

VBS MUTUAL BANK HEARING

Standing Committee on Finance

7 November 2018

VBS investigation to date

- Began monitoring the VBS Mutual Bank developments from the time the bank was placed under curatorship by the South African Reserve Bank (SARB)
- Investigation commenced on 16 April 2018 into two registered auditors – the engagement partner and another partner who both allegedly had undisclosed financial interests
- Both Respondents responded to the initial investigation letter; however, not all requested information has been provided by the Respondents
- Also opened an investigation into Internal Auditor
- Extended scope of investigation to include the engagement quality control review partner on 12 October 2018

VBS investigation next steps

- IRBA's primary mandate is to protect the public, but we need to follow Due Process in our investigations
- Busy reviewing the Motau Report published on 9 October 2018 and calling for further evidence for investigator to work through and assess before completing the investigation
- At that point, will formulate proposed charges for recommendation to the Investigating Committee
- IRBA investigates auditors not the client
- Commit to fast track and prioritise the investigation – scope of the investigation has increased dramatically and therefore not able to advise how much additional time is required
- Progress relies on cooperation from all parties

Investigation process

- The processes for investigations and disciplinary hearings are prescribed in the Auditing Profession Act
- Compile a case for successful prosecution with all the necessary evidence from the audit file and relevant documents which support the charges
- Sanctions also prescribed by the Act

Other actions

- Currently, limits to monetary sanctions are up to R200 000 per charge; therefore act amendments currently underway include an important change which will allow the Minister of Finance to set the upper limit to sanctions
- IRBA's independence from the profession is closely guarded and upheld in the Auditing Profession Act 26 of 2005
- Currently on track for the Amendment Bill to be passed into law early next year
- SCOF and National Treasury are supportive in the amendment process and we believe it has progressed well

Process and Cooperation

- IRBA does not conduct criminal investigations
- Involves a review of the audit working papers and any supporting documentation in order to determine whether the auditor complied with auditing standards and the professional code of conduct
- Investigation is therefore into the quality of work performed and the conduct of the auditor
- The mandate to investigate and pursue criminal matters lies with the Hawks and the National Prosecuting Authority
- Will work with relevant other authorities wherever the Act allows

THANK YOU

IRBA Mandate

- IRBA 's strategic focus is to 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 conducts investigations to determine compliance by registered auditors with the Code of Professional Conduct for Registered Auditors and International Auditing, Assurance, Quality Control and Accounting Standards.