

## **KEY MESSAGING**

### **PARLIAMENT**

**19 MARCH 2019**

1. The IRBA notes with concern the allegations contained in the PwC forensic investigation report regarding the nature and extent of the corporate fraud allegedly perpetrated by a small group of executives and related parties, potential accounting irregularities and potential non-compliance with laws and regulations.
2. For clarity, our investigation is not into the company or the directors implicated. The IRBA investigates whether the auditor complied with international auditing standards, e.g. audit work on related parties, and the IRBA Code of Ethics, for example, the exercise of professional skepticism. Our investigation, which commenced in December 2017 is into Deloitte South Africa who had signed off on the group consolidated financial statements up to 2015. We have received the audit files for 2014, 2015 and 2016. Critical would be the receipt of the restated financial statements. PwC had spent months with 100s of investigators and without similar capacity, we look forward to see how the restated results can assist the IRBA's investigation.
3. Thereafter the audit of the consolidated financial statements was conducted by Deloitte Netherlands. The IRBA does not have jurisdiction over those auditors. It was the Netherlands engagement partner who refused to sign off on the 2017 financials due to suspected accounting irregularities.
4. MOU with Netherlands still in progress due to legal restrictions on sharing of information.

5. The IRBA will identify the areas of the report which it wishes to pursue for further investigation, bearing in mind that certain of the allegations may pertain to off-shore acquisitions and transactions, which may have been audited by a foreign audit firm. Also:
  - a. Group may not accept unaudited interim results
  - b. Considerable work to be done on related parties
6. Being able to conclude our investigation into the audits is reliant on the publication of the restated figures for the 2015 and 2016 financial years.
7. The IRBA commits to work with all regulators in this matter both local and abroad in the best interest of investors and the public. We have reached out to Steinhoff as well and note that Steinhoff has been co-operating with the AFM, the Dutch audit regulator. We are pleased with Steinhoff's commitment to work with regulators and trust that we will be provided with access to relevant parts of the PWC report.
8. The IRBA will be requesting the full report and annexures where these related to the audit of Steinhoff as the report relates to accounting irregularities. Auditors are the 4<sup>th</sup> or 5<sup>th</sup> line of defense.
9. Various initiatives to restore public confidence
  - a. Most important is Comprehensive Regulation over other role players in the financial reporting chain
  - b. Strengthening of audit committees through AQIs and Transparency Reporting
  - c. Independence and professional skepticism. You will recall the extreme lengths the IRBA went to to introduce MAFR.
  - d. Engaging with JSE on secondary listings

- e. MOUs with US and EC which includes sharing of information
  - f. APAA to close gaps in enforcement – not since Steinhoff, but since audit and accounting scandals
  - g. Continued engagement with NT to provide the IRBA with more capacity and funding
10. We thank the committee for its support to the work of the IRBA during its term.