

IRBA Update

Select Committee on Finance
National Council of Provinces

18 May 2021

Agenda

- Implications of changes in IRBA over the past 6 months
- Implementation of the Auditing Profession Act of 2005 (APA) Amendments
- Quarterly reporting



CHANGES IN THE LAST SIX MONTHS

Changes in the last six months

- Dissolution by Minister of Finance of IRBA Board following multiple resignations
- Appointment of Caretaker Board (CB) consisting of Mr. Roy Andersen and Ms. Nonkululeko Gobodo for a period of 3 months (February to April)
- Resignation of former CEO and appointment of Acting CEO, Mr. Imre Nagy until the new Board appoints a new CEO



Changes in the last six months (2)

- Key Achievements of the Caretaker board (CB):
 - New five-year strategy approved by CB, submitted to NT and tabled in Parliament - APP approved, submitted to NT and tabled in Parliament
 - Call for nominations for new Board Members concluded
 - CB conducted an independent review of nominees and concluded a robust interview process with shortlisted candidates
 - List of candidates submitted to Minister of Finance in April for final selection and appointment
 - Noting impositions on 36 investigations of improper conduct by RA and taking decisions on 7 finalised investigations tabled
 - Fees due for 2021/22 approved
- President assented to the APA Amendments on 23 April 2021 which came into effect on 26 April 2021 (Gazetted)
- IRBA re-elected to the Board of IFIAR representing 54 countries; as well as chairing the Audit Committee for another two-year term

Implications of Changes

- Currently awaiting appointment of the new Board by Minister of Finance
- New Board to then begin process of appointing a new CEO
- Until such time as the new Board is appointed and inducted, the implementation of the APA Amendments will not be approved timeously so as to allow seamless flow of mandated functions
- Delay in appointing the new Board will delay the work of the sub-committees of the Board such as:
 - ENCOM which makes decisions on finalised investigations
 - OPSCOM which approves changes to HR related policies and statutory committee nominations
 - ARMCO recommendation for approval of the annual financial statements by the accounting authority for audit purposes



IMPLEMENTATION OF APA AMENDMENTS

Overview: Implementation of APAA

- The Auditing Profession Act (APA) amendments came into effect on 26 April 2021.
- Overall, the amendments are aimed at:
 1. *Strengthening the governance and independence of the IRBA,*
 2. *Strengthening the investigating powers of the IRBA;*
 3. *Ensuring the efficiency and effectiveness of the disciplinary processes;*
 4. *Expanding on sanctions which can be imposed for improper conduct; and*
 5. *Addressing the protection and sharing of information under the control of the IRBA.*
- The IRBA is currently in the process of implementing the amendments which are set out at a high level in the next two slides.

Implementation of the Amendments

DELIVERABLES	STATUS	CONSIDERATIONS	EFFECTIVE DATE	APPROVAL AUTHORITY
GOVERNANCE AND INDEPENDENCE				
Development of regulatory strategy for IRBA	Project underway to develop draft regulatory strategy	Board approved regulatory strategy must be submitted to Minister by 26 July 2021. Minister to gazette approved regulatory strategy by 26 October 2021.	26 October 2021	Minister of Finance
Reconstitution of Board, Investigating (INVESCO), Enforcement (ENCOM) and Disciplinary Committees (DISCOM)	Board nominations to Minister compliant <i>[it will also address ENCOM]</i> . DISCOM reconstitution awaiting Board approval. Recruitment for INVESCO vacancies underway.	Board to approve appointments to INVESCO, ENCOM and DISCOM. Strict independence and experience requirements	26 April 2021	IRBA Board
Update Board Standing Resolutions (Delegations)	Board Standing Resolutions under review	Board to approve the delegated powers and duties as per the Act to enable the performance of functions.	26 April 2021	IRBA Board
REGISTRATION AND REPORTABLE IRREGULARITIES				
Assess compliance of current RAs with revised registration requirements	Communication issued to relevant RAs	Non-compliant RAs will need to expedite addressing the revised registration requirements in order to apply for re-registration as an RA.	26 April 2021	IRBA Board
Update Reportable Irregularities guideline	Communication issued to RAs. Project plan in place to update guideline.	Amendments can be implemented by RAs notwithstanding additional guidance intended to be provided in the Guide.	26 April 2021	IRBA Board

Implementation of the Amendments (2)

10

DELIVERABLES	STATUS	CONSIDERATIONS	EFFECTIVE DATE	APPROVAL AUTHORITY
INVESTIGATIONS AND DISCIPLINARY MATTERS				
Referral of non-audit complaints to accredited professional bodies	Project underway on guideline	Provisions of the Act provide sufficient detail to refer non-audit complaints.	26 April 2021	IRBA Board
Development of subpoena, and search and seizure guidelines	Guidelines developed and under review	Provisions of the Act provide sufficient detail to invoke subpoena, and search and seizure powers.	26 April 2021	IRBA Board
Amend Disciplinary Rules	Rules currently under review	Amended Rules to be approved by Board and published for comment.	26 April 2021	IRBA Board
Propose maximum Monetary Sanction for improper conduct by RAs to the Minister	Research conducted and currently under review	New monetary sanctions applicable to improper conduct transgressions effective as from 26 April 2021. There is currently a backlog of investigations into alleged improper conduct by RAs being addressed, which will fall under the monetary sanctions prior to the amendments. Transitional provision per the Act.	After presentation of Board approved proposal to Minister the Minister must determine the maximum Monetary Sanction and publish in the Gazette for a 30 day comment period	Minister of Finance
GENERAL				
POPIA Implementation	Project plan in place	Implementation date in terms of POPIA is 1 July 2021	1 July 2021	IRBA Board



QUARTERLY REPORTING

Compliant to National Treasury deadlines

National Treasury Requirement	IRBA Status
Quarterly management accounts	Submitted – on time
PFMA Compliance checklists	Submitted – on time
Quarterly performance information	Submitted – on time
Confirmation of bank accounts	Submitted – on time
Confirmation of quarterly allocations	Submitted – on time

Despite COVID lockdown and a work from home policy since 18 March 2020, the IRBA has adapted and continued to deliver on its mandates

Strategic Focus Areas - 2020/2021

Performance Reporting

STRATEGIC FOCUS AREA	Output	Status for the year ended 31 March 2021
Auditing and Ethics Standards	To develop and maintain auditing and ethical standards which are internationally comparable	100% of targets met
Education	To provide an appropriate framework for the education and training of properly qualified auditors and to establish processes so that only competent candidates enter the audit profession	100% of targets met
Disciplinary	To develop and adopt a disciplinary strategy and an implementation plan	100% of target met

Strategic Focus Areas - 2020/2021

Performance Reporting

STRATEGIC FOCUS AREA	Output	Status for the year ended 31 March 2021
<p>Inspections</p> <p><i>Explanation for deviation:</i></p> <p><i>The target was based on a pre-Covid-19 scenario. The National Covid-19 lockdown adversely impacted on the Inspections Department's capacity and timeframes during the first two quarters. It similarly impacted adversely on the firms' ability to access and submit information, causing delays (resulting in extensions), cancellations and rescheduling of a number of planned inspections.</i></p>	<p>To monitor registered auditors' compliance with professional standards</p>	<p>Target: 128 Inspections to be performed</p> <p>Actual: 125 Inspections were performed</p> <p>Achieved: No</p>

Strategic Focus Areas - 2020/2021

Performance Reporting

STRATEGIC FOCUS AREA	Output	Status for the year ended 31 March 2021
<p>Investigations</p> <p><i>Explanation for deviation:</i></p> <p><i>Reprioritisation amongst available resources and unable to meet target as a result of insufficient resources.</i></p>	<p>To investigate and take appropriate action against registered auditors in respect of improper conduct</p>	<p>Target as per plan: 91 investigations to be completed</p> <p>Actual : 34 investigations were completed as per the plan</p> <p>Actual: 28 investigations were completed that were not in the plan</p> <p>Total investigations that were completed: 62</p> <p>Achieved: No</p>

Strategic Focus Areas - 2020/2021

Performance Reporting

STRATEGIC FOCUS AREA	Output	Status for the year ended 31 March 2021
<p>Operations</p> <p><i>Explanation for deviation:</i></p> <p><i>It has been challenging to identify suitable candidates for certain positions.</i></p>	<p>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</p>	<p>99% of targets were met</p> <p>EE workforce profile target not met.</p> <p>Target: 73% Black 26% White 1% Other</p> <p>Actual: 76% Black 22% White 2% Other</p>



Thank you
Questions?