

**ANNUAL
REPORT
2023**

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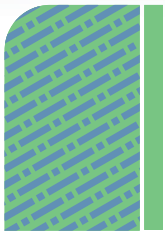
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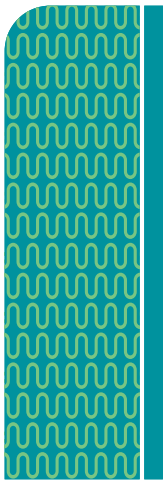
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GENERAL INFORMATION

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PART A

PART A: GENERAL INFORMATION

Public Entity's General Information

Registered Name:	Independent Regulatory Board for Auditors
Physical Address:	Building 2, Greenstone Hill Office Park Emerald Boulevard Modderfontein, 1609
Postal Address:	PO Box 8237, Greenstone 1616
Telephone Number:	010 496 0600
Fax Number:	086 482 3250
Email Address:	board@irba.co.za
Website Address:	www.irba.co.za
Twitter:	@IRBA_
LinkedIn:	The IRBA
External Auditors:	The Auditor-General South Africa
Bankers:	Standard Bank of South Africa South African Reserve Bank
Board Secretary:	Ms Jill Levendal



LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ACCOM	Accreditation Committee
ABASA	Association for the Advancement of Black Accountants of Southern Africa
ADP	Audit Development Programme
AGSA	Auditor-General South Africa
APA	Auditing Profession Act No. 26 of 2005, as amended
APC	Assessment of Professional Competence
ARMCO	Audit and Risk Management Committee
B-BBEE	Broad-Based Black Economic Empowerment
CFAE	Committee for Auditor Ethics
CFAS	Committee for Auditing Standards
CPD	Continuing Professional Development
EDCOM	Education and Transformation Committee
ENCOM	Enforcement Committee
ESG	Environmental, Social and Governance
FASSET	Finance and Accounting Services Sector Education and Training Authority
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
INSCOM	Inspections Committee
INVESCO	Investigating Committee
IRBA	Independent Regulatory Board for Auditors
PFMA	Public Finance Management Act No. 1 of 1999, as amended
PIE	Public Interest Entity
RA	Registered Auditor
RCA	Registered Candidate Auditor
RI	Reportable Irregularity
SAICA	South African Institute of Chartered Accountants
SAQA	South African Qualifications Authority
TCWG	Those Charged with Governance



HIGHLIGHTS OF THE YEAR



Education and Transformation Activities

Two key objectives that drive the Education and Transformation (ET) Department's engagements with universities are to keep abreast of and be responsive to developments within the auditing academic space. Furthermore, its goals are to support auditing academics to engage students on the auditing subject matter, for improved audit quality in the long term; create a forum for collaboration between the Independent Regulatory Board for Auditors (IRBA) and auditing lecturers on audit content; and raise awareness of the registered auditor (RA) profession and the IRBA among students and academics. Additionally, these interactions aim to develop more awareness of the Audit Development Programme (ADP) among academics and students; improve students' interest in auditing, to increase the number of registered candidate auditors (RCAs) and RAs; and engender a deeper understanding of the factors that impact transformation within the academic space.

In pursuit of the above objectives, ET achieved the following during the financial year:

- Developed regular engagements with auditing academics, including sharing IRBA communications (65 academics) and content that can be used in classrooms; hosted dedicated webinars with academics on topical areas, including a session with the IRBA Chief Executive Officer (39 academics, 15 universities) and one on the impact of technology on the audit landscape (37 academics, 18 universities).
- Directly interacted with auditing students on the ADP (950 students, 10 universities); received input from students on the refreshed IRBA brand; and sponsored prizes for top auditing students at universities.
- Held engagements with academics that are conducting research in auditing, to remain abreast of the latest research in the South African auditing environment.

The department also entered into a Memorandum of Understanding with the Finance and Accounting Services Sector Education and Training Authority (FASSET), to provide bursaries to ADP candidates from small and medium-sized auditing firms.

The ADP continues to help us transform and reposition the auditing pipeline. In fact, the ADP Reloaded project (following a review of the programme) has led to a significant increase in ADP completions, which is a boost for the RA pipeline. During the year under review, there was a 63% increase in the number of ADP registrations and no de-registrations recorded. Additionally, digital learning content - including a marketing video, an animation video on ADP-related material and three eLearning platforms - was developed.

Shortly after year-end, the IRBA accredited the Association of Chartered Certified Accountants (ACCA) South Africa as an additional professional accounting body, providing another route to the audit specialisation programme for aspiring registered auditors. This means eligible ACCA members can in future register for the ADP, effective from 1 April 2024.



Review and Revision of the IRBA Competency Framework

We have been working on a project to review and revise our Competency Framework, in line with developments in the profession and the expected changes in the role of future RAs. A taskforce has been established to undertake this project and its membership comprises experts from academia, training and development departments of auditing firms, the Auditor-General South Africa and RAs.



Published Reports

Survey Report: Audit Quality Indicators (AQIs): One of the key audit quality indicators (staff turnover) in this fourth publication shows the impact of the “great resignation” of skilled professional staff and also reinforces that we have to be more intentional with our initiatives to increase the attractiveness of auditing as a career. On the other hand, it highlights the importance of firms developing more refined retention strategies and looking at improved employee benefits, health and wellness initiatives, better work-life integration and talent growth plans.

Public Inspections Report on Audit Quality: This report demonstrates progress with the implementation of the inspection initiatives, specifically regarding early remediation and theme-based inspections. Stakeholders, other than RAs, can use this report as and when exercising their responsibilities in their areas of accountability, which may include assessing an auditor’s level of competence before engaging them to render assurance services.

Annual Enforcement Report: The publication of this report has been a first for us and in it we cover the nature of enforcement cases dealt with by the relevant IRBA enforcement structures and the outcomes of enforcement processes undertaken. Additionally, it provides an account of various auditor transgressions against the relevant prescripts; the disciplinary measures taken against such auditors; and the learnings for auditors on how to achieve compliance, avoid transgressions and approach various scenarios that might lead to non-compliance.



International Standards on Quality Management

The new suite of Quality Management standards that are focused on improving audit quality became effective for audits of financial statements for periods beginning on or after 15 December 2022. These standards, which have been modernised to consider emerging trends and technology, will also drive greater confidence and trust in the audit product. Their application will go a long way towards improving audit quality in real-time, if properly implemented and monitored by the firms themselves. Our Inspections Department has commenced with the reviews, with a specific focus on the design and implementation of the firms’ quality management systems, as it is the first year of implementation for these standards. During their visit to the IRBA in 2022, the International Auditing and Assurance Standards Board’s Chair, Mr Tom Seidenstein, and its Director, Ms Sally Anne Bailey, commended the South African profession for its readiness and preparatory work in gearing up for the implementation date.



New Brand and a Revived Focus

The IRBA aligned its brand to the new vision and clarion call of integrity, public interest and audit quality. Integrity is first since we aim to lead with integrity, as we also wish our registered auditors to do the same. Public interest is at the centre because it is at the heart of everything we do. Audit quality is the way in which the profession will impact society. The brand journey seeks to refresh the IRBA from the inside and is supported by many internal continuous improvement initiatives.



Identifying Gaps in the Financial Reporting and Governance Ecosystem

Part of our strategic focus is to have a comprehensive stakeholder engagement model that is built on strong alliances, transparency and collaboration, without compromising independence. Consequently, we have started conversations with stakeholders on key gaps in the broader financial ecosystem, to see where role-players can collectively start to make changes in the public interest. By advocating for a strengthened broader ecosystem, we can collectively reduce the risk of mismanagement and fraud significantly, as well as increase and restore trust in the entire reporting system.



An Analysis of Root Causes to Some of the Challenges Faced by the Profession

Due to the high-profile corporate and/or audit failures, the IRBA strategy has determined the need to take steps to restore confidence in the auditing profession and the work of the regulator. As a result, several root causes have been identified, and these are currently being canvassed with various stakeholders to help identify reform projects on which to focus. Additionally, the IRBA has been reviewing developments and initiatives in the ecosystem (local and international), media articles, the Judicial Commission of Inquiry into State Capture reports and its own AQIs Report.



IAASB OUTREACH:

From left to right is Prof Warren Maroun, IAASB board member; Mr Tom Seidenstein, IAASB Chair; Ms Saadiya Adam, IRBA Senior Professional Manager and IESBA member; Mr Imre Nagy; Ms Linda de Beer, Public Interest Oversight Board Chair; and Mr Imran Vanker, IRBA Director Standards.



ACCA ACCREDITATION ANNOUNCEMENT:

Ms Portia Mkhabela, Market Head for ACCA South Africa; and Mr Imre Nagy.



NORTH-WEST UNIVERSITY AUDIT DAY:

The IRBA attended and presented at the event. In the picture on the left are Prof Heleen Janse Van Vuuren from NWU; Mr Imre Nagy, IRBA CEO; and Ms Nadine Kater, IRBA Director ET.

SIGNIFICANT FEATURES SUMMARY

The table below sets out a four-year comparative overview of performance and registrations.

Registered Auditors	2023	2022	2021	2020
Total number of RAs	3 601	3 634	3 630	3 903
Assurance RAs at year-end*	2 789	2 770	2 746	2 844
Non-assurance RAs at year-end**	812	864	884	1 059
New registrations	122	125	98	122
Audit Development Programme	2023	2022	2021	2020
RCAs at year-end	550	482	464	443
New ADP registrations	169	104	82	80
ADP deregistrations	0	0	0	18
RCAs who successfully completed the ADP	101	86	73	33
Number of firms monitored during the period	46	46	44	42
Training Contracts	2023	2022	2021	2020
Trainee accountants registered at year-end	3 881	3 241	3 364	4 655
Reportable Irregularities (RIs)	2023	2022	2021	2020
Total RIs received (first reports)	622	702	938	897
Second reports – continuing	411	411	547	559
Second reports – not continuing	202	275	361	281
Second reports – did not exist	9	16	27	29
Second reports – overdue	0	0	3	1
Enforcement Matters	2023	2022	2021	2020
Investigations initiated	76	64	76	82
Investigations in progress	192	221	237	227
Investigations finalised	96	79	62	56
Disciplinary Committee hearings	3	1	6	3
Matters finalised following a referral for a disciplinary hearing***	8	7	8	2
Inspections Performed	2023	2022	2021	2020
Firms	13	10	7	6
Engagements	104	111	118	130
Financial Indicators (R'000)	2023	2022	2021	2020
Government Grant	45 684	44 609	44 187	43 163
Transfers (to)/from reserves	(5 835)	7 732	(7 328)	(7 107)
Surplus after movement in reserves	74 091	59 793	35 282	-

* Assurance: RAs who perform an audit and express an opinion on the degree of confidence of the intended users about the outcome of the evaluation or measurement of financial statements against criteria.

** Non-assurance: RAs who are not in public practice, such as academics and financial staff of corporates.

*** Matters finalised following a referral for a disciplinary hearing include matters finalised through an admission of guilt or a consent order, and matters finalised following a disciplinary hearing.



MESSAGE

From the Minister of Finance

Enoch Godongwana

The crucial role that auditors play in generating much needed investments in the country can never be overemphasised; and linked to that is the importance of a strengthened Independent Regulatory Board for Auditors (IRBA). To grow the economy and create employment opportunities, the country relies on the integrity of our economic and financial markets. Therefore, regulators and governments worldwide are examining developments within the auditing profession with a keen eye.

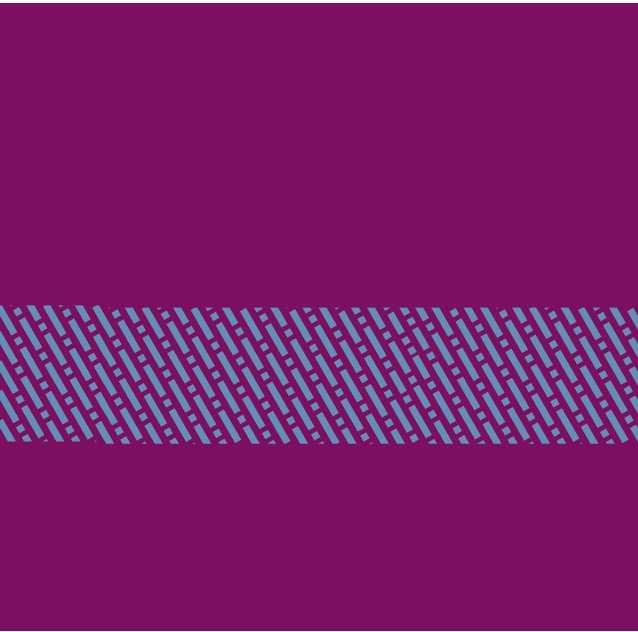
The changes in our fiscal position and the increased risks outlined in the budget speech earlier this year have become a reality. Inflation and the impact of global events have intensified the financial risks for our economy, and this has further increased the reliance placed on the assurance work of auditors. In fact, we collectively want to see all role-players in the financial and governance ecosystem, including auditors, playing their part in helping the government to remove South Africa from the Financial Action Task Force's grey list, given the underlying strength of our financial sector.

The IRBA has done well in rebuilding confidence in the auditing profession. The various legislative amendments undertaken and the announcement from my office of increased fines and

sanctions will further strengthen the work of the IRBA. South Africa boasts a strong and sophisticated audit sector that is supported by a robust audit regulatory framework. Therefore, it is important for us to rebuild confidence in the auditing profession and support the IRBA, to ensure that the South African auditing profession deliver high quality audits in the public interest.

Despite the resource constraints faced by the IRBA during this period, as well as limitations and mounting demands on government to do more to make a difference in the lives of our people, the IRBA has managed to fulfil its mandate and achieved its performance targets. The results of this hard work are starting to show, as evidenced by the improved speed at which errant auditors are being held to account and the commendable work on developing future auditors.

I would like to thank the Board and the IRBA management for their commitment to restoring trust in the profession and continuing to strive to grow the profession and implement their legislative mandate diligently and ensure that the IRBA remains an internationally respected and locally recognised audit regulator. It is critical that the right balance is struck to support the country's economic recovery in the short to medium terms, and the



auditing profession, as a key stakeholder, is at the forefront of that economic development.

I wish the IRBA well as it continues to play its role in rebuilding the economy through restoring confidence in the auditing profession.

Enoch Godongwana, MP
Minister of Finance





FOREWORD

By the Chairperson

Fulvio Tonelli

It is my pleasure to present this year's IRBA Annual Report on behalf of the Board.

As we look back over this financial year, we are mindful of the local and global developments that have taken place in the auditing space. Some of these have been positive initiatives to reinforce audit quality, and these include the issuing of pronouncements to strengthen the work that auditors do and guidance on how to incorporate the use of digital tools effectively to enhance the audit product. On the other hand, improper conduct from a handful of auditors and audit firms continues to impact the reputation of the profession. This then means that as a collective, we need to put even more efforts towards re-emphasising – especially among auditors – the key role that the auditing profession plays in boosting the country's economy, among others.

The continuing lack of comprehensive regulation over all other role-players in the financial reporting ecosystem continues to be a challenge. Ongoing work, though, with other stakeholders, as part of the IRBA's comprehensive stakeholder engagement focus, aims to identify the risks and find possible solutions to various gaps in the ecosystem.

Over the period under review, the Board continued to oversee the implementation of the IRBA strategy and identified

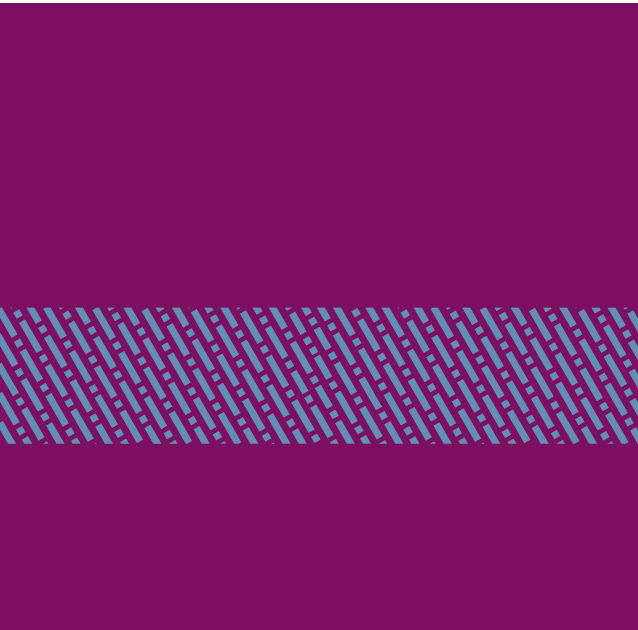
several policy priorities that the executive must address in the implementation of the second half of the approved five-year strategy. These priorities are aligned to the public and national interests and are aimed at ensuring the sustainability and relevance of the profession and the regulator. The execution of this mandate ensures that the financial interests of investors are protected, and high-quality audits are delivered. In turn, that provides confidence in and reliance on financial statements, leading to improved investor confidence.

Therefore, while the IRBA's mandate is limited to protecting the investing public through the auditing profession, an outcome of the successful execution of its mandate will ultimately benefit the wider public.

The IRBA continued with its funding model project to ensure the sustainability to execute its core mandate and fund the necessary growth.

The Board is satisfied with the IRBA's achievement of the majority of its annual performance targets, as set out in the approved Annual Performance Plan.

One of the Board's main achievements this year was the appointment of Imre Nagy as Chief Executive Officer (CEO). We would therefore like to acknowledge



the work that has been achieved under his leadership, as both the Acting CEO and now the head of the organisation. He has managed to bring stability within the IRBA and steer it in the right direction in the implementation of its strategy.

I wish to thank my fellow Board members for their support and commitment during this year, as well as the IRBA management team and staff for their tenacity and dedication to both the regulator and the profession. I would also like to acknowledge the ongoing support from National Treasury and the Minister of Finance.

As the Board, and with the support of the entire organisation, we are working tirelessly to restore confidence in the regulator and the profession. Our collective efforts have started to show results, which proves that we are on the right path.

Fulvio Tonelli
Board Chairperson





OVERVIEW

by the Chief Executive Officer

Imre Nagy

It gives me great pleasure to present the 2022/2023 Annual Report, which builds on the work of the IRBA team over this past year.

Emerging from the changes brought on by the pandemic, we have had to reimagine how we position ourselves as a regulator, to navigate the evolution and future of the auditing profession. Our efforts focused on reflecting on the state of the profession and the regulator, especially regarding how we have fared in our responsibility to protect the interests of the public. The IRBA has stabilised its governance structures, following the appointment of a competent and experienced Board by the Minister of Finance. Further, all executive management positions have been filled.

Strategy Update and Restoring Confidence

Since we commenced with our Restoring Confidence 2.0 (RC2.0) drive, it is encouraging to see more stakeholders embracing the IRBA's broader stakeholder approach and showing their commitment to our collective goal of restoring trust and integrity in the wider financial reporting and governance ecosystem. We appreciate the efforts and support from firm leadership, auditors,

professional bodies, those charged with governance as well as other relevant regulators and stakeholders.

The three workstreams that are driving the RC2.0 initiatives are making steady progress on their respective deliverables. In line with that, we continued to analyse possible gaps in the broader financial reporting and governance ecosystem that have an impact on audit quality by engaging key role-players and soliciting their views on the gaps and possible solutions. The next steps will include developing a comprehensive discussion paper and focused stakeholder engagement.

We conducted further work in identifying potential reforms in the auditing profession by analysing the various gaps in the profession against the competing inputs and/or proposals from both the local and international auditing arena. Further stakeholder consultations are underway to help determine the key reforms that are important to the South African auditing market.

To ensure sustainability and relevance, we continued to implement changes that will ensure that the IRBA remains relevant as a regulator and is able to attract and retain new professionals. We are also driving the IRBA's digital transformation process and enhancements as well as

rebranding and marketing the regulator and the professional qualification through extensive engagements with our key stakeholders.

Operational Effectiveness

During the year under review, we continued to implement our mandate in a very impactful and effective manner. We have remained committed to drive our core mandate and met most of our targets, despite the number of vacancies and resource constraints. Our performance information, as recorded in pages 24 to 31, details the target areas set out by each department and the response to each target.

Re-igniting the Value of Audit and the Audit Product

There has never been a better time to prove the value of audit and the role that auditors play in holding those in the financial reporting and governance ecosystem to standards of honesty, ethics and integrity. To that end, the IRBA aims to create an environment where auditors can execute this public interest role without fear or limitation.

Refreshed Look and Feel

Our rebranding exercise has been part of our journey to make the profession attractive again; help us build a culture of excellence and sustainable high performance; and drive an increased level of engagement with our key stakeholders. We want to listen to what will help registered auditors to hold firm on their contract with society to protect the financial interests of investors and users of audited financial reports. This public protection role, which is our fiduciary duty, must be at the heart of everything that the regulator and the auditors do.

Focus on Audit Quality

Our efforts are still set on helping to reduce the risk of audit failures that taint the reputation of the profession and make it unattractive to young people because of the negative publicity

created. We recognise that audit failures are caused by a handful of auditors and the majority are still significantly relied upon by investors and users of financial statements. However, we cannot ignore the devastating impact that even a single audit failure on a public interest entity (PIE) can have on investors, the public, the auditing firm, the reputation of the registered auditor brand and our profession.

In terms of developments, we look forward to seeing the positive changes that will flow from the Quality Management standards that recently became effective.

Mandatory Audit Firm Rotation (MAFR) Implementation

The MAFR rule, which was passed on 5 June 2017, was set to be effective from 1 April 2023. At the time of finalising this report, however, it had been set aside by the Supreme Court of Appeal. The IRBA will work with all relevant stakeholders to address the legal issue on the basis of which MAFR was set aside. Maintaining the independence of registered auditors from their clients remains a pivotal principle in conducting effective external audits. The IRBA maintains the stance that firm rotation remains an appropriate mechanism that further strengthens auditor independence.

Stakeholder Relations

It has been a pleasure to reconnect with our stakeholders in person, to share our plans and hear from them on the progress they are making in their own strategies. On the global front, we still play a key role in the various international bodies by participating, contributing and influencing standards and regulation through taking part in different auditing, ethics, education and standards boards. For instance, South Africa, through the IRBA, continued to serve its four-year term as a board member of the International Forum of Independent Audit Regulators (IFIAR); and I was recently re-elected as the chair of the IFIAR Audit and Finance Committee for another two-year term, with a number of



other IRBA staff serving on various IFIAR working groups and task forces.

On the continental front, the IRBA has just completed its extended term as deputy chair and secretariat of the African Forum of Independent Accounting and Auditing Regulators and will continue to serve as an ordinary member. We also hosted several countries for a learning exchange programme, focusing on the work of the IRBA in audit regulation, including audit regulators from the Republic of Georgia, Kenya and Zimbabwe.

Sustainability Projects

Given the rapid developments taking place in the sustainability reporting, assurance and regulation space, our Committee for Auditing Standards approved the Sustainability Standing Committee strategy, Driving Assurance Engagement Quality and Restoring Confidence through Sustainability Assurance Pronouncements. Our involvement entails supporting the work of various independent international standard-setting boards working on ESG (Environment, Social and Governance) projects. While the International Sustainability Standards Board has issued the first of its awaited exposure drafts, others related to assurance and ethics are expected during 2023/2024.

Internally, a hybrid working arrangement for our staff has ensured that we contribute to lowering carbon emissions and reducing the risk of exposure to infectious diseases.

Future Outlook

Besides improving the efficiency of the IRBA through process improvements and building a people-centred culture of

high-performance, we are also looking at alternative funding models. We have embarked on a priority project to conduct a business analysis and formulate proposals for a revised funding model. This does not mean that there will be no funding from the profession, but the IRBA can have alternative sources of revenue to supplement and expand its operations, and fulfil other expected roles.

Appreciation

The collective efforts of all our stakeholders are starting to bear fruit. There is a clear sense of working together to achieve our collective goals for the profession. I want to thank everyone for their input, collaboration, suggestions and the constructive conversations that are helping to shape the future of our profession.

It is important that we continue to work together to create awareness about the value that we bring to the financial markets and the economy of our country. After all, protecting the public interest is at the heart of all that we do as auditors and the regulator.

I would like to thank the Board, its subcommittees and statutory committees for their guidance and leadership. A word of thanks also goes to management and staff for their continued commitment to pursue the IRBA's strategic objectives with great professionalism and dedication.



Imre Nagy
Chief Executive Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements (Part F) audited by the Auditor-General.
- The Annual Report is complete, accurate and free from any material omissions.
- The Annual Report has been prepared in accordance with the guidelines on annual reports issued by National Treasury.
- The Annual Financial Statements have been prepared in accordance with the standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

Yours faithfully,



Imre Nagy
Chief Executive Officer



Fulvio Tonelli
Board Chairperson



STRATEGIC OVERVIEW

Strategic Focus

In line with the IRBA's legislative mandate and our strategy, and arising out of the situational analysis, the revised three focus areas (referred to as our Institutional Responsibility) for 2021-2025 are:

- Sustainability and Relevance;
- Audit Quality; and
- Comprehensive Stakeholder Engagement.

The IRBA's strategic focus is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to our register; and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

Vision

To be a preeminent, internationally respected and locally recognised audit regulator, whose purpose is to protect the public interest and safeguard the integrity of the South African financial markets by creating an enabling environment in which auditors can deliver high-quality audits.

Mission

We endeavour to protect the financial interests of the investing community by creating and enhancing regulatory tools and principles to empower registered auditors to carry out their duties competently, independently and in good faith.

Legislative Mandate

The IRBA was established in terms of Section 3 of the Auditing Profession Act No. 26 of 2005, as amended (APA). The objects, as set out in Section 2 of the Act, are as follows:

- To provide for the establishment of an Independent Regulatory Board for Auditors.
- To protect the public in the Repub-

lic by regulating audits performed by registered auditors.

- To improve the development and maintenance of internationally comparable ethics standards and auditing standards for auditors that promote investment and, consequently, employment in South Africa.
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession.
- To provide for procedures for disciplinary action in respect of improper conduct.

Objectives

In line with the legislative mandate, our objectives are to:

- Build credibility for the IRBA, as a proactive regulator, and for the profession (accounting and auditing).
- Demonstrate relevance and responsiveness (to changes/market expectations) by initiating improvements.
- Increase audit firm transparency.
- Align auditor behaviour and integrity with ethics requirements.
- Improve the quality of audit opinions and audits, and address investor expectations.
- Manage the public's (private and public sectors) expectations in the auditor's role.
- Promote stability and growth in capital markets.

Goal

Our goal is to be seen as an effective and impactful regulator that can change the behaviour of auditors and other role-players in the financial reporting system to:

- Increase audit quality;
- Improve ethics and independence; and
- Increase the transparency of audit firm practices.

Regulatory Philosophy

The IRBA's regulation is focused on the protection of the public's financial

interests, while it recognises its role in creating an enabling environment in which auditors can deliver high-quality audits.

Value Proposition

We create continuing value by building trust in the regulator, the designation, the profession and in audit quality.

Values

As the overall custodian of the auditing profession in South Africa, the IRBA acknowledges the importance of the mandate assigned to it by Parliament, and all its registrants and staff ascribe to the core values that are highlighted below.

Independence, Integrity and Objectivity

It is imperative that we are not just independent of the auditing profession in our composition and membership, but also reflect independence in the perception of our key stakeholders through our actions and behaviour. Consequently, it is important that we act with integrity and objectivity in our deliberations, decisions and actions.

Commitment

We recognise the scope and extent of our mandate in respect of both the public and the profession, and undertake to execute and deliver on this mandate with diligence and commitment in terms of our vision.

Transparency and Accountability

As a public entity in the overall delivery structure of the South African government and a beneficiary of public funds, we promote transparency in our interactions with the relevant stakeholders and recognise our accountability to the Parliament of South Africa and the Minister of Finance as our Executive Authority.



Organisational Structure

IRBA Board

The IRBA Board is appointed by the Minister of Finance.



Fulvio Tonelli
Chairperson



Naidene Ford-Hoon
Deputy Chairperson



Ruth Benjamin-Swales



Thabiso Kutumela



Nalini Maharaj



Protas Phili



Chuma Mjali
Resigned 31 July 2022



Zine Mshengu



Sir Richard Hawkins



Precious Sibiya
Appointed 18 May 2023



Mojalefa Mosala
Appointed 18 May 2023



Shabeer Khan
Ministerial Representative



IRBA Executive

The Executive reports to a non-executive Board, and the organisation operates with a staff complement of 86 employees.



B

PERFORMANCE INFORMATION

PART B: PERFORMANCE INFORMATION

The Report of the Auditor-General on page 83 indicates the procedures performed to determine whether the reported performance information was presented appropriately and performance was consistent with the approved performance planning documents.

Moreover, the Auditor-General performed further procedures to determine whether the indicators and related targets were measurable and relevant; and assessed the reliability of the reported performance information to determine its validity, accuracy and completeness.

STRATEGIC FOCUS AREA 1: AUDITING AND ETHICS STANDARDS

Activities

Projects that are aimed at restoring confidence in the auditing profession will be done through standards-related activities. Furthermore, our support to the statutory committees will continue, to ensure that we develop and issue high-quality international and local ethics, auditing and assurance pronouncements.



STRATEGIC OBJECTIVE					
To develop and maintain auditing and ethical standards that are internationally comparable					
Responsibility: Director Standards					
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Standards and Guidance issued	Issued auditing pronouncements, illustrative auditor reports and comment letters.	High-quality audits.	Target dates met for issuing audit pronouncements, illustrative audit reports and comment letters.	85% of target dates met	Target: 6 Actual: 6 Achieved: Yes (100%)
To adopt and/or develop and issue additional guidance on ethical issues, based on the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code).	Issued additional guidance on ethical issues, comment letters and Code amendments.	To provide auditors with a Code that is consistent with international Codes and one that enables the IRBA to take disciplinary action, where necessary.	Target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments.	85% of target dates met	Target: 6 Actual: 6 Achieved: Yes (100%)

STRATEGIC FOCUS AREA 2: EDUCATION

Activities

A major emphasis on increasing both the number of candidates registering on the Audit Development Programme and those successfully completing it is what the Education and Transformation Department continues to strive towards. It is also critical to keep on enhancing the ADP, with more focus on the transformation of the candidates that are registering on the programme.

STRATEGIC OBJECTIVE 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 auditing profession Responsibility: Director Education and Transformation					
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
To monitor the environment in which the Audit Development Programme is offered	Monitoring reports.	To ensure that the environment is conducive to the development of audit competence.	The number of monitoring visits completed per annum.	43 visits	Target: 43 Actual: 46 Achieved: Yes <u>Explanation for the deviation:</u> Additional ADP monitoring inspections were conducted for firms with candidates who submitted Portfolios of Evidence to complete the ADP. Also, revisits were conducted for firms with prior high outcomes.
To monitor the programmes and institutional requirements of accredited professional bodies	Monitoring reports.	To ensure compliance with the Accreditation Model.	The number of final monitoring reports to be submitted to the accredited professional body, within 10 working days after the Education and Transformation Committee's (EDCOM) approval.	1 report	Target: 1 Actual: 1 Achieved: Yes

STRATEGIC OBJECTIVE					
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 auditing profession					
Responsibility: Director Education and Transformation					
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
To contribute to the transformation of the profession	IRBA transformation initiatives.	To facilitate the transformation of the RA profession through targeted initiatives that are aimed at identifying and addressing barriers to transformation.	The number of IRBA transformation initiatives completed per annum.	8 (Focused initiatives per stakeholder group)	Target: 8 Actual: 8 Achieved: Yes
To monitor the Continuing Professional Development (CPD) compliance of RAs and tax practitioners	Monitoring reports.	To ensure that RAs and tax practitioners are complying with the CPD Policy.	The number of the CPD monitoring reports analysed per annum.	1 report	Target: 1 Actual: 1 Achieved: Yes

STRATEGIC FOCUS AREA 3: INSPECTIONS

Activities

- An optimal allocation of the Inspections Department capacity and an improved risk-based coverage during the 8th Inspections Cycle.
- Enhanced stakeholder awareness and targeted socialising of inspection outcomes and reports; as well as various engagements with key stakeholders.
- Effective and productive hybrid inspections.
- Implementation of themed inspections and proactive remediation.
- Effective succession planning, with inspectors being appointed to senior roles, as and when appropriate.
- Proactive monitoring, including continuous discussions with audit firms throughout the year on the implementation plans for the Quality Management standards.

STRATEGIC OBJECTIVE	To monitor registered auditors' compliance with professional standards				
	Responsibility: Director Inspections				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Risk-based inspections performed	Inspection reports.	Compliance of firms (including their individually registered auditors) with the auditing and ethics standards.	The number of planned inspections completed per annum.	117 inspections	Target: 117 Actual: 117 Achieved: Yes

STRATEGIC FOCUS AREA 4: INVESTIGATIONS

Activities

Pursuant to the IRBA's five-year strategic plan, the Investigations Department continued to participate in relevant international initiatives. This included networking with structures from other audit regulators, to constantly develop and implement new mechanisms of investigating and adjudicating alleged auditor improper conduct in tandem with global initiatives.

STRATEGIC OBJECTIVE	To investigate and take appropriate action against registered auditors in respect of improper conduct				
	Responsibility: Director Investigations				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Completed investigations	Closed matters.	Taking appropriate action against registered auditors in respect of improper conduct.	The number of investigations completed per annum.	96 completed investigations	Target: 96 Actual: 96 Achieved: Yes

STRATEGIC FOCUS AREA 5: DISCIPLINARY

Activities

The outcomes of a number of disciplinary matters are positive indications of our efforts to restore confidence in the auditing profession. These are also evidence of our commitment to take appropriate action against registered auditors for improper conduct. We are confident that the outcomes will serve as a deterrent to RAs from neglecting their duty to protect the financial interests of investors and the public at large and, ultimately, improve audit quality.

The IRBA has successfully benchmarked its disciplinary processes against those of local and international regulators, to ensure that these are aligned to best industry practices. To this end, a holistic review of current processes was undertaken, leading to the development of a disciplinary processes strategy and implementation plan, to aid the redesign of existing processes.

The implementation of the disciplinary processes strategy was a focus area for the reporting financial year, resulting in the delivery of a number of projects relevant to redefining disciplinary processes; capacitating disciplinary staff and Disciplinary Committee members; and ensuring an effective management of costs related to disciplinary matters. It is the delivery of these projects that supports the attainment of efficient and effective disciplinary processes.



STRATEGIC OBJECTIVE	To take appropriate action against registered auditors in respect of improper conduct Responsibility: Director Legal				
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Disciplinary strategy and implementation plan	The disciplinary strategy and implementation plan implemented.	Disciplinary processes designed to be more effective and efficient.	Implemented the disciplinary strategy.	Disciplinary strategy implemented, in line with the 2022/2023 implementation plan.	Target: Disciplinary strategy implemented Actual: 2022/2023 disciplinary strategy implementation plan partially implemented Achieved: No <u>Explanation for the deviation:</u> Of the 19 deliverables, one relating to the digitisation of disciplinary processes was not achieved, due to the organisation-wide assessment of the "as is" status of current systems to determine suitability for continued use and challenges with procurement requests for a service provider. The project will be rolled over to the 2023/2024 financial year.

STRATEGIC FOCUS AREA 6: OPERATIONAL EFFECTIVENESS

Activities

Compliance, accountability and proper management of revenue, expenditure, assets and liabilities are some of the important measures that the IRBA uses to assess its operational effectiveness. The measurable indicator of how well these measures are functioning is a clean auditor's report, which the IRBA has obtained for a number of consecutive years. Over the past few years, we have had to look at finding alternative ways to supplement the funding we receive from our government grant, prescribed fees and levies from RAs and firms, as well as funds that may accrue to us from any other legal source.



STRATEGIC OBJECTIVE					
To strengthen 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					
Responsibility: Director Operations					
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Reports from internal and external audits	Systems, policies and processes that ensure compliance, accountability and sound management of the revenue, expenditure, assets and liabilities.	Financial sustainability to deliver on the mandate.	A clean audit report regarding financials, compliance and performance information.	Clean audit report for the 2021/2022 financial year-end	Target: Clean audit report for the 2021/2022 financial year-end Actual: Clean audit report for the 2021/2022 financial year-end Achieved: Yes
Promote transformation through targeted procurement policies	Implementation of the Preferential Procurement Policy Framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of small, medium and micro enterprises (SMMEs) payments effected within 30 days.	100%	Target: 100% Actual: 100% Achieved: Yes
Promote transformation through targeted procurement policies	Implementation of the Preferential Procurement Policy Framework.	Increased procurement and effective payments to promote empowered businesses.	Percentage of contracts awarded to SMMEs and small businesses.	20%	Target: 20% Actual: 35% Achieved: Yes <u>Explanation for the deviation:</u> During the first quarter, Supply Chain Management (SCM) implemented additional internal efficiencies to source goods and services from SMME service providers.
Promote transformation through targeted employment policies	Transformed workforce.	Transformation of management control achieved according to the relevant Broad-Based Black Economic Empowerment (B-BBEE) codes.	Achievement of the management control score calculated according to the B-BBEE scorecard. The maximum score attainable is 20.	17	Target: 17 Actual: 14.8 Achieved: No <u>Explanation for the deviation:</u> The target was not met due to various vacancies.

STRATEGIC OBJECTIVE					
To strengthen 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					
Responsibility: Director Operations					
Measurable Objective	Output	Outcomes	Measurable Indicator	Performance Targets	
				2022/2023	Status for the Year Ended 31 March 2023
Promote transformation through targeted employment policies	Transformed workforce.	Transformation of staff achieved according to the approved Employment Equity Plan.	Achievement of the employment equity target, according to the approved Employment Equity Plan.	77% (or more) Black 21% (or less) White 2% Other	Target: 77% (or more) Black 21% (or less) White 2% Other (or less) Actual: 77% Black 20% White 3% Other Achieved: Black - Yes White - Yes Other - No <u>Explanation for the deviation:</u> The target was not met due to various vacancies.

Organisational Environment

A significant amount of work has been done in the past two years to operationalise the IRBA's refocused strategy and restoring confidence initiatives. As we interacted with various stakeholders, since we launched the strategy, we have become more acutely aware of the new realities that the profession is encountering, due to rapid changes and disruptions in the environment.

Key Policy Developments and Legislative Changes

The amendments to Section 49 of the APA were assented to by the President on 7 July 2023. They clarify the following:

- The service of the charge sheet need not be effected via registered mail, as this may be done through email transmission; and
- ENCOM may, despite an admission of guilt from the respondent, refer the respondent to a disciplinary hearing if it believes a sanction of suspension or removal from the register is warranted.

Other Information

During the financial year, an application was made to National Treasury for the condonement of the Irregular Expenditure, as reflected below and in Note 23 of the Annual Financial Statements (Part F).

	2023 (R'000)	2022 (R'000)
Opening balance as previously reported	19 414	10 766 941
Add: Irregular Expenditure – current	-	19 414
Less: Amount removed	(19 414)	(10 766 941)
Closing balance	-	19 414

This, however, was not approved, but it was indicated that the institution may consider addressing the Irregular Expenditure in accordance with provisions of paragraph 5.8 of the Compliance and Reporting Framework issued in terms of Treasury Instruction 04 of 2022/2023. The Board subsequently considered the recommendation made by management to remove the Irregular Expenditure after due consideration of the following:

- The matter is free of fraudulent, corrupt or other criminal conduct;
- The IRBA did not suffer any loss;
- The non-compliance that led to the Irregular Expenditure has been addressed; and
- Transactions of a similar nature are regularly reviewed to ensure compliance with the relevant prescripts.

C

GOVERNANCE



PART C: GOVERNANCE

In accordance with the provisions of the APA, the Public Finance Management Act of 1999 (PFMA) and good corporate governance principles, the Board is the designated Accounting Authority that governs the IRBA; and it reports to the Executive Authority.

In line with its policy to adhere to best practice, the IRBA considers and monitors relevant codes on governance and any other available guidance that will enhance current practices. In view of that, no issues were identified to suggest shortcomings in governance.

Composition of the Board and Board Subcommittees

Board members are all non-executive members appointed by the Minister of Finance. In terms of the APA, the Minister must appoint no less than six, but not more than ten, persons as members of the Board.

The roles of the Chairperson of the Board and the Chief Executive Officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The Chairperson has no executive functions.

As of the previous financial year, the Minister had appointed ten Board members, with their terms being effective from 8 June 2021 to 7 June 2024. However, one tendered their resignation at the end of that year, while another resigned during the year under review, due to a new career opportunity that would have had an effect on her independence from the auditing profession. That left eight Board members as at 31 March 2023. These vacancies, however, did not have any impact on the effective functioning of the Board. The Minister subsequently appointed two new Board members,

effective from 18 May 2023 to 17 May 2026, with support from the Cabinet.

Responsibility

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information that is included in this Annual Report. It is also ultimately responsible for ensuring that adequate accounting records and effective systems of internal control are maintained. To enable it to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of internal control, in line with the requirements of the PFMA and Treasury Regulations. It also exercises its functions in accordance with the APA. It is assisted by the subcommittees briefly noted below in the execution of its duties.

Operations Committee (OPSCOM)

The objective of the committee is to assist the Board with human resources (HR), including the annual review of the CEO's performance and remuneration; regularly assessing staff benefits and trends; and reviewing changes to the Board's personnel policies. Also, it assists with nominations for all appointments to the IRBA statutory committees by making recommendations to the Board. It is further tasked to consider reports from the directors on operational and functional issues.

The committee operates in accordance with the terms of reference approved by the Board.

During the period under review, it met ten times to consider and recommend to the Board human resource and operational matters, as well as the nomination of members to statutory committees.

Audit and Risk Management Committee (ARMCO)

This committee assists the Board with the responsibility of safeguarding assets, maintaining effective and efficient internal controls, reviewing the financial information, overseeing the preparation of the annual financial statements as well as information and communication technology governance. It is also responsible for overseeing risk management; and ensuring that identified risks are monitored and appropriate measures are devised and implemented to manage such risks.

The committee operates in accordance with the Board-approved terms of reference. The auditors have unrestricted access to the committee members.

During the period under review, it met five times to review the annual financial statements; the quarterly management reports; matters arising from the risk management policy and risk register reports; the internal and external audit plans and the budget; and the audit report arising from the completed audit for the fair presentation of the financial statements to the Board.

Enforcement Committee (ENCOM)

In terms of the APA, the Investigating Committee (INVESCO) investigates all complaints and then recommends to the ENCOM whether to charge a registered auditor with improper conduct.

The ENCOM, which reports to the Board, consists exclusively of Board members and functions independently from the INVESCO and the Disciplinary Committee.

To address the backlog of investigation matters, additional investigators have been employed. As such, good inroads have been made in this financial year with clearing that backlog.

Matters finalised

During the twelve months under review, the ENCOM met six times (2022: 7) and finalised 108 (2022: 58) matters.

Decisions not to charge

- Twelve matters: Respondent not guilty of improper conduct.
- Two matters: There was a reasonable explanation for the respondent's conduct.
- Six matters: There were no reasonable prospects of succeeding with a charge of improper conduct against the respondent.

Decisions to charge and matters finalised by monetary fines

- Seventy three matters were finalised by monetary fines.

Decisions to charge and matters referred for a disciplinary hearing

- Fifteen matters were referred to the Disciplinary Committee for a full hearing.

Reconciliation of finalised matters to completed matters reported in the performance information

There is a timing difference between when a plea is received and the sanction determined by the ENCOM is imposed versus when the imposition issued is noted by this committee.

The reconciliation for the current year is as follows:

Finalised matters	108
Prior-year impositions noted in the current year	-26
Current-year impositions noted at the May 2023 ENCOM meeting	+14
Completed matters	= 96

Board and Board Subcommittee Meetings

Attendance at the Board and subcommittee meetings (inclusive of special meetings) for 2022/2023 is set out below.

Board Member	Board	OPSCOM ⁵	ARMCO	ENCOM
F Tonelli (Chairperson) ¹	7 of 7	10 of 10	4 of 5	6 of 6
N Ford-Hoon (Deputy Chairperson) ²	7 of 7	9 of 10	2 of 2	N/A
R Hawkins	7 of 7	10 of 10	N/A	N/A
T Kutumela ³	6 of 7	10 of 10	N/A	N/A
Z Mshengu	6 of 7	N/A	5 of 5	N/A
C Mjali ⁴	5 of 5	N/A	3 of 3	N/A
P Phili	7 of 7	N/A	4 of 5	N/A
N Maharaj	7 of 7	N/A	N/A	6 of 6
R Benjamin-Swales	6 of 7	N/A	N/A	5 of 6

¹ Mr Tonelli attended ARMCO and OPSCOM meetings as a standing invitee. He has also attended ENCOM as an alternate member.

² Ms Ford-Hoon was appointed to ARMCO from 1 August 2022, due to Ms Mjali's resignation.

³ Ms Kutumela has been appointed as an alternate member of the ENCOM.

⁴ Ms Mjali resigned with effect from 31 July 2022.

⁵ OPSCOM meetings included additional CEO recruitment special meetings.

Board Member Information

Name	Qualifications	Designation	Directorships
F Tonelli	B Com B Com Hons	CA (SA)	ABSA Group Equites Property Fund Limited Life Healthcare Group Holdings The Ethics Institute
N Ford-Hoon	B Com B Compt Hons	CA (SA)	SA Corporate Real Estate Ltd Knysna Initiative for Learning and Teaching (KILT) Swiftnet SOC Ltd Telkom SA SOC Limited
R Hawkins	B Com B Compt Hons	CA (SA)	PRP Solutions ROCKBlue ARWYP Holdings
T Kutumela	B Com LLB M Laws	Attorney	Gauteng Growth and Development Agency
Z Mshengu	B Com B Com Hons Accounting M Science (Finance) in Financial Sector Management	CA (SA) CISA	Not applicable
C Mjali ¹	Business Science Degree (Finance and Accounting) M Com (Accounting)	CA (SA) ACMA CGMA	Elangeni Foundation

Name	Qualifications	Designation	Directorships
P Phili	B Com (Accounting) Post Graduate Diploma in Accounting M Com (Taxation)	CA (SA)	Khwezela Investment Group Vuka Sakhe Holdings Khwezela Nathi Holding Resilient Reit Anchor Park Investments 107 National Nuclear Regulator
N Maharaj	B Proc LLB	Attorney	Agricultural Research Council Mental Health Review Board Housing Development Agency South African Veterinary Council KwaZulu-Natal Gaming and Betting Board Allied Health Professions Council of South Africa National Advisory Council on Innovation Nursing Council of Western Cape South African Institute of Drug-Free Sport
R Benjamin-Swales	B Com Certificate in Theory of Accounting	CA (SA)	Equites Property Fund Limited ASISA Foundation Trust ASISA Enterprise Development Trust ASISA Supplier Development Trust ASISA Enterprise & Supplier Development (Pty) Ltd
P Sibiya ²	B Accounting Post Graduate Diploma in Accounting	CA (SA)	AWCA Investment Holdings (AIH) Ithala Development Finance Corporation Trans Caledon Tunnel Authority Air Traffic Navigation Services
M Mosala ³	B Com Accounting B Com Hons Accounting B Accounting Honours	CA (SA)	Free State Cricket Union

¹ Resigned on 31 July 2022.

² Appointed on 18 May 2023.

³ Appointed on 18 May 2023.

In addition to the abovementioned members, the Minister had nominated Acting Accountant-General, Ms Karen Maree, as his representative on the Board. As from 1 January 2023, the newly appointed Accountant-General, Mr Shabeer Khan, assumed Board responsibility as the Ministers' representative.

Internal Auditors

With effect from 1 November 2018, the IRBA appointed National Treasury's Internal Audit Shared Services as its internal auditors. ARMCO approved an internal audit plan for the year under review; and Internal Audit performed its activities as per the plan and tabled progress reports at the committee's meetings.

External Auditors

The Auditor-General South Africa (AGSA) is the IRBA’s external auditor. It provides an independent assessment of the regulator’s systems of internal financial control and expresses an independent opinion on our financial statements. The external auditor’s plan is reviewed by ARMCO, to ensure that significant areas of concern are covered, and this is done without infringing on the external auditor’s independence and right to audit.

Strategic Plan and Budget

Management prepares the Annual Performance Plan, Strategic Plan and budget for Board consideration and approval. These documents are then duly submitted to National Treasury for its consideration and approval. Quarterly reports – which include the management accounts, performance information and the PFMA compliance checklist – are also submitted to the Executive Authority, as per the requirements of the PFMA and Treasury Regulations.

B-BBEE Compliance and Performance Information

This table is in compliance to the Broad-Based Black Economic Empowerment Act requirements, as set by the Department of Trade, Industry and Competition. Where there has been no or partial compliance with the criteria, the entity has to provide an explanation (discussion) and also indicate the measures taken to comply.

Has the IRBA applied any relevant Codes of Good Practice (B-BBEE Certificate Levels 1-8) with regard to the following?

Criteria	Response (Yes/No)	Description
Determining the qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	We register individuals and firms in terms of the APA and determine the registration criteria. The requirements are contained within the transformation interventions we carry out.
Developing and implementing a preferential procurement policy?	Yes	The Preferential Procurement Strategy has been incorporated into our policy.
Determining the qualification criteria for the sale of state-owned enterprises?	No	Our mandate does not include this activity.
Developing the criteria for entering into partnerships with the private sector?	No	We have not entered into, nor do we envisage any, private sector partnerships, due to our independence.
Determining the criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	Our mandate does not include these activities.



D

HUMAN RESOURCE MANAGEMENT

PART D: HUMAN RESOURCE MANAGEMENT

THE VALUE OF HUMAN CAPITAL

Flexible working arrangements and the ability to adapt to change have become crucial factors that attract and retain talent within an organisation. In fact, the pandemic forced the IRBA to adapt to this new hybrid working environment and adopt new ways of conducting its work.

As an independent regulator of the auditing profession, the IRBA's most valuable asset remains its staff. Consequently, over the past year, it has worked hard to address and incorporate these new working arrangements into its digital transformation initiatives, to ensure a more productive and innovative workplace.

A hybrid working arrangements policy was implemented to assist with fuelling productivity and enhancing employee attraction and retention in this post-pandemic environment. The policy promotes physical interaction across departments, teams and the organisation as a whole, while also promoting a work-life balance for all employees.

Adopting a hybrid working policy has been beneficial, as one of its main advantages has been an increase in employee engagement and productivity. When employees have the flexibility to work from home, they are often able to create a more comfortable and efficient environment for themselves. Other advantages that we have noticed include the following:

- Increased productivity and efficiency: In a hybrid setup, flexible hours and a refreshing change of environment can increase an employee's focus on their own tasks.
- Redefined collaboration: There have been encouraging signs, despite working remotely, of more inclusivity among employees and accessibility

for everyone through the use of technology.

- Improved employee work-life balance: Employees have more flexibility with balancing their schedules.
- Maintained staff safety and health: Hybrid work has helped to maintain staff safety and health by reducing the risk of exposure to infectious diseases.

There are a number of practices that have also had to be adopted, to ensure that the hybrid working arrangements are successful. These include:

- Providing equal opportunities for training, mentoring, expressing feedback or accepting leadership roles.
- Regular and clear communication.
- Investing in the right workplace technological trends and tools that employees need.
- Creating a flexible and collaborative culture for both remote and office-based employees.
- Ensuring fairness, maximising performance and maintaining cultural cohesion.

However, there are some disadvantages to hybrid working environments and these include:

- Difficulty collaborating with employees.
- Faster employee burnout, due to the fact that people are not able to switch off completely.
- Difficulty keeping up with hybrid schedules.
- Poor team relationships and negative

working cultures.

- Lack of support for some employees.
- Increased dependence on technology together with increased costs.

Though we have encouraged a hybrid working environment, we have also focused on gradually increasing face-to-face social interactions. This is because the IRBA views social interaction as important for a productive and motivated team. Also, with the appointment of several new staff members, many more social interactions have been arranged, to provide staff with the opportunity to get to know their new colleagues. Loadshedding has also proved to be a challenge for staff, as higher levels of blackouts become more common towards the colder months of the year. The office provides generator backup for electricity and internet connection and staff are encouraged to work from the office, if they are experiencing high levels of loadshedding. This ensures that work can continue uninterrupted.

These interventions have thus far proved successful, as staff continued to work productively and adapt well to the new practices. New developments are being addressed on an ongoing basis and the working practices are constantly reviewed, to ensure that we have the most productive and engaged team. Monthly staff meetings have also become important in encouraging social interactions; and these have gone from 100% online to 80% face-to-face, to ensure inter-departmental collaborations as well.

Overview of HR Policies and Practices

The IRBA ensures that it complies with employment legislation, i.e. the Labour Relations Act 66 of 1995; the Basic Conditions of Employment Act 75 of 1997; the Employment Equity Act 55 of 1998; the Skills Development Act of 1998; the Occupational Health and Safety Act 181 of 1993; and various HR codes of best practice.

To ensure ongoing communication with staff members, the CEO and/or senior

management hold regular staff meetings.

The IRBA has a manual of HR policies and practices that is reviewed regularly. During the year under review, the following policies were drafted, updated and approved by the Board:

- HR14 Training Policy;
- HR18 Pension Fund Policy; and
- HR32 Working Hours and Arrangements Policy.

Employee Reward and Performance Management Framework

We recognise that rewards have a direct impact on operational expenditure, culture, employee behaviour and the sustainability of the organisation. As such, the IRBA's approach to reward is consistent with its objectives and strategic value drivers, which are to:

- Compete for talent in an increasingly competitive labour market;
- Maintain a transformed workforce;
- Retain skilled employees who enhance business performance; and
- Motivate individual and team performance that drives stakeholder value for the IRBA.

In the current economic context, the IRBA has provided staff (excluding directors) with an inflation-linked salary increase, a performance incentive and a 1% group award (including directors), to recognise people's contributions. A moratorium on executive remuneration and bonuses, however, imposed by National Treasury could see the IRBA facing the risk of losing senior executive staff, who are key in the effective execution of its regulatory functions, if not resolved.

Linked to recognising efforts has been the review of all job grades within the organisation. The Board implemented structural regrading and median adjustments for all employees, in terms of the IRBA's existing remuneration policy. All job descriptions were updated, based on changes over the past five years, to ensure accurate grades and competitive remuneration per position.

It remains of critical importance for the IRBA to attract and retain competent professional and administrative employees by offering competitive market-related salaries, bringing remuneration levels in

line with the industry benchmark and aligning baseline costs for positions at the same grade, while remaining committed to managing employee costs in a responsible and fair manner.

Human Resources Oversight Statistics

Staff Complement (excluding contract staff) – Five-year Comparison

	2023	%	2022	%	2021	%	2020	%	2019	%
Black Female	44	51	44	51	42	51	35	44	32	40
White Female	10	12	12	14	12	15	14	18	15	19
Black Male	25	29	25	28	22	27	22	28	24	30
White Male	7	8	6	7	6	7	8	10	9	11
Total Staff	86	100	87	100	82	100	79	100	80	100

Personnel Cost of Permanent Staff by Salary Band

Level	Personnel Expenditure (R)	% of Personnel Expenditure to the Total Expenditure	Number of Employees	Average Personnel Cost per Employee (R)
Top management	3 928 130	4%	1	3 928 130
Senior management	14 336 031	13%	6	2 389 338
Professionally qualified	73 255 923	67%	46	1 592 520
Skilled	13 767 137	13%	23	598 571
Semi-skilled	2 448 968	2%	7	349 853
Unskilled	641 732	1%	3	213 911
Total	108 377 921	100%	86	-

The total staff expenditure of R108 377 921 represents 63% of total expenditure.

Training Costs

Level	Personnel Expenditure (R)	Training Expenditure (R)	Training Costs as % of the Personnel Costs	Number of Employees Trained	Average Training Cost per Employee (R)
Top management	3 928 130	100	0.02%	1	100
Senior management	14 336 031	5 503	0.03%	6	916
Professionally qualified	73 255 923	261 026	0.35%	46	5 674
Skilled	13 767 137	18 412	0.13%	23	800
Semi-skilled	2 448 968	8 069	0.33%	7	1 153
Unskilled	641 732	195	0.03%	2	98
Total	108 377 921	293 305	0.27%	85	3 450

Performance Rewards*

Level	Bonus (R)	CTE (R)	% of CTE
Top management	39 270	3 928 130	1.0%
Senior management	146 550	14 336 031	1.0%
Professionally qualified	2 220 740	73 255 923	3.0%
Skilled	380 710	13 767 137	2.8%
Semi-skilled	74 360	2 448 968	3.0%
Unskilled	27 440	641 732	4.3%
Total	2 889 070	108 377 921	2.7%

* Executive remuneration was limited to the IRBA group award and zero for performance, as approval from the Minister was not obtained to pay performance bonuses to executives.

Long-Service Awards

Level	Rewards (R)	Personnel Expenditure (R)	% of Rewards to Personnel Expenditure
Top management	215 545	3 928 130	5.5%
Senior management	-	14 336 031	0.0%
Professionally qualified	419 145	73 255 923	0.6%
Skilled	113 413	13 767 137	0.8%
Semi-skilled	-	2 448 968	0.0%
Unskilled	-	641 732	0.0%
Total	748 103	108 377 921	0.7%

Employment and Vacancies

	2022/2023 No. of Employees	2022/2023 Approved Posts	2022/2023 Vacancies	2021/2022 No. of Employees	% of Vacancies
Top management	1	1	0	0	0.0%
Senior management	6	6	0	5	0.0%
Professionally qualified	46	57	11	49	19%
Skilled	23	25	2	12	8%
Semi-skilled	7	8	1	18	13%
Unskilled	3	3	0	3	0.0%
Total	86	100	14	87	14%

There are still challenges with recruiting professionally qualified staff. However, we are committed to achieving our transformation targets in filling these vacancies.

Employment Changes

Salary Band	Employment at Beginning of Period	Internal Movements	Appoint-ments	Terminations	Employment at End of Period
Top management	0	1	0	0	1
Senior management	5	0	1	0	6
Professionally qualified	49	-1	5	-7	46
Skilled	12	11	2	-2	23
Semi-Skilled	18	-11	0	0	7
Unskilled	3	0	0	0	3
Total	87	0	8	-9	86

The staff turnover rate has remained relatively low at 4% during the year, a sign that various retention initiatives within the organisation are working.

Reasons for Staff Leaving

Reason	Number
Resignation	8
Retirement	1
End of contract	0
Total	9

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Written warning	1
Final written warning	0
Dismissal	0
Referral to the Commission for Conciliation, Mediation and Arbitration	0

Equity Target and Employment Equity Status

Actual 2023

Males				Female				Foreign National		Total	Dis-abled
African	Co-loured	Indian	White	African	Co-loured	Indian	White	Male	Fe-male		
14	3	7	7	28	8	7	10	1	1	86	2
16%	3%	8%	8%	33%	9%	8%	12%	1%	1%	100%	2%

Target 2023

Males				Female				Foreign National		Total	Dis-abled
African	Co-loured	Indian	White	African	Co-loured	Indian	White	Male	Fe-male		
15	2	9	7	27	7	12	13	1	1	94	2
16%	2%	10%	7%	29%	7%	13%	14%	1%	1%	100%	2%

The actual target of >77% for Black employees was met.

Employment Equity Status per Level

	2022/2023 No. of Employees	African	Indian	Coloured	White	Foreign
Top management	1	0	0	0	1	0
Senior management	6	2	2	1	1	0
Professionally qualified	46	17	11	4	12	2
Skilled	23	15	1	4	3	0
Semi-skilled	7	5	0	2	0	0
Unskilled	3	3	0	0	0	0
Total	86	42	14	11	17	2



FEEDBACK FROM STATUTORY COMMITTEES

PART E: FEEDBACK FROM STATUTORY COMMITTEES

COMMITTEE FOR AUDITOR ETHICS

Members	Number of Meetings Attended	Membership Status
Mr S Davies	4 of 4	Chairperson
Mr A Bulbulia ¹	4 of 4	Member
Ms F Jeeva	4 of 4	Member
Mr F Mitchell ²	2 of 2	Member
Ms D Coopasamy ³	4 of 4	Member
Mr H Snoyman ³	2 of 4	Member
Prof J Winfield ³	4 of 4	Member
Mr Thabelo Khangale	2 of 4	Member

¹ Mr Bulbulia's second and final term ended in March 2023. As of end-March 2023, a successor had not yet been appointed.

² Mr Mitchell resigned with effect from September 2022, due to a change in his employment status.

³ Ms Coopasamy, Mr Snoyman and Prof Winfield were re-appointed for their second terms, with effect from January 2023.

It gives me pleasure to present this report on the strategic activities of the Committee for Auditor Ethics (CFAE) for the 2022/2023 financial year. The efforts to restore confidence in the IRBA and the profession continue, and a key building block is the reinforcement of the IRBA Code of Professional Conduct.

The committee during the year had another busy work programme, focusing on matters of high public interest and tracking international developments.

Adoption of the Quality Management-Related Conforming Amendments to the IRBA Code of Professional Conduct

In May 2022, the CFAE recommended to the IRBA Board the adoption of the Quality Management-related Conforming Amendments to the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Including International Independence

Standards) (IESBA Code). The amendments would align the IRBA Code with the requirements of the International Auditing and Assurance Standards Board's (IAASB) suite of Quality Management standards – International Standard on Quality Management (ISQM) 1¹, ISQM 2² and International Standard on Auditing (ISA) 220 (Revised)³ – issued in December 2020. The amendments included:

- Replacing references to International Standard on Quality Control (ISQC) 1 in the IRBA Code with ISQM 1;
- Aligning ISQC 1 concepts and terminology used in the IRBA Code with ISQM 1; and

¹ ISQM 1, Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.

² ISQM 2, Engagement Quality Reviews.

³ ISA 220 (Revised), Quality Management for an Audit of Financial Statements.

- Reflecting ISQM 2 concepts and terminology used in the IRBA Code through certain updates to the Definitions, including the Lists of Abbreviations and Standards sections of the IRBA Code.

The project formed part of a broader initiative to improve audit quality in coordination with the IAASB.

Issuance of IRBA Staff Ethics Practice Alert 1

The committee developed the non-authoritative IRBA Staff Ethics Practice Alert 1: The Auditor's Considerations with Respect to Long Association of Personnel with an Audit Client (including Partner Rotation), for use by registered auditors. This alert was published in September 2022. It was developed to enhance the current practice of long association independence threat assessments, specifically as it relates to the concurrent application of the Companies Act⁴ and the IRBA Code⁵ requirements.

Issuance of the Public Interest Entity Exposure Draft

In November 2022, the CFAE approved the proposed amendments to the definitions of listed entity and public interest entity (PIE) in the IRBA Code, for exposure. The extant IRBA Code includes South African requirements that apply in addition to the extant requirements of the IESBA Code.

The exposure draft was developed in response to the IESBA's Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity, which specifies a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements, to meet stakeholders' heightened expectations concerning auditor independence.

In South Africa, the PIE definition also determines the applicability of the Audit Tenure disclosure requirements. Further,

it may determine the future applicability of the Proposed IRBA Rules Arising from the International Standards on Quality Management⁶ and Enhanced Auditor Reporting for the Audit of Financial Statements⁷.

The committee, when proposing the amendments to the IRBA Code, considered the following:

- The IRBA's mandate to take the necessary steps to protect the public in its dealings with registered auditors.
- The IESBA's amendments and their impact on the South African PIE requirements, the definition of listed entity and other PIE-related paragraphs.
- The extant IRBA Code definition of PIE is more than six years old. Consequently, the CFAE considered the insights gained from the recent usage of the PIE provisions in South Africa for revision, which included:
 - Stakeholder outreach with regulators on industry-specific matters;
 - A consideration of the completeness and appropriateness of the categories in the extant IRBA Code PIE definition; and
 - The interaction of the PIE definition with the term "Public Interest Score", as referred to in the Companies Act No. 71 of 2008.

The CFAE will complete the Final Pronouncement and then recommend it to the IRBA Board for adoption in the 2023/2024 financial year.

IESBA and National Standard-Setters' Meeting

The IRBA maintains contact with the IESBA by attending its meetings, providing written comments on its projects and meeting annually with other National Standard Setters (NSS) under the IESBA's auspices. Ms Saadiya Adam, a Senior Professional Manager in the Standards Department, is an IESBA Board member. The CFAE is provided with regular updates on the work of the IESBA.

⁴ Section 92: Rotation of auditors, of the Companies Act.

⁵ Section 540: Long Association of Personnel with an Audit Client (including Partner Rotation), of the IRBA Code.

⁶ Final ED_Proposed IRBA Rules arising from the International Standards on QM.pdf.

⁷ EAR Recommendations (irba.co.za).

Comment Letters Provided on International Pronouncements

Responses were submitted to the IESBA during the year on the following topics:

- IESBA Strategy Survey 2022;
- Parts D and E of the IESBA Sustainability Questionnaire (through collaboration with the Committee for Auditing Standards' Sustainability Standing Committee);
- The IESBA's Exposure Draft: Proposed Revisions to the IESBA Code Relating to the Definition of Engagement Team and Group Audits; and
- The IESBA's Exposure Draft: Proposed Technology-related Revisions to the Code.

Local Stakeholder Engagement

The Secretariat presented at the CFO Forum on 27 March 2023 on:

- Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity; and
- Final amendments - Update on Non-Assurance Services.

Outlook

The CFAE has the following priorities for the immediate future:

- Recommending to the IRBA Board the adoption of the IESBA Final Pronouncement: Revisions to the Code relating to the Definition of

Engagement Team and Group Audits issued in February 2023.

- Recommending to the Board the adoption of the IESBA Final Pronouncement: Technology-related Revisions to the Code issued in April 2023.
- Finalising the South African Amendments to the PIE definition and recommending to the Board the adoption of the IESBA Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity issued in April 2022.
- Executing its work programme, which primarily includes projects that align with the IESBA agenda, while also reserving capacity to enable the committee to respond to emerging issues in South Africa, and any relevant outcomes of the IRBA's other regulatory functions.

Appreciation

I wish to express my appreciation to the members of the CFAE and its task groups for their professional contributions, commitment and support; and to the staff of the IRBA Standards Department for their contributions in delivering on the CFAE mandate.

S Davies
Chairperson

COMMITTEE FOR AUDITING STANDARDS

Members	Number of Meetings Attended	Membership Status
Mr Z Rashid	4 of 4	Chairperson – Johannesburg Stock Exchange (JSE) Representative
Ms S Ronander	4 of 4	Deputy Chair and Acting Chair – Registered Auditor
Mr B Topham ¹	1 of 1	Member – Financial Sector Conduct Authority (FSCA) Representative
Ms W Mokupo ²	2 of 2	Member – FSCA Representative
Ms D Lawrence	4 of 4	Member – South African Revenue Service Representative
Ms I Peter	4 of 4	Member – South African Reserve Bank Representative
Ms L le Roux	2 of 4	Member – AGSA Representative
Ms L Roeloffze	2 of 4	Member – Registered Auditor
Ms M Mogapi	4 of 4	Member – Registered Auditor
Ms N Terblanche	3 of 4	Member – Registered Auditor
Mr P Hoogwerf ³	2 of 2	Member – Registered Auditor
Mr S Tar-Mahomed ⁴	1 of 1	Member – Registered Auditor
Ms M Watson ⁵	2 of 2	Member – Registered Auditor
Ms T Zimondi	4 of 4	Member – Registered Auditor
Ms T Norkie	3 of 4	Member – Registered Auditor
Adv. B Tlhakung	4 of 4	Member – Attorney
Mr R Moosa ⁶	4 of 4	Member – Academic

¹ Mr Topham resigned from the FSCA in August 2022.

² Ms Mokupo was appointed as an FSCA representative in November 2022.

³ Mr Hoogwerf resigned in August 2022.

⁴ Mr Tar-Mahomed resigned due to a change in employment.

⁵ Ms Watson was appointed in November 2022.

⁶ Mr Moosa was appointed as an academic representative in April 2022.

It gives me pleasure to present this report on the strategic and standard-setting activities of the Committee for Auditing Standards (CFAS) for the 2022/2023 financial year.

The CFAS continues to engage with stakeholders and gather insights to enhance its goals and objectives as it undertakes its standard-setting work. To achieve our strategic objectives, we have set our focus on a timely identification and resolution of issues that affect our standards. With the support of the Secretariat, we are continuously monitoring developments in the auditing profession and working to respond effectively. We remain committed to improving audit quality through the standard-setting process, to provide value to our stakeholders.

The committee maintains the following

standing committees: the CFAS Steering Committee; the Regulated Industries and Reports Standing Committee; the Public Sector Standing Committee; and the Sustainability Standing Committee.

Furthermore, it continues to carry out its strategy for 2020-2024, titled “Driving Audit Quality through Standard Setting”, which includes the following four strategic pillars:

- Theme I: High-quality auditing standards and implementation guidance.
- Theme II: Focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance.

- Theme III: Deepening evidence-based research to support standard-setting.
- Theme IV: Integrated standard-setting by keeping abreast of emerging issues and responding appropriately.

International and Regional Liaison

The Secretariat liaises with relevant African and international bodies; and

the IRBA participates in the work of the IFIAR's Standards Coordination Working Group, represented by Professional Manager Mr Ian Mtegha, and the National Standard Setters Forum. The Secretariat also supports the work of the Pan African Federation of Accountants. Visitors from the rest of the continent regularly observe our committee meetings.



CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY	
Project Outputs	
Local Auditing and Assurance Pronouncements and Guidance	
Adoption of ISA 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).	Recommended by the CFAS in May 2022 and issued in August 2022, following Board approval in July 2022. Effective for audits of financial statements for periods beginning on or after 15 December 2023, with early adoption permissible.
International Standards	
Comments on International Consultation Papers and Exposure Drafts, and Engagements with International Stakeholders	
Comments on the IAASB Proposed Narrow-Scope Amendments to: <ul style="list-style-type: none"> • ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and • ISA 260 (Revised), Communication with Those Charged with Governance. <p>This was as a result of the revisions to the IESBA Code that require a firm to publicly disclose when it has applied the independence requirements for public interest entities.</p>	The Secretariat submitted a comment letter to the IAASB on 4 October 2022.
Jurisdictional, Legislative and Regulatory Requirements	
IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements.	Issued in October 2022.
Illustrative Business Property Practitioner's Trust Account Assurance Practitioner's Reports to be Used by Independent Assurance Practitioners When Required to Report in terms of the Property Practitioners Act No. 22 of 2019.	Approved by the CFAS and issued in March 2023. Effective for the year-end of property practitioners on or after 28 February 2023 ⁸ .
CFAS input into the finalisation of the IRBA Rules relating to Enhanced Auditor Reporting for the Audit of Financial Statements (EAR Rule).	Recommended by the CFAS for the IRBA Board's approval in March 2023.
CFAS input into the finalisation of the IRBA Rules arising from the issue of the Quality Management Standards.	Recommended by the CFAS for the IRBA Board's approval in March 2023.
Engagement with Local Stakeholders	

⁸ The CFAS backdated the effective date of the Illustrative Reports to align to the Property Practitioners Act 22 of 2019 that became effective on 1 February 2023; as a result, this applies to year-ends of property practitioners on or after 28 February 2023.

CFAS PROJECTS IDENTIFIED AND OUTPUTS ACHIEVED TO FULFIL THE STRATEGY	
Presentation on the Transparency Report Staff Alert to the CFO Forum.	Presentation was on 7 April 2022.
Presentation of the Protection and Retention of Client Data Staff Alert at a SAICA TechTalk session.	Presentation was on 30 June 2022.
Presentation of the Proposed IRBA Rules arising from the International Standards on Quality Management Exposure Draft at a SAICA TechTalk session.	Presentation was on 28 July 2022.
Presentation of the Enhanced Auditor Reporting Exposure Draft to the CFO Forum.	Presentation was on 21 September 2022.
Consultation on the Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022).	Issued on 30 November 2022, with a public consultation deadline of 31 March 2023.
Consultation on the Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022).	Issued on 30 November 2022, with a public consultation deadline of 31 March 2023.

In line with its strategy, the CFAS is working on new projects that are focused on supporting the IRBA strategy.



The IAASB will be working on the following projects, which will also form part of the CFAS work programme:

- Audit of Less Complex Entities.
- Audit Evidence.
- Fraud.
- Going Concern.
- Technology.
- Listed Entity and Public Interest Entity.
- Assurance on Sustainability/Environmental, Social and Governance Reporting.

Proposed IRBA Rule on Enhanced Auditor Reporting (EAR) for the Audit of Financial Statements of Public Interest Entities

The proposed EAR Rule prescribes additional disclosures that an auditor should make in the independent auditor's report when they have audited a PIE. A public interest entity is defined in the IRBA Code of Professional Conduct, as

amended. These additional disclosures will assist the reader of an audit report to understand how the auditor reached certain conclusions and to some extent make their own conclusions on the auditor's independence. For example, this could be the amount the auditor determined would be material or the observations made when they perform procedures on matters that were determined to be of most significance in the audit of the current year financial statements. The proposed EAR Rule is expected to enhance auditor transparency and improve audit quality.

In March 2023, the CFAS approved a project to develop and issue guidance on the EAR Rule. The guidance should be issued together with the proposed EAR Rule once the EAR Rule is finalised. This guidance is part of the 2023/2024 CFAS work programme.

Proposed IRBA Rules Arising from the International Standards on Quality Management

The Committee for Auditor Ethics and the CFAS considered each of the relevant paragraphs contained in ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and ISQM 2, Engagement Quality Reviews. They also looked at whether South Africa has already issued, or should issue, local laws, regulations or relevant ethical requirements to supplement, strengthen or tailor the requirements contained in the IAASB's Quality Management (QM) standards that are applicable to audit firms and registered auditors.

As a result, the IRBA's proposed QM Rules aim to regulate certain quality management areas that will promote and enhance audit quality, thereby, strengthening the reputation of the auditing profession and assisting in restoring confidence.

2024-2027 Sustainability Standing Committee (SSC) Strategy

The CFAS approved the SSC Strategy: Driving Assurance Engagement Quality and Restoring Confidence through Sustainability Assurance Pronouncements in March 2023, in response to the rapid developments taking place in sustainability reporting, assurance and regulation. A summary of the approved SSC Strategy was published in Issue 61 of IRBA News.

The SSC's goals, as per its strategy, are to protect the interests of the users of sustainability information, and to develop and maintain internationally comparable assurance pronouncements for sustainability assurance engagements that are consistently and properly implemented.

The CFAS plans to consider the SSC Strategy in formulating its strategy for 2025-2029.

International Sustainability Standards Board (ISSB)

The IRBA, assisted by the SSC, submitted comment letters on the ISSB's General Sustainability-related (IFRS S1) and Climate-related Disclosure (IFRS S2) exposure drafts on 29 July 2022.

IESBA's Sustainability Questionnaire

The regulator, through collaboration with the CFAE and the SSC, submitted a response on Parts D and E of the IESBA's sustainability questionnaire on 22 November 2022.

Appreciation

I wish to express my appreciation for the unwavering commitment and support of the members of the CFAS and its standing committees; the various task groups; SAICA; the AGSA; the FSCA; the JSE; the South African Reserve Bank and its Prudential Authority; the South African Revenue Service; the audit firms that support the CFAS with resources; and the staff of the Standards Department. Many CFAS members are supported by technical advisors whose insights are valued. Furthermore, the CFAS meetings are well attended by local and regional observers, whose presence is welcomed and appreciated.

Z Rashid
Chairperson

EDUCATION AND TRANSFORMATION COMMITTEE

Members	Number of Meetings Attended	Membership Status
Mr F Kwahene	6 of 6	Chairperson
Ms C Le Grange	5 of 6	Deputy Chair
Mr S Kerr ¹	3 of 6	Member
Ms B Kola	6 of 6	Member
Ms M Louw	4 of 6	Member
Ms D Singh	6 of 6	Member
Mr B Frey	6 of 6	Member
Associate Prof J Terblanche	4 of 6	Member
Mr Y Madolo	5 of 6	Member
Mr S Dhladhla	4 of 6	Member

¹ Mr Kerr joined in November 2022 as the SAICA representative.

This committee's functions include responsibilities for education and training; the professional development of registered auditors; the accreditation and monitoring of professional bodies; and the prescription of competency requirements for the registration of auditors. It also plays a critical role in assisting the Board with implementing and facilitating sustainable transformation in the profession.

Therefore, this summary of the Education and Transformation Committee's (EDCOM) work and that of the Education and Transformation (ET) Department (Secretariat) for the 2022/2023 financial year is presented with pleasure.

Accreditation Process – Application Update and General Improvements

The accreditation of professional bodies, as mandated in the APA, is a robust process that is intended to strengthen and sustain the quality and integrity of the auditing profession, making it worthy of public confidence. The accreditation requirements, which are monitored on an ongoing basis, are contained in the Accreditation Model.

As indicated under the Highlights section, the Association of Chartered Certified Accountants' (ACCA) application for accreditation was approved.

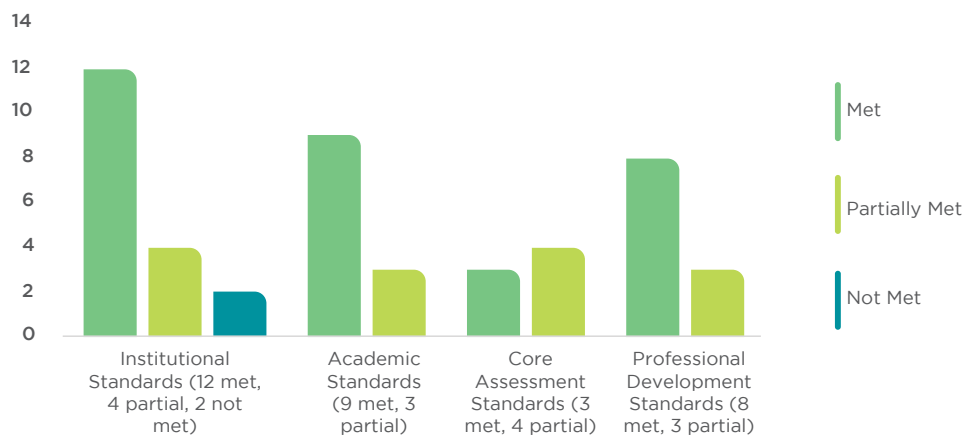
Overview of the Professional Body Monitoring Process

SAICA Monitoring Outcomes

As an accredited professional body, SAICA is subject to ongoing monitoring by the IRBA, as outlined in the Accreditation Model. This includes an annual monitoring and reporting process, where SAICA submits reports and supporting evidence to the Monitoring Committee (MCOM) for an evaluation of its accreditation status.

The graph below reflects a summary of the number of standards that were met, partially met and not met for each of the areas of accreditation. The list of standards that have not been met was detailed in the monitoring reports issued to SAICA in October 2022. Also, the areas of concern have been discussed with it, and improvements are being monitored as part of the 2023 cycle of reporting.

Summary of Final Conclusions for Each Standard (per the reports issued in 2022)



The IRBA engages SAICA through various mechanisms – in an effort to address complex matters that affect the auditing profession – in the public interest and as envisaged in the Accreditation Model.

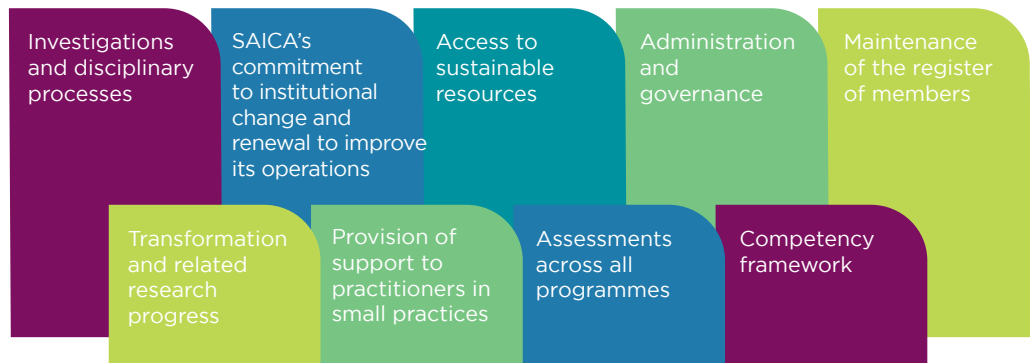
A Synopsis of Improvements to the Process

While the IRBA conducts ongoing monitoring of the accredited professional body, it also continues to reflect on ways to improve the process. The aim is to strengthen the potential impact of monitoring and intentionally focus on any identified challenges that may be affecting the profession. The 2022-2023 monitoring cycle commenced four months earlier than in the previous annual cycles. This change was initiated to improve the timeliness of the evaluation, and for SAICA to engage with the issues earlier in the cycle. Further improvements in the monitoring process have included:

- Implementing a risk assessment approach for each accreditation standard;
- Deepening the extent of the review and evidence required for standards with a high monitoring intensity, including the IRBA's inter-departmental expertise;
- Enhancing the structure and format of the reports;
- Reviewing the monitoring timelines, for a more efficient and effective implementation of solutions within a specified period; and
- More regular and open engagements.

Summary of Monitoring Focus Areas

The monitoring cycle is retrospective in nature and is based on the previous calendar year's reports. In the graphic on the following page, is the summary of the high monitoring focus areas related to the 2022 calendar year that will be reported on in the 2023/2024 cycle.



Training Contracts

Training contracts registered under the assurance elective with SAICA must also be registered with the IRBA. In the period under review, 3 881 (2022: 3 241) training contracts were invoiced. While this was approximately a 20% increase, it is not necessary indicative of a total increase in assurance training contracts, as there

is a timing difference between trainees starting their training period and the processing of their contracts.

Below is a summary of the training contracts invoiced and released for SAICA registration.

Quarter Ended	Invoiced for IRBA Registration		Released for SAICA Registration	
Financial year	2023	2022	2023	2022
Q1 - 30 June	1 846	1 496	1 420	929
Q2 - 30 Sep	781	815	1 162	1 519
Q3 - 31 Dec	393	133	483	297
Q4 - 30 Mar	861	797	190	147
Total	3 881	3 241	3 255	2 892

Transformation Activities

Recruitment

In the current financial year, ET has concentrated its transformation initiatives on introducing new strategies in the recruitment phase of the pipeline, with a particular focus on auditing students and audit lecturers at universities, as indicated under the Highlights of the Year.

At the start of the recruitment phase are school learners who may not yet have considered auditing as a career choice. Career expos and direct school visits become critical in this regard, and through these we reached 1 340 learners. We have also identified a number of additional projects through which the IRBA can partner with stakeholders to reach more learners.

Further, we conducted extensive outreach activities with various stakeholders, including aspiring RAs within the pipeline. This provided valuable insights into areas that require an extra focus, and this information will be shared with stakeholders in due course.

On our learning website, there are 17 profiles of RCAs who give first-person accounts of their auditing journey to becoming eligible to register as RAs.

In the next financial year, the department will focus on consolidating and building on the current year's successes. It will also work with the marketing team to implement actions from the brand survey that was conducted in the last half of 2022.

Audit Development Programme

ADP	2023	2022	2021	2020
RCA's at year-end	550	482	464	443
New ADP registrations	169	104	82	80
ADP deregistrations	0	0	0	18
RCA's who successfully completed the ADP	101	86	73	33
Number of firms monitored during the period	46	46	44	42

Registrations: The number of registrations in the current financial year increased by 63% in comparison to the prior year, and this was driven by the implementation of the ADP Reloaded initiatives. During the 12 months, there were no deregistrations. In fact, over the past two years, the revised customised and hands-on support for RCA's has led to a 100% retention rate.

Completions: A total of 101 RCA's completed the ADP during this financial year, making it the highest rate of completions in a particular year. The streamlined Portfolio of Evidence (PoE) templates and progress reports have been instrumental in getting more candidates to complete the programme. The templates are designed in a manner that ensures that the RCA's keep track of their progress throughout the ADP, resulting in less work being required on the PoE at the end of the 18 months.

Conversion

After RCA's have completed the ADP, they are eligible to register as RAs. The current

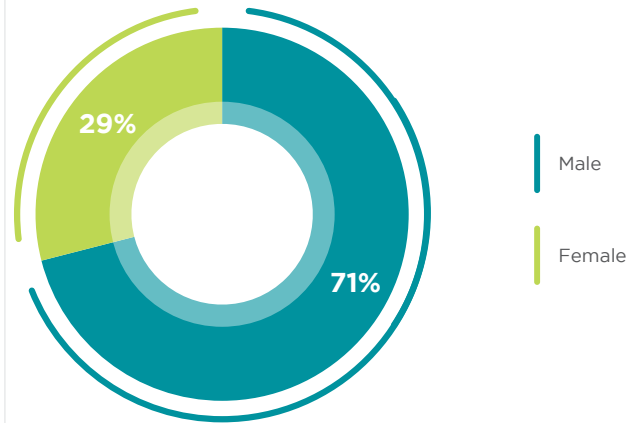
rate for conversion is approximately 50%. Of the 335 completions since the inception of the ADP, 184 have registered as RAs. Our preliminary research on women, though, shows a time lag between the time of completion and when they sign audit outcomes. Emigration has also played a contributing factor to the lagging conversion rate. The IRBA will continue to research why the conversion rate is not higher.

Transformation Demographics

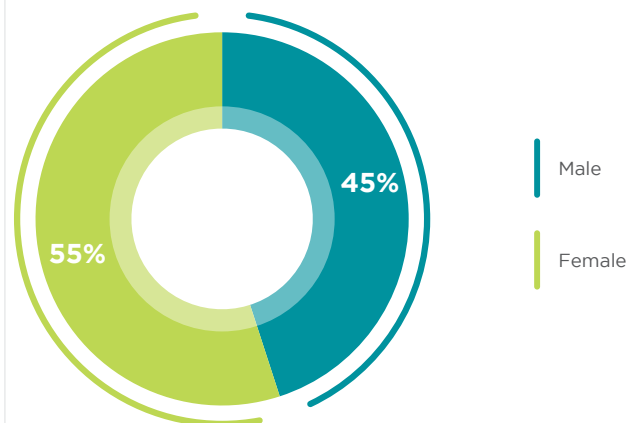
There has been a positive shift in the RCA statistics, based on race and gender, when compared to the current RA register; and this reflects the future RA register. The RCA demographics indicate a shift in the RA statistics. In comparison, 45% of the RCA's are female, while this is 29% for the RAs; and 50% of the RCA's are African, Coloured and Indian, while this sits at 30% for RAs. The accompanying graphic shows a comparison between the current active 550 RCA's and the current RA register. The other graphs show the differences between the RCA and RA registers.

	ADP	Registered Auditors
	Active % (550)	Total % (3 601)
Race		
White	50	70
African, Coloured, Indian, Chinese	50	30
Gender		
Male	55	71
Female	45	29

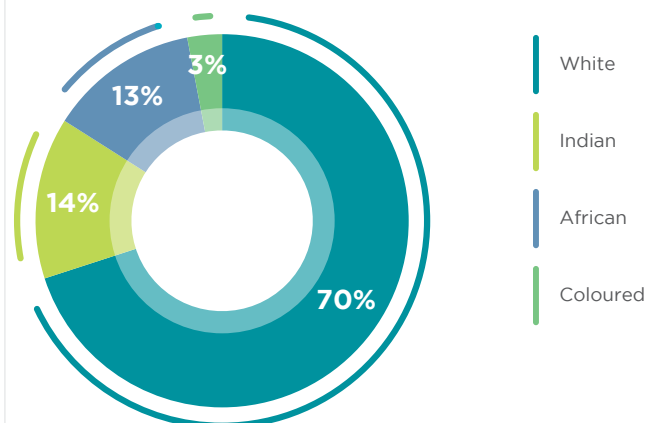
RA SPLIT BY GENDER



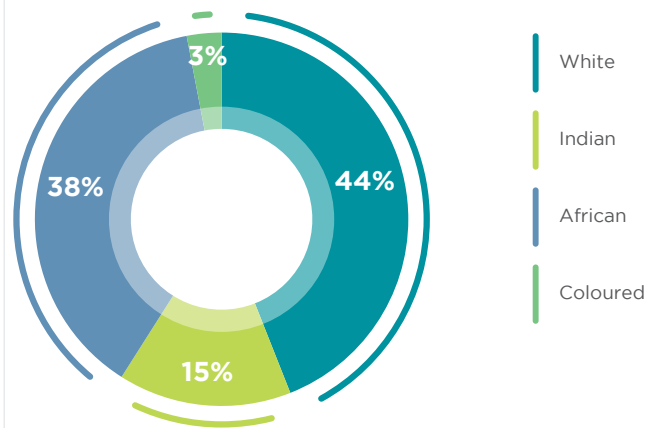
ACTIVE RCAs BY GENDER



RAs BY RACE



RCA's BY RACE



ADP Firm Monitoring Inspections

These inspections are an integral process that is performed to manage and evaluate the quality of the audit training environment at the audit firms where RCAs are registered. The aim is to facilitate an environment in which RCAs obtain the relevant competencies at the correct level on the programme.

All firms with RCAs on the ADP are subject to a monitoring inspection, prior to the candidates completing the programme, and the results thereof form part of each RCA's PoE. A total of 43 monitoring visits were performed in the 2022/2023

financial year, and this number was broken down per quarter, as approved by the Audit Development Committee.

For an RCA to be signed off the ADP, a monitoring inspection must be performed. Revisits are performed when a firm had a high monitoring intensity outcome from the full inspection. Such a firm is given the opportunity to resolve all the key findings and then a revisit is conducted within six months of the initial full inspection. The graph below details the key information on the results of ADP monitoring inspections performed.

INDICATORS TESTED PER ISQC 1/ISQM 1



One of the objectives of ADP monitoring inspections is to review compliance with ISQC 1, ISQM 1 (relevant for Q4, after its effective date of 15 December 2022) and other quality standards. This is done by conducting several monitoring procedures or a test of indicators around the relevant areas governed by these standards.

As stakeholders, we collectively have a vested interest in ensuring that the RA pipeline produces ethical professionals

who value audit quality, among others. For that reason, we have to jointly put more effort towards improving and managing the audit training environment for RCAs.

Findings

Common findings noticed among firms that did not meet the indicators or the required improvements are depicted in the graphic below.

Lack of firm policies and procedures around the engagement file close-out and lockdown within 60 days of the audit report sign-off date, including the safe custody of signed-off manual files.

Lack of a formal, documented performance management process for staff outside of training articles. The ISQM 1 requirements allow for some scalability; however, firms – with ultimate responsibility for the system of quality management – need to ensure that the performance of the individual is formally evaluated.

Lack of documentation on the engagement files regarding the assessment of the need for engagement quality control review (EQCR) on the engagement against firm policies and procedures and ISQC 1. ISQM 1 requires more detailed documentation on the file regarding the criteria, eligibility and performance of an EQCR.

Insufficient documentation regarding the risks of fraud and error on an engagement within the planning minutes. As required by the ISA 240, this is to be discussed by the engagement partner with all team members before an audit engagement begins.

Monitoring and remediation plans, as required by ISQM 1, had not been concluded.

Continuing Professional Development Monitoring

The monitoring process completed in the 2022/2023 financial year was for 2021/2022. The monitoring of CPD is to evaluate the importance that an RA places on their personal responsibility to develop and maintain their competence and deliver on audit quality. Also, CPD is regarded as an important input to address incompetent and unethical

practices, inappropriate judgement decisions, and intentional or unintentional non-compliance with standards and best practice. The IRBA monitors the CPD records of all RAs annually on a sample basis. Selected RAs are required to submit documents supporting their compliance with the CPD Policy.

The outcome of the CPD monitoring is demonstrated in the table that follows.



	Compliant	Non-compliant	Non-responders	Other
Assurance 2021	56	1	3	0
Assurance 2020	3	1	4	1
Total Assurance	59	2	7	1
Non-assurance 2021	16	0	6	2
Non-assurance 2020	0	0	0	
Total Non-assurance	16	0	6	2
Tax 2021	11	1	1	0
Tax 2020	2	0	3	0
Total Tax	13	1	4	0
Overall Total (111)	88	3	17	3

The policy stipulates that RAs who continue to be non-compliant may have their registration status with the IRBA lapsed. Non-compliance means that the RA did not meet the prescribed CPD requirements, based on the output-based approach identified through the monitoring process. In addition, RAs who are classified as non-responders are also considered to be non-compliant. Non-responders are RAs who do not respond to the request to make submissions for CPD monitoring after more than one attempt from the CPD team.

Should the monitoring process indicate that an RA has submitted a CPD declaration that is not an accurate reflection of their CPD activities, the IRBA shall institute an investigation that could lead to disciplinary measures against that RA. This CPD Policy was published in Government Gazette Number No. 48356 on 31 March 2023, in terms of Section 7(1)(c) of the APA, as the Policy and Procedures relating to Continuing Professional Education, Training and Professional Development.

Stakeholders

South African Qualifications Authority (SAQA): ET maintains its accreditation with SAQA as a recognised professional body. Additionally, the IRBA participated in SAQA's professional body forums during the financial year and, where

relevant, commented on SAQA policies that were issued for comment.

FASSET: In addition to the Memorandum of Understanding already mentioned, the department participated in the authority's research projects, including the FASSET FY 2023/2024 Sector Skills Plan. It also provided input on the factors in the auditing profession impacting sector skills needs and FASSET's transformation study.

Association for the Advancement of Black Accountants of Southern Africa (ABASA): The IRBA is a member of the ABASA National Council, and it provides input and gains insights from its participation.

Appreciation

To all committee and subcommittee members, I would like to express my gratitude for their commitment as well as the expertise and experience they always bring to our engagements, on which our achievements rely.

I am also thankful to the staff of the ET Department for their efforts and passion for education and transformation, and without whom the accomplishments noted in this report would not have been possible.

F Kwahene
Chairperson

INVESTIGATING COMMITTEE

Members	Number of Meetings Attended	Membership Status
Mr D Mahony	6 of 6	Chairperson
Mr K Mukova	5 of 6	Member
Ms M Naidoo	6 of 6	Member
Ms B Ntutela	6 of 6	Member
Mr G Krog	6 of 6	Member
Mr F Scheepers	6 of 6	Member
Mr S Soni ¹	3 of 3	Member
Ms N Sojola ²	2 of 2	Member
Mr K Ramarumo ³	2 of 2	Member
Mr A Pearce ⁴	1 of 1	Member

¹ Mr Soni was appointed in August 2022.

² Ms Sojola was appointed in August 2022 and resigned in March 2023.

³ Mr Ramarumo was appointed in December 2022.

⁴ Mr Pearce was appointed in February 2023.

It gives me great pleasure to report on the 2022/2023 financial year activities of the Investigating Committee (INVESCO), a structure that comprises chartered accountants and legal practitioners.

For an investigation to be instigated, a complaint has to come through from an external party or be initiated from within the IRBA. Externally originated complaints are lodged by members of the public or are matters referred by courts or other regulators. Internally originated complaints are raised by the IRBA itself, an example being those arising out of the inspections process or those initiated as a result of media information.

Once a complaint is received and it is verified that the respondent, at the date of the alleged transgression, was a registered auditor with the IRBA, the complaint is then perused by the Investigations Department's Professional Manager. This perusal is to ascertain whether further information is needed from the complainant, or if specific information is needed from the respondent.

After a preliminary assessment has taken place, the Director Investigations must decide, in terms of Section 48(1) of the APA, whether to refer the matter to INVESCO. Most matters will be referred, and INVESCO must then investigate the matter in terms of Section 48(3) of the Act. INVESCO deliberates on the matters before it and recommends to the ENCOM whether to (a) dismiss the matter; (b) impose a monetary and/or non-monetary sanction; or (c) refer the matter for a disciplinary hearing.

Investigations Concluded

The committee met six times during the year and referred 165 matters to the ENCOM with recommendations. The performance information in the Annual Report sets out the investigations completed in this financial year. An investigation is completed when the ENCOM has made a decision to not proceed with charges on a matter, where a matter is referred for a disciplinary hearing, or where a monetary fine on a matter has been imposed.

The achievement of 96 completed investigations in this financial year is to be commended.

Appreciation

I thank my fellow committee members for their dedication, input and support. The committee also appreciates the commitment and dedication of the Director Investigations and her staff, with compiling the matters for the committee's consideration. It would be impossible to operate without their support.

D Mahony
Chairperson

INSPECTIONS COMMITTEE

Member	Number of Meetings Attended	Member Status
Ms E Goodchild	4 of 4	Chairperson
Mr L Coopasamy	4 of 4	Member
Ms N Mkunqwana ¹	4 of 4	Member
Mr B Stobie	4 of 4	Member
Ms L Tsoku	4 of 4	Member
Ms C Mtebele ²	2 of 4	Member
Mr Z Nagdee ³	2 of 4	Member

¹ Ms Mkunqwana resigned in March 2023.

² Ms Mtebele was appointed in November 2022.

³ Mr Nagdee was appointed in November 2022.

It gives me great pleasure to report on the Inspections Committee's (INSCOM) current and strategic activities for the 2022/2023 financial year.

Inspection Outcomes for 2022/2023

The IRBA issued 93 (2022: 142) inspections reports for the inspections performed at 33 (2022: 21) audit firms. These reports include five (2022: 11) firm-wide inspections and 88 (2022: 131) engagement inspections, covering 82 (2022: 122) registered auditors.

In addition to the 93 inspection reports, 17 (2022: 10) firm-wide outcome reports were issued during the period, where firm-wide inspections were not performed, but the deficiencies identified on individual assurance engagements inspected were escalated to ISQC 1 elements at the firm level. The decrease in the number of full firm-wide inspections performed was as a result of the IRBA's approach towards the inspection of the new suite of Quality Management standards, and to encourage audit firms to place sufficient focus and resources towards the design and implementation of these standards. The IRBA successfully commenced with the inspection of the design and implementation of the new ISQM standards in early 2023, the results of which will be reported in the 2023 Public Inspections Report, among others.

Theme-based inspections introduced as part of the 8th Inspections Cycle initiatives got traction during the year under review. They are used to assess the effectiveness of the audit firms' corrective measures or remedial actions to address previously

reported deficiencies or weaknesses, and to evaluate whether they are achieving their quality objectives. The IRBA performed 15 (2022: 3) theme-based inspections at eight audit firms during the period, and the results are reported and included in the outcomes of the firm-wide inspections and updated firm-wide reports.

The Proactive Monitoring process, a further initiative introduced with the 8th Inspections Cycle, aims to allow auditors to remediate the IRBA-identified deficiencies at an earlier stage in the inspections process. Once the Proactive Monitoring process for a specific auditor is completed, the Inspections Department inspects the evidence compiled to confirm the sufficiency of the remediation. The expectation is that this process will enable the IRBA to provide further insights to relevant stakeholders on the remediation steps taken by the audit firms, and whether those are appropriate, considering the findings initially identified, thereby addressing the risk of repeat findings.

All the firms visited for inspection during the previous and current years opted to participate in the Proactive Monitoring process. The actual progress with the initiative has been slower than anticipated, as firms dedicated most of their resources and capacity to implement the new suite of Quality Management standards, ISQM 1 and ISQM 2. However, we expect the initiative to produce results in 2023.

Inspections Process

Eighth Inspections Cycle

The 2022/2023 financial year was the second year of the 8th Inspections Cycle. The Inspections Department continued to fulfil its mandate by performing firm-wide and engagement inspections at various audit firms, contributing to restoring confidence in the auditing profession. Our focus continued to be on audits with a higher public interest exposure, including audits of listed entities and other PIEs, including state-owned companies. Most firm-assurance engagement inspections were performed at firms that were accredited with the JSE.

The IRBA recognises that its current mandate extends beyond listed entities and PIEs. Therefore, our selection included a sample of small to medium-sized practices that do not audit these types of entities.

We remained cognisant of the fundamental role played by governance and firm leadership in demonstrating a commitment to quality, and inspections continued to focus on the responsibility of the firms' leadership to deliver high-quality audits. All inspection reports are required to be signed by firm leadership, to aid in the awareness and prompt remediation of findings. Inspection reports at a firm level are also addressed directly to the leadership of the firm.

The IRBA continued with its Remedial Action Process with the firms and their partners, through interactive discussions, aiming to promote the prompt and effective remediation of reportable deficiencies. A failure to remediate findings throughout the firm may indicate that the firm's system of quality improvement is ineffective. Consistent with the previous year, several firms that were referred to the Investigations Department in the prior and current years are being closely monitored directly by the Board, due to ongoing recurring deficiencies being reported over multiple cycles or because of significant audit failures that have tainted the reputation of the profession.

The department successfully continued with its hybrid working model, with inspections and the remedial action process being performed both at the audit firms and remotely.

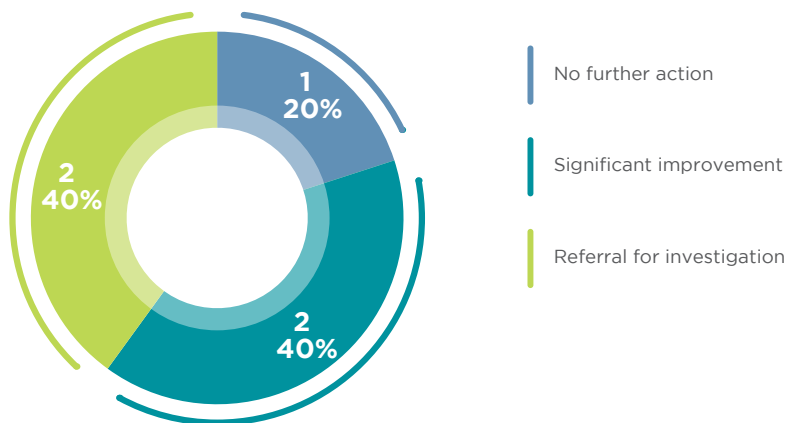
The committee is pleased with the continued focus on audit firm leadership and the proactive action taken by the IRBA Board, where there are systemic deficiencies reported at firms; its commitment to increase the capacity of the department; and the strategic focus on the effective use of technology and data analytics that will enable a more proactive approach.

Firm-wide Inspections

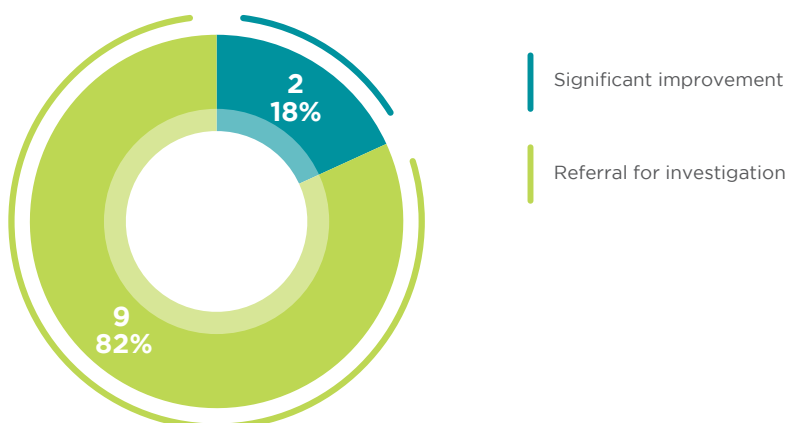
The objective of a firm-wide inspection is to inspect the design and implementation of a firm's system of quality control in accordance with ISQC 1 and to prompt appropriate and immediate remedial action by the firm and registered auditor to address the identified deficiencies in audit quality. The ISQC 1 standards were replaced by the ISQM standards, effective from 15 December 2022; and there were no firm-wide inspections or firm escalation reports issued, based on the new standards. The firm-wide inspections and firm escalation reports for 2023/2024 are also expected to include elements of both the ISQC 1 and the ISQM standards.

A full scope ISQC1 inspection is performed for larger network firms, where all six elements of ISQC 1 are inspected. For small and medium-sized audit firms, the inspection scope is confined to selected elements of ISQC1. The firm's classification is done based on its size and the extent of public interest audit clients in its assurance client portfolio. In the current year, five (2022: 11) firm-wide inspections were reported to the INSCOM, of which two firms were referred for investigation on specific matters relating to independence and ethical requirements.

2023



2022

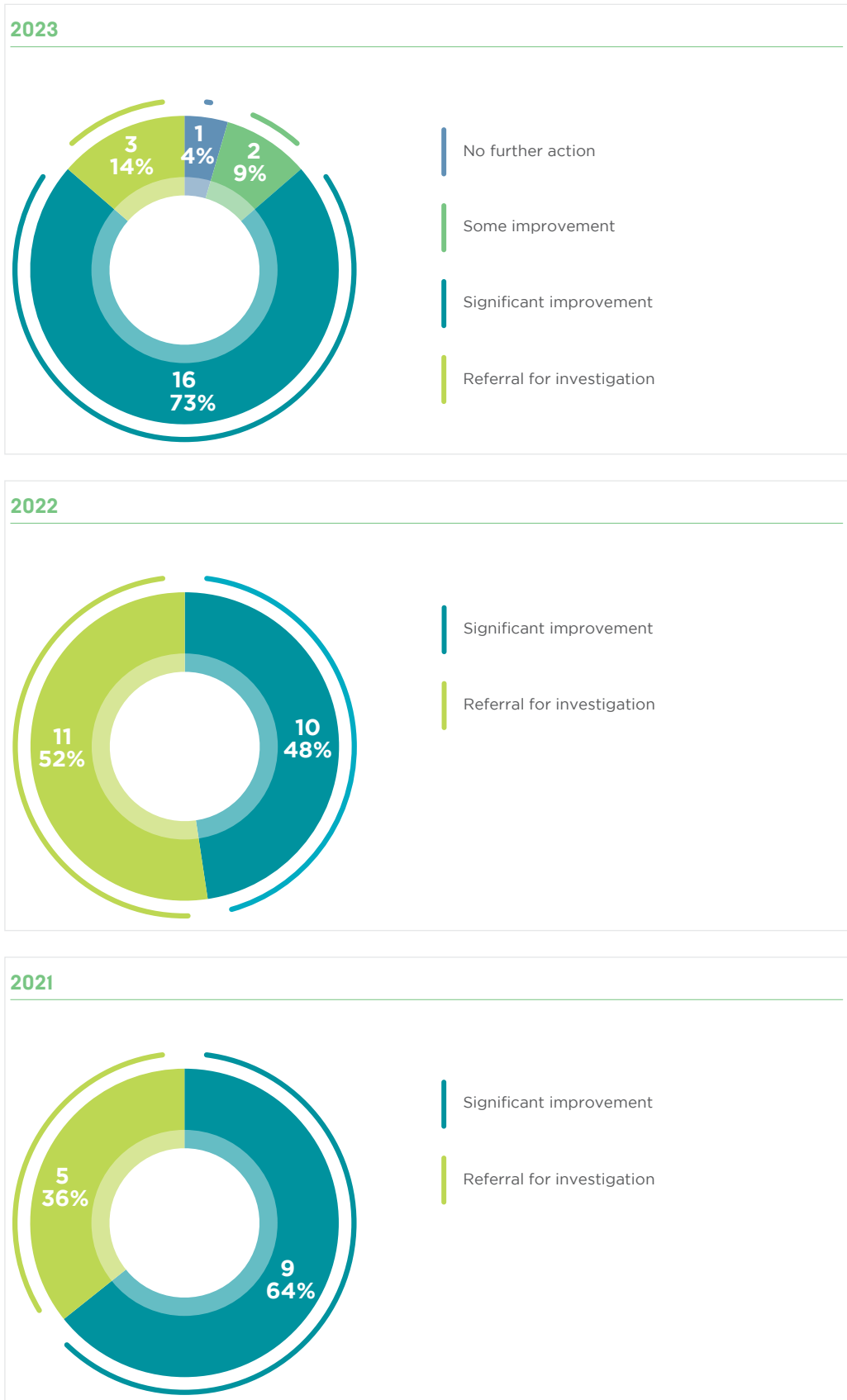


2021



The outcomes for the 17 (2022: 10) firm-wide escalation reports showed 14 (2022: 7) for significant improvement, one (2022: 2) for a referral for investigation and two

(2022: 0) where some improvement is required. The combined outcomes are as presented below.



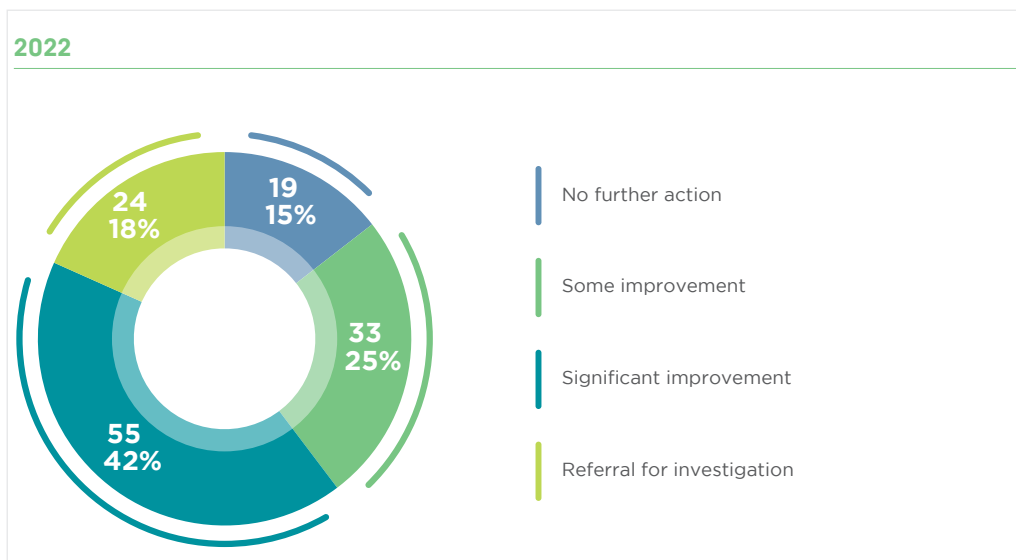
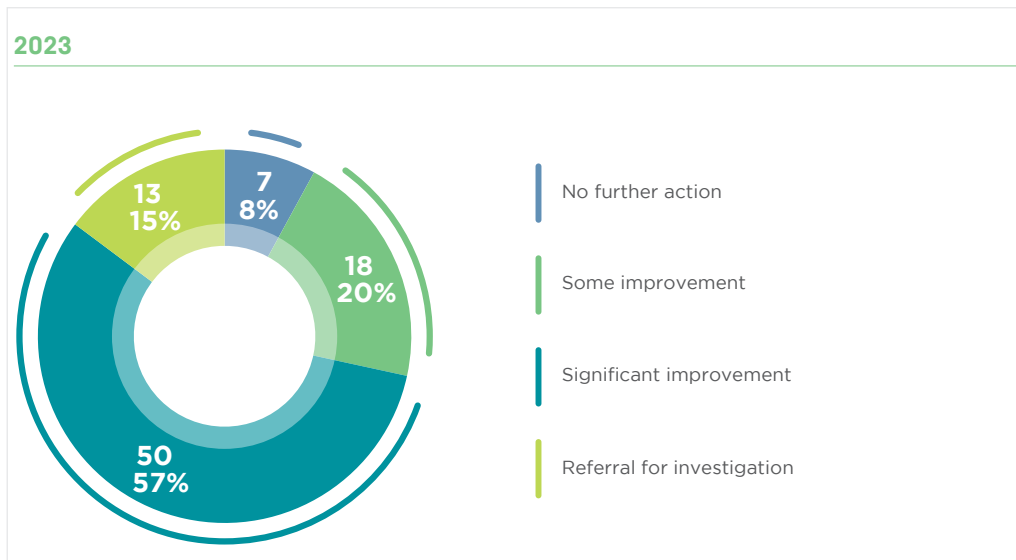
While the committee acknowledges the continued commitment by firm leadership in addressing reportable deficiencies, it remains concerned about the high number of negative inspection outcomes.

Individual Engagement Inspections

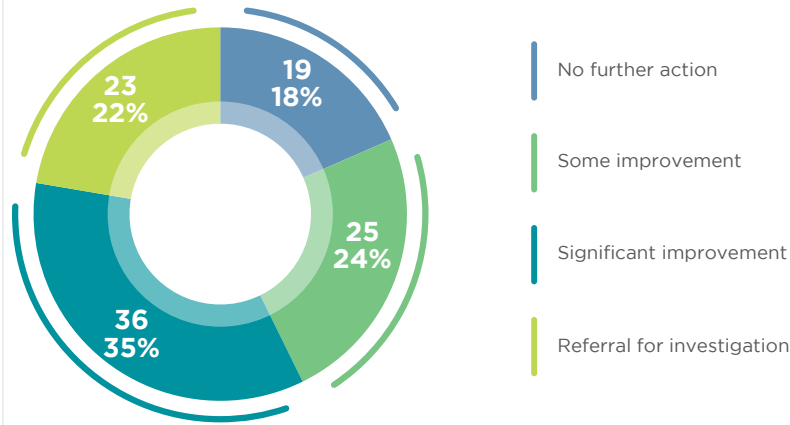
The objective of an assurance engagement inspection is to inspect the individual auditor’s compliance with relevant auditing standards, the IRBA Code of Ethics and relevant legislation in performing the audit.

In the current year, 88 (2022:131) individual assurance engagement inspections were

reported to the committee. The results of these inspections are as depicted in the graph below, with further comparison to the previous two financial years. The continued frequency of findings and the recurring findings noted in the current year remain a high concern. The committee is also alarmed at the high number of assurance engagements referred for investigation to the Investigations Department. Of the 13 (2022: 24) referrals for investigation outcomes, eight assurance engagements have been referred on specific matters and five on an overall basis.



2021



Communication

The IRBA's latest Public Inspections Report ([2022 PIR](#)) highlights common firm-wide and assurance engagement deficiency themes reported to the INSCOM, including more detail around the outcomes, the remedial action process and the information technology environment. In the report, there is also a section on good practices observed at firms to address matters of audit quality and other challenges such as resources.

The Survey Report: Audit Quality Indicators (AQIs) ([2022 AQI Report](#)) builds on previous reports and highlights useful trends for stakeholders and interested parties on quantitative measures about key matters that may contribute to the quality of an audit (both at the audit firm and audit engagement levels). The information is also for the benefit of those charged with governance in discharging their oversight responsibilities over financial and other reporting, including the appointment or re-appointment of external auditors.

The IFIAR released its 2022 annual survey of inspection findings arising from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks (2022 IFIAR Survey of Inspection Findings). Though not directly comparable, the frequency of the IRBA's findings continues to remain higher in comparison to the IFIAR inspections survey results; and the committee is concerned about the high level of reportable deficiencies identified at the firm-wide and assurance engagement levels.

Comprehensive stakeholder engagement is one of the strategic initiatives of the IRBA's refocused five-year strategy, which includes engaging with firms on a proactive basis, while maintaining independence; assessing the need to engage with audit committees of listed entities and other PIEs; and collaborating with other regulators and institutions. In the journey towards enhanced audit quality and financial reporting, the Inspections Department continues to encourage open dialogue with all stakeholders of the financial reporting ecosystem in interactions on the impact, understanding and use of the reports issued to the audit firms and individual auditors, the Public Inspections Report and our AQI report.

Appreciation

My deepest gratitude to the Inspections Department for its continued commitment to the monitoring of audit firms and auditors.

I also wish to extend my appreciation to the committee members for their support, commitment and dedication to the inspections process; and for ensuring that the outcomes are fair and consistent. A word of thanks to the audit firms and engagement partners as well for their co-operation during the inspections.

E Goodchild
Chairperson

DISCIPLINARY COMMITTEE

The period under review was dedicated to operationalising the various measures implemented in furtherance of the Auditing Profession Amendment Act, which came into operation on 26 April 2021 (the Act), including the new disciplinary Rules adopted in April 2022. Part of this was the scheduling of hearings for the newly constituted independent Disciplinary Committee, which did not include registered auditors and is constituted by members who do not have any direct financial interest in the auditing profession.

Of most significance was the first dual sitting of the committee in August 2022, when two Disciplinary Hearing Panels sat concurrently, to consider charges of improper conduct in respect of two separate matters. This was only possible due to the amendments in Section 24A of the Act, which have enabled the Board to constitute a Disciplinary Committee with an unlimited number of members, but only requiring a panel of three such members for the purpose of a hearing. The operationalisation of this provision was a true realisation of efficient disciplinary processes.

In addition to the above, the 2022/2023 financial year was the final one for the implementation of the disciplinary processes strategy adopted by the Board in 2020. The overall objective of the strategy is to focus on moving matters quickly from referral to conclusion, with minimum wasted effort and/or expenses, while ensuring the achievement of optimal results for the IRBA, thus minimising risks, restoring confidence and preserving the integrity of the IRBA and its processes.

The strategy is premised on three objectives, i.e. efficiency, effectiveness and agility. The objectives are supported by 17 key performance areas, which were measured by the achievement of 46 deliverables relevant to redefining disciplinary processes for the efficient processing of matters; the capacitation of the IRBA staff and committee members; costs savings; and the attainment of effective disciplinary outcomes. We are happy to report that 45 of the 46 deliverables have been fully implemented, while the final deliverable relating to the digitisation of disciplinary processes is underway and set for completion in the 2023/2024 financial year.

With the above highlights came a few challenges in respect of the committee's work, specifically towards the attainment of the disciplinary process strategic objective related to agility, which was affected by the impending amendments to the transitional provisions in the Act. When the amendments came into effect, they incorporated a transitional provision that required charges preferred against auditors prior to the amendments to be determined in line with the provisions of the old Act. This then meant that, in terms of the amended Act, the newly constituted Disciplinary Committee could not hear these matters. In a bid to avoid running two committees with different memberships, the Board pursued further amendments to the Act, which would allow the newly constituted Disciplinary Committee to consider matters where auditors had been charged prior to the amendments. Subsequently, the amendments were signed into law after year-end.

Despite the above, the use of the refined disciplinary processes and revised rules enabled the IRBA team to employ varying measures in finalising matters expeditiously. These measures included the use of the new Rule 15 to engage auditors charged prior to the amendments through consent orders and settlement processes, to proactively bring the relevant matters to finality. This approach yielded success, with five matters being finalised, following a referral to the Disciplinary Committee, but without the need for a hearing. In addition, the team prioritised the preparation of newly referred matters for hearings. As these matters could be heard by the newly constituted committee, this resulted in at least three hearings being convened

in the reporting period. Of significance herein is the turnaround time in respect of these matters, all of which were finalised in less than 18 months from the date of referral to the committee. This is a true reflection of the attainment of the agility objective aimed at moving matters quickly from referral to finalisation, as well as the efficiency objective aimed at finalising matters with minimum wasted effort and/or expenses.

With the implementation of the disciplinary processes strategy having been completed, the various activities thereunder will now be embedded in the Legal Department and the committee's processes, with the hope of seeing continued improvement in disciplinary processes efficiencies in the upcoming years.

To address the growing backlog of disciplinary cases caused by the impending amendments, the Board has established a Transitional Disciplinary Committee, in terms of Section 20 of the Act, read together with Section 19. Accordingly, Parliament has been requested to reject the Board's prior request for amendments to Section 23, as the need thereof will be addressed through a Transitional Disciplinary Committee. This committee will be responsible solely for adjudicating matters involving auditors who were charged with improper conduct prior to the amendment of the Act in 2021, thus ensuring the finalisation of these matters without further delay.

Furthermore, and in line with the IRBA disciplinary processes strategy, the committee will adopt an annual plan for the 2023/2024 financial year that will guide the finalisation of the pending matters.

Constitution, Membership and Meetings

Section 24A(2) of the Act requires the committee to be chaired by a retired Judge or Senior Advocate and to be constituted by one-third of persons with

at least 10 years' experience in auditing, who were formerly registered as auditors; one-third of advocates or attorneys with at least 10 years' experience in practising law; and one-third of other suitably qualified persons. The Board has set the total membership at 15, with a third of the members in each category.

Consequently, during the reporting period, the committee was constituted by the following members:

- Adv A Platt SC, the Chairperson of the Disciplinary Committee;
- Adv E Mokutu SC, Adv R Mossop SC, Adv T Madonsela SC and Adv E Raubenheimer, who were appointed to the positions of practising legal practitioners;
- Mr S Sooklal, Ms D Lamprecht and Ms L Hechter, who were appointed in the positions of former practising registered auditor; and
- Ms S Vanker, Ms J Fouche, Mr E Volker and Ms NB Kader, who filled the positions of other suitably qualified persons.

Advocate Mossop resigned from the committee in April 2022, with Adv Madonsela's membership having ceased in December 2022. Accordingly, as at year-end, the committee had five vacancies, which require the appointment of two former registered auditors, two practising legal practitioners and one other suitably qualified person. Recruitment processes are underway in respect of these vacancies.

As indicated above, the committee convened three disciplinary hearings in the reporting period, which hearings spanned over 16 days. In addition, it met twice to deal with matters that are relevant to its work.

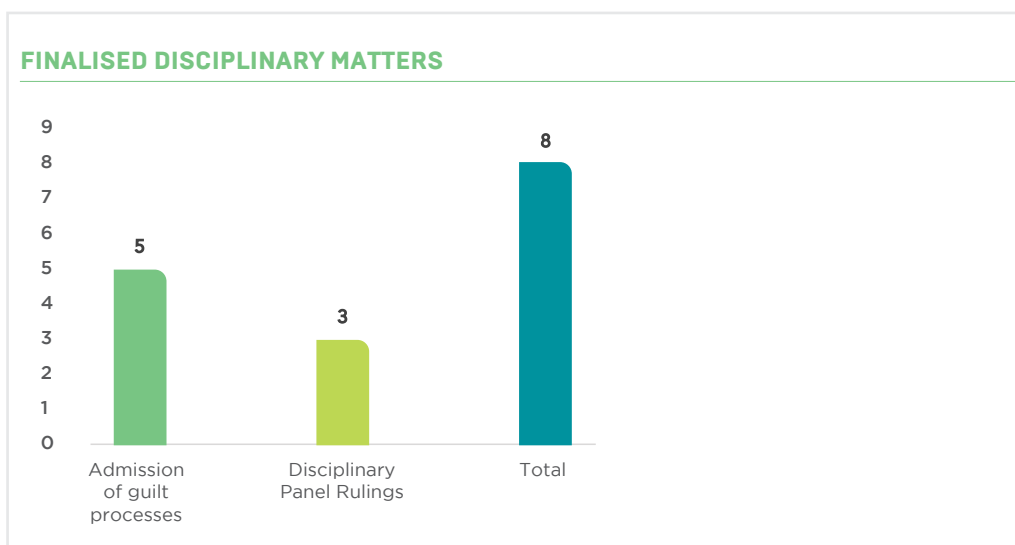
The table that follows reflects the number of hearings and meetings attended by the relevant committee members in the 2022/2023 financial year.

Members	Hearing Days Attended	Meetings Attended	Membership Status
Adv A Platt SC	5	1	Chairperson Chairperson Observing Procedures
Adv E Mokuu SC	0	2	Member – Legal Practitioner
Adv E Raubenheimer	15	2	Member – Legal Practitioner
Adv R Mossop	0	0	Member – Legal Practitioner
Adv T Madonsela	0	0	Member – Legal Practitioner
Mr S Sooklal	15	2	Member – Former Registered Auditor
Ms L Hechter	1	1	Member – Former Registered Auditor
Ms D Lamprecht	1	2	Member – Former Registered Auditor
Ms S Vanker	6	2	Member – Suitably Qualified Person
Ms M J Fouche	0	2	Member – Suitably Qualified Person
Mr E Volker	10	2	Member – Suitably Qualified Person
Ms N B Kader	0	1	Member – Suitably Qualified Person

Disciplinary Processes

During the financial year under review, eight matters referred to the committee for the determination of charges of improper conduct preferred against registered auditors were finalised. As reflected in the graphic below, five of these matters

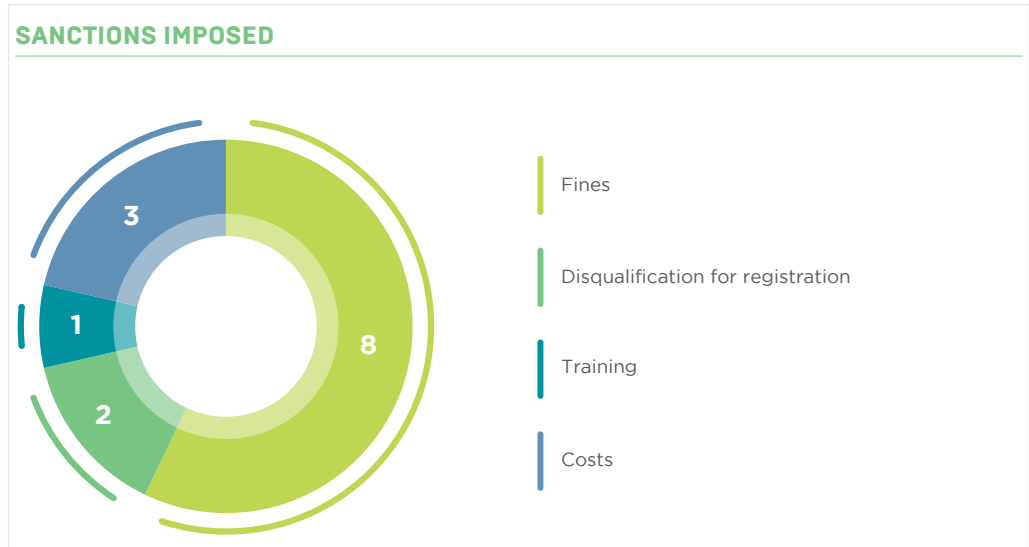
were finalised through admission of guilt processes, with registered auditors having admitted guilt in respect of the charges preferred against them prior to the hearing date. The other three matters were finalised following disciplinary hearings.



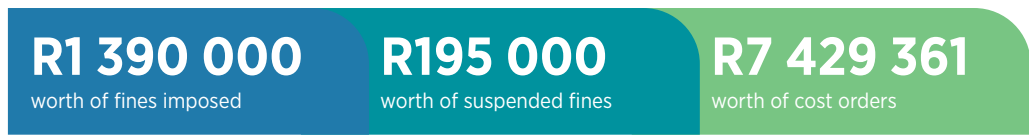
Note: In all eight finalised matters, the respondents, who were individual RAs, were found guilty as per the charges preferred. Three matters were public interest matters, with the other five being non-public interest matters. The details of the finalised matters were published in [IRBA News](#).



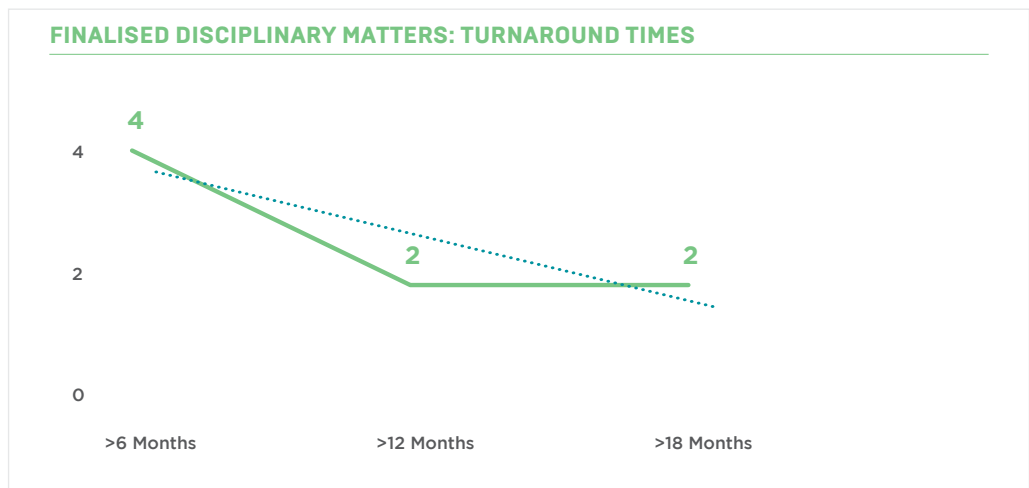
Below is an overview of the sanctions imposed in relation to the finalised matters.



Note: Fines were imposed in all matters finalised, with two auditors having been disqualified from future registration, while an order to attend training was made in one of the matters. Three cost orders were imposed on registered auditors who were found guilty of improper conduct, following disciplinary hearings. In addition, specific publication was ordered in respect of four of the above matters, with general publication ordered in respect of the other four.



All finalised matters had an aging period of less than 18 months from the date on which the ENCOM referred the matter for a disciplinary hearing to the date of finalisation.



Reviews

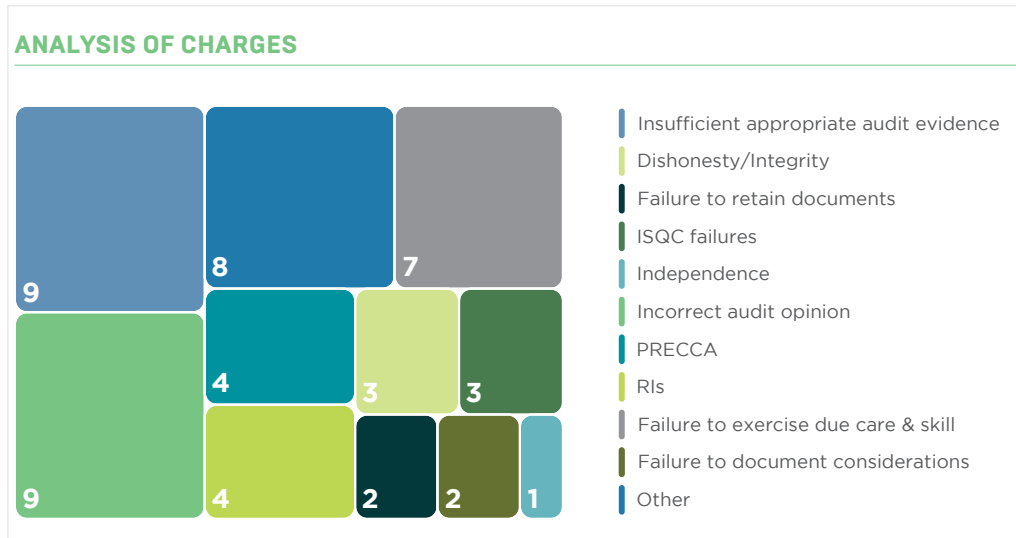
There were no applications seeking the review of the committee rulings instituted during the period under review.

Pending Matters

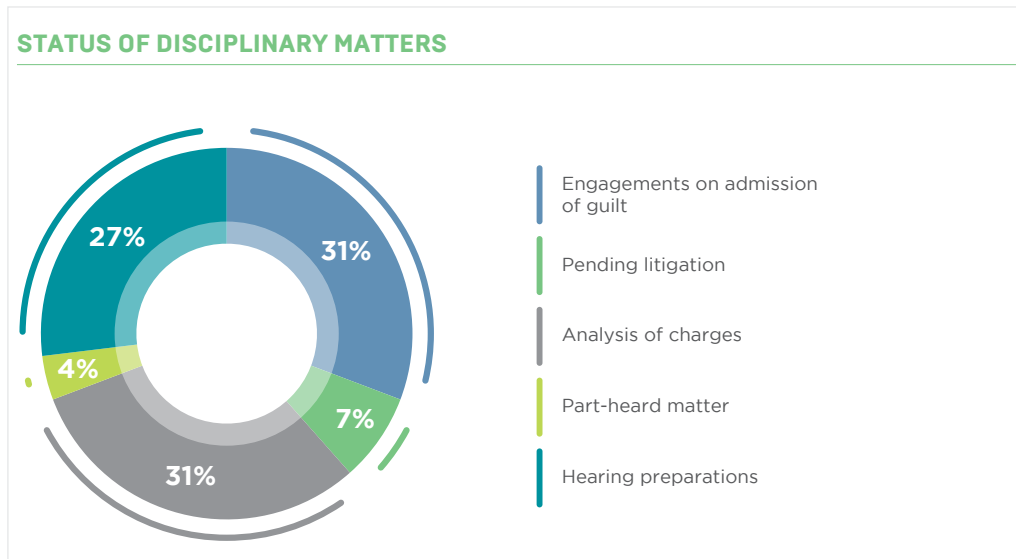
Following the finalisation of the eight matters referenced above and the referral of 15 new matters during the reporting period, there were 26 pending matters referred for disciplinary hearings. These

matters involve varying charges of improper conduct and are at different stages of the disciplinary process. The

graphs provide an overview of the nature of the charges involved in respect of the matters and their status.



Note: While one matter may involve several charges, the charges most common among the pending matters relate to insufficient appropriate audit evidence and incorrect audit opinion. These are followed closely by failure to exercise due care and skill, as well as breaches related to failure to report reportable irregularities in terms of the APA or to report corrupt activities in terms of the Prevention and Combating of Corrupt Activities Act (PRECCA).



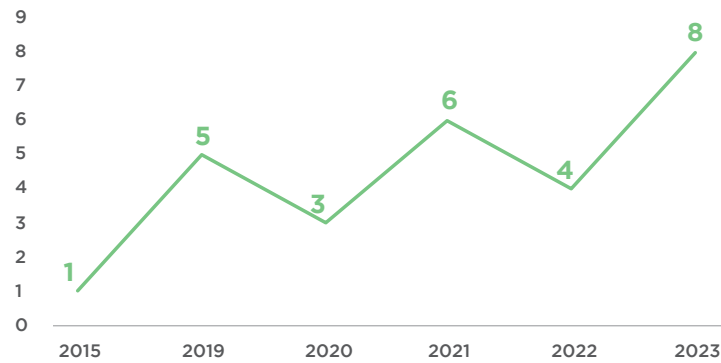
Note: At least 31% of the pending matters were undergoing an analysis of charges by the Legal Department, while 27% were awaiting an allocation of hearing dates. The Legal team engaged respondents in respect of a possible settlement on 31% of the matters, with 4% remaining part-heard as at the end of the financial year, while the final 7% were pending a litigation outcome.

Open disciplinary matters retain an aging between eight years and one month, with 42% of the matters having an aging of less than 12 months. The graph that follows

indicates current open matters referred for a disciplinary hearing per year, thus giving an indication of the aging thereof.



DISCIPLINARY MATTERS: AGE ANALYSIS



Conclusion

The initially planned number of hearings for the 2022/2023 financial year could not be continued with, due to the pending matters in relation to the RAs charged prior to the amendments. While awaiting the enactment of further amendments, though, several milestones have been achieved in respect of disciplinary processes. At the centre of these milestones is the concurrent sitting of the Disciplinary Committee panels for two separate matters; the implementation of the disciplinary processes strategy, which saw the finalisation of five matters without the need for a hearing and/or expanding significant costs; the refinement of disciplinary processes to curb protracted hearings; and the publication of the first-ever Enforcement Report, which sets out the joint efforts of the IRBA enforcement structures, including this committee, in detail. In addition, the turnaround times for the finalisation of matters referred to the committee have improved significantly, thus improving our operational efficiencies.

It is for these milestones that I wish to commend the committee members and the IRBA team for their commitment, innovation and hard work. This is

undoubtedly evidence that the committee is making appropriate strides towards the realisation of its goal, which is the effective and efficient finalisation of disciplinary matters.

In appreciation of the minimal hearings convened in the financial year under review, the committee and the Transitional Committee adopted a hearing plan, which aims to see at least 10 of the 26 pending matters heard in the upcoming financial year, while the Legal team pursues settlement engagements in respect of other matters. We believe that these joint efforts will actively address the accumulated caseload.

Appreciation

On behalf of the committee, I express my sincere gratitude to its members, the Secretariat and the staff of the Legal Department, for the exceptionally efficient and effective manner in which they convene, administer and support the proceedings of this committee.

Adv A Platt SC
Acting Chairperson







FINANCIAL INFORMATION

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PART F: FINANCIAL INFORMATION

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Board is responsible for overseeing the preparation, integrity and fair presentation of the financial statements and related information included in this Annual Report. This includes ensuring that adequate accounting records and effective systems of risk management and internal control are maintained. To enable it to meet its responsibilities, it employs appropriately trained and skilled personnel to implement and maintain the accounting records and systems of control, in line with the requirements of the PFMA and Treasury Regulations. The Board also exercises its functions in accordance with the APA.

The PFMA requires the accounting authority to maintain adequate accounting records and be responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is also the accounting authority's responsibility to ensure that the annual financial statements fairly present the IRBA's state of affairs as at the end of the reporting period, as well as the results of its operations and cash flows for the year ended 31 March 2023. The external auditors are engaged to express an independent opinion on the annual financial statements and they were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies that are consistently applied and supported

by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by the IRBA and place considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, it sets standards for internal control aimed at reducing the risk of error or deficiency in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and the adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the IRBA; and all employees are required to maintain the highest ethical standards to ensure that the IRBA's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management at the IRBA is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the IRBA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting authority is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The accounting authority has reviewed the IRBA's cash flow forecast for the year ending 31 March 2024 and, in the light of this review and the current financial position, it is satisfied that the IRBA has adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the IRBA's annual financial statements. The annual financial statements have been examined by the IRBA's external auditors and their report is presented on pages 83 to 91.

The annual financial statements set out on pages 92 to 115, and which have been prepared on the going concern basis, were approved by the accounting authority on 27 July 2023 and were signed on its behalf by:



Fulvio Tonelli
Chairperson of the Board

THE ACCOUNTING AUTHORITY SUBMITS THIS REPORT FOR THE YEAR ENDED 31 MARCH 2023.

1. Introduction

The accounting authority presents its report, which forms part of the IRBA's Annual Financial Statements for the year ended 31 March 2023, to the Minister of Finance (Executive Authority) and Parliament, in terms of Section 55 (1)(d) of the PFMA as amended.

2. Principle Activities of the IRBA

The IRBA was established in terms of Section 3 of the Auditing Profession Act, (No. 26 of 2005) (the Act), which had an effective date of 1 April 2006. The objectives of the Act, as set out in Section 2, are as follows:

- to provide for the establishment of an Independent Regulatory Board for Auditors;
- to protect the public in the Republic by regulating audits performed by Registered 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;
- 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.

3. Analysis of Financial Statements

3.1. High-level overview

The revenue generated and the operating expenses incurred resulted in an operating surplus of R13.0 million (2022: R12.7 million), compared to a budgeted break-even position.

3.2. Revenue

The operations of the IRBA are funded by revenue from exchange transactions and non-exchange transactions, including government grants.

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions primarily comprises registration, licence and training contract fees. This revenue increased to R54.4 million from R48.8 million mainly due to an increase in trainee levies as more trainee contracts were registered and an increase in licence fees.

Revenue from non-exchange Transactions

Revenue from non-exchange transactions comprise of recoveries for disciplinary and investigation expenses, sanctions for improper conduct, assurance fees and government grants. The revenue increased to R83.3 million from R65.0 million primarily due to higher contributions to disciplinary expenses received, sanctions for improper conduct and higher assurance fees charged to firms.

3.3. Expenses

Operating expenses increased to R170.5 million from R145.9 million. This was mainly due to the increase in expenses as explained below:

- Disciplinary and investigation expenses increased by R5.6 million as more hearing days took place in the current year;
- Committee expenses increased by R4.3 million as more hearing days and committee days took place and the Minister approved that the Board is remunerated at AGSA rates; and

- Employee costs increased by R11.9 million due to a job grading review and market related salary benchmarking review, fewer vacancies and an average annual salary increase of 6.4%.

3.4. Assets

The cash balance increased to R93.7 million from R85.8 million. An amount of R33.5 million (2022: R27.6 million) of the cash is required to fund the reserves needed to safeguard the IRBA's ability to continue as a going concern. Restricted cash remained constant at R10 million.

Liabilities

Trade and other payables consist of trade payables of R3.8 million (2022: R6.8 million), accruals of R4.9 million (2022: R3.8 million) and an accrual for leave pay of R5.2 million (2022: R3.7 million). Net payables from exchange transactions is R15.1 million (2022: R17.4 million)

3.5. Surplus for the year

The IRBA reflected a surplus for the year of R20.1 million (2022: R16.8 million).

3.6. Reserves

Reserves include three funds that were approved by National Treasury - a Trust Fund and two contingency funds for disciplinary cases and operational working capital requirements.

- The Trust Fund was established in 2010, as prescribed by the Minister of Finance, and it has R10 million, representing the proceeds of the sale of a building previously owned by the IRBA. The R10 million cash to fund the reserve is classified as restricted cash under non-current assets.
- The contingency fund for disciplinary cases was established to protect the operating capacity of the IRBA against the impact of unforeseen and exceptional disciplinary costs.
- The contingency fund for operational working capital requirements was established to accumulate funds for the IRBA's short-term working capital re-

quirements, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at approximately three months' operational expenditure.

3.7. Budget

The PFMA states the following in Chapter 6: Public Entities, Section 53(3):

"A public entity which must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained."

The budget for 2022/2023 was a breakeven budget and it was approved by the Board and National Treasury in January 2022.

4. Accounting Authority

The membership of the IRBA Board during the year and to the date of this report was as follows:

Board Members' Current Term

F Tonelli (Chairperson)	8 June 2021 - 7 June 2024
N Ford-Hoon (Deputy Chair)	8 June 2021 - 7 June 2024
R Benjamin-Swales	8 June 2021 - 7 June 2024
P Phili	8 June 2021 - 7 June 2024
R Hawkins	8 June 2021 - 7 June 2024
T Kutumela	8 June 2021 - 7 June 2024
N Maharaj	8 June 2021 - 7 June 2024
C Mjali*	8 June 2021 - 31 July 2022
Z Mshengu	8 June 2021 - 7 June 2024
P Sibiyi	18 May 2023 - 17 May 2026
M Mosala	18 May 2023 - 17 May 2026

* C Mjali resigned on 31 July 2022.

5. Ministerial Representative

The Accountant-General of National Treasury represents the Minister on the Board.

6. Business and Registered Address

Physical address

Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

Postal address

PO Box 8237
Greenstone
1616

7. Bankers

Standard Bank of South Africa
South African Reserve Bank

8. Auditor

The Auditor-General South Africa



REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (ARMCO)

We are pleased to present the report for the financial year ended 31 March 2023.

ARMCO is a subcommittee of the Board and it consists of independent, non-executive Board members. Its overall objectives are to assist the Board with its responsibility of ensuring that adequate systems and controls are in place, thus ensuring that the assets are safeguarded; assessing the going concern status; reviewing the financial information; and overseeing the preparation of the Annual Financial Statements.

The committee also assists the Board in fulfilling its responsibilities in relation to risk management by ensuring that management identifies and addresses significant risks affecting its strategic objectives, and those associated with the environment within which the IRBA operates.

The committee meets at least four times a year, as per its approved terms of reference. Management, internal auditors and external auditors attend these meetings as standing invitees.

During this reporting year, five meetings were held. Meeting attendance appears on page 35.

Committee Responsibility

The committee has complied with its responsibilities, as set out in Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. It has also operated within its terms of reference, regulated its affairs in compliance with the terms of reference and discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

In line with the PFMA and the adopted King IV Report on Corporate Governance requirements, Internal Audit provides the committee and management with

assurance that the internal controls are adequately designed and operating effectively. The system of internal control applied by the IRBA over financial risk and risk management is effective, efficient and transparent. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the internal auditors, the external auditors' independent audit report on the Annual Financial Statements and the management report of the Auditor-General South Africa, it was noted that no significant or material non-compliance with prescribed policies and procedures had been reported.

The committee is satisfied with the expertise and adequacy of resources within the Operations Department, which is responsible for the IRBA's finance, human resources, facilities management, supply chain management and information technology functions. Based on our oversight activities, including reliance on the reports obtained from management, the internal auditors and the external auditors, we can report that the system of internal control for the period under review was adequate and effective.

Risk Management

The Board has committed the IRBA to a process of risk management that is aligned to the principles of good corporate governance. It has delegated certain aspects of its authority that pertain to risk management to ARMCO.

The Risk Management Policy ensures that the IRBA identifies and manages strategic, operational and, where relevant, project risks. In terms of this policy, a Risk Plan must be prepared and linked to the Risk Register, as well as the objectives of the IRBA. The Risk Governance Framework is

based on the IRBA's risk maturity profile.

The policy has been prepared in terms of the principles prescribed by the King IV Report on Corporate Governance, the PFMA and National Treasury Regulations.

A Risk Management Strategy, incorporating a Fraud Prevention Plan, is in place. Given the dynamic environment within which the IRBA operates, the effectiveness and relevance of these plans are assessed on a regular basis. Risks identified as significant to the IRBA are periodically evaluated and the Risk Management Plan is reviewed accordingly.

The committee is satisfied with the effectiveness of the risk management process.

Information and Communication Technology (ICT)

The committee is also responsible for the governance of information and communication technology. Its mandate is to ensure proper and appropriate governance of ICT within the IRBA through the creation and implementation of a suitable governance framework, in line with the principles and practices of corporate governance put forward in the ICT Policy.

The primary objectives of the IRBA's ICT governance framework address the following:

- **Business Value:** Ensuring that ICT assists and enables the achievement of business objectives and meets the business needs of the IRBA.
- **Resource Optimisation:** Providing relevant ICT resources (people, processes and technology), organisational structure, capacity and capability to enable ICT service delivery.
- **Risk Management:** Ensuring that ICT risk is managed and ICT service delivery, performance and conformance to relevant internal and external policies are monitored.
- **Transparency to Stakeholders:** Ensuring that there is transparency to relevant stakeholders regarding ICT performance and plans.

The committee ensures that its procedures and processes are compliant with the recommendations in the King IV Report on Corporate Governance.

Quarterly Reports

The IRBA, as a public entity, reported quarterly to National Treasury, as required. The committee is satisfied with the content and quality of quarterly reports prepared by management and issued by the Chief Executive Officer during the year under review.

Evaluation of Financial Statements

The committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Authority the audited Annual Financial Statements included in the Annual Report.
- Reviewed the Auditor-General's management report and management's response thereto.
- Reviewed possible significant adjustments resulting from the audit, of which there were none.
- Reviewed the information on predetermined objectives, as reported in the Annual Report.

The committee concurs with and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Internal Audit

The committee is satisfied that the internal audit function is operating effectively and its internal audit procedures have addressed the risks pertinent to the IRBA.

The following internal audit work was completed during the year under review:

- Review of the Annual Financial Statements;
- Review of the Annual Performance Information; and

- Review of the adequacy and effectiveness of the contract management processes.

External Audit

The committee met with the Auditor-General to ensure that there were no unresolved issues.

Going Concern

The IRBA's Annual Financial Statements were prepared on a going concern basis and the committee is satisfied that the regulator is financially sound and has adequate resources to continue operating for the foreseeable future.

Appreciation

I wish to express my appreciation to the committee members and management for their commitment and support throughout this financial year.

Z Mshengu
Chairperson

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INDEPENDENT REGULATORY BOARD FOR AUDITORS

Report on the audit of financial statements

Opinion

1. I have audited the financial statements of the Independent Regulatory Board for Auditors set out on pages 92 to 115, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information and actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Regulatory Board for Auditors as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor General for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA Code) as well as other ethical requirements that are relevant to my

audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matter below. My opinion is not modified in respect of the matter.

Uncertainty relating to the future outcome of the prescribed fees litigation

7. With reference to Note 15 to the financial statements, the Independent Regulatory Board for Auditors is involved in an ongoing litigation regarding its authority to prescribe various fees in terms of the Auditing Professional Act 26 of 2005, as amended. The High Court had previously issued judgment against the IRBA and an order for the IRBA to pass credits in respect of the relevant fees to affected registered auditors. The Board has taken the decision and the order on appeal to the Supreme Court of Appeal and a hearing date is awaited. Management has estimated a potential financial exposure of R73 million in this regard.

Other matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

9. The supplementary information set out on page 116 does not form part of the financial accounts and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022, the National Treasury issued Instruction Note No. 4: PFMA Compliance and reporting framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and reporting framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in Note 23 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Independent Regulatory Board for Auditors. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Auditor-General for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

16. I selected the following material performance indicators related to inspections, investigations and disciplinary indicators presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Inspections – Number of inspections completed per annum
- Investigations – The number of investigations completed per annum
- Disciplinary – Disciplinary strategy implemented and in line with the 2022-23 implementation plan

17. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

- The indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives;
- The indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements;
- The targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the

required level of performance as well as how performance will be evaluated;

- The indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents;
- The reported performance information is presented in the annual performance report in the prescribed manner; and
- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or under-achievement of targets.

19. I performed the procedures for the purpose of reporting material findings only.

20. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report pages 25 to 31 for information on the achievement of planned targets for the year and management's explanations provided for the under-/overachievement of targets.

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
26. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

27. The accounting authority is responsible for the other information included in the annual report which includes the chairperson of the board foreword and the chief executive officer's overview. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in indicators presented in the annual performance report that have been specifically reported on in this auditor's report.
28. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in indicators presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

31. I considered those internal controls relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
32. I did not identify any significant deficiencies in internal control.



Signature as 'Auditor-General'

Pretoria
31 July 2023



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that

may cast significant doubt on the ability of the entity's to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or Regulations
Construction Industry Development Board Act 38 of 2000 (CIBD)	Section 18(1)
Construction Industry Development Board Act: Regulations	Regulation 17 Regulation 25(7A)
Prevention & Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Public Finance Management Act 1 of 1999 (PFMA)	Section 51(1)(a)(iv) Section 51(1)(b)(i) Section 51(1)(b)(ii) Section 51(1)(e)(iii) Section 53(4) Section 54(2)(c) Section 54(2)(d) Section 55(1)(a) Section 55 (1)(b) Section 55(1)(c)(i) Section 56(1) Section 56(2) Section 57(b)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Section 2(1)(a) and (b) Section 2(1)(f)

Legislation	Sections or Regulations
Preferential Procurement Regulations of 2017 (PPR)	PPR 2017 Par.4.1 PPR 2017 Par.4.2 PPR 2017 Par.5.1 PPR 2017 Par.5.3 PPR 2017 Par.5.6 PPR 2017 Par.5.7 PPR 2017 Par.6.1 PPR 2017 Par.6.2 PPR 2017 Par.6.3 PPR 2017 Par.6.5 PPR 2017 Par.6.6 PPR 2017 Par.7.1 PPR 2017 Par.7.2 PPR 2017 Par.7.3 PPR 2017 Par.7.5 PPR 2017 Par.7.6 PPR 2017 Par.8.2 PPR 2017 Par.8.5 PPR 2017 Par.9.1 PPR 2017 Para.9.2 PPR 2017 Par.11.1 PPR 2017 Par 11.2 PPR 2017 Par.12.1 PPR 2017 Par.12.2
Preferential Procurement Regulations of 2022 (PPR)	PPR 2022 Par. 4.1 PPR 2022 Par. 4.2 PPR 2022 Par. 4.3 PPR 2022 Par. 4.4 PPR 2022 Par. 5.1 PPR 2022 Par. 5.2 PPR 2022 Par. 5.3 PPR 2022 Par. 5.4

Legislation	Sections or Regulations
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	TR 16A 6.1 TR 16A6.2(a) & (b) TR 16A6.2(e) TR 16A 6.3(a) TR 16A 6.3(b) TR 16A 6.3(c) TR 16A 6.3(d) TR 16A 6.3(e) TR 16A 6.4 TR 16A 6.5 TR 16A 6.6 TR 16A8.2 (1) and (2) TR 16A 8.3 TR 16A 8.3(d) TR 16A 8.4 TR 16A 9 TR 16A 9.1 TR 16A9.1 (c) TR 16A 9.1(d) TR 16A 9.1(e) TR 16A 9.2 TR 16A 9.2(a)(ii) TR 16A 9.2(a)(iii) TR 8.2.1 TR 8.2.2 TR 16A9.1(b)(ii) TR 16A9.1(e) TR 16A9.1(f) TR 33.1.1 TR 33.1.3 TR 30.1.1 TR 30.1.3(a) TR 30.1.3(b) TR 30.1.3(d) TR 30.2.1 TR 16A.7.1 TR 16A.7.3 TR 16A.7.6 TR 16A.7.7 TR 31.2.1 TR 31.3.3 TR 31.1.2(c)

Legislation	Sections or Regulations
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1, 4.1 and 4.2
National Treasury SCM Instruction Note 03 2021/22	Paragraph 4.3 Paragraph 4.4 Paragraph 4.4(a) Paragraph 4.4(c) and (d)
National Treasury SCM Instruction Note 11 2020/21	Paragraph 3.1 Paragraph 3.4(b) Paragraph 3.9
National Treasury SCM Instruction Note 2 of 2021/22	Paragraph 3.2.1 Paragraph 3.2.4(a) Paragraph 3.3.1
National Treasury Instruction Note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury Instruction Note 05 of 2020/21	Paragraph 4.8 and 4.9 Paragraph 5.1 and 5.3
Erratum National Treasury Instruction Note 5 of 2020/21	Paragraph 1 Paragraph 2
Practice Note 7 of 2009/10	Paragraph 4.1.2
National Treasury Instruction Note 1 of 2021/22	Paragraph 4.1

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

<i>Figures in Rand</i>	Notes	2023	2022
Assets			
Current Assets			
Inventories		231 572	172 877
Loans receivable	2	261 478	386 613
Receivables from exchange transactions	3	3 617 127	2 379 722
Receivables from non-exchange transactions	4	13 945 537	5 741 861
Cash and cash equivalents	5	93 688 640	85 758 379
		111 744 354	94 439 452
Non-Current Assets			
Plant and equipment	6	12 760 189	11 780 260
Intangible assets	7	1 968 679	2 328 607
Restricted cash	8	10 000 000	10 000 000
		24 728 868	24 108 867
Total Assets		136 473 222	118 548 319
Liabilities			
Current Liabilities			
Operating lease liability	9	394 286	394 286
Payables from exchange transactions	10	15 128 195	17 399 944
		15 522 481	17 794 230
Non-Current Liabilities			
Operating lease liability	9	3 393 289	3 329 613
Total Liabilities		18 915 770	21 123 843
Net Assets		117 557 452	97 424 476
Reserves			
Trust Fund		10 000 000	10 000 000
Contingency Fund - Disciplinary Cases		25 582 374	21 571 184
Contingency Fund - Operational		7 884 397	6 060 094
Accumulated surplus		74 090 681	59 793 198
Total Net Assets		117 557 452	97 424 476

STATEMENT OF FINANCIAL PERFORMANCE

as at 31 March 2023

<i>Figures in Rand</i>	Notes	2023	2022
Revenue	11	183 541 478	158 575 463
Other income		4 397 496	4 323 708
Operating expenses		(44 731 910)	(33 755 568)
Lease rentals on operating lease		(4 273 540)	(4 283 433)
Loss on sale of plant and equipment		(123 956)	(40 275)
Employee costs		(122 511 704)	(110 580 534)
Depreciation, Amortisation and change in accounting estimates		(3 269 614)	(1 516 810)
Operating surplus		13 028 250	12 722 551
Interest received		7 104 726	4 057 224
Surplus for the year		20 132 976	16 779 775

STATEMENT OF CHANGES IN NET ASSETS

as at 31 March 2023

<i>Figures in Rand</i>	Trust Fund	Contingency Fund - Disciplinary Cases	Contingency Fund - Operational	Total reserves	Accumulated surplus	Total net assets
Balance at 01 April 2021	10 000 000	27 509 664	7 853 399	45 363 063	35 281 638	80 644 701
Changes in net assets						
Surplus for the year	-	-	-	-	16 779 775	16 779 775
Transfer from contingency fund: Disciplinary cases	-	(5 938 480)	-	(5 938 480)	5 938 480	-
Transfer from contingency fund: Operational	-	-	(1 793 305)	(1 793 305)	1 793 305	-
Total changes	-	(5 938 480)	(1 793 305)	(7 731 785)	24 511 560	16 779 775
Balance at 01 April 2022	10 000 000	21 571 184	6 060 094	37 631 278	59 793 198	97 424 476
Changes in net assets						
Surplus for the year	-	-	-	-	20 132 976	20 132 976
Transfer to contingency fund: Disciplinary cases	-	4 011 190	-	4 011 190	(4 011 190)	-
Transfer to contingency fund: Operational	-	-	1 824 303	1 824 303	(1 824 303)	-
Total changes	-	4 011 190	1 824 303	5 835 493	14 297 483	20 132 976
Balance at 31 March 2023	10 000 000	25 582 374	7 884 397	43 466 771	74 090 681	117 557 452

CASH FLOW STATEMENT

as at 31 March 2023

<i>Figures in Rand</i>	Notes	2023	2022
Cash flows from operating activities			
Receipts			
Sale of goods and services		174 393 243	157 955 793
Interest received		7 104 726	4 057 224
		181 497 969	162 013 017
Payments			
Cash paid to suppliers and employees		(169 678 122)	(139 405 976)
Net cash flows from operating activities	12	11 819 847	22 607 041
Cash flows from investing activities			
Purchase of plant and equipment	6	(3 962 232)	(10 294 488)
Proceeds from sale of plant and equipment		96 801	47 489
Purchase of other intangible assets	7	(149 290)	(991 903)
Loans receivable		125 135	(81 595)
Net cash flows from investing activities		(3 889 586)	(11 320 497)
Net increase in cash and cash equivalents			
		7 930 261	11 286 544
Cash and cash equivalents at the beginning of the year		85 758 379	74 471 835
Cash and cash equivalents at the end of the year	5	93 688 640	85 758 379

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

as at 31 March 2023

<i>Figures in Rand</i>	Approved budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance			
Revenue			
Revenue from exchange transactions			
Revenue from regulatory functions	51 961 240	54 375 569	2 414 329
Other income	57 397	188 110	130 713
Total revenue from exchange transactions	52 018 637	54 563 679	2 545 042
Revenue from non-exchange transactions			
Government grant	45 684 000	45 684 000	-
Revenue from regulatory functions	81 678 783	83 293 799	1 615 016
Total revenue from non-exchange transactions	127 362 783	128 977 799	1 615 016
Total revenue	179 381 420	183 541 478	4 160 058
Expenditure			
Personnel	(131 177 474)	(122 511 704)	8 665 770
Depreciation and amortisation	(2 831 949)	(3 269 614)	(437 665)
Lease of building	(4 324 968)	(4 273 540)	51 428
Debt impairment	-	(1 701 571)	(1 701 571)
Committee expenses	(7 531 019)	(6 774 881)	756 138
General expenses	(10 647 981)	(9 110 201)	1 537 780
Direct expenses	(18 645 362)	(16 958 399)	1 686 963
Departmental expenses	(7 500 282)	(5 789 362)	1 710 920
Total expenditure	(182 659 035)	(170 389 272)	12 269 763
Operating net surplus	(3 277 615)	13 152 206	16 429 821
Loss on disposal of assets	-	(123 956)	(123 956)
Interest received	3 277 615	7 104 726	3 827 111
Actual surplus on comparable basis as presented in the budget and actual comparative statement	-	20 132 976	20 132 976

Refer to Note 25 for the explanations of budget vs actual.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the GRAP issued by the Accounting Standards Board, in accordance with Section 91(1) of the PFMA.

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

1.1. Going concern assumption

These annual financial statements have been prepared based on the expectation that the IRBA will continue to operate as a going concern for at least the next 12 months.

Forecasts and Budgets

As part of the budgeting process, the IRBA has prepared a budget that coincides with the MTEF, as set by National Treasury for the next three years. Based on the current budget assumptions, the IRBA will have a positive cash flow balance as at 31 March 2024.

Environment Impact

The Minister of Finance has approved the use of the R10 million Trust Fund ring-fenced fund for the exclusive benefit of high-profile investigations and/or disciplinary hearings.

The IRBA management is committed to keeping spending within the approved budget and has mechanisms in place to guard against overspending.

Contingency Funds

The IRBA maintains two contingency funds (Disciplinary Cases and Operational) to ensure that it can deliver on its mandate. These funds are also aimed at helping to protect the IRBA from unforeseen or exceptional costs.

1.2. Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Loans and receivables

The IRBA assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for loans and receivables is calculated on an individual item basis, based on historical loss ratios.

Determination of useful lives for plant and equipment

The nature of the IRBA's operations results in difficulties in determining the useful lives of plant and equipment items. The assets' lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the income statement is adjusted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Effective interest rate

The IRBA uses an appropriate interest rate by considering accounting guidance provided in the accounting standards and applying professional judgement to the specific circumstances to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Adequacy of the leave pay accrual

The leave pay accrual is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year. The accrual is only utilised when staff resign, as unused leave is forfeited six months after the year in which it accrued.

1.3. Plant and equipment

Plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes; and are expected to be used during more than one period.

The cost of a plant and equipment item is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the IRBA; and
- The cost of the item can be measured reliably. Plant and equipment are initially measured at cost.

The cost of a plant and equipment item is the purchase price and other costs attributable to bring the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Recognition of costs in the carrying amount of a plant and equipment item ceases when the item is at the location and in the condition necessary for it to be capable of operating in the manner intended by management.

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of plant and equipment items have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10-15 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3-5 years
Leasehold improvements	Straight line	7 years

The residual value as well as the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in the accounting estimate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Plant and equipment items are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of a plant and equipment item is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a plant and equipment item is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4. Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset, so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost, less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software and development cost	Straight line	3-5 years

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.5. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a Statement of Financial Position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
- Receive cash or another financial asset from another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the IRBA.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are, potentially, unfavourable to the IRBA.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the IRBA in the event of a difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Classification

The IRBA has the following types of financial assets (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Loans and receivables	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.
Receivables from exchange/ non-exchange transactions	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.
Cash and cash equivalents	Financial assets measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.

The IRBA has the following types of financial liabilities (classes and category), as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Payables from exchange/non- exchange transactions	Financial liabilities measured at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Initial recognition

The IRBA recognises a financial asset or a financial liability in its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The IRBA recognises financial assets using trade date accounting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Derecognition Financial assets

The IRBA derecognises financial assets using trade date accounting.

The IRBA derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The IRBA transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The IRBA, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the IRBA:
 - Derecognises the asset; and
 - Recognises separately any rights and obligations created or retained in the transfer.

Financial liabilities

The IRBA removes a financial liability (or part of a financial liability) from its Statement of Financial Position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

Interest relating to a financial instrument or a component that is a financial liability is recognised as other income or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

1.6. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.7. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

When inventories are distributed, the carrying amounts of those inventories are recognised as an expense. The amount of any write-down of inventories to the net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in the net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

PART F

PART E

PART D

PART C

PART B

PART A

1.8. Employee benefits

Employee benefits are all forms of consideration given by the IRBA in exchange for services rendered by employees. Termination benefits are employee benefits payable as a result of either:

- The IRBA's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Provision for employee entitlement to annual leave represents the present obligation that the IRBA has to pay as a result of employees' services provided up to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year.

1.9. Contingencies

Contingent liabilities are recorded in the notes to the financial statements, when there is a possible obligation that arises from past events; and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the IRBA or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured reliably.

1.10. Revenue from exchange transactions

An exchange transaction is one in which the IRBA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable. Revenue from regulatory functions.

Revenue from regulatory functions is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is determined by regulatory functions performed to date as a percentage of total regulatory functions to be performed.

1.11. Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the IRBA receives value from another entity without directly giving approximately equal value in exchange.

Measurement and recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the IRBA.

Government grants

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the IRBA; and

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

- The amount of the revenue can be measured reliably. As the IRBA satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.12. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13. Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- a. This Act; or
- b. The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- c. Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury instruction note No. 4 of 2022/2023, which was issued in terms of Sections 76(1) to 76(4) of the PFMA, requires the following:

“Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Irregular expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

- d. irregular expenditure incurred and confirmed in the previous financial year;
- e. irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- f. irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
- g. irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

The accounting officer or accounting authority may, in terms of paragraph 5.8 remove irregular expenditure that was not condoned by the relevant authority.”

1.14. Budget information

The Statement of Comparison of Budget and Actual Information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.15. Related parties

The IRBA is exempt from disclosure requirements in relation to related party transactions, if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the IRBA to have adopted, if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity’s legal mandate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Where the IRBA is exempt from the disclosures in accordance with the above, the IRBA discloses narrative information about the nature of the transactions and the related outstanding balances to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.16. Reserves

The following reserves, as approved by National Treasury, have been established in order to provide for sufficient cash resources for possible contingencies and the Trust Fund.

Contingency Fund - Disciplinary Cases

This is a fund established to maintain the IRBA's long-term capital requirements and to protect the IRBA's operating capacity against the effects of inflation and unforeseen events. This will further cover the unforeseen expenses for disciplinary cases that cannot be covered within the normal budget parameters. This reserve is maintained at a maximum of approximately 20% of the annual income from registered auditors.

Contingency Fund - Operational

This is a fund established to accumulate funding for the IRBA's short-term working capital requirements, capital expenditure, budgeted deficit (if any), as well as other unforeseen short-term requirements. This fund is maintained at a level of approximately three months' operational expenditure.

Trust Fund

This fund was established to ring-fence the capital proceeds of the 2010 sale of a building previously owned by the IRBA, as prescribed by the Minister of Finance. The interest received on the funds in the trust is used for the development of previously disadvantaged students who aspire to become registered auditors, and to raise awareness of the auditing profession at various levels. The capital may be used for high-profile disciplinary cases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

2. Loans receivable

	2023	2022
Study loans and travel advances	261 478	386 613

Loans receivable consists of study loans and travel advances made to staff members. The loans are interest free and the effect of discounting is not material and repayable within 12 months.

3. Receivables from exchange transactions

	2023	2022
Trade debtors	2 763 685	1 710 870
Prepaid expenses	856 533	678 537
Less: Impairment provision	(3 091)	(9 685)
	3 617 127	2 379 722

Statutory receivables included in receivables from exchange transactions above are as follows:

	2023	2022
Education and Transformation - Trainee levies	2 374 550	1 488 120
Education and Transformation - Accreditation fee	389 135	222 750
Less: Impairment provision	(3 091)	(9 685)
	2 760 594	1 701 185

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Trade and other receivables past due but not impaired

Management has assessed that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour.

The above receivables include the following amounts past due but not impaired:

	2023	2022
1 month past due	278 041	60 600
2 months past due	6 540	32 800
3 months past due	81 400	102 025
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(9 685)	(469)
Provision for impairment	6 594	(9 216)
	(3 091)	(9 685)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

4. Receivables from non-exchange transactions (statutory receivables)

	2023	2022
Fines, penalties and legal cost recoveries outstanding	14 782 275	6 871 636
Assurance fees debtors	3 722 140	1 720 939
Less: Impairment provision	(4 558 878)	(2 850 714)
	13 945 537	5 741 861

Receivables from non-exchange transactions pledged as security

Trade and other receivables are not pledged as security.

Receivables from non-exchange transactions past due but not impaired.

Management has assessed that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour.

The ageing of amounts past due but not impaired is as follows:

	2023	2022
1 month past due	55 943	345 833
2 months past due	-	829 333
3 months past due	8 852 932	5 072 406

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2023	2022
Opening balance	(2 850 714)	(1 556 629)
Provision for impairment	(1 708 164)	(1 294 085)
	(4 558 878)	(2 850 714)

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	3 429	4 070
Current Accounts	92 800 435	84 869 533
12-Month Term Deposit	884 776	884 776
	93 688 640	85 758 379

The cash and cash equivalents held by the IRBA may only be used in accordance with its mandate. No restrictions have been placed on the use of cash and cash equivalents for the operations of the IRBA.

Cash funded reserves

In order to provide for sufficient cash resources for future expenditure, the following reserves have been established: Contingency Fund - Disciplinary Cases, R25 582 374 (2022: R21 571 184); and Contingency Fund - Operational, R7 884 397 (2022: R6 060 094). Any shortage in cash resources to fund these reserves will be funded from working capital.

The IRBA maintains an operating cash float of up to R10.3 million in its current account and call deposit account. The rest is invested in a South African Reserve Bank CPD account, as instructed by National Treasury.

12-month term deposit

An amount of R884 776 (2022: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises and interest received is not capitalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

6. Plant and equipment

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 768 962	(1 337 111)	1 431 851	3 981 558	(2 733 374)	1 248 184
Motor vehicles	315 783	(265 258)	50 525	315 783	(239 995)	75 788
IT equipment	9 724 414	(5 189 715)	4 534 699	8 002 388	(5 446 100)	2 556 288
Leasehold improvements	8 078 422	(1 335 308)	6 743 114	7 900 000	-	7 900 000
Total	20 887 581	(8 127 392)	12 760 189	20 199 729	(8 419 469)	11 780 260

	Opening balance	Additions	Disposals	Depreciation/ change in accounting estimates	Total
	Reconciliation of plant and equipment - 2023				
Furniture and fixtures	1 248 184	418 546	(37 133)	(197 746)	1 431 851
Motor vehicles	75 788	-	-	(25 263)	50 525
IT equipment	2 556 288	3 365 264	(183 982)	(1 202 871)	4 534 699
Leasehold improvements	7 900 000	178 422	-	(1 335 308)	6 743 114
	11 780 260	3 962 232	(221 115)	(2 761 188)	12 760 189
Reconciliation of plant and equipment - 2022					
Furniture and fixtures	454 248	917 687	-	(123 751)	1 248 184
Motor vehicles	113 682	-	-	(37 894)	75 788
IT equipment	1 945 687	1 476 801	(63 847)	(802 353)	2 556 288
Leasehold improvements	179 424	7 900 000	(23 917)	(155 507)	7 900 000
	2 693 041	10 294 488	(87 764)	(1 119 505)	11 780 260

7. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	8 009 433	(6 040 754)	1 968 679	7 873 012	(5 544 405)	2 328 607

Reconciliation of intangible assets - 2023

	Opening Balance	Additions	Disposals	Amortisation	Total
Computer software	2 328 607	149 290	(792)	(508 426)	1 968 679

Reconciliation of intangible assets - 2022

	Opening Balance	Additions	Disposals	Amortisation	Total
Computer software	1 734 009	991 903	-	(397 305)	2 328 607

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

8. Restricted cash

An amount of R10 million was received from the sale of an IRBA-owned building. The Minister of Finance restricted the use of the capital amount. The interest received on the amount is used for the development of previously disadvantaged students who aspire to become registered auditors, and to raise awareness of the auditing profession at various levels. The capital may be used for high-profile disciplinary cases.

9. Operating lease liability

	2023	2022
Non-current liability	(3 393 289)	(3 329 613)
Current liability	(394 286)	(394 286)
	(3 787 575)	(3 723 899)
Total lessor incentive	(1 577 142)	(1 971 428)
Add: Current liability	(394 286)	(394 286)
Lessor incentive	(1 971 428)	(2 365 714)
Operating lease accrual	(1 816 147)	(1 358 185)
	(3 787 575)	(3 723 899)

The building lessor provided an incentive on the extension of the lease. The incentive is set off against the rent payable over the term of the lease. The lease payment has an annual escalation of 6%.

10. Payables from exchange transactions

	2023	2022
Trade payables	3 847 279	6 820 103
Other accruals	4 923 764	3 841 240
Registration application fees	1 117 020	1 246 762
Accrued leave pay	5 240 132	3 688 837
Late administration fees - credits	-	1 803 002
	15 128 195	17 399 944

Payables from exchange transactions principally comprise amounts outstanding for trade purchases and ongoing costs. The average payment period for payables is 30 days or less. The IRBA considers that the carrying amount of trade and other payables approximates the fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

11. Revenue

	2023	2022
Government grants	45 684 000	44 609 000
Revenue from regulatory functions - exchange	54 375 569	48 831 787
Revenue from regulatory functions - non-exchange	83 293 799	64 951 631
Other income	188 110	183 045
	183 541 478	158 575 463

The amounts included in revenue from regulatory functions

(exchange transactions) are as follows:

	2023	2022
Licence fees	36 947 572	34 984 636
Monitoring fees	1 472 029	1 059 684
Proficiency test fees	198 450	204 514
Registration fees	3 065 208	2 762 163
Training contracts and levies	12 692 310	9 820 790
	54 375 569	48 831 787

The amount included in revenue arising from non-exchange transactions is as follows:

	2023	2022
Contributions to disciplinary and investigation expenses		
	5 139 760	1 271 652
Sanctions for improper conduct	9 757 500	5 927 500
Assurance Fees	68 396 539	57 752 479
	83 293 799	64 951 631

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

12. Cash generated from operations

	2023	2022
Surplus	20 132 976	16 779 775
Adjustments for:		
Depreciation and amortisation	3 269 614	1 516 810
Net loss on sale of assets	123 956	40 275
Debt impairment	1 701 571	1 303 301
Movements in operating lease	63 676	3 329 613
Changes in working capital:		
Inventories	(58 695)	34 033
Receivables from exchange transactions	(1 237 405)	(757 599)
Impairment provision	(1 701 571)	(1 303 301)
Other receivables from non-exchange transactions	(8 203 676)	(205 209)
Payables from exchange transactions	(2 270 599)	1 869 343
	11 819 847	22 607 041

13. Financial instruments

Financial assets at amortised cost

	2023	2022
Trade and other receivables from exchange transactions	2 760 594	1 701 185
Trade and other receivables from non-exchange transactions	13 945 537	5 741 861
Cash and cash equivalents	93 688 640	85 758 379
Restricted Cash	10 000 000	10 000 000
	120 394 771	103 201 425

Financial liabilities at amortised cost

	2023	2022
Trade and other payables from exchange transactions	15 128 195	17 399 944

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

14. Commitments

Authorised capital expenditure

Already contracted for but not provided for

	2023	2022
Plant and equipment	-	676 044

Operating leases - as lessee (expense)

Minimum lease payments due

	2023	2022
within one year	4 659 135	4 445 879
in second to fifth year inclusive	20 692 824	19 718 210
later than five years	-	5 633 748
	25 351 959	29 797 837

Operating lease payments represent rentals payable by the IRBA for its office properties and multi-functional printers. Leases are negotiated for an average term of three years and office property rentals escalate by 6% per annum. The current property lease term ends on 31 March 2028.

15. Contingencies

Accumulated Surplus

In terms of the PFMA, all accumulated surplus funds at the reporting date may be forfeited to National Treasury. The surplus at year-end has been allocated to maintain the National Treasury approved reserves. Subsequent to the year-end, an application has been lodged with National Treasury to reflect the balances in the reserves.

Litigation

The IRBA is involved in ongoing litigation regarding its authority to prescribe various fees in terms of the Auditing Professional Act 26 of 2005, as amended. The High Court had previously issued judgment against the IRBA and an order for the IRBA to pass credits in respect of the relevant fees to affected registered auditors. The Board has taken the decision and the order on appeal to the Supreme Court of Appeal and a hearing date is awaited. Management has estimated a potential financial exposure of R73 million in this regard.

16. Bad debts

	2023	2022
Increase to debt impairment provision	1 701 571	1 303 301

The increase to debt impairment provision is due to an increase in Receivables from non-exchange transactions being mainly fines, penalties and legal cost recoveries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

17. Auditors' remuneration

	2023	2022
Auditors' remuneration - external	637 938	1 033 094

Current year fees include billings for completion of the 2022 financial year audit and billings for the interim 2023 financial year audit.

18. Related parties

Relationships

Members of key management (Refer to note 19)

19. Key management's and Board members' remuneration

Board members' fees*

	2023	2022
F Tonelli	985 414	183 772
N Ford-Hoon	565 020	186 165
C Mjali	132 260	57 590
E Zungu	-	66 450
N Maharaj	271 218	98 187
P Phili	354 187	52 717
R Benjamin-Swales	133 660	66 450
R Hawkins	387 712	173 730
T Kutumela	361 651	155 050
Z Mshengu	203 472	65 360
NN Gobodo	-	44 300
RC Andersen	-	50 340
MI Motala	-	5 440
	3 394 594	1 205 551

* Board and Board committee fees were increased during the year to correspond with the Auditor-General tariffs, following the approval of the Minister of Finance in terms of the APA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Key management

	Annual remuneration	Group award	Contributions to retirement fund	Telephone allowance	Total
2023					
I Nagy, CEO	3 867 853	39 270	305 516	20 040	4 232 679
I Vanker, Director: Standards	2 772 015	29 310	187 928	15 180	3 004 433
J Bailey, Director: Investigations	2 609 946	29 310	229 779	15 180	2 884 215
RN Motsepe, Director: Legal	2 688 459	29 310	178 355	15 180	2 911 304
NA Kater, Director: Education and Transformation	2 520 438	29 310	159 000	15 180	2 723 928
N Gulwa, Director: Inspections	2 466 699	29 310	162 912	14 630	2 673 551
P Narismulu, Director: Operations	639 318	-	44 445	3 522	687 285
M Fourie, Acting Director: Operations	2 287 558	29 310	113 748	12 650	2 443 266
	19 852 286	215 130	1 381 683	111 562	21 560 661
2022					
I Nagy, Acting CEO	3 303 398	27 910	241 020	9 200	3 581 528
J John, CEO	583 333	-	-	3 200	586 533
I Vanker, Director: Standards	2 651 221	27 910	184 309	14 520	2 877 960
J Bailey, Director: Investigations	2 347 707	27 910	218 092	14 520	2 608 229
N Naicker, Director: Operations	928 248	-	86 230	6 050	1 020 528
RN Motsepe, Director: Legal	2 453 739	24 260	170 581	14 520	2 663 100
NA Kater, Director: Education and Transformation	2 051 306	24 260	142 605	14 520	2 232 691
N Gulwa, Acting Director: Inspections	2 071 315	17 590	118 762	14 520	2 222 187
M Fourie, Acting Director: Operations	1 439 997	20 340	83 045	8 470	1 551 852
	17 830 264	170 180	1 244 644	99 520	19 344 608

20. Risk management

Financial risk management

The IRBA's activities expose it to a variety of financial risks.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The IRBA only deposits cash with major banks that have a high-quality external rating, and limits exposure to any single counterparty. Refer to Note 13 for financial instruments.

Interest rate risk

The IRBA is exposed to interest rate risk as it places funds in the money market with the South African Reserve Bank. A significant balance of the cash is invested with the Reserve Bank, as instructed by National Treasury.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

21. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

22. Events after the reporting date

The Accounting Authority is not aware of any matter or circumstance arising since the end of the financial year to the date of this report, in respect of matters that would require adjustments to or disclosure in the annual financial statements.

23. Irregular expenditure

	2023	2022
Irregular expenditure	-	19 414

24. Services received in-kind

The IRBA received services in-kind from National Treasury for the shared internal audit activity in terms of National Treasury Regulation 26.1.3 and similar services were received in the prior year.

25. Budget differences

The explanations for the significant variances from the publicly available budget are as follows:

- Interest received is higher than budgeted for, and this is due to higher interest rates and the higher levels of unused funds that are due to reduced spending. The unused funds were invested in the CPD account.
- Direct and committee expenses are lower than budgeted for, owing to fewer disciplinary hearings taking place than what was expected.
- General expenses are lower than the budget, due to savings in the running costs for the building, as staff are working remotely; and savings in computer-related costs, with some projects only set to start in the next financial year. The underspending in personnel costs is due to vacancies during the year.
- Departmental expenses relate to savings in travel, and the budget for legal fees not being fully utilised.
- Revenue from regulatory functions: Exchange transactions are higher than the budget, due to more trainee levies received than budgeted. Revenue from regulatory functions: Non-exchange transactions are higher than the budget, due to higher contributions to disciplinary expenses received, sanctions for improper conduct and higher assurance fees charged to firms.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2023

Detailed Income statement

<i>Figures in Rand</i>	Notes	2023	2022
Revenue			
Government grants		45 684 000	44 609 000
Other income		188 110	183 045
Revenue from regulatory functions - exchange		54 375 569	48 831 787
Revenue from regulatory functions - non-exchange		83 293 799	64 951 631
		183 541 478	158 575 463
Other income			
Interest received		7 104 726	4 057 224
Operating expenses			
Audit Development Programme assessments		(716 523)	(1 173 183)
Auditors' remuneration	17	(637 938)	(1 033 094)
Bad debts	16	(1 701 571)	(1 303 301)
Building operating expenses		(1 827 272)	(1 735 757)
Committee expenses		(6 774 881)	(2 480 303)
Computer expenses		(3 834 239)	(3 119 416)
Consulting and professional fees		(704 251)	(300 218)
Depreciation, amortisation and impairments		(3 269 614)	(1 516 810)
Disciplinary and investigation expenses		(16 206 192)	(10 857 110)
Employee costs		(122 511 704)	(110 580 534)
Insurance		(371 680)	(201 947)
Lease of building		(4 273 540)	(4 283 433)
Loss on disposal of assets		(123 956)	(40 275)
Other expenses		(2 482 541)	(1 938 373)
Placement fees		(1 625 525)	(3 754 428)
Printing and stationery		(507 517)	(321 357)
Proficiency tests		(75 831)	(97 403)
Public relations		(695 314)	(230 000)
Publications		(84 077)	(29 457)
Raising awareness and branding		-	(9 558)
Staff welfare		(1 106 051)	(762 042)
Travel - local		(226 041)	(9 643)
Travel - overseas		(686 774)	(21 681)
Workman's compensation		(70 196)	(53 589)
		(170 513 228)	(145 852 912)
Surplus for the year		20 132 976	16 779 775

HOW TO CONTACT US

Physical address:

Building 2, Greenstone Hill Office Park,
Emerald Boulevard, Modderfontein, 1609

Postal address:

PO Box 8237 Greenstone 1616

Internet: www.irba.co.za

Telephone: 010 496 0600

Fax: 086 482 3250

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