial Performance

Major Operating expenses

	2018	2017	% Variance
Employee costs	81 974	73 107	12%
Disciplinary and investigation expenses	8 378	6 143	36%
Committee expenses	2 132	1 515	40%
Lease of building	5 348	5 348	-
Auditors' remuneration	1 472	1 596	(8%)
Raising Awareness and Branding	701	978	(28%)

Report of the Auditor General

FOR 2018 AND 2017 YEAR ENDS

- **Clean Audit report for 9 consecutive years**
regarding
 - **REPORT ON THE FINANCIAL STATEMENTS**
 - **REPORT ON OTHER LEGAL REGULATORY REQUIREMENTS**
 - **Predetermined objectives**
 - **Compliance with laws and regulations**
 - **INTERNAL CONTROL**

Performance information

Strategic Measurable objective	Performance Targets	
	2018/17	Achievement 31 March 2018
<u>AUDITING AND ETHICAL STANDARDS</u>	Developing and maintaining auditing and ethical standards which are internationally comparable	
Issued auditing pronouncements, auditor reports and comment letters.	85%	Achieved 100%
Issued additional guidance on ethical issues, comment letters and Code amendments.	85%	Achieved 100%

Performance information

Strategic Measurable objective	Performance Targets	
	2018/17	Achievement 31 March 2018
<u>PROGRAMME EDUCATION AND TRANSFORMATION</u>	Providing an appropriate framework for the education and training of properly qualified auditors	
Monitoring visits completed in accordance with the monitoring plan approved by ADCOM on a quarterly basis. (ADP)	90%	Achieved 105%
Monitoring the programme and institutional requirements of accredited professional bodies.	100% compliance	Achieved 100%

Performance information

Strategic Measurable objective	Performance Targets	
	2018/17	Achievement 31 March 2018
<u>INSPECTIONS</u>	Monitor registered auditors' compliance with professional standards	
To inspect and review the work of registered auditors on a regular basis	85% adherence to the inspections plan	Achieved 106% was achieved
<u>INVESTIGATIONS</u>	To investigate and take appropriate action against registered auditors in respect of improper conduct	
To finalise all complaints received timeously	80% of complaints received closed within 18 months	Not Achieved 74% was achieved. (74 out of 100).

Performance information

Strategic Measurable objective	Performance Targets	
	2018/17	Achievement 31 March 2018
<u>OPERATIONAL EFFECTIVENESS</u>	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	
Systems, policies and processes that ensure compliance, accountability and sound management of revenue, expenditure, assets and liabilities.	100% clean report.	Achieved

Current Challenges

- Funding
- Capacity
- Disciplinary process
- Current reputation of audit profession

Restoring Confidence - Key Themes

- Business Process Review of certain functions
- Comprehensive Regulation
- Mandatory Audit Firm Rotation
- Audit Firm Governance
- Strengthening Audit Committees
- Training, Skills and Competencies of Auditors
- Auditor Behaviour
- Audit Product and Quality

Questions