



INTEGRITY | PUBLIC INTEREST | AUDIT QUALITY



2024 ANNUAL REPORT

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The IRBA's Professional Manager Education and Training, Mahdiyyah Moola (back row, third from the right), with auditing students at the North-West University prize giving ceremony.



A

**About the
IRBA**

General Information

Registered Name	Independent Regulatory Board for Auditors (IRBA)
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
	@IRBA_
	The IRBA
External Auditors	Auditor-General South Africa
Bankers	The 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
AFIAAR	African Forum of Independent Accounting and Auditing Regulators
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
PAFA	Pan African Federation of Accountants
PFMA	Public Finance Management Act No. 1 of 1999, as amended
PIE	Public Interest Entity
RA	Registered Auditor
RCB	Registered Controlling Body
RCA	Registered Candidate Auditor
RI	Reportable Irregularity
SAICA	South African Institute of Chartered Accountants
SAQA	South African Qualifications Authority
TCWG	Those Charged with Governance



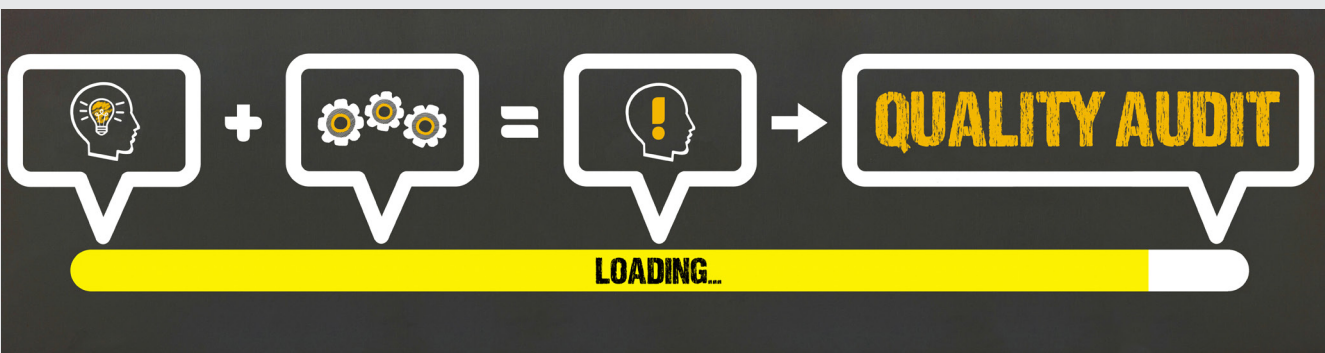
Operational Effectiveness

The Independent Regulatory Board for Auditors (IRBA) attained a clean audit for compliance with laws and regulations, performance information and an unqualified audit opinion, despite resource constraints and stringent cost containment measures.

The IRBA accredited the Association of Chartered Certified Accountants South Africa (ACCA SA) as a professional accounting body that will provide an additional route to the Audit Development Programme (ADP) for aspiring registered auditors (RAs). Following this, ACCA Global Head, Helen Brand (in black and fourth from the left in the picture), visited the IRBA.

The number of active registered candidate auditors (RCAs) on the ADP reached 562 (2023: 550). To increase the pipeline and promote the attractiveness of the auditing profession, the Board has acknowledged that bold and innovative steps have to be taken. Consequently, it has offered an ADP registration fee exemption to RCAs in the next financial year.

Enhancing Audit Quality



The 2023 Public Inspections Report on Audit Quality demonstrates progress with the implementation of the inspection initiatives, especially regarding the early remediation of identified deficiencies at the audit firms. The IRBA also published the 2023 Survey Report on Audit Quality Indicators (our fifth report) that tracks key measures and trends that drive audit quality within the audit firms.

The IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities (EAR Rule) was prescribed and contains enhancements to the contents of independent audit reports in South Africa. This EAR Rule is effective for audits of financial statements of public interest entities for periods ending on or after 15 December 2024.

Additionally, the IRBA prescribed four rules arising from the International Standards on Quality Management (ISQM 1), i.e. Ultimate Responsibility and Accountability for the System of Quality Management; Transparency Reports; Engagement Quality Reviewer (EQR) and an Assistant to an EQR; and Assembly and Retention of Audit Documentation.

Enforcing the IRBA's Mandate

The Investigations Department made significant progress in addressing the backlog of matters that occurred during the 2018-2021 financial years, leading to a 30% decrease in the investigations backlog from 2021 to date. The backlog was due to more investigations being initiated in this period than what could be finalised. At its peak, there were more than 230 open matters.

The joint efforts of the Transitional Disciplinary Committee (appointed by the Board to specifically determine charges of improper conduct preferred against RAs before the amendment of the Auditing Profession Amendment Act), the Disciplinary Committee and the Legal Department led to the conclusion of a record 22 disciplinary matters in the reporting period, resulting in the backlog accumulated following the 2021 amendments being effectively cleared. Some of the cases concluded include high-profile matters related to auditors implicated in state capture, VBS and Transnet, where fines were imposed.



IRBA CEO, Imre Nagy (in the middle) and other panel members who presented on the governance of sustainability at the Stellenbosch University's second Corporate Governance Conference.

Strengthening Stakeholder Engagement

Our Restoring Confidence 2.0 project has reached maturity and will be closed out early in the new year, paving the way to streamlining our core activities and focusing on developing our next five-year strategy (2025-2030). The IRBA and the auditing profession have taken positive steps to restore confidence and trust in the profession, achieving our objectives much earlier than planned – as reflected by our stakeholders.

In February 2024, the IRBA hosted the International Forum of Independent Audit Regulators (IFIAR) board meeting in Johannesburg. The event was also an opportunity for other African countries that would like to apply for IFIAR membership to engage directly with the forum's officers and secretariat.

Education and Transformation Initiatives:

This year's stakeholder interactions included being part of prize-giving ceremonies at a number of institutions; participating at career days held by various universities; and presenting at conferences.





Inspections Roadshows:

A number of outreach campaigns were conducted across the country, with the aim of introducing and expanding on the new initiatives that will form part of the latest inspections cycle. Valuable feedback was also gathered from participants during these sessions.

The IRBA in Numbers

Registered Auditors

	2024	2023	2022
Total number of RAs	3 527	3 601	3 634
Assurance category RAs	2 703	2 789	2 770
Non-assurance category RAs	824	812	864

Audit Development Programme

RCAs at year-end	562	550	482
New ADP registrations	123	169	104
RCAs who successfully completed the ADP	106	101	86
Trainee accountants registered at year-end	3 395	3 881	3 421

Enforcement Matters

Investigations initiated	37	76	64
Investigations in progress	136	192	221
Investigations finalised	96	96	79
Disciplinary Committee hearings	4*	3	1
Matters finalised following a referral for a disciplinary hearing	22	8	7

* Two of the hearings were by the Transitional Disciplinary Committee and the other two by the Disciplinary Committee.

Reportable Irregularities (RIs) Received

	2024	2023	2022
Total number of reports received	636	622	702
Continuing RIs	432	411	411
Not continuing RIs	197	202	275
Did not exist RIs	6	9	16
Second reports overdue	1	0	0

Inspections

Total number of inspections completed	105	117	121
Firms	24	13	10
Engagements	81	104	111

Financial Indicators (R'000)

Government Grant	45 857	45 684	44 609
Transfers (to)/from reserves	4 792	(5 835)	7 732
Accumulated surplus for the year after movement in reserves	88 945	74 091	59 793

Message from the Minister of Finance



“I would like to congratulate the IRBA on achieving most of its performance targets and fulfilling its mandate, despite the resource constraints.”

As we celebrate 30 years of democracy in South Africa, we should take a moment to note the importance of statutory entities such as the IRBA, for the role that they play in our economy and in the lives of all South Africans. Over the years, the IRBA has worked tirelessly to ensure that the country has the right calibre of auditors that will ensure that the financial interests of our people are protected. It is part of an important financial reporting chain; and the crucial role that it plays in the auditing and accounting profession to help the country attract and retain investments should not be underestimated.

The importance of maintaining the IRBA's sustainability and relevance cannot be overstated; and its responsibility in safeguarding the financial interests of the public through the regulation of the auditing profession remains paramount. An effective auditing profession is instrumental in underpinning the nation's economy and fostering economic growth by providing investors and financial statement users with the assurance necessary to make informed investment decisions. However, it is imperative to acknowledge the significant challenges that lie ahead.

We must navigate a challenging economic landscape characterised by dwindling fiscal revenues and inflationary risks, which are driving up the costs. As I mentioned in the budget speech earlier in the year, this government is making the most out of very limited resources and has been doing so for several years. Our mission over the past three decades has been to restore both social and economic justice to our nation. Key to achieving this is building trust in entities such as the audit regulator, the registered auditor designation, the auditing profession and in audit quality.

I would like to congratulate the IRBA on achieving most of its performance targets and fulfilling its mandate, despite the resource constraints. I take this opportunity to thank the Board members for their commitment to steer this organisation in the right direction over this last year. Their determination to grow the profession, implement the legislative mandate diligently and ensure that the IRBA remains an internationally respected and locally recognised audit regulator is commendable. I wish the IRBA well as it continues to play its role in rebuilding the economy through a strengthened auditing profession.

A handwritten signature in black ink, appearing to read 'Godongwana', written in a cursive style.

Hon. Enoch Godongwana
Minister of Finance

Foreword by the Chairperson



“I would like to express my gratitude to our stakeholders for their continued support and engagement. Your feedback and collaboration are invaluable.”

As the Chairperson of the IRBA Board, it is my privilege to reflect on the past year and the Board’s first term. During this period, there have been significant milestones in our journey as an organisation that is committed to upholding the highest standards of auditing and regulation in South Africa.

Our responsibility in ensuring the sustainability and relevance of the IRBA cannot be overstated, especially amidst the challenging economic landscape that is characterised by fiscal constraints and inflationary pressures. Despite these challenges, though, the IRBA has remained steadfast in fulfilling its mandate – thanks to the dedication and commitment of our Board members, statutory committees, management and staff. I extend my sincere appreciation to each of them for their unwavering efforts.

The Board has been very deliberate with regard to maintaining stability within the organisation and it had all executive vacancies filled. Also, after a period of some disruption, it was of utmost importance for us to continue working diligently to restore the profession’s confidence in the regulatory body. This determination also signified our ongoing support for one of the key initiatives that the IRBA undertook in recent years – the Restoring Confidence Project aimed at addressing the trust deficit in the

auditing profession. Through this project, we have endeavoured to enhance confidence in the profession through the implementation of high-priority initiatives that are focused on improving financial reporting and governance practices. Additionally, considerable effort has gone into the Chief Executive Officer’s stakeholder engagements and the openness with which the IRBA has welcomed feedback.

Significant progress has also been made in clearing the backlog of investigations and disciplinary cases. We noted a significant decrease in the investigations backlog from the 2021 financial year to date and a record finalisation of disciplinary cases, including some high-profile cases related to state capture. Enforcement also plays a crucial role in promoting accountability and upholding the integrity of the auditing profession.

Furthermore, the accreditation of ACCA SA as an additional professional accounting body has been most welcome in terms of broadening the pipeline for aspiring auditors. It also reflects our commitment to addressing talent shortages and ensuring the continued growth and development of the auditing profession in South Africa.

The integration of technology in audits presents both opportunities and challenges for auditors and regulators alike. The IRBA has responded proactively to these changes by collaborating with technology experts and updating its regulatory frameworks, to ensure they remain relevant and effective in this rapidly evolving landscape.

As we look ahead, sustaining the IRBA’s independence and operational effectiveness remains paramount. We are committed to responding to emerging risks with enhanced standards, regulations and enforcement measures, to safeguard the public interest and maintain investor confidence.

I would like to express my gratitude to our stakeholders for their continued support and engagement. Your feedback and collaboration are invaluable, as we work together to nurture and sustain confidence in the auditing profession.

Once again, thank you to my fellow Board members, statutory committees, management and staff of the IRBA for your dedication and professionalism. Your contributions are fundamental to our success as a regulator, and I look forward to even stronger partnerships in the years to come.

Fulvio Tonelli
Board Chairperson

Chief Executive Officer's Overview



“I am continually inspired by the passion, professionalism and unwavering commitment to the work the IRBA does”

It is with great pleasure that I present to you the 2024 Annual Report, which looks at the second last year of our five-year strategy for 2021-2025. Our unwavering commitment to instil confidence and trust in the profession and the regulator has remained key and has been demonstrated through regulatory activities and intensified engagements with stakeholders.

Latest on the Restoring Confidence (RC2.0) Project

In October 2021, the IRBA officially launched the RC2.0 project, in response to the growing trust deficit in the auditing profession that has been primarily due to corporate and audit failures in recent years. The overall objective of the project was to help restore confidence in the auditing profession through undertaking high-priority initiatives that would have a positive impact on the broader financial reporting and governance ecosystem, the auditing profession and internally on our people, processes and platforms.

Three workstreams, with distinct focus areas, were created to operationalise the project objectives. Although there is still some work to be done to restore confidence in the profession, we believe that we have substantially achieved the outcomes that we set for ourselves. Consequently, the RC2.0 project has now been concluded, and in due course we will share the findings of our research and the proposed reforms with our stakeholders.

Addition of a New Professional Accounting Body

We cannot overemphasise the crucial role that accredited professional bodies play in maintaining transparency, accountability and the social compact that binds the work of the profession to the economic development of our country. As such, our July 2023 announcement of the accreditation of ACCA SA as an additional professional accounting body was an important milestone that offered another route to the audit development programme for aspiring registered auditors. This means eligible ACCA SA members can, now register for the Audit Development Programme. This is a step forward in that it opens a prospective pipeline of qualified accountants who can pursue auditing as a career and help alleviate some of the talent shortage that firms are experiencing. Initial feedback from stakeholder engagements on the accreditation process has been positive, affirming the need for multiple professional bodies to broaden the pipeline for students and trainees to enter the auditing profession.

Audit Quality Improvements

We continued making strides in our endeavours to help auditors improve the quality of audits. For instance, the prescription of the innovative EAR Rule is in light of the IRBA's objective “to endeavour to protect the financial interests of South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers, in accordance with internationally recognised standards and processes”. Its application is expected to provide additional transparency about the audit process, as well as promote and enhance audit quality.

These enhancements have been reflected in a guidance and the revised South African Auditing Practice Statement (SAAPS 3) (Revised March 2024).

Our 2023 Audit Quality Indicators Survey Report indicated that in relation to the relevant quality indicators, firms have stayed on course in their commitment to transparency and continuous improvement. The commitment to quality has been evident through the implementation of new features in firms' internal monitoring systems, along with the recent introduction of ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.

Use of Technology in Audits

The integration of technology in financial reporting is forcing both auditors and regulators to adapt. In fact, advancements in data analytics, artificial intelligence and blockchain technology are redefining the parameters of efficiency, accuracy and transparency in audits. These technologies enable auditors to process large volumes of data with enhanced precision, and to identify anomalies or patterns indicative of potential risks or fraud more swiftly than traditional methods.

Standard setters and regulators have responded to these technological changes by updating their standards and guidelines, to ensure these remain relevant and effective in this tech-driven environment. Recent updates include guidance on maintaining the confidentiality and integrity of data, which is paramount, especially given the sensitivity of the information auditors handle, while the IRBA is supporting the IAASB's global project to revise its standard on audit evidence.

Alongside adjusting regulatory frameworks, we have increased our participation in technology initiatives, in addition to collaborating with technology experts and participating in international forums on audit technology. Also, we have embarked on a digital transformation journey that is focused on enhancing how we utilise our resources, processes and platforms. For instance, the skills and capacity of our teams have been strengthened through the recruitment of specialist technology-focused inspectors and dedicated Business Intelligence staff that use advanced technology to proactively identify risks.

Update on Enforcement

In response to longstanding criticism regarding the inadequacy of our fines, the Minister of Finance published new maximum fines, after a thorough public consultation process. These fines signify a positive step in the right direction, encouraging auditors to fulfil their crucial role in safeguarding the financial interests of the public and ensuring accountability in financial reporting. It is important to emphasise that while these fines may appear to be mostly punitive in nature, the intention is to promote ethical behaviour and professional due care among registered auditors. Globally recognised as a necessary regulatory tool, fines play a vital role in fostering accountability, particularly within the auditing profession where investor trust heavily relies on auditor opinions for investment decisions. The implementation matrix of the maximum fines project will be issued for public comment and finalised in the new year.

Of the 22 disciplinary matters mentioned earlier, 21 were concluded with a finding of guilt and charges were withdrawn in one. Some of the findings of guilt included the following:

Mr Mitesh Patel, former CEO of Nkonki incorporated, who was found guilty of fronting for a third party, breach of the independence requirements of the IRBA Code and failure to act in the public interest by entering into professional relationships with companies implicated in state capture. He was fined a total of R600 000 for the three charges of improper conduct, permanently disqualified from registration as a registered auditor and payment of the sum of R2 309 601.25 towards the IRBA costs.

Mr Ducler des Rauches, formerly registered as an auditor with the IRBA, was found guilty of improper conduct, following the misappropriation of monies from the deceased estate in respect of which he was appointed to assist the executor in the administration thereof. He was permanently disqualified from practising as a registered auditor, as the APA gives the committee the power to prohibit the future registration of a respondent with the IRBA.

Mr Dumisani Tshuma, a former partner at KPMG who was found guilty as a result of non-compliance with various provisions of the IRBA Code relating to integrity, objectivity and professional behaviour related to loans which he obtained from his KPMG client (VBS Bank) and failed to report to his employer. He was fined the maximum amount of R200 000 and ordered to pay costs amounting to R3 million to the IRBA.

Chief Executive Officer's Overview (continued)

Sustainability of the Regulator/ Operational Effectiveness

It is crucial for the IRBA to remain to be seen and respected as an independent audit regulator, both locally and globally. It is therefore our mandate and duty to respond to the risks in the ecosystem with enhanced standards, regulation and enforcement. Therefore, the adoption of the new Quality Management standards, the IRBA Code updates, the performance of robust risk-based inspections and the application of appropriate fines to further enhance auditor independence, ethics and quality reflect how we effectively respond to global changes. To fulfil their mandate and meet the public expectations, regulators need adequate resources; otherwise, capacity restrictions greatly inhibit their ability to perform optimally. Notwithstanding such restrictions, we achieved most of our performance targets.

Stakeholder Relations

We value the relationships we have with our stakeholders and continue to grow our engagements, as we strive to be an engaging and proactive regulator. On the global front, we still play a key role in several international bodies by participating, contributing and influencing standards and regulation through taking part in different auditing, ethics, education and standards boards. In fact, in February 2024 we had the honour of hosting a successful IFIAR board meeting in Johannesburg with 26 representatives from 12 countries.

Regionally, we still serve as members of the African Forum of Independent Accounting and Auditing Regulators and support the technical activities of the Pan African Federation of Accountants.

As a responsive regulator, we value the engagements and feedback from our stakeholders on various matters raised with us throughout the year. It remains vital for us to actively listen and respond to feedback as we work collectively to nurture and sustain confidence in the profession, while upholding objectivity and our independence in executing our mandate to protect the public interest.

Refreshed IRBA Brand

The feedback on our new brand has been very positive and encouraging. We have come full circle with the new brand and in the past year adopted brand insights that include being more approachable, accessible and supportive in our engagements with stakeholders.

Appreciation

I would like to thank everyone for their continued engagements that continue to shape the future of the regulator and the auditing profession in South Africa. It is important that we continue to work together to create awareness about the collective value that we bring to the financial markets and the economy of our country. I would like to thank the Board, its subcommittees and statutory committees for their guidance and leadership. A special thank you to the management committee and the staff of the IRBA. Your hard work, dedication and commitment are what keep us thriving as the IRBA, and I am continually inspired by your passion, professionalism and unwavering commitment to your work. Your outstanding efforts are greatly appreciated.



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 (Section 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 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 2024.

Yours faithfully,



Fulvio Tonelli
Board Chairperson



Imre Nagy
Chief Executive Officer

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 Republic 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

We want 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.

The IRBA embarked on a significant brand revitalisation journey, culminating in the rebranding project rolled out during the period under review. This initiative was precipitated by an immersive study with key stakeholders, following a reputation crisis in the auditing profession triggered by recent high-profile corporate failures. These events underscored the urgent need for a comprehensive strategy to restore confidence in the profession.

The study conducted revealed that the IRBA brand was perceived as outdated, cold and authoritative. Then, a critical strategic approach was adopted to effectively align the processes, people, behaviours, communication style and technology to build warm trust. By engaging in open and honest dialogue with stakeholders, the IRBA has shown that it values their input and is dedicated to acting in the public interest. This commitment to ethical behaviour and accountability is also essential in strengthening its reputation as a trusted and approachable regulator. Reputation and brand are mission critical as they underpin all mandated activities of the regulator.

Aligning internal practices with external expectations is also critical in enhancing stakeholder satisfaction and building a robust foundation for the IRBA's credibility and success. By bridging the gap between what stakeholders expect and what the IRBA delivers, the regulator not only improves its service delivery but also fortifies its role as a transparent and ethical entity. This alignment is fundamental in ensuring that the IRBA remains a respected and effective regulator, capable of navigating the complexities of the changing auditing landscape while maintaining the confidence and trust of all its stakeholders.

Key Brand Insights

During 2023, the IRBA published the outcomes of the study and that led to the thematic insights that are highlighted below.

- Build respect for the value of audit.
- Be more approachable, accessible and supportive in engagements with stakeholders.
- Building a culture of trust internally and externally is key to engendering rapport and loyalty.
- Become better at communicating success, and employ more contemporary and innovative communication.
- Reputation and brand are mission critical to success.
- Commit to a continuous improvement of the mandated activities.
- Celebrate success and focus on the positives.

These insights will guide the IRBA strategy moving forward and form an integral part of the development of the next five-year strategy. By integrating them into key performance areas across the organisation, the IRBA will ensure that it remains fit-for-purpose and future-ready.

Organisational Structure

Executive Authority

Enoch Godongwana

Minister of Finance



Board Members (Accounting Authority)



Fulvio Tonelli
Board Chairperson



Naidene
Ford-Hoon



Thabiso
Kutumela



Protas Phili



Sir Richard
Hawkins



Mojalefa
Mosala



Shabeer Khan*



Ruth
Benjamin-
Swales



Nalini
Maharaj



Zine
Mshengu



Precious
Sibiya

* Accountant-General representing the Minister of Finance.

Organisational Structure (continued)

Board Subcommittees

AUDIT AND RISK MANAGEMENT COMMITTEE

Zine Mshengu, Precious Sibiyi and Protas Phili

OPERATIONS COMMITTEE

Sir Richard Hawkins, Naidene Ford-Hoon, Thabiso Kutumela and Mojalefa Mosala

ENFORCEMENT COMMITTEE

Nalini Maharaj, Fulvio Tonelli and Ruth Benjamin-Swales

Statutory Committees

Disciplinary Committee

Committee for Auditor Ethics

Inspections Committee

Committee for Auditing Standards

Investigating Committee

Education and Transformation Committee

IRBA Executive



Jillian Bailey
Director: Investigations



Ntlambi Gulwa
Director: Inspections



Rebecca Motsepe
Director: Legal



Imre Nagy
CEO



Nadine Kater
Director: Education and Transformation



Imran Vanker
Director: Standards



Prakash Narismulu (Resigned July 2024)
Director: Operations/CFO



B

Governance

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

To adhere to best practice, the IRBA considers and monitors relevant codes on governance and any other available guidance that will enhance current practices. As such, 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 10 persons as Board members.

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.

The current 10-member Board has eight members whose terms have been effective from 8 June 2021 and will end on 7 June 2024, and two members with their terms being in effect as of 18 May 2023 to 17 May 2026.

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. For 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 OPSCOM's objective is to assist the Board with human resources (HR), including the annual review of the Chief Executive Officer'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 matters.

The committee operates in accordance with the terms of reference approved by the Board. During the period under review, it met six times to consider and recommend to the Board HR and operational matters, as well as the nomination of members to statutory committees.

Audit and Risk Management Committee (ARMCO)

The ARMCO 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, among others, the annual financial statements; the quarterly management reports; 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.

Governance (continued)

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.

Matters finalised

During the 12 months under review, the ENCOM met four times and finalised 87 matters.

Decisions not to charge

- Matters where the respondent was not guilty of improper conduct = 5
- Matter with a reasonable explanation for the respondent's conduct = 1
- Matters with no reasonable prospects of succeeding with a charge of improper conduct against the respondent = 4

Decisions to charge and matters finalised by monetary fines

- Matters finalised by monetary fines = 65

Decisions to charge and matters referred for a disciplinary hearing

- Matters referred to the Disciplinary Committee for a full hearing = 12

Reconciliation of the 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 committee notes the imposition it issued.

The reconciliation for the current year is as follows:

Finalised matters	87
Prior-year impositions noted in the current year	-14
Current-year impositions to be noted at the April 2024 ENCOM meeting	+23
Completed matters	96

Board and Board Subcommittee Meetings

Attendance at the Board and subcommittee meetings (inclusive of special meetings) for 2023/2024 is set out below.

Board Member	Board	OPSCOM	ARMCO	ENCOM
Mr F Tonelli (Chairperson) ¹	8/8	6/6	4/5	4/4
Ms N Ford-Hoon (Deputy Chairperson) ²	8/8	6/6	2/3	N/A
Sir R Hawkins	8/8	6/6	N/A	N/A
Ms T Kutumela	6/8	6/6	N/A	N/A
Ms Z Mshengu	7/8	N/A	5/5	N/A
Mr P Phili	8/8	N/A	5/5	N/A
Ms N Maharaj	8/8	N/A	N/A	4/4
Ms R Benjamin-Swales	8/8	N/A	N/A	4/4
Mr M Mosala ³	6/6	3/3	N/A	N/A
Ms P Sibiyi ⁴	5/6	N/A	3/3	N/A

¹ Attended the ARMCO and OPSCOM meetings as a standing invitee, and also serves on the ENCOM.

² Served on the ARMCO from 1 August 2022 to 31 July 2023.

³ Term is effective from 18 May 2023 to 17 May 2026, and serves on the OPSCOM.

⁴ Term is also effective from 18 May 2023 to 17 May 2026, and serves on the ARMCO.

Board Member Information

Name	Qualifications	Designation	Directorships
F Tonelli	BCom BCom Hons	CA (SA)	ABSA Group Equites Property Fund Limited Life Healthcare Group Holdings The Ethics Institute
N Ford-Hoon	BCom BCompt Hons	CA (SA)	SA Corporate Real Estate Limited Capitec Group
R Hawkins	BCom BCompt Hons	CA (SA)	PRP Solutions ARWYP Holdings
T Kutumela	BCom LLB LLM Laws	Attorney	PikItUp Johannesburg SOC Limited
Z Mshengu	BCom BCom Hons Accounting M Science (Finance) in Financial Sector Management	CA (SA) CISA	N/A
P Phili	BCom (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 Khula Credit Guarantee
N Maharaj	B Proc LLB	Attorney	Mental Health Review Board Housing Development Agency South African Veterinary Council Gauteng Gambling 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	BCom Certificate in Theory of Accounting	CA (SA)	ASISA Foundation Trust ASISA Enterprise & Supplier Development (Pty) Ltd
M Mosala	BCom Accounting BCom Hons Accounting B Accounting Honours	CA (SA)	Free State Cricket Union
P Sibiya	Bachelor of Accountancy Post Graduate Diploma in Accountancy	CA (SA)	AWCA Investment Holdings Air Traffic Navigation Services Trans Caledon Tunnel Authority National Energy Regulator of South Africa Zukhanye Consulting So2be Enterprises

Governance (continued)

In addition to the abovementioned members, the Minister designated the Accountant-General, Mr Shabeer Khan, as his representative on the Board, according to Section 29 of the APA.

Internal Auditors

With effect from 1 November 2018, the IRBA appointed National Treasury's Internal Audit Shared Services as its internal auditors. The 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 the financial statements. The ARMCO reviews the external auditor's plan, to ensure that significant areas of concern are covered, and this is done without infringing on the latter'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.
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.



C

Performance Information

Strategic Focus Area 1: Auditing and Ethics Standards

Activities

Projects that are aimed at restoring confidence in the auditing profession will be the main focus in the next year, and this will be done through standards-related activities. We will also continue to support our statutory committees 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	
				2023/2024	Status for the Year Ended
Standards and Guidance issued	Issued auditing pronouncements, illustrative audit reports and comment letters.	High-quality audits.	Percentage of target dates met for issuing audit pronouncements, illustrative audit reports and comment letters.	85% of target dates met	Target: 85% Actual: 100% (11 of 11) Achieved: Yes <i>Explanation for the deviation: No significant delay experienced with international publications, due process and public consultations.</i>
To adopt and/or develop and issue additional guidance on ethical issues, based on the 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.	Percentage of target dates met for issuing additional guidance on ethical issues, comment letters and Code amendments.	85% of target dates met	Target: 85% Actual: 100% (5 of 5) Achieved: Yes. <i>Explanation for the deviation: No significant delay experienced with international publications, due process and public consultations.</i>

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 improving the quality of the programme, with more focus on the transformation of the candidates that are registering on it.

Strategic Objective	Providing an appropriate framework for the education and training of properly qualified auditors				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
				To monitor the environment in which the Audit Development Programme is offered	Monitoring reports.
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 approval.	1 report	Target: 1 report Actual: 1 report Achieved: Yes

Strategic Focus Areas 2023/2024 (continued)

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	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
To contribute to the transformation of the profession	IRBA transformation initiatives.	To facilitate the transformation of the RA profession through targeted initiatives aimed at identifying and addressing barriers to transformation.	The number of IRBA transformation initiatives completed per annum.	8	Target: 8 Actual: 10 Achieved: Yes <i>Explanation for the deviation: There were additional engagement opportunities.</i>
To monitor the Continuing Professional Development (CPD) compliance of RAs and tax practitioners ¹	Monitoring reports.	To ensure that RAs and tax practitioners are complying with the CPD Policy.*	The number of CPD monitoring reports analysed per annum.	1 report	Target: 1 report Actual: 1 report Achieved: Yes

¹ As of 1 April 2023, the IRBA is no longer a Registered Controlling Body; thus, the CPD report does not include tax practitioners' CPD compliance.

Strategic Focus Area 3: Inspections

Activities

This year, the key focus areas included the following:

- A business process review, i.e. an as-is and needs analysis on technology, information technology (IT) workflow and data collection/analysis, to enhance effective operations that respond to the public expectation. This includes an optimal allocation of the Inspections Department capacity as well as focusing on the enhanced risk-based scope/coverage and reach in the 8th Inspections Cycle.
- Enhanced stakeholder awareness and the targeted socialising of inspection outcomes and reports, e.g. concurrent publication and awareness of enhanced Audit Quality Indicators and the Public Inspections Report.
- Effective/productive hybrid (on-site and remote) inspections/remedial action, including stakeholder interaction using virtual platforms.
- Effective succession planning within Inspections, whereby inspectors are appointed to senior roles, as/when appropriate (with no impact on the approved budget or headcount).
- Design and implement ISQMs 1 and 2 firm inspection procedures.

Strategic Objective	To monitor registered auditors' compliance with professional standards				
	Responsibility: Director Inspections				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
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.	105 inspections	Target: 105

Strategic Focus Areas 2023/2024 (continued)

Strategic Focus Area 4: Investigations

Activities

Investigations into certain high-profile/public interest entity matters were completed during the period under review, in line with the Board's strategic objectives. Pursuant to the IRBA's five-year strategic plan, the Investigations Department will continue with its participation in relevant international initiatives. This will entail networking with structures from other audit regulators, to continuously 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				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
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

Strategic Focus Area 5: Disciplinary

Activities

The completion and the outcomes of a number of disciplinary matters this year is a direct result of the effective implementation of the disciplinary strategy, as well as a positive indicator of our efforts to restore confidence in the auditing profession. Also, this is 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 duties to protect the financial interests of investors and the public at large and ultimately improve audit quality, while restoring confidence in both the profession and the regulator.

Strategic Objective	To take appropriate action against registered auditors in respect of improper conduct				
	Responsibility: Director Legal				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
Disciplinary matters referred to the Disciplinary Committee scheduled for hearings or finalised	Matters scheduled for hearings or finalised.	Errant auditors are appropriately disciplined.	Percentage of planned matters scheduled for hearings or finalised.	85% of planned matters scheduled for hearings, in line with the approved hearing plan or finalised.	<p>Target: 85% of planned matters scheduled for hearings, in line with the approved hearing plan or finalised.</p> <p>Actual: 94% planned matters scheduled for hearings, in line with the approved hearing plan or finalised.</p> <p>Achieved: Yes</p> <p><i>Explanation for the deviation: Most of the respondents admitted guilt to the charges, resulting in the matters being finalised through admission of guilt processes and without the need for a hearing, which ordinarily takes significantly longer to schedule or finalise.</i></p>

Strategic Focus Areas 2023/24 (continued)

Strategic Focus Area 6: Operational Effectiveness

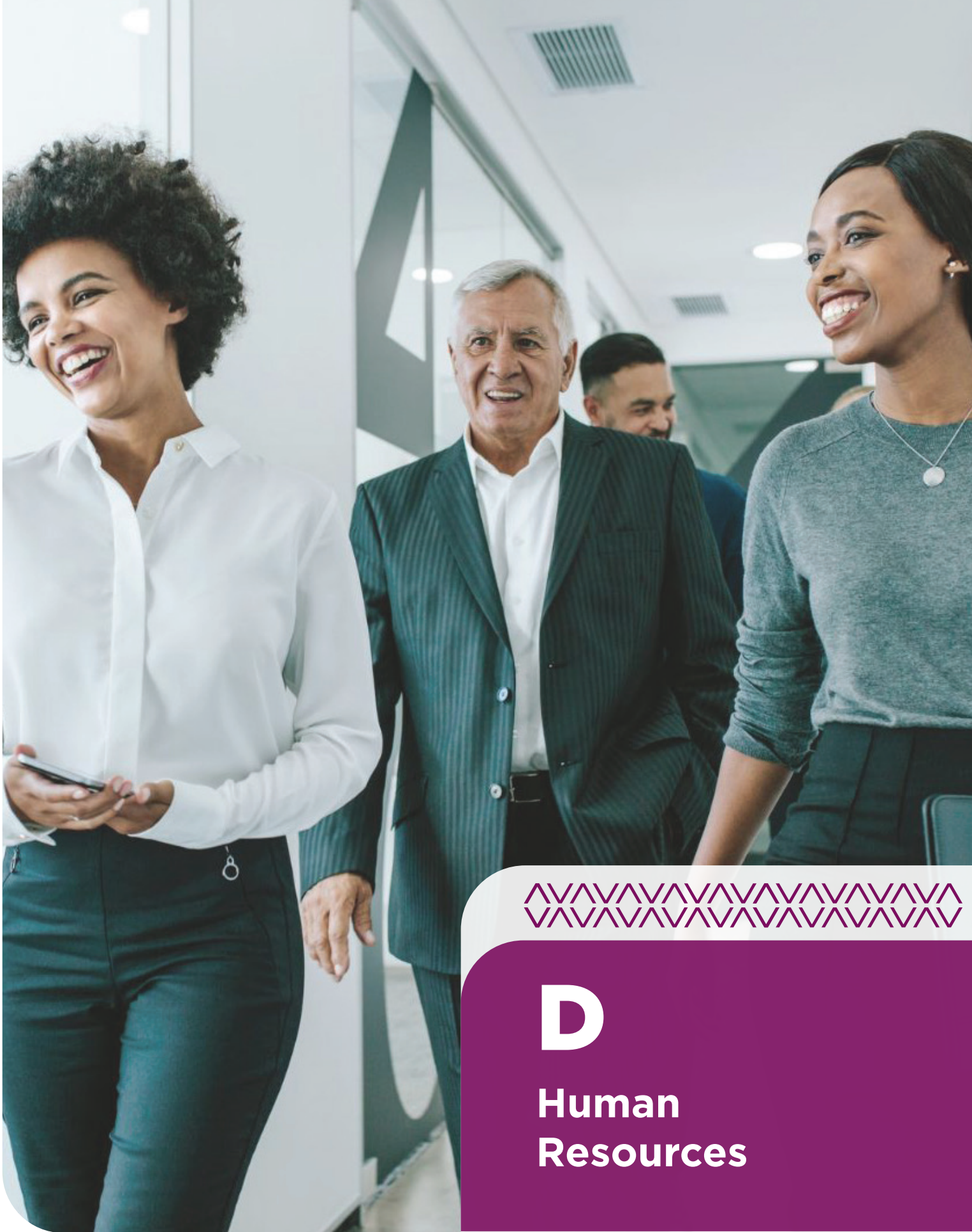
Activities

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.

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	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
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 financial statements, compliance and performance information.	Clean audit report for the 2022/2023 financial year-end	Target: Clean audit report for the 2022/2023 financial year-end. Actual: Clean audit report for the 2022/2023 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 enterprise (SMME) payments effected within 30 days in line with National Treasury's procurement strategy.	100%	Target: 100% Actual: 100% Achieved: Yes
	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: 36% Achieved: Yes <i>Explanation for the deviation: Increased procurement from SMME suppliers that are mainly Black-owned.</i>

Strategic Objective	<p style="text-align: center;">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</p> <p style="text-align: center;">Responsibility: Director Operations</p>				
Measurable Objective	Output	Outcomes	Output Indicator	Performance Targets	
				2023/2024	Status for the Year Ended
Promote transformation through targeted employment policies.	Transformed workforce.	Transformation of management control achieved according to the relevant 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: 14.7 Achieved: No <i>Explanation for the deviation: Due to various vacancies and the current demographics, the target has not been achieved.</i>
	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% (or less) Other	Target: 77% (or more) Black 21% (or less) White 2% (or less) Other Actual: 82% Black 16% White 2% Other Achieved: Black: Yes White: Yes Other: Yes



D

Human Resources

The Value of Human Capital

In a regulatory environment, the value of human capital plays a crucial role in shaping an organisation's success and compliance. In such a setting, where compliance with laws and regulations is paramount, the employees' knowledge, skills and ethical values become even more critical. Human capital ensures that regulatory requirements are understood and adhered to across all levels within the organisation, mitigating risks and ensuring operational integrity.

Furthermore, within a regulatory framework, the expertise and adaptability of employees are essential for navigating complex legal landscapes, implementing necessary changes and maintaining a culture of compliance. Investing in human capital development not only enhances organisational performance, but also fosters a culture of accountability and ethical conduct, ultimately contributing to sustainable success in a regulated environment.

The IRBA is committed to training and developing all of its employees, to ensure that the organisation maintains a good reputation in the financial sector. This commitment is evident in the annual investment on training courses, seminars and workshops that employees attend. Ongoing training and development ensure that employees understand and adhere to constantly changing regulations. Through this, the IRBA also aims to uphold regulatory standards and empower its staff to thrive in their roles, ultimately contributing to organisational growth and sustainability.

A human capital project rolled out over this financial year was an employee culture survey. The need for this was identified as an action item from the Employment Equity Plan. The project was finalised in December 2023, with a high number of employees participating. The survey reported a mainly content workforce, with a few areas identified as areas of development. An action plan has been finalised to address these areas and a follow-up survey will be conducted in the future to measure the success of these activities.

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 97 of 1998; the Occupational Health and Safety Act 181 of 1993; and various HR codes of best practice. In line with ensuring continued compliance, the IRBA's recently updated Employment Equity Plan 2024-2028 will drive the organisation's related activities for the next five years.

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 reviewed, updated and approved by the Board:

- HR05 Code of Conduct; and
- HR15 Long Service 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.

The Value of Human Capital (continued)

In the current economic context, the IRBA has provided staff (excluding directors) with an inflation-linked salary increase. No incentives and awards have been budgeted for the 2023/2024 and 2024/2025 financial years, due to National Treasury's austerity measures that are in line with fiscal constraints. However, the lack of incentives could negatively impact the turnover of staff and the organisation could lose exceptional talent. It is important for the IRBA to attract and retain competent 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. It is for this reason that the IRBA ensures that it adequately benchmarks its salaries with those of the financial and national markets, to remain competitive when attracting talented candidates.

Human Resources Oversight Statistics

Staff Complement (Excluding Contract Staff) – Five-year Comparison

	2024	%	2023	%	2022	%	2021	%	2020	%
Black Female	50	53	44	51	44	50	42	51	35	44
White Female	10	10	10	12	12	14	12	15	14	18
Black Male	29	30	25	29	25	29	22	27	22	28
White Male	7	7	7	8	6	7	6	7	8	10
Total Staff	96	100	86	100	87	100	82	100	79	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	4 310 702	0	1	4 310 702
Senior Management	18 229 812	14	6	3 038 302
Professionally Qualified	87 165 956	68	54	1 614 184
Skilled	14 680 566	12	24	611 690
Semi-skilled	2 567 710	2	8	320 964
Unskilled	681 336	1	3	227 112
Total	127 636 082	100	96	-

The total staff expenditure of R132 485 648 represents 69% of the 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	4 310 702	95 665	2.2	1	95 665
Senior Management	18 229 812	30 802	0.2	6	5 134
Professionally Qualified	87 165 956	203 814	0.2	49	4 159
Skilled	14 680 566	21 750	0.1	9	2 417
Semi-skilled	2 567 710	47 336	1.8	11	4 303
Unskilled	681 336	2 181	0.3	2	1 091
Total	127 636 082	401 548	0.3	78	5 148

Long-Service Awards

Level	Rewards R	Personnel Expenditure R	% of Rewards to Personnel Expenditure
Top Management	-	4 310 702	0.0
Senior Management	-	18 229 812	0.0
Professionally Qualified	161 869	87 165 956	0.2
Skilled	26 594	14 680 566	0.2
Semi-skilled	-	2 567 710	0.0
Unskilled	22 742	681 336	3.3
Total	211 205	127 636 082	0.6

Employment and Vacancies

	2023/2024 Number of Employees	2023/2024 Approved Posts	2023/2024 Vacancies	2022/2023 Number of Employees	% of Vacancies 2023/2024
Top Management	1	1	0	1	0
Senior Management	6	6	0	6	0
Professionally Qualified	54	59	5	46	8
Skilled	24	25	1	23	4
Semi-skilled	8	8	0	7	0
Unskilled	3	3	0	3	0
Total	96	102	6	86	6

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

Employment Changes

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top Management	1	0	0	1
Senior Management	6	0	0	6
Professionally Qualified	46	13	5	54
Skilled	23	5	4	24
Semi-skilled	7	2	1	8
Unskilled	3	0	0	3
Total	86	20	10	96

Reasons for Staff Leaving

Reason	Number
Resignation	9
Retirement	1
End of contract	0
Total	10

Labour Relations: Misconduct and Disciplinary Action

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

The Value of Human Capital (continued)

Equity Target and Employment Equity Status

Actual 2024

Male				Female				Foreign National		Total	Disabled
African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
17	4	7	7	32	8	9	10	1	1	96	1
18%	4%	7%	7%	33%	8%	10%	11%	1%	1%	100%	1%

Target 2024

Male				Female				Foreign National		Total	Disabled
African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
21	4	8	8	35	8	7	9	1	1	102	1
21%	4%	8%	8%	33%	8%	7%	9%	1%	1%	100%	1%

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

Employment Equity Status per Level

Level	2023/2024					
	Number 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	54	22	12	6	12	2
Skilled	24	16	2	3	3	0
Semi-skilled	8	6	0	2	0	0
Unskilled	3	3	0	0	0	0
Total	96	49	16	12	17	2



E

Reports From Statutory Committees

Education and Transformation Committee

Member

Mr F Kwahene
Ms C Le Grange
Mr S Dhladhla
Mr B Frey
Mr S Kerr
Ms B Kola
Ms M Louw
Mr Y Madolo
Ms D Singh
Dr J Terblanche

Number of Meetings Attended	Membership Status
5/5	Chairperson
5/5	Deputy Chairperson
5/5	Member
5/5	Member
2/5	Member
5/5	Member
4/5	Member
5/5	Member
5/5	Member
5/5	Member

This committee's responsibilities include 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.

In line with the committee's Terms of Reference, members may serve for a second term. Accordingly, the following members were re-appointed: Mr B Frey, Ms B Kola, Ms M Louw, Ms D Singh and Dr J Terblanche. The IRBA and the EDCOM are appreciative to the members for their continued commitment.

ACCA SA Accreditation

As this new accreditation progresses into the implementation phase, considerable effort has been devoted to refining the processes and policies, to integrate it seamlessly into the operational frameworks of both organisations. Key upcoming tasks involve the professional body's students and members completing the prerequisites for entry into the Audit Development Programme. A new five-year monitoring cycle will also be initiated to oversee ACCA SA activities. Ongoing engagements seek to streamline processes and ensure compliance, with communication initiatives prioritising a staff understanding of ACCA SA's accreditation and qualification framework.

South African Institute of Chartered Accountants (SAICA) Monitoring

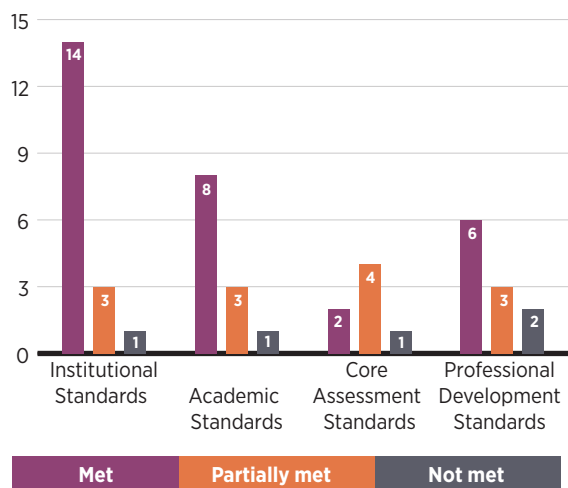
The accreditation of professional bodies aims to give rise to long-term partnerships between the regulator and the relevant bodies that share an interest in advancing an appropriate standard within the auditing profession. Accredited bodies are expected to demonstrate these standards in a substantial measure and to always be in the process of striving towards improvement.

As a result, monitoring the SAICA involves an elaborate and interactive process to evaluate the extent to which it is able to support the realisation of the IRBA's objectives, which align to the public interest.

In previous years, the IRBA alerted the SAICA to its uneasiness regarding the professional body's disposition within the accreditation relationship, and exemplified this by highlighting specific ongoing areas of concern and outstanding matters. During this financial year, the annual monitoring and reporting was concluded through the submission of the Final Monitoring Reports to the SAICA in September 2023. The IRBA appreciates the professional body's contributions to the profession, as well as its participation in the monitoring processes.

Although most of the standards have been met, the IRBA also raised a grave concern with those that were not met and partially met, as reflected in the accompanying graph.

SAICA Monitoring: Summary of Final Conclusions per Standard for the 2022 period (per the reports issued in 2023)

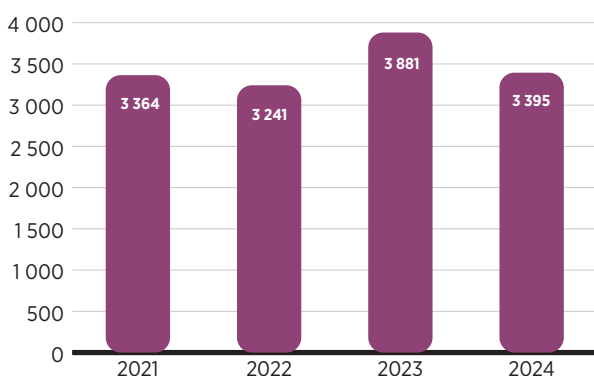


The findings and areas of improvement became the subject of attention, engagement and focus for the monitoring process that commenced in this financial year. This is to afford the SAICA the opportunity to address the matters effectively, in the interest of the profession and the public.

Training Contracts

Audit training contracts registered with the accredited professional body must also be invoiced and registered with the IRBA. For the current financial year, the IRBA invoiced 3 395 (2023: 3 991) contracts. Although the trends fluctuate over financial and calendar years, due to the timing of the contracts being processed by the firms and the professional body, annual trends continue to be monitored, to identify the overall impact on the pipeline.

Total Training Contracts – Financial Year



Audit Development Programme

	2024	2023	2022	2021	2020
RCA's at year-end	562	550	482	464	443
New ADP registrations	123	169	104	82	80
ADP deregistrations	5	0	0	0	18
RCA's who completed the ADP	106	101	86	73	33
No. of firms monitored	47	46	46	44	42

Registrations

The number of registrations decreased in this financial year. There was a bulk registration from the AGSA in the previous year and those candidates were still completing their 18 months on the ADP at the time reporting. We expect another increase in the next year when new candidates are enrolled on the programme.

Completions

A total of 106 RCAs completed the ADP during this financial year. By providing them with structured templates and progress reports, candidates are better able to organise their work and complete the Portfolios of Evidence. The streamlining of the customised support has made the process more manageable and less daunting for RCAs and oversight RAs, leading to increased completion rates over the years.

Conversion

After RCAs have completed the ADP, they are eligible to register as RAs. The overall rate for conversion is about 54%. Of the 441 completions since the inception of the ADP, 257 have registered as RAs. The lag between the ADP completion and registration as an RA is mainly based on when the candidates will be eligible for a partner/director role at the firm. The IRBA will continue to research the factors impacting the conversion rate.

	ADP Active % (562)	RAs Total % (3 527)
Race		
White	42	69
African, Coloured, Indian	58	31
Gender		
Male	48	70
Female	52	30

Education and Transformation Committee (continued)

Transformation Demographics

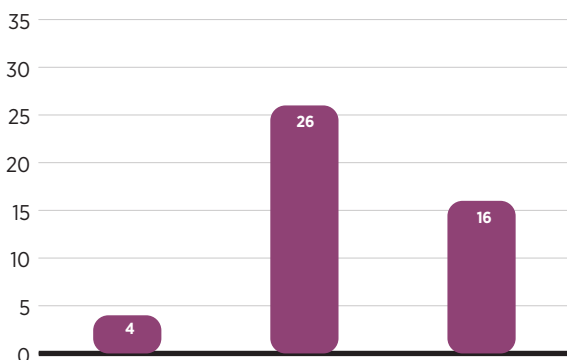
There has been a positive shift in the RCA statistics, based on race and gender, compared to the current RA register, and this reflects the future register. The accompanying graphic shows a comparison between the current number of active RCAs and RAs, as well as the differences between the RCA and RA registers.

ADP Monitoring Inspections

These inspections are integral to managing and evaluating the quality of the audit training environment at audit firms, where RCAs are registered. The aim is to create 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 Portfolio of Evidence. In the 2023/2024 financial year, 47 monitoring visits were performed. For an RCA to be signed off the ADP, a monitoring inspection must be performed. Revisits are performed when a firm has 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.

ADP Inspections by Monitoring Intensity/Outcome



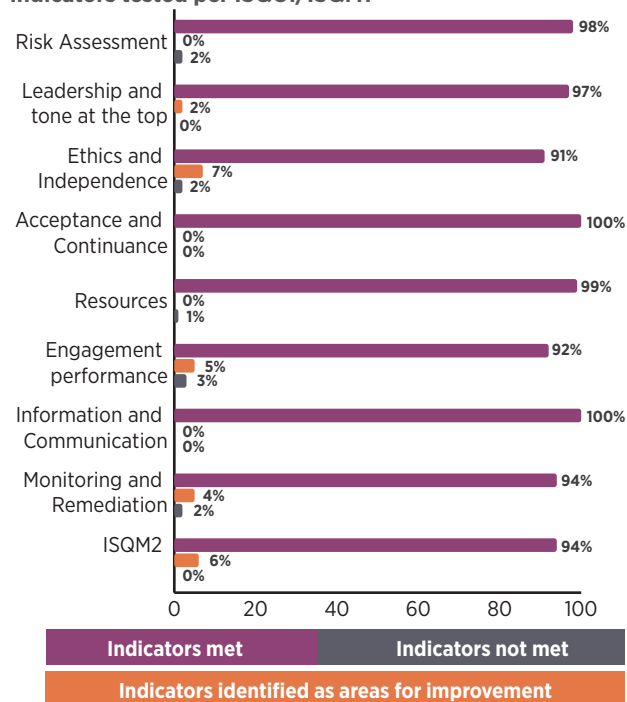
This financial year marked the first year of firm implementation of the new Quality Management standards – ISQM 1, ISQM 2 and the International Standard on Auditing (ISA) 220 Revised – that became effective on 15 December 2022. Improvements in ADP monitoring outcomes for the year were noted and mainly attributed to the scalability and firm-specific considerations allowed within the new standards.

We noted fewer high monitoring intensity outcomes, compared to prior years. Of the 47 firms monitored, only four received a high monitoring intensity, as opposed to seven in the prior year. This was indicative of a higher focus on compliance with quality matters, resulting in more candidates completing the programme without delay.

Common findings noticed among firms that did not meet the indicators or the required improvements were:

- 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. Lockdown processes at most firms, though, required improvement as opposed to not having a process at all.)
- The risk assessment process did not address all the quality objectives as per ISQM 1, but this standard allows for scalability in this area.
- The ISQM 1 system had not been tailored for firm specifications.
- Insufficient documentation regarding the risks of fraud and error on an engagement in the planning meeting minutes.
- Lack of documentation on the engagement files regarding the assessment for the need of an engagement quality reviewer on the engagement, against firm policies and procedures and ISQM 1.
- A monitoring and remediation plan, as required by ISQM 1, not developed and tested; and final evaluation of the system of quality management not concluded.

Indicators tested per ISQC1/ISQM1



Transformation

Recruitment Phase

The Education and Transformation Department (ET) focused on further establishing its relationships in the recruitment space of the pipeline, with a particular focus on auditing students and lecturers at universities and learning providers. We invested in new initiatives, such as the awarding of prizes to top auditing students, to generate interest in auditing and recognise excellence. We also engaged more with the academics through university visits and participating in conferences, among others. On our learning website, we added 19 new profiles of RCAs who give first-person accounts of their auditing journey to becoming eligible to register as RAs.

In the next financial year, ET will focus on consolidating its work within the university and learning provider space, and holding closer engagements with audit firms. Also, it will concentrate on establishing relationships and initiatives within the ACCA SA learning provider space.

Continuing Professional Development

	Compliant	Non-compliant	Non-responders	Other
Assurance as at 31 March 2022	70	2	5	1*
Assurance as at 31 March 2021	3	0	4	0
Total Assurance	73	2	9	1
Non-assurance as at 31 March 2022	15	3	3	0
Non-assurance as at 31 March 2021	1	0	3	0
Total non-assurance	16	3	6	0
Overall Total (110)	89	5	15	1

* RA deregistered from the IRBA.

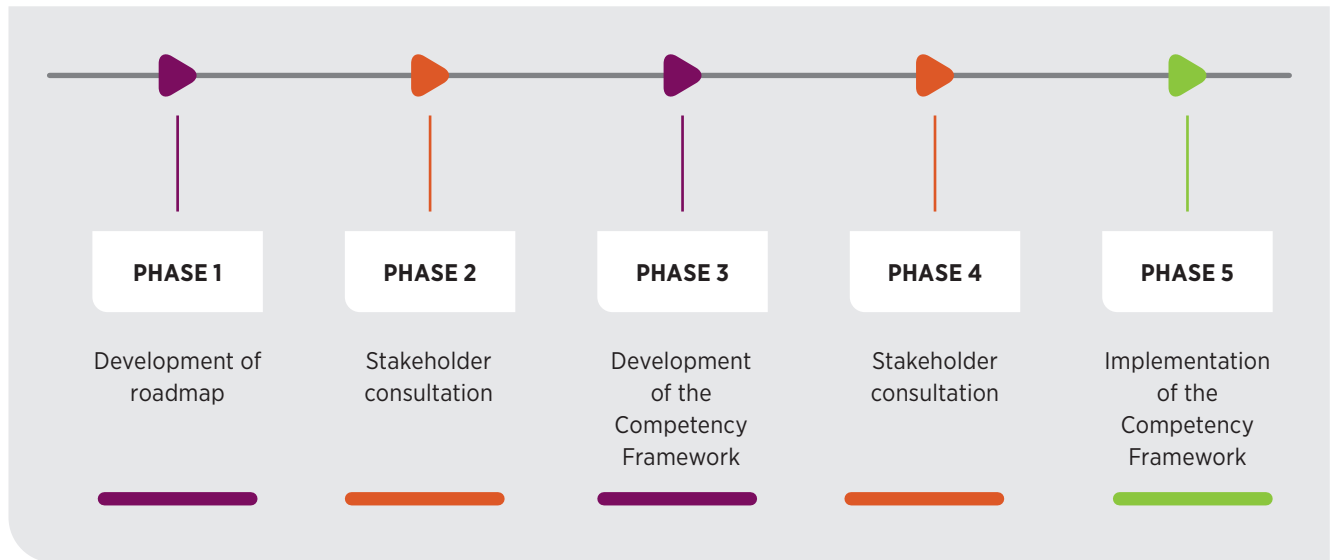
The CPD monitoring cycle runs for a calendar year and is conducted retrospectively, i.e. the RAs' compliance is evaluated for the period 1 January to 31 December. The sample is selected from the active RA list as at the end of the previous financial year; therefore, the monitoring process completed in 2023 was conducted on active RAs during the 2022 financial year.

Overall, 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 key in addressing 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 that support their compliance with the CPD Policy. The outcome of the CPD monitoring is demonstrated in the accompanying table.

The policy stipulates that RAs who continue to be non-compliant may have their registration status with the IRBA lapsed. Non-compliance means 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.

Competency Framework



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 institutes an investigation that could lead to disciplinary measures. This CPD Policy was published in Government Gazette 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.

The Competency Framework Task Force set up by the Education and Transformation Committee completed the first phase of the Competency Framework Review project. It developed the Competency Roadmap that sets out the direction the task force intends to take in revising the framework and also highlights the key competency areas. The next phase will be consultation with stakeholders.

Stakeholder Engagements

- 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 policies that were issued for comment.
- Finance and Accounting Services Sector Education and Training Authority (FASSET): ET took part in the FASSET’s research projects that were conducted during the year, specifically those that relate to the annual review of the Sector Skills Plan.

- International Federation of Accountants (IFAC): The IRBA was involved in the IFAC project to revise the International Education Standards (IESs), to bring more focus to sustainability reporting and assurance competence. The IFAC expects to launch a public consultation process on the proposed revisions in the second quarter of 2024. We encourage our stakeholders to participate, as this will be an important opportunity to influence the preparation of current and future professional accountants and auditors at a global level.

Appreciation

To all committee, subcommittee and task force 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 ET staff 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

Member

Mr D Mahony ¹
Ms B Ntutela ²
Mr K Mukova ³
Ms M Naidoo
Mr G Krog
Mr F Scheepers
Mr S Soni
Mr K Ramarumo
Mr A Pearce
Ms Y Dall ⁴
Ms C Pariola ⁵

Number of Meetings Attended	Membership Status
4/4	Chairperson
5/5	Chairperson
2/3	Member
4/5	Member
4/5	Member
4/5	Member
5/5	Member
5/5	Member
5/5	Member
4/4	Member
1/1	Member

¹ Term ended on 31 January 2024.

² Appointed on 1 February 2024.

³ Term ended on 19 November 2023.

⁴ Appointed on 1 July 2023.

⁵ Appointed on 1 February 2024.

It gives me great pleasure to report on the Investigating Committee's (INVESCO) activities for the 2023/2024 financial year. The committee comprises chartered accountants, an ethics expert and legal practitioners.

An investigation is initiated either once a complaint is received from an external party or has been 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 matters where the IRBA initiates investigations based on information that comes to its attention mostly through the media.

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

After a preliminary assessment, the Director Investigations must decide, in terms of Section 48(1) of the APA, whether to refer the matter to the INVESCO. Most matters will be referred and the INVESCO must then investigate them in terms of Section 48(3) of the APA. The INVESCO then

deliberates on the matters tabled before it and recommends to the ENCOM whether to: (a) dismiss the matter; (b) impose a monetary sanction and in certain instances also a non-monetary sanction; or (c) refer the matter for a disciplinary hearing.

Investigations Concluded

The committee met five times during the year under review and 134 matters were referred to the ENCOM with recommendations. The performance information in the annual report sets out the investigations completed in this financial year, and the achievement of 96 completed investigations is commendable.

Appreciation

I thank my fellow committee members for their dedication, professional input and support over the past year. The committee sincerely appreciates the level of commitment and dedication of the Director Investigations and her staff. They have done and continue to do a tremendous amount of work in compiling the matters for the committee's consideration and we would not be able to operate without their well-documented support.

B Ntutela
Chairperson

Committee for Auditor Ethics

Member	Number of Meetings Attended	Membership Status
Mr S Davies	4/4	Chairperson
Mr A Bulbulia ¹	1/1	Member
Ms F Jeeva ²	4/4	Member
Ms D Coopasamy ³	2/3	Member
Mr H Snoyman	3/4	Member
Prof J Winfield	4/4	Member
Mr T Khangale ⁴	3/4	Member
Mr Z Beseti ⁵	3/3	Member
Mr S Vrba ⁵	3/3	Member
Mr M Holme ⁶	N/A	Member

¹ Second and final term ended in March 2023, but was invited to attend the May 2023 CFAE meeting to allow for continuity and the proper constitution of the committee, as a successor had not yet been appointed.

² Second and final term ended on 29 February 2024.

³ Resigned with effect from 2 November 2023, due to a change in residency.

⁴ Reappointed for a second term effective from 1 June 2024.

⁵ Both were appointed with effect from 1 June 2023.

⁶ Appointment became effective from 1 March 2024; however, no CFAE meeting was held in March 2024.

I am pleased to present this report on the strategic and standard setting activities undertaken by the Committee for Auditor Ethics (CFAE) during the 2023/2024 financial year. Throughout the year, the committee remained steadfast in its mission to advance internationally comparable ethical standards for auditors. In alignment with the IRBA goals, it engaged in the International Ethics Standards Board for Auditors (IESBA) projects and recommended the adoption of ethical standards aimed at enhancing auditor ethics and independence, while ensuring transparency.

On behalf of the committee, I had the pleasure of meeting with the IRBA Board on 27 July 2023, to provide feedback on the committee's work, highlighting the important link to the IRBA strategic goals.

IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023)

The IRBA Code, including Independence Standards, was published in May 2023 and it incorporates all the amendments and additions that were made to the November 2018 IRBA Code into a single publication. However, it does not include any new amendments or revisions and does not change the previously

communicated effective dates of any of the amendments and additions made to the November 2018 IRBA Code.

Revisions to the IRBA Code relating to the Definition of Engagement Team and Group Audits

In June 2023, the IRBA Board adopted the IESBA's revisions relating to the Definition of Engagement Team and Group Audits, per CFAE recommendations. These revisions represent a comprehensive effort to address independence considerations within group financial statement audits. They not only strengthen and clarify independence principles for individuals and firms involved in group audits, but also emphasise the importance of transparent communication between the group auditor firm and component auditor firms regarding independence matters. Also, the definitions of "engagement team" and "audit team" were amended to accommodate evolving structures and address the implications of the changes. Developed in collaboration with the International Auditing and Assurance Standards Board's (IAASB) group audits and quality management projects, these changes are set to enhance the integrity and transparency of group audits.

These revisions are effective for audits of financial statements and group financial statements for periods beginning on or after 15 December 2023. These revisions underscore a commitment to upholding independence and quality in auditing practices.

Revisions to the IRBA Code relating to the Definitions of Listed Entity and Public Interest Entity

In November 2023, the IRBA adopted the IESBA's revisions relating to the Definitions of Listed Entity and PIE (including South African adaptations), in accordance with CFAE recommendations. These revisions expand the definition of "public interest entity" to include a broader range of categories, introducing the new category of "publicly traded entity" in place of the previous "listed entity" classification. Additionally, a transparency requirement mandates firms to publicly disclose their application of independence requirements for PIEs.

Recognising the pivotal role of local regulatory bodies in aligning with the IESBA Code, the revisions encourage these bodies to refine the PIE categories in accordance with their specific jurisdictions, fostering adaptability and relevance to local environments. As such, South African adaptations to these revisions further emphasise clarity and alignment with local regulations. Revisions to South African requirements regarding the definition of PIE are outlined in paragraph R400.23 SA, while a new paragraph, 400.22 SA, clarifies that a client's public interest score, as per the South African Companies Act No. 71 of 2008 (as amended), should not determine its classification as a PIE under the IRBA Code. This distinction underscores the importance of not conflating the concepts of public interest entity and public interest score, ensuring precise application and interpretation within the regulatory framework.

The AGSA, the Council for Medical Schemes, the SAICA, the South African Reserve Bank's Prudential Authority (PA), the Financial Sector Conduct Authority (FSCA) and the Companies and Intellectual Properties Commission were consulted when revising the South African requirements.

The revisions will be effective for audits of financial statements for periods beginning on or after 15 December 2024, with early adoption being permitted.

Technology-related Revisions to the IRBA Code

In November 2023, the IRBA adopted the IESBA's Technology-related Revisions, in accordance with the CFAE recommendation. The revisions represent a pivotal step in guiding the ethical conduct of registered auditors in public practice in the realm of technology. Crafted to empower auditors to seize the opportunities afforded by technological advancements while navigating their dynamic landscape, these revisions offer comprehensive guidance applicable to current and future technologies. Also, they provide enhanced guidance in relation to the fundamental principles of confidentiality and professional competence and due care, and handling complex circumstances, ensuring auditors are equipped to thrive in the digital era.

These revisions also reinforce the International Independence Standards, providing clarity on when firms and network firms may or may not offer technology-related non-assurance services to audit or assurance clients. Revisions to Parts 1 to 3 of the IRBA Code are effective as of 15 December 2023, while revisions to Part 4A will be effective for audits and review of financial statements for periods beginning on or after 15 December 2024. The conforming and consequential amendments to Part 4B in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after 15 December 2024; otherwise, these amendments will be effective as of 15 December 2024, with early adoption being permitted.

International and Regional Liaison

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 this board's auspices. The Senior Professional Manager in the Standards Department, Ms Saadiya Adam was re-appointed for a three-year term as an IESBA board member. The department also supports the work of the Pan African Federation of Accountants.

Committee for Auditor Ethics (continued)

Comment Letters Provided on International Pronouncements

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

- The IESBA's Consultation Paper: Strategy and Work Plan, 2024-2027.
- The IESBA's Exposure Draft: Proposed Revisions to the Code Addressing Tax Planning and Related Services.

Stakeholder Engagement

A recently introduced innovation has been the CFAE meeting highlights videos that are posted on the IRBA social media pages after committee meetings, when relevant approvals take place. These videos look into the IRBA Code revisions approved at each meeting.

Outlook

The CFAE has the following priorities for the immediate future:

- Submitting a comment letter to the IESBA regarding the Exposure Draft on Using the Work of an External Expert by 30 April 2024.
- Submitting a comment letter to the IESBA on its Exposure Draft on International Ethics Standards for Sustainability Assurance (including International Independence Standards) by 10 May 2024.

- Recommending the adoption of the IESBA Final Pronouncement: Revisions to the Code Addressing Tax Planning and Related Services, to the IRBA Board. This Final Pronouncement was issued in April 2024.
- Executing its work programme, which primarily includes projects that align with the IESBA agenda, but also reserve 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 committee members, its task groups and the staff of the Standards Department. Your dedication, expertise and support have been instrumental in driving our achievements. Thank you for your unwavering commitment and collaborative approach in fulfilling the CFAE's mandate.

S Davies

Chairperson

Committee for Auditing Standards

Member	Number of Meetings Attended	Membership Status
Mr Z Rashid	3/4	Chairperson (JSE Representative)
Ms S Ronander ¹	3/4	Deputy Chairperson (RA)
Ms W Mokupo	4/4	Member (FSCA Representative)
Ms D Lawrence	4/4	Member (South African Revenue Service Representative)
Ms I Peter ²	2/2	Member (South African Reserve Bank (SARB) Representative)
Ms A Madikizela ³	1/1	Member (SARB Representative)
Ms L le Roux	4/4	Member (AGSA Representative)
Ms L Roeloffze ⁴	4/4	Member (RA)
Ms M Mogapi	3/4	Member (RA)
Ms N Terblanche	1/4	Member (RA)
Ms M Watson	3/4	Member (RA)
Ms T Zimondi ⁵	4/4	Member (RA)
Ms T Norkie	2/4	Member (RA)
Adv. B Tlhakung	4/4	Member (Attorney)
Mr R Moosa	4/4	Member (Academic)

¹ Term as Deputy Chairperson ended on 31 March 2024.

² Resigned on 12 October 2023, due to a change in employment status.

³ Appointed as the SARB representative effective from 7 December 2023.

⁴ Reappointed for a second term, with effect from 1 November 2023.

⁵ Reappointed for a second term as of 1 November 2023. Also, became the Deputy Chairperson from 1 April 2024.

It is with pleasure that I present this report on the Committee for Auditing Standards' (CFAS) strategic and standard-setting activities for the 2023/2024 financial year. The committee continues to engage with stakeholders and gather insight into the goals and objectives of its standard-setting work.

During this period, there was a renewed emphasis on providing guidance to the local market on the new IRBA Rules and tracking developments in sustainability reporting and assurance. The new Rules are the Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities (EAR Rule) and the Four Rules Arising from the International Standards on Quality Management (QM L&R Rules). Also, there have been several IAASB consultation papers and pronouncements that the CFAS has formed views on and evaluated readiness to adopt.

On 27 July 2023, on behalf of the committee, I had the pleasure of meeting with the IRBA Board to provide feedback on the committee's work, highlighting the important link to the IRBA Strategic Goals.

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. It continues to implement its strategy for 2020-2024, titled Driving Audit Quality through Standard Setting that 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; and
- Theme IV: Integrated standard-setting by keeping abreast of emerging issues and responding appropriately.

Committee for Auditor Ethics (continued)

International and Regional Liaison

The Secretariat liaises with relevant African and international bodies. The IRBA continues to participate in the work of the Standards Coordination Working Group of the IFIAR, represented by the Standards Department's Professional Manager, Mr Ian Mtegha, and the National Standard Setters forum. Visitors from neighbouring African countries are regular observers at our CFAS meetings.

CFAS Projects Identified and Outputs Achieved to Fulfil the Strategy

Project Outputs

Local Auditing and Assurance Pronouncements and Guidance

Adoption of the IAASB's narrow scope amendments to ISA 700, Forming an Opinion and Reporting on Financial Statements, and ISA 260 (Revised), Communication with Those Charged with Governance, 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 PIEs.	Recommended by the CFAS in November 2023 and issued in February 2024, following Board approval in January 2024. Effective for audits of financial statements for periods beginning on or after 15 December 2024, with early adoption permitted.
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International Standards

Comment on International Consultation Papers and Exposure Drafts and Engagement with International Stakeholders

Comments on the IAASB's proposed Strategy and Work Plan for 2024-27.	The Secretariat submitted a comment letter to the IAASB on 16 April 2023.
Comments on the IAASB's proposed ISA 500, Audit Evidence, and proposed conforming and consequential amendments to other ISAs.	A joint letter prepared by the CFAS Task Group and the Institute of Chartered Accountants of Namibia was submitted by the Secretariat to the IAASB on 24 April 2023.
Comments on the IAASB's proposed Part 10, Audits of Group Financial Statements of the proposed ISA for Less Complex Entities and proposed confirming amendments.	The Secretariat submitted a comment letter to the IAASB on 2 May 2023.
Comments on the IAASB's Proposed ISA 570 (Revised 202X), Going Concern, and consequential Amendments.	The Secretariat submitted a comment letter to the IAASB on 28 August 2023.
Comments on the International Sustainability Standards Board's (ISSB) Request for Information 2023, Consultation on Agenda Priorities.	The Secretariat submitted a comment letter to the ISSB on 1 September 2023.
Comments on the IAASB's proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements.	The Secretariat submitted a comment letter to the IAASB on 1 December 2023.
IAASB's proposed Narrow Scope Amendments to the ISQMs, the ISAs and the International Standard on Review Engagement 2400 (Revised), Engagements to Review Historical Financial Statements, as a result of the revisions to the Definitions of Listed Entity and PIE in the IESBA Code.	The Secretariat submitted a comment letter to the IAASB on 27 March 2024.

Jurisdictional, Legislative and Regulatory Requirements	
Revised Illustrative Mutual Banks Act Reports.	Approved by the CFAS in May 2023 and subsequently issued to the market in December 2023. Effective for use by registered auditors for mutual banks with financial year-ends on or after 30 June 2023.
IRBA Staff Audit Practice Alert 9: Guidance on the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities.	Issued to the market in September 2023.
SAAPS 3 (Revised March 2024), Illustrative Reports.	Approved by the CFAS in March 2024 and subsequently issued to the market in the same month. Effective for auditor's or independent reviewer's reports issued for audits or independent reviews of financial statements for periods ending on or after 15 December 2024, with early adoption being permitted.
Comment on Local Consultation Papers and Exposure Drafts	
Comments on the proposed amendments to the Companies Amendment Bill, 27 of 2023, and recommendations for the review of the public interest score.	The Secretariat submitted a comment letter to the Standing Committee on Trade, Industry and Competition on 2 October 2023.
Engagement with Stakeholders	
Presentation of the IRBA Staff Audit Practice Alert 8: Frequently Asked Questions on Sustainability Assurance Engagements, at the PAFA's Ethics, Audit and Assurance Technical Advisory Group in Abidjan, Ivory Coast.	The presentation was on 18 May 2023.
IRBA/SAICA Small, Medium Practices (SMP) Outreach	The outreach was to various SMP firms, partners and their staff across the country between August and November 2023.
Consultation on the Proposed SAAPS 3 (Revised).	Issued on 21 September 2023, with a public consultation deadline of 30 November 2023.
IRBA Innovation Day.	The event was on 23 October 2023.
Presentation of the Enhanced Auditor Reporting and SAAPS 3 (Revised March 2023) Exposure Draft at a SAICA TechTalk session.	The presentation was on 26 October 2023.
Workshop with the National Credit Regulator, credit bureaus, registered auditors and consulting firms for the CFAS project to develop assurance templates for credit bureau compliance engagement.	The workshop was on 27 November 2023.
Consultation on the Proposed Guide for Registered Auditors (Revised), Joint Audit Engagements.	Issued on 29 November 2023, with a public consultation deadline of 29 February 2024.
Consultation on the Proposed SAAPS 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities.	Issued on 14 March 2024, with a public consultation deadline of 15 June 2024.
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 March 2024).	Issued on 26 March 2024, with a public consultation deadline of 31 May 2024.

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 Evidence; Sustainability Assurance; Going Concern; Listed Entity and Public Interest Entity (Track 2); Fraud; and Technology.

Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities

The EAR Rule published in September 2023 prescribes additional disclosures in the independent auditor's report on the audit of annual financial statements of PIEs, as defined in the IRBA Code. To provide guidance on how auditors may apply the EAR Rule, Staff Audit Practice Alert 9, Guidance on the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, was released. Also, SAAPS 3 (Revised March 2024), effective for auditor's or independent reviewer's reports issued for audits or independent reviews of financial statements for periods ending on or after 15 December 2024, with early adoption being permitted, integrates the EAR Rule into illustrative reports.

Four Rules Arising from the International Standards on Quality Management

The QM L&R Rules, published and prescribed in November 2023, are as follows:

- IRBA Rule 1 (Ultimate Responsibility and Accountability for the System of Quality Management), IRBA Rule 2 (Transparency Reports) and IRBA Rule 3 (Engagement Quality Reviewer (EQR) and an Assistant to an EQR) are effective for audits of financial statements for periods beginning on or after 15 December 2025. Early adoption is permitted.
- IRBA Rule 4 (Assembly and Retention of Audit Documentation) is effective for audits of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted.

Exposure Draft: Proposed SAAPS 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities Audit Engagements was issued, to assist auditors to comply with Rule 2.

CFAS Appoints a New Deputy Chairperson

The term of the Deputy Chairperson, Ms Stephanie Ronander - a Partner and Audit & Assurance Monitoring and Evaluation Leader at Deloitte Africa - ended on 31 March 2024. The committee appointed Ms Tatenda Zimondi, currently a member, as the new Deputy Chairperson for a two-year term starting on 1 April 2024. She is a Director and Regional Head for Africa at Grant Thornton International Limited within the EMEA Network Capabilities Team.

Appreciation

Gratitude goes to the CFAS members, their technical advisors and observers; the standing committees; the various task groups; the SAICA and ACCA representatives; and the Standards Department staff for their unwavering support and dedication to our committee's goals. Your invaluable contributions have propelled our projects forward and enriched our discussions. I also extend gratitude to the observers and volunteers whose perspectives have broadened our horizons. Together, we have achieved significant milestones. I look forward to our continued collaboration in the year ahead.

Z Rashid
Chairperson

Member	Number of Meetings Attended	Membership Status
Ms E Goodchild ¹	5/5	Chairperson
Mr L Coopasamy ²	5/5	Member
Ms C Mtebele	5/5	Member
Ms L Tsoku ³	2/5	Member
Mr B Stobie ⁴	4/5	Member
Mr Z Nagdee ⁵	5/5	Member
Ms S Swana ⁶	1/5	Member
Mr E De Haan ⁷	1/5	Member

¹ Re-appointed as Chairperson from September 2023.

² Re-appointed for a second term in April 2022.

³ Resigned in July 2023.

⁴ Term-ended in January 2024.

⁵ Resigned in March 2024.

⁶ Appointed in December 2023.

⁷ Appointed in February 2024.

It gives me great pleasure to report on the Inspections Committee's (INSCOM) current and strategic activities for the 2023/2024 financial year. It has been a challenging year for both auditors and regulators with the new suite of Quality Management standards that became effective on 15 December 2022, given the time and investment required.

The IRBA successfully commenced with the inspection of the design and implementation of the new ISQM standards in early 2023 and continued with the inspection of the operating effectiveness of the systems of quality control (SOQs) in early 2024. Though the inspection results of the design and implementation of the SOQs did not form part of the year's publicised firm-wide outcomes, the IRBA summarised its observations in the 2023 Public Inspections Report, acknowledging the commitment and effort put by most firms visited. However, it also raised concerns on the lack of implementation and/or insufficiency of SOQs implemented by firms, specifically in the smaller firm environment.

The Inspections Department commenced with a roadshow initiative in April 2024, visiting certain regions and discussing the themes presented in the Public Inspections Report. It also gathered direct feedback from auditors regarding their challenges.

Inspection Outcomes for 2023/2024

The IRBA issued 100¹ (2023: 93) inspections reports for inspections performed at 32 (2023: 33) audit firms. These reports include 27 (2023: 5) firm-wide inspections and 73 (2023: 88) engagement inspections, covering 73 (2023: 82) RAs. A total of 22 firm-wide reports were issued in 2023, including 17 additional inspection reports where firm-wide inspections were not performed.

Through theme-based inspections, the IRBA continued to assess the effectiveness of the audit firms' corrective measures or remedial actions, to address previously reported deficiencies/weaknesses and evaluate whether firms are achieving their quality objectives. It performed 18 (2023: 15) inspections at nine (2023: 8) audit firms.

¹ The 100 is not comparable to the target achieved (105 inspections performed) during the financial year, as these are inspections for which the INSCOM issued a formal outcome. The 105, on the other hand, are those where the last day of the inspection fell within the financial year, but these would not necessarily have been tabled before the INSCOM at year-end for a decision on the financial outcome.

Inspections Committee (continued)

Inspections Process

8th Inspections Cycle

The 2023/2024 financial year was the third and final year of the IRBA's 8th Inspections Cycle. The Inspections Department continued to fulfil its mandate by performing firm-wide and engagement inspections at various audit firms. Most of the assurance engagement inspections were performed at firms that audit listed entities and entities of higher public interest (PIEs, as defined by the IRBA). The selection included a sample of small to medium-sized practices that do not audit these types of entities.

The IRBA remains cognisant of the fundamental role played by governance and leadership of the audit firms. Therefore, all inspection reports are required to be signed by the audit firms' 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 audit firms.

The Remedial Action Process with the firms and their partners continued through interactive discussions, to promote the prompt and effective remediation of reportable deficiencies. The Proactive Monitoring process that was a further initiative introduced with the 8th Inspections Cycle gained some traction and the IRBA issued several reports where remediation was completed, based on the evidence provided by the audit firm and registered auditor. The expectation remains that this process will enable the IRBA to provide further insights to relevant stakeholders on the remedial action steps taken by the audit firms and whether those are appropriate, considering the findings initially identified, thereby addressing the risk of repeat findings. The IRBA hopes to observe continued real remediation at an RA level, with the further expectation that such intervention will influence audit quality at a firm-wide level.

Consistent with the previous year, the IRBA Board closely monitored several firms that were referred to the Investigations Department in the prior years. The Board released two of the audit firms during the year, as it observed appropriate remediation at these firms and those matters that had caused the monitoring were resolved.

The committee is pleased with the continued focus on audit firm leadership and the proactive action taken by the Board where there are systemic deficiencies reported at firms; its commitment to increase the Inspections Department's capacity, specifically regarding the area of information technology. Such capacity will enable it to address deficiencies in engagements relating to the use of information technologies and data analytics.

New Inspections Cycle

The 9th Inspections Cycle commenced on 1 April 2024, with the Inspections Department conducting roadshows and introducing new initiatives as well as those that will be continued from the 8th cycle. These include theme-based inspections, proactive monitoring and a focus on the information technology used in assurance engagements. The new initiatives include:

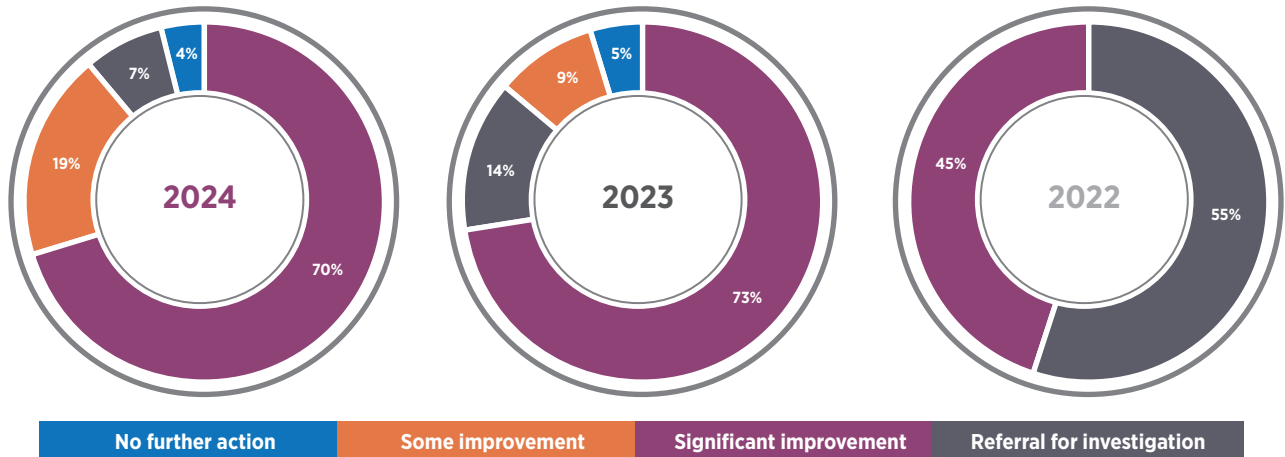
- Roadshows on Inspection Results: Detailed presentations and discussions on the outcomes of inspections and reported themes.
- Establishment of a Monitoring Forum: This aims to bridge the gap between internal and external inspection results identified in the Annual Survey Report on Audit Quality Indicators.
- Audit Committee Outreach: In collaboration with relevant audit firms, the department will engage directly with audit committees to discuss audit quality and other professional challenges.
- Revised Approach for Smaller Firm Inspections: Implementation of a new strategy tailored to inspect smaller audit firms.
- Focus on Fraud: Recognising the role of fraud in recent financial reporting failures and the resulting global crisis of confidence, the IRBA will increase the scrutiny of auditors' roles in fraud detection.
- Stakeholder Reporting Pathways: Introduction of an enhanced "tip-off" process for stakeholders to report issues impacting the profession, including non-ethical behaviour.

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. The year under review included firm-wide and engagement inspections where both the International Standard on Quality Control (ISQC) 1 was still effective and the ISQM standards had also just come into effect.

A full scope firm-wide inspection is performed for larger network firms, where all elements of the systems of quality control are inspected. For small and medium-sized audit firms, the scope of the inspection is confined to selected elements. The classification of the firm is done based on its size and the extent of public interest audit clients in its assurance client portfolio. In the current year, 27 (2023: 5) firm-wide inspections were reported to the INSCOM, and two firms (2023: 2) were referred for investigation on an overall basis, with one of them also being referred on matters relating to independence and a breach of the Companies Act.

The outcomes for the 27 (2023: 22) firm-wide reports (including escalation reports) are depicted in the graph below.



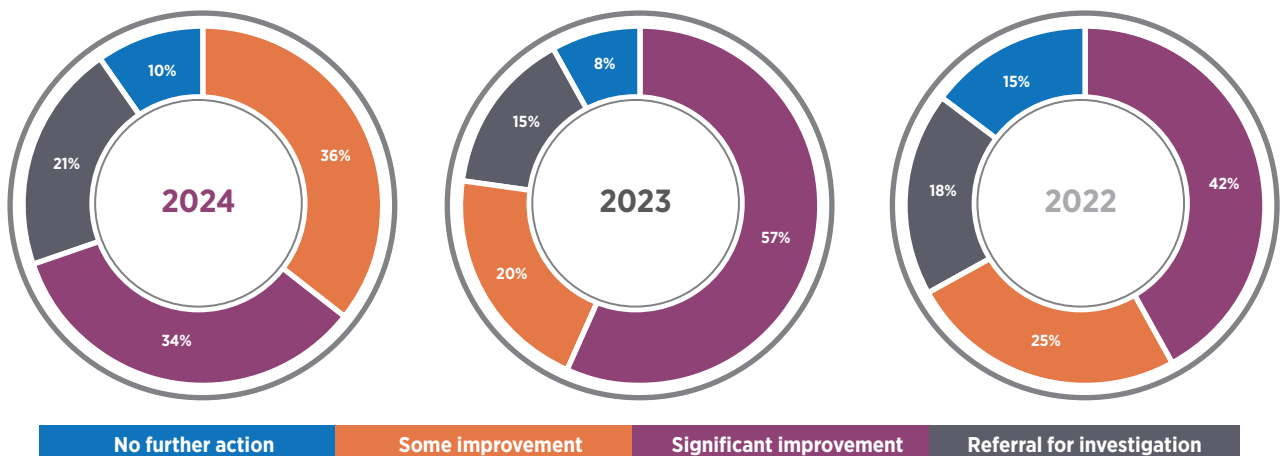
While the committee acknowledges the continued commitment by firm leadership in addressing reportable deficiencies, it is concerned about the high number of negative inspection outcomes and why firms have been referred for investigation.

Assurance Engagement Inspections

The objective of an assurance engagement inspection is to inspect the individual auditor's compliance with relevant auditing standards, the IRBA's Code of Ethics and relevant legislation in performing the audit. In the current year, 73 (2022: 88) assurance engagement inspections were reported to the INSCOM and the results and a comparison are depicted in the graph below.

Despite the improvement in the outcome for significant improvement required, resulting in more assurance engagements with the outcome of some improvement required, the ongoing frequency of findings and recurring findings remain a high concern. The high number of assurance engagements that are still being referred for investigation is also alarming.

Of the 15 (2023: 13) assurance engagements with a referral for investigation outcome, 11 have been referred on specific matters and four on an overall basis. The reasons for the referral for investigation are depicted below.



Inspection Committee (continued)

INSPECTIONS OUTCOME: REFERRAL FOR INVESTIGATION

Referral for Investigation on Certain Matters 9% (8)

- Listed entities 3% (3)
- Non-listed PIEs (0)
- Other 6% (5)

Main reasons:

- Independence
- Material misstatements
- Inappropriate audit opinion

Referral for Investigation on an Overall Basis 6% (5)

- Listed entities (0)
- Non-listed PIEs 1% (1)
- Other 5% (4)

Main reasons:

- Overall poor quality of audit work and/or a fundamental lack of audit evidence.

Communication

The 2023 Public Inspections Report on Audit Quality highlights common firm-wide and assurance engagement deficiency themes reported to the INSCOM, including more details on the outcomes, remedial action process and the information technology environment. The IRBA included a section on the good practices observed at firms to address matters of audit quality and other challenges, such as the use of technology in audits, additional levels of review and outcomes-based training.

On the other hand, the 2023 Survey Report on Audit Quality Indicators highlights useful trends on quantitative measures that may contribute to the quality of an audit. The information should also benefit those charged with governance in discharging their oversight responsibilities over financial and other reporting, including the appointment or re-appointment of external auditors.

In March 2024, the IFIAR released its 2023 Survey of Inspection Findings, which is derived from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. Though not directly comparable, the IRBA reported similar themes on firm-wide and assurance engagements, indicating that the deficiencies it identified and the challenges in audit quality in certain themes are not specific to South Africa.

In the journey towards enhanced audit quality and financial reporting, the Inspections Department continues to encourage open dialogue with all stakeholders in the financial reporting ecosystem, in their interactions on the impact, understanding and use of the reports issued to the audit firms and individual auditors, the Public Inspections Report and the Audit Quality Indicators report.

Appreciation

I wish to extend my sincerest appreciation to the Inspections Department for its continued commitment to the monitoring of audit firms and registered auditors, and the proactive initiatives introduced to improve audit quality. The department has been steadfast in recognising the pivotal role it plays in protecting the public interest and safeguarding the integrity of financial markets.

Also, a word of thanks to the committee members for their support, commitment, and dedication to the inspections process, and for ensuring that the outcomes are fair and consistent. I also extend gratitude to audit firms and engagement partners for their co-operation during the inspections and emphasise the need for a stronger commitment to remedy the reported deficiencies in audit quality.

E Goodchild
Chairperson

This committee's main area of focus for the period under review was addressing the backlog of matters that could not be heard by the newly constituted Disciplinary Committee established pursuant to the 2021 amendments to the Auditing Profession Amendment Act, which came into operation on 26 April 2021 (the Act). In ensuring the achievement of this objective, the Board had appointed a Transitional Disciplinary Committee, which was then entrusted with the responsibility to determine charges of improper conduct preferred against registered auditors prior to the amendment of the Act. In addition, the IRBA Legal Department dedicated all its efforts towards ensuring that all matters where auditors had been charged with improper conduct prior to the amendments were prioritised and incorporated into the Transitional Committee's annual hearing plan for the 2023/2024 financial year.

These concentrated efforts yielded remarkable success, with over 86% of matters within the Transitional Committee's purview finalised, leaving only two outstanding matters currently undergoing litigation in court. While clearing the backlog of old matters was paramount, attention was also given to newly referred cases, ensuring a balance between finalising old matters and preventing the accumulation of new ones. To facilitate this, the Disciplinary Committee also adopted a comprehensive hearing plan, resulting in the swift resolution of a significant number of newly referred matters. This approach ensured alignment with the committee's strategic objectives of expeditiously finalising cases in an agile and efficient manner.

Despite challenges in fully capacitating the committee, particularly regarding the appointment of former RAs, members ensured their availability for hearings as required. Consequently, the collaborative endeavours of the two committees and the Legal team led to the conclusion of 22 matters during the reporting period, making that the highest number of disciplinary cases finalised within a year.

In view of the above, I am pleased to report that the committee's activities now fully align with the disciplinary processes' strategy approved by the Board in 2020. Matters are progressing swiftly from

referral to conclusion, with minimal wasted effort and expenses, thereby delivering optimal results for the IRBA and the auditing profession. This streamlined approach minimises risks, restores confidence and upholds the integrity of the IRBA and its processes.

Constitution, Membership and Meetings

Transitional Disciplinary Committee

The Board established the Transitional Disciplinary Committee in terms of Section 20 of the APA, read together with Section 19, with the responsibility of finalising matters wherein RAs were charged prior to 26 April 2021. The committee was constituted by the following members:

- Adv A Platt SC, as Chairperson;
- Adv E Mokutu SC and Adv S van Nieuwenhuizen SC as Deputy Chairpersons;
- Ms C Mbili, Mr N Mashabane and Mr J Schoeman in the positions of registered auditors; and
- Mr S Sooklal, Mrs S Vanker, Mrs J Fouche, Adv E Raubenheimer and Mr E Volker occupying the positions of suitably qualified persons.

Disciplinary Committee

The Disciplinary Committee is constituted in terms of Section 24A(2) of the APA and is chaired by Advocate Platt SC, a senior advocate. The committee's composition includes former registered auditors, practising legal practitioners and other suitably qualified persons. During the period under review, this committee was constituted by the following members:

- Adv Mokutu SC, Adv van Nieuwenhuizen SC and Adv Raubenheimer, who occupied the positions of practising legal practitioners;
- Mr Sooklal, Mr M Crisp, Ms D Lamprecht and Ms L Hechter, in the positions of former practising registered auditors; and
- Ms Vanker, Ms Fouche, Mr Volker and Ms NB Kader, occupying the positions of other suitably qualified persons.

Disciplinary Committee (continued)

The table below reflects the number of hearing days and meetings attended by the relevant committee members in the 2023/2024 financial years.

Member	Transitional Committee Hearing Days Attended	Disciplinary Committee Hearing Days Attended
Adv A Platt SC	6	0
Adv E Mokutu SC	6	0
Adv E Raubenheimer	0	2
Adv S van Nieuwenhuizen SC	0	1
Mr S Sooklal	4	2
Mr M Crisp	Not a committee member	0
Mr N Mashabane	6	Not a committee member
Ms C Mbili	4	Not a committee member
Mr J Schoeman	0	Not a committee member
Ms S Vanker	6	2
Ms J Fouche	2	0
Mr E Volker	1	0

Mr Crisp was appointed on 1 June 2023. Sadly, Mr Volker passed on during the course of the year, leaving a huge gap in the committees. He had joined the Disciplinary Committee in 2019 and sat on a number of disciplinary hearings, serving the profession and the committee earnestly. His contributions will remain embedded in the processes of the committee.

Disciplinary Processes

Hearings

The Transitional Committee convened two hearings during the 2023/2024 financial year. Both hearings were finalised with the respondents found guilty and appropriate sanctions imposed.

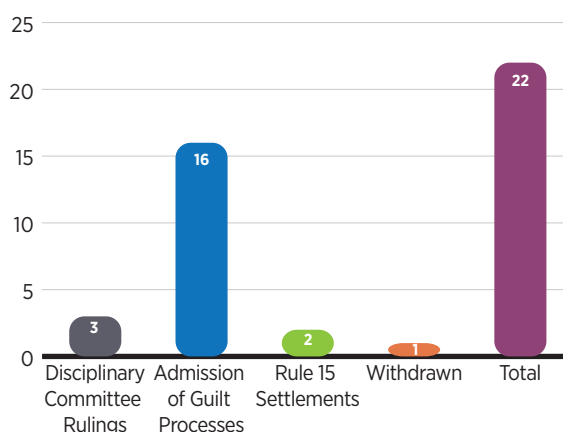
The Disciplinary Committee also convened twice for hearings, finalising one matter in respect of which the respondent was found guilty and duly sanctioned, while the other matter remained part-heard.

Finalised matters

A total of 22 matters referred to the committees for the determination of charges of improper conduct preferred against auditors were finalised during

the current reporting period. As reflected below, 18 matters were finalised through admission of guilt processes and/or Rule 15 Settlements, with auditors having admitted guilt in respect of charges preferred against them prior to the matters proceeding for a disciplinary hearing. Three matters were finalised following disciplinary hearing proceedings, with one matter being withdrawn by the IRBA prior to a hearing.

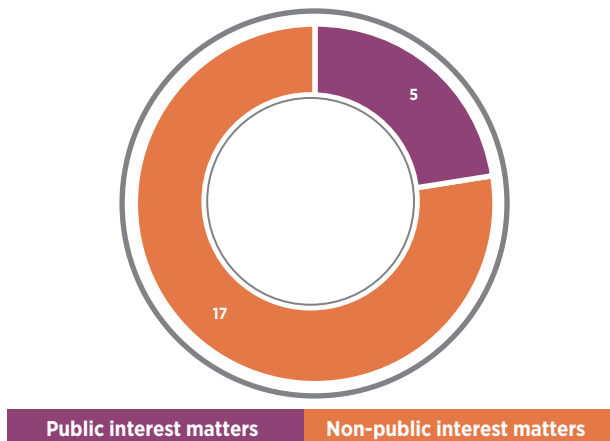
Finalised Disciplinary Matters



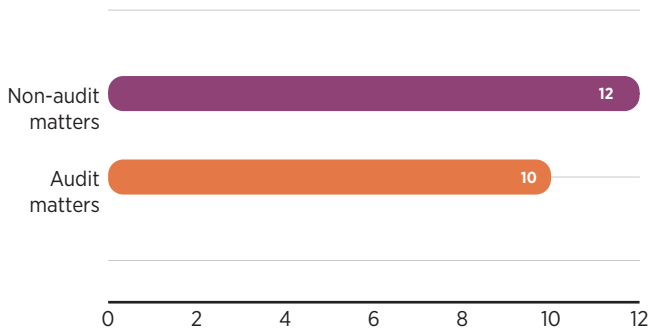
All finalised disciplinary hearings were initiated against individual RAs; accordingly, there were no hearings finalised in relation to audit firms. The details of finalised matters have been published in IRBA News.

Nature of the Finalised Matters

Finalised Disciplinary Matters: Public Interest Demarcation



Finalised Disciplinary Matters: Audit vs Non-audit

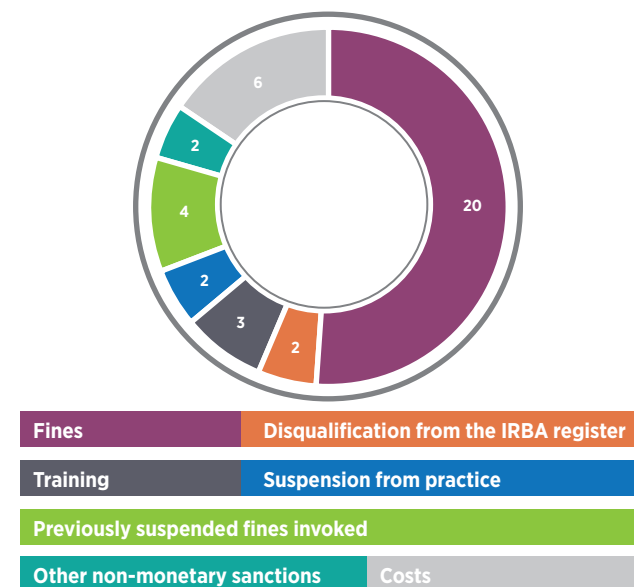


Of the finalised matters, 10 were audit matters that related to the audit of client financial statements, while the other 12 were non-audit matters relating to, among others, executor and trustee duties, accounting services, failure to report reportable irregularities and independence breaches.

Public interest matters relate to entities with a wide range of stakeholders or those defined as such by the law, or entities whose annual financial statements are legally required to be audited. They include listed entities; major public entities; banks; insurers; collective investment schemes; as well as pension and medical schemes.

While 17 of the finalised matters were not public interest matters, five matters were public interest matters that were prioritised, considering stakeholder heightened interest in relation to the financial performance of these entities. Among others, the finalised public interest matters dealt with breaches related to the audit of VBS, a mutual bank that in 2018 was declared insolvent and placed under curatorship, with South African citizens and taxpayers losing significant sums of money. They also included the audit of Transnet, a rail, port and pipeline state-owned company, specifically as it related to the procurement of locomotives in 2014.

Sanctions Imposed



Monetary fines were imposed on 20 finalised matters wherein the respondents were found guilty of improper conduct. Previously suspended fines were invoked in four matters, as a result of the respondents having committed improper conduct during the suspension period. Two respondents were suspended from auditing specific clients, with two other respondents who had already resigned as RAs being disqualified from registering in the future. Five non-monetary sanctions were imposed wherein three respondents were ordered to attend specific training, while two respondents were ordered to utilise engagement quality reviewers in respect of the audit of specific areas.

Additionally, six cost orders were imposed on respondents, with specific publication ordered in respect of 15 finalised matters wherein respondents were found guilty, and general publication ordered in respect of the other six matters.

Disciplinary Committee (continued)

R4 530 000
Worth of fines imposed

R910 000
Suspended fines

R6 235 123
Worth of cost orders imposed

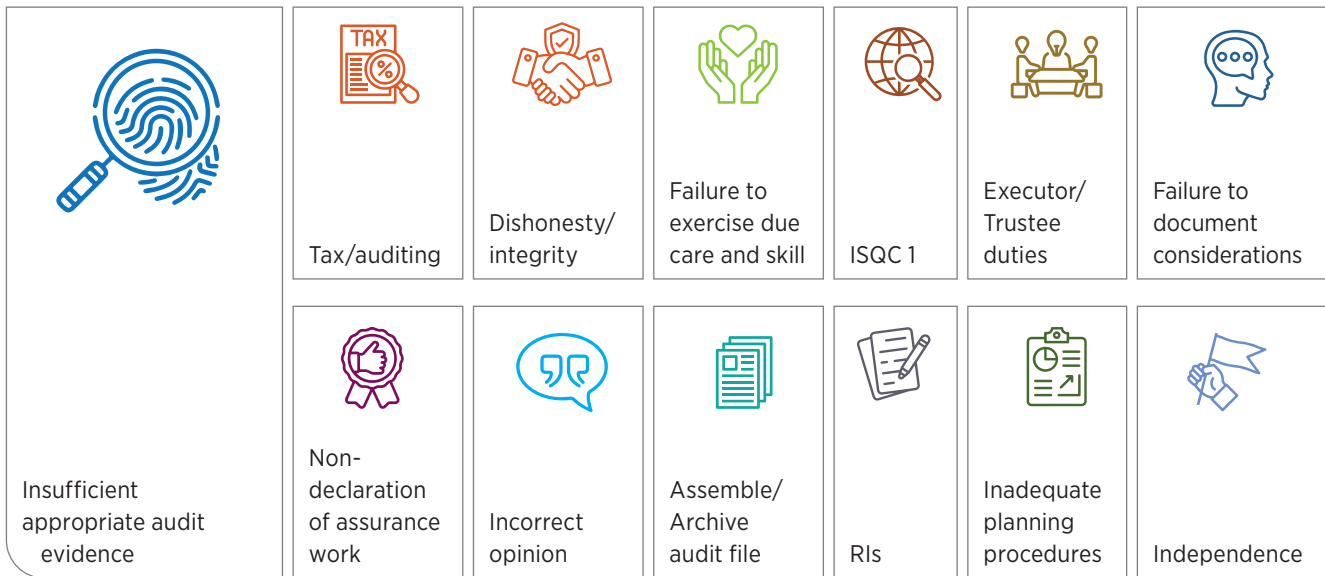
Reviews

There were no applications seeking the review of the committee rulings instituted during the period under review. Despite that, a ruling it previously issued, dismissing the applicant’s application for the recusal of two committee members from the panel constituted to determine the charges of improper conduct preferred against them, was taken on review. The High Court upheld the review in December 2023 and that is currently on appeal.

Pending Matters

Following the finalisation of the 22 matters referenced above, and the referral of 12 new matters in the reporting period, there are 15 matters pending disciplinary hearings. These matters involve varying charges of improper conduct and are at different stages of the disciplinary process. The graph below provides an overview of the nature of the charges involved in respect of the pending matters

Overview of Disciplinary Matters

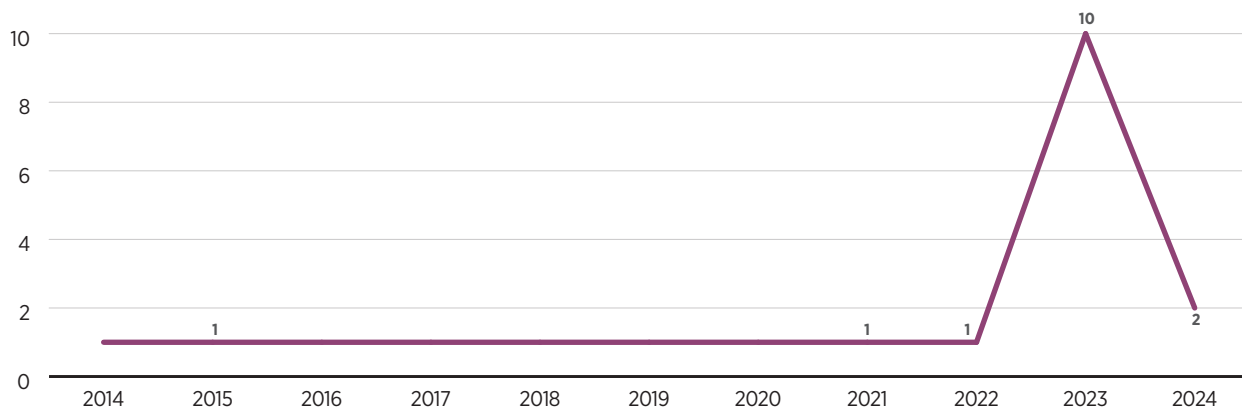


Overall, and as indicated in the graphic, open matters involve 13 categories of improper conduct; however, each matter may involve numerous charges. The Legal team is engaging respondents on admission of guilt processes in respect of 27% of the pending matters; 20% are awaiting litigation outcomes; and another 20% are undergoing an analysis of charges. On the other hand, 13% of the matters are awaiting a plea, while another 13% are undergoing preparations

for hearings. The final 7% of the matters remained part-heard as at the end of the financial year.

Open disciplinary matters retain an aging between nine years and one month, with 80% of the matters having an aging of less than 15 months. The graph indicates matters referred for a disciplinary hearing per year, thus giving an indication of the aging thereof.

Age Analysis: Pending Disciplinary Matters



Matters recorded as having an aging of more than 15 months are those currently awaiting litigation outcomes, and thus cannot be scheduled for a hearing.

Conclusion

The committees surpassed their planned targets for the year under review, achieving an outstanding 122% performance in relation to matters earmarked for finalisation. This has been primarily due to the proactive efforts of the Legal team, which successfully pursued the conclusion of 86% of the matters through admission of guilt or settlement processes, obviating the need for disciplinary hearings. These endeavours not only ensured the realisation of our planned targets, but also facilitated the swift resolution of matters at minimal costs, resulting in significant savings for the IRBA in disciplinary proceedings.

Furthermore, the unwavering availability, commitment and diverse contributions of committee members have played a pivotal role in achieving its objectives, particularly in effectively managing hearings to enhance turnaround times, ensure fair outcomes and prioritise the expeditious resolution of public interest matters.

The outcomes of our collective efforts, notably the rapid resolution of matters at minimal expenses, align perfectly with our strategic objectives of agility and efficiency. The high success rate in finalising matters has further bolstered our strategic goal of effectively concluding cases.

Appreciation

On behalf of the committee, I extend my sincere appreciation to the members, the Secretariat and the staff of the Legal Department for their commitment in ensuring the effective administration of the disciplinary proceedings and related committee processes.

Adv A Platt
Chairperson

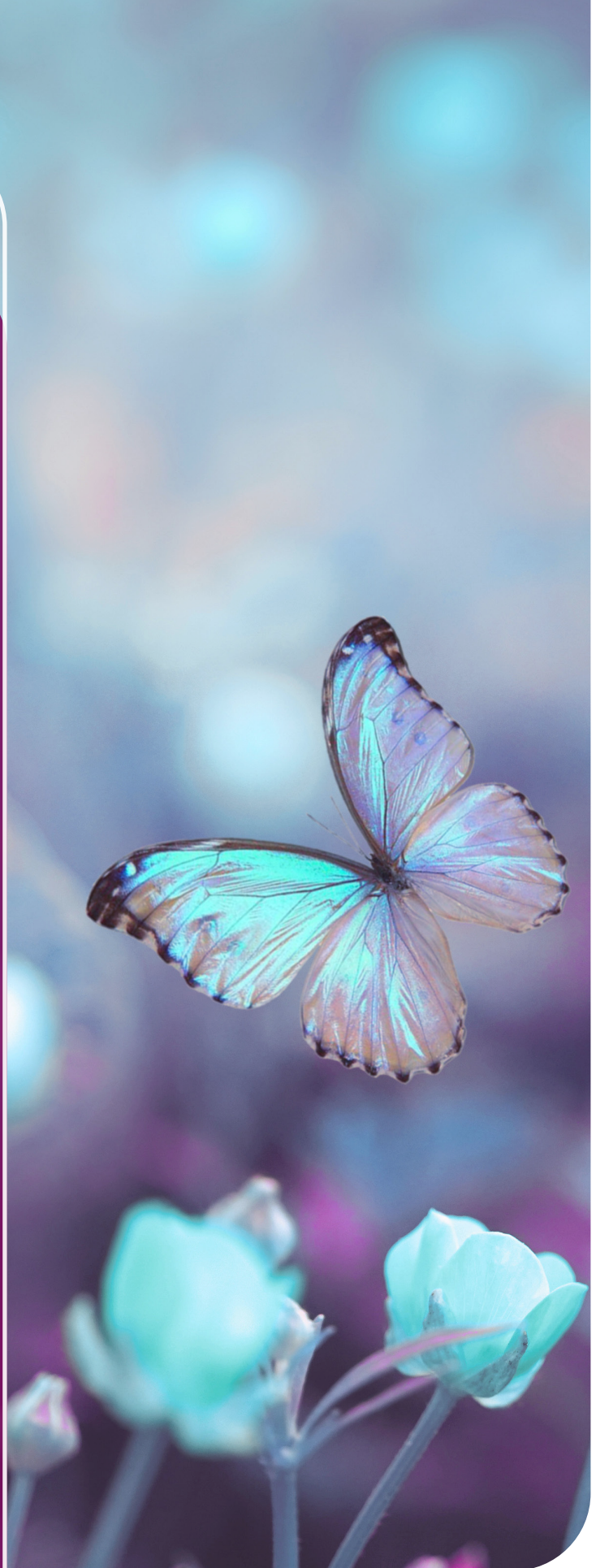


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The reports and statements set out below comprise the annual financial statements presented to Parliament:

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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 2024. 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 2025 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 audited by the IRBA's external auditors and their report is presented on pages 71 to 76.

The annual financial statements set out on pages 77 to 96, and which have been prepared on the going concern basis, were approved by the accounting authority on 26 July 2024 and were signed on its behalf by:



Fulvio Tonelli
Chairperson of the Board

1. Introduction

The accounting authority presents its report, which forms part of the IRBA's Annual Financial Statements for the year ended 31 March 2024, 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 expenses incurred resulted in an operating surplus of R8.7 million (2023: R13.0 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 a government grant.

Revenue from exchange transactions

Revenue from exchange transactions primarily comprises registration, licence and training contract fees. This revenue decreased to R52.9 million from R54.4 million mainly due to a decrease in trainee levies as less trainee contracts were registered and a decrease in new registrations.

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 a government grant. This revenue increased to R100.4 million from R83.3 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 R190.7 million from R170.5 million. This was mainly due to cost of living adjustments and further increases in expenses as explained below:

- Computer expenses increased by R1.5 million due to a bigger investment in computer software licenses.
- Placement fees increased by R0.9 million due to vacancies filled during the year.
- Local and international travel increased by R2.0 million due to more out of town travelling by inspectors and more international meetings being attended.
- Employee costs increased by R9.9 million due to fewer vacancies and an average annual salary increase of 5.7%.

3.4 Assets

The cash balance increased to R111.2 million from R93.7 million. An amount of R38.3 million (2023: R33.5 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.

3.5 Liabilities

Trade and other payables consist of trade payables of R2.5 million (2023: R3.8 million), accruals of R3.3 million (2023: R4.9 million) and an accrual for leave pay of R5.0 million (2023: R5.2 million). Net payables from exchange transactions is R11.9 million (2023: R15.1 million)

3.6 Surplus for the year

The IRBA reflected a surplus for the year of R19.6 million (2023: R20.1 million).

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

3.8 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 2023/2024 was a breakeven budget and it was approved by the Board and National Treasury in January 2023.

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 to 7 June 2024
N Ford-Hoon (Deputy Chairperson)	8 June 2021 to 7 June 2024
R Benjamin-Swales	8 June 2021 to 7 June 2024
P Phili	8 June 2021 to 7 June 2024
R Hawkins	8 June 2021 to 7 June 2024
T Kutumela	8 June 2021 to 7 June 2024
N Maharaj	8 June 2021 to 7 June 2024
Z Mshengu	8 June 2021 to 7 June 2024
PN Sibiyi	18 May 2023 to 17 May 2026
MR Mosala	18 May 2023 to 17 May 2026

Report of the Accounting Authority (continued)

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

The Standard Bank of South Africa

South African Reserve Bank

8. Auditors

Auditor-General South Africa

Report of the Audit and Risk Management Committee

We are pleased to present the report for the financial year ended 31 March 2024.

The 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 ARMCO 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 24.

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 these terms 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 IRBA's finance function. 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 the 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 ICT. 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),

Report of the Audit and Risk Management Committee (continued)

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 South Africa and the Accounting Authority the audited Annual Financial Statements included in the annual report.
- Reviewed the Auditor-General South Africa'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 South Africa.

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 Performance Plan;
- Review of the Annual Performance Report; and
- Review of the adequacy and effectiveness of the Inspection Processes.

External Audit

The committee met with the Auditor-General South Africa 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 the financial statements

Opinion

1. I have audited the financial statements of the Independent Regulatory Board for Auditors set out on pages 77 to 96, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with 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 2024 and its financial performance and cash flows for the year then ended in accordance with the 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 matter

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

Uncertainty relating to the future outcome of the prescribed fees litigation

7. With reference to Note 16 to the financial statements, the IRBA 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 judgement against the IRBA and an order for the IRBA to pass credits in respect of the relevant fees to affected registered auditors. The Board took the decision and the order on appeal to the Supreme Court of Appeal. The appeal was heard by the Supreme Court of Appeal on 11 March 2024, with the judgment received on 22 July 2024. The appeal succeeded in part, with the court ordering the Board to, among other things, reconsider certain fee structures by March 2025. The Board's decision following the judgment is reserved, as the judgment is still being consulted on and studied. As a result, and due to the timing of the judgment, management is unable to reliably estimate the financial exposure.

Other matter

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

Unaudited supplementary schedules

9. The supplementary information set out on page 97 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.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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.
11. 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.

Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors (continued)

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

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at on page 74, forms part of our auditor's report.

Report on the annual performance report

14. 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.
15. I selected the following material performance indicators related to inspections, investigations and disciplinary presented in the annual performance report for the year ended 31 March 2024. 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 – Percentage of matters scheduled for hearings or finalised.
16. 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.
17. 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.
 - All the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included.
 - The indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.
 - The targets can be 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 those committed to in the approved initial or revised planning documents.
 - The reported performance information presented in the annual performance report in the prescribed manner and is comparable and understandable.
 - There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
18. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
19. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

Report on compliance with legislation

22. 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.
23. 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.
24. 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.
25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
27. 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.
28. 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 objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not identify any material non-compliance with the selected legislative requirements.

Internal control deficiencies

30. I considered internal control 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.
31. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria
31 July 2024



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors (continued)

Annexure to the Auditor's Report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

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 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.

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 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	Section or Regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4) Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b) Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a) Regulation 16A6.1; 16A6.2(a); 16A6.2(b) Regulation 16A6.3(a); 16A6.3(b) Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5 Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6 Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii) Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f) Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a) Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1 Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Act: Regulations	Regulation 17 Regulation 25(7A)
Second amendment of National Treasury Instruction Note 05 of 2020/21	Paragraph 1
Erratum National Treasury Instruction Note 5 of 2020/21	Paragraph 2
National Treasury Instruction Note 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury Instruction Note 1 of 2021/22	Paragraph 4.1
National Treasury Instruction Note 4 of 2015/16	Paragraph 3.4
National Treasury Instruction Note 4A of 2016/17	Paragraph 6
National Treasury Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2 Paragraph 7.6
National Treasury Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1(b)
Practice Note 5 of 2009/10	Paragraph 3.3

Report of the Auditor-General to Parliament on the Independent Regulatory Board for Auditors (continued)

Legislation	Section or Regulations
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations of 2022 (PPR)	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations of 2017 (PPR)	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3 Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention & Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Statement of Financial Position

as at 31 March 2024

Figures in Rand	Notes	2024	2023
Assets			
Current assets			
Inventories		332 053	231 572
Loans receivable	2	236 606	261 478
Receivables from exchange transactions	3	3 975 632	3 617 127
Receivables from non-exchange transactions	4	15 510 266	13 945 537
Cash and cash equivalents	5	111 183 488	93 688 640
		131 238 045	111 744 354
Non-current assets			
Plant and equipment	6	12 220 071	12 760 189
Intangible assets	7	2 228 234	1 968 679
Restricted cash	8	10 000 000	10 000 000
		24 448 305	24 728 868
Total assets		155 686 350	136 473 222
Liabilities			
Current liabilities			
Operating lease liability	9	394 286	394 286
Payables from exchange transactions	10	11 883 566	15 128 195
Provisions	11	3 000 000	-
		15 277 852	15 522 481
Non-current liabilities			
Operating lease liability	9	3 204 372	3 393 289
Total liabilities		18 482 224	18 915 770
Net assets		137 204 126	117 557 452
Reserves			
Trust Fund		10 000 000	10 000 000
Contingency Fund – Disciplinary Cases		26 974 891	25 582 374
Contingency Fund – Operational		11 283 799	7 884 397
Accumulated surplus		88 945 436	74 090 681
Total net assets		137 204 126	117 557 452

Statement of Financial Performance

for the year ended 31 March 2024

Figures in Rand	Note	2024	2023
Revenue	12	199 467 663	183 541 478
Operating expenses		(49 788 566)	(40 334 414)
Lease rentals on operating lease		(4 273 540)	(4 273 540)
Loss on sale of plant and equipment		(70 994)	(123 956)
Employee costs		(132 485 648)	(122 511 704)
Depreciation, amortisation and change in accounting estimates		(4 110 190)	(3 269 614)
Operating surplus		8 738 725	13 028 250
Interest received		10 907 949	7 104 726
Surplus for the year		19 646 674	20 132 976

Statement of Changes in Net Assets

for the year ended 31 March 2024

Figures in Rand	Trust Fund	Contingency Fund – Disciplinary Cases	Contingency Fund – Operational	Total Reserves	Accumulated Surplus	Total Net Assets
Balance at 1 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 1 April 2023	10 000 000	25 582 374	7 884 397	43 466 771	74 090 681	117 557 452
Changes in net assets						
Surplus for the year	-	-	-	-	19 646 674	19 646 674
Transfer to contingency fund: Disciplinary cases	-	1 392 517	-	1 392 517	(1 392 517)	-
Transfer to contingency fund: Operational	-	-	3 399 402	3 399 402	(3 399 402)	-
Total changes	-	1 392 517	3 399 402	4 791 919	14 854 755	19 646 674
Balance at 31 March 2024	10 000 000	26 974 891	11 283 799	48 258 690	88 945 436	137 204 126

Cash Flow Statement

for the year ended 31 March 2024

Figures in Rand	Notes	2024	2023
Cash flows from operating activities			
Receipts			
Sale of goods and services		197 865 727	174 393 243
Interest income		10 907 949	7 104 726
		208 773 676	181 497 969
Payments			
Cash paid to suppliers and employees		(187 403 079)	(169 678 122)
Net cash flows from operating activities	13	21 370 597	11 819 847
Cash flows to investing activities			
Purchase of plant and equipment	6	(3 123 325)	(3 962 232)
Proceeds from sale of plant and equipment		117 231	96 801
Purchase of other intangible assets	7	(894 819)	(149 290)
Proceeds from sale of other intangible assets	7	292	-
Net movements in loans receivable		24 872	125 135
Net cash flows to investing activities		(3 875 749)	(3 889 586)
Net increase in cash and cash equivalents		17 494 848	7 930 261
Cash and cash equivalents at the beginning of the year		93 688 640	85 758 379
Cash and cash equivalents at the end of the year	5	111 183 488	93 688 640

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2024

Figures in Rand	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	54 575 950	52 895 977	(1 679 973)
Other income	57 397	312 459	255 062
Total revenue from exchange transactions	54 633 347	53 208 436	(1 424 911)
Revenue from non-exchange transactions			
Government grant	45 857 000	45 857 000	-
Revenue from regulatory functions	91 828 692	100 402 227	8 573 535
Total revenue from non-exchange transactions	137 685 692	146 259 227	8 573 535
Total revenue	192 319 039	199 467 663	7 148 624
Expenditure			
Personnel	(141 354 655)	(132 485 648)	8 869 007
Depreciation and amortisation	(4 664 480)	(4 110 190)	554 290
Lease of building	(4 273 536)	(4 273 540)	(4)
Debt impairment	-	(4 282 202)	(4 282 202)
Committee expenses	(12 368 069)	(7 002 422)	5 365 647
General expenses	(12 842 172)	(12 790 669)	51 503
Direct expenses	(13 819 264)	(13 568 175)	251 089
Departmental expenses	(8 524 727)	(12 145 098)	(3 620 371)
Total expenditure	(197 846 903)	(190 657 944)	7 188 959
Operating net surplus	(5 527 864)	8 809 719	14 337 583
Loss on disposal of assets	-	(70 994)	(70 994)
Interest received	5 527 864	10 907 949	5 380 085
Actual Surplus on comparable basis as presented in the budget and actual comparative statement	-	19 646 674	19 646 674

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

for the year ended 31 March 2024

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.

These accounting policies are consistent with the previous period.

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 2025.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in Note 11 – Provisions.

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.

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.

Accounting Policies (continued)

1. Presentation of Annual Financial Statements (continued)

1.3 Plant and equipment (continued)

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.

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.

Accounting Policies (continued)

1. Presentation of Annual Financial Statements (continued)

1.5 Financial instruments (continued)

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.

Presentation

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 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.

1.8 Provisions and contingencies

Provisions are recognised when:

- The IRBA has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

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.

1.9 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.

Measurement and recognition

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.

1.10 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
- 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.

Accounting Policies (continued)

1. Presentation of Annual Financial Statements (continued)

1.11 Investment income

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

1.12 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.

1.13 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.

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.

1.14 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 income 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

for the year ended 31 March 2024

2. Loans Receivable

	2024	2023
Study loans and travel advances	236 606	261 478

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

3. Receivables from Exchange Transactions

Trade debtors	2 511 572	2 763 685
Prepaid expenses	1 466 900	856 533
Less: Impairment provision	(2 840)	(3 091)
	3 975 632	3 617 127
Statutory receivables included in receivables from exchange transactions above are as follows:		
Education and Transformation – Trainee levies	2 506 217	2 374 550
Education and Transformation – Accreditation fee	-	389 135
Less: Impairment provision	(2 840)	(3 091)
	2 503 377	2 760 594

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

	2024	2023
1 month past due	206 250	278 041
2 months past due	42 464	6 540
3 months past due	49 080	81 400

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(3 091)	(9 685)
Provision for impairment	251	6 594
	(2 840)	(3 091)

4. Receivables from Non-exchange Transactions (Statutory Receivables)

Fines, penalties and legal cost recoveries outstanding	22 053 529	14 782 275
Assurance fees debtors	1 812 468	3 722 140
Less: Impairment provision	(8 355 731)	(4 558 878)
	15 510 266	13 945 537

Receivables from non-exchange transactions (statutory receivables) pledged as security

Trade and other receivables are not pledged as security.

Receivables from non-exchange transactions (statutory 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.

Notes to the Annual Financial Statements (continued)

4. Receivables from Non-exchange Transactions (Statutory Receivables) (continued)

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

	2024	2023
1 month past due	510 686	55 943
2 months past due	1 713 297	-
3 months past due	10 278 747	8 852 932
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(4 558 878)	(2 850 714)
Provision for impairment	(3 796 853)	(1 708 164)
	(8 355 731)	(4 558 878)

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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	5 321	3 429
Current Accounts	110 293 391	92 800 435
12-Month Term Deposit	884 776	884 776
	111 183 488	93 688 640

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, R26 974 891 (2023: R25 582 374); and Contingency Fund – Operational, R11 283 799 (2023: R7 884 397). Any shortage in cash resources to fund these reserves will be funded from working capital.

The IRBA maintains an operating cash float in its current account and call deposit account. The rest is invested in a Reserve Bank CPD account, as instructed by National Treasury.

12-month term deposit

An amount of R884 776 (2023: R884 776) has been pledged as a guarantee in terms of the lease agreement for the current premises, interest received is not capitalised.

6. Plant and Equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2 960 399	(1 495 737)	1 464 662	2 768 962	(1 337 111)	1 431 851
Motor vehicles	942 951	(311 917)	631 034	315 783	(265 258)	50 525
IT equipment	8 975 774	(5 065 039)	3 910 735	9 724 414	(5 189 715)	4 534 699
Leasehold improvements	8 948 767	(2 735 127)	6 213 640	8 078 422	(1 335 308)	6 743 114
Total	21 827 891	(9 607 820)	12 220 071	20 887 581	(8 127 392)	12 760 189

Reconciliation of plant and equipment – 2024

	Opening balance	Additions	Disposals	Depreciation/ Change in accounting estimates	Total
Furniture and fixtures	1 431 851	352 207	(106 809)	(212 587)	1 464 662
Motor vehicles	50 525	627 168	-	(46 659)	631 034
IT equipment	4 534 699	1 273 604	(81 416)	(1 816 152)	3 910 735
Leasehold improvements	6 743 114	870 346	-	(1 399 820)	6 213 640
	12 760 189	3 123 325	(188 225)	(3 475 218)	12 220 071

Reconciliation of plant and equipment – 2023

	Opening balance	Additions	Disposals	Depreciation/ Change in accounting estimates	Total
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

7. Intangible Assets

	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	8 902 081	(6 673 847)	2 228 234	8 009 433	(6 040 754)	1 968 679

Reconciliation of intangible assets – 2024

	Opening balance	Additions	Disposals	Amortisation/ Change in accounting estimates	Total
Computer software	1 968 679	894 819	(292)	(634 972)	2 228 234

Reconciliation of intangible assets – 2023

	Opening balance	Additions	Disposals	Amortisation/ Change in accounting estimates	Total
Computer software	2 328 607	149 290	(792)	(508 426)	1 968 679

Notes to the Annual Financial Statements (continued)

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 income 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

	2024	2023
Non-current liability	(3 204 372)	(3 393 289)
Current liability	(394 286)	(394 286)
	(3 598 658)	(3 787 575)
Total lessor incentive	(1 182 856)	(1 577 142)
Add: Current liability	(394 286)	(394 286)
Lessor incentive	(1 577 142)	(1 971 428)
Operating lease accrual	(2 021 516)	(1 816 147)
	(3 598 658)	(3 787 575)

The building lessor gave 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

	2024	2023
Trade payables	2 514 041	3 847 279
Other accruals	3 260 843	4 923 764
Registration application fees	1 066 060	1 117 020
Accrued leave pay	5 042 622	5 240 132
	11 883 566	15 128 195

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.

11. Provisions

Reconciliation of provisions – 2024

	Opening balance	Additions	Total
Legal proceedings	–	3 000 000	3 000 000

Legal proceedings provisions

The IRBA is involved in ongoing litigation regarding its authority to prescribe various fees in terms of the Auditing Profession Act 26 of 2005, as amended. The High Court had previously issued a cost order in favour of the applicants. The IRBA subsequently took the decision of the High Court, including the cost order awarded, on appeal, with the judgment from the Supreme Court now having been issued – and it is currently being evaluated.

Figures in Rand	2024	2023
12. Revenue		
Government grants	45 857 000	45 684 000
Revenue from regulatory functions – exchange	52 895 977	54 375 569
Revenue from regulatory functions – non-exchange	100 402 227	83 293 799
Other income	312 459	188 110
	199 467 663	183 541 478
The amounts included in revenue from regulatory functions(exchange transactions) are as follows:		
Licence fees	37 528 208	36 947 572
Monitoring fees	861 750	1 472 029
Proficiency test fees	116 160	198 450
Registration fees	2 406 959	3 065 208
Training contracts and levies	11 982 900	12 692 310
	52 895 977	54 375 569
The amount included in revenue arising from non-exchange transactions is as follows:		
Contributions to disciplinary and investigation expenses	6 801 466	5 139 760
Sanctions for improper conduct	18 423 750	9 757 500
Assurance Fees	75 177 011	68 396 539
	100 402 227	83 293 799
13. Cash Generated from Operations		
Surplus	19 646 674	20 132 976
Adjustments for:		
Depreciation and amortisation	4 110 190	3 269 614
Net loss on sale of assets	70 994	123 956
Debt impairment	4 282 202	1 701 571
Movements in operating lease	(188 917)	63 676
Movement in provision	3 000 000	-
Changes in working capital:		
Inventories	(100 481)	(58 695)
Receivables from exchange transactions	(358 505)	(1 237 405)
Impairment provision	(4 282 201)	(1 701 571)
Other receivables from non-exchange transactions	(1 564 729)	(8 203 676)
Payables from exchange transactions	(3 244 630)	(2 270 599)
	21 370 597	11 819 847
14. Financial Instruments		
Financial assets at amortised cost		
Trade and other receivables from exchange transactions	2 508 732	2 760 594
Trade and other receivables from non-exchange transactions	15 510 266	13 945 537
Cash and cash equivalents	111 183 488	93 688 640
Restricted Cash	10 000 000	10 000 000
	139 202 486	120 394 771
Financial liabilities at amortised cost		
Trade and other payables from exchange transactions	11 883 566	15 128 195

Notes to the Annual Financial Statements (continued)

15. Commitments

Figures in Rand	2024	2023
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	4 974 693	4 659 135
– in second to fifth year inclusive	16 518 277	20 692 824
	21 492 970	25 351 959

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.

16. 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 Act. 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 took the decision and the order on appeal to the Supreme Court of Appeal. The appeal was heard by the Supreme Court of Appeal on 11 March 2024, with the judgment received on 22 July 2024. The appeal succeeded in part, with the court ordering the IRBA to, among others, reconsider certain fee structures by March 2025. The Board's decision following the judgment is reserved, as the judgment is still being consulted on and studied. As a result, and due to the timing of the judgment, management is unable to reliably estimate the financial exposure.

17. Bad Debts and Debt Impairment Provision

Figures in Rand	2024	2023
Bad debts – written off	485 000	-
Increase to debt impairment provision	3 797 202	1 701 571
	4 282 202	1 701 571

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.

18. Auditors' Remuneration

Figures in Rand	2024	2023
Auditors' remuneration – external	840 891	637 938

Current year fees include billings for completion of the 2023 financial year audit and billings for the interim 2024 financial year audit.

19. Related Parties

Relationships

Members of key management (Refer to Note 20).

20. Key Management and Board Members' Remuneration

Board members' fees

Figures in Rand	2024	2023
F Tonelli*	919 285	985 414
N Ford-Hoon*	488 735	565 020
N Maharaj*	329 853	271 218
P Phili*	357 778	354 187
R Benjamin-Swales	254 157	133 660
R Hawkins	328 550	387 712
T Kutumela	264 958	361 651
Z Mshengu	352 160	203 472
MR Mosala	209 325	-
PN Sibiyi	203 187	-
C Mjali	-	132 260
	3 707 988	3 394 594

* Fees are inclusive of VAT at 15%.

Key management fees

2024	Annual remuneration	Contributions to retirement fund	Telephone allowance	Total
I Nagy, CEO	3 944 473	366 229	21 540	4 332 242
I Vanker, Director: Standards	2 840 997	197 304	16 260	3 054 561
J Bailey, Director: Investigations	2 780 227	258 074	16 260	3 054 561
RN Motsepe, Director: Legal	2 840 997	197 304	16 260	3 054 561
NA Kater, Director: Education and Transformation	2 840 997	197 304	16 260	3 054 561
N Gulwa, Director: Inspections	2 825 804	212 497	16 260	3 054 561
P Narismulu, Director: Operations	2 840 997	197 304	16 260	3 054 561
	20 914 492	1 626 016	119 100	22 659 608

2023	Annual remuneration	Group award	Contributions to retirement fund	Telephone allowance	Total
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, Acting 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

Notes to the Annual Financial Statements (continued)

21. 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 14 for financial instruments.

Interest rate risk

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

22. 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.

23. 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, except for the litigation regarding its authority to prescribe various fees in terms of the Act (refer to Note 16).

24. Service In-kind

The IRBA received services in-kind from National Treasury for the shared internal audit activity; and similar services were also received in the prior year.

25. Budget Differences

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

- a. Revenue from regulatory functions: Exchange transactions are lower than the budget, due to less annual license renewals and new registrations.
- b. 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.
- c. The underspending in personnel costs is due to vacancies during the year and short-term incentives not paid.
- d. The overspending on debt impairment relates to the increase in the provision for debt impairment on contributions to disciplinary expenses and sanctions for improper conduct that were not budgeted for.
- e. Direct and committee expenses are lower than budgeted for, owing to fewer disciplinary hearings taking place than what was expected.
- f. Departmental expenses relate to an overspending in general legal expenses and placement fees paid for vacancies filled.
- g. 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 Reserve Bank CPD account.

Detailed Income Statement

for the year ended 31 March 2024

Figures in Rand	Notes	2024	2023
Revenue			
Government grants		45 857 000	45 684 000
Other income		312 459	188 110
Revenue from regulatory functions – exchange		52 895 977	54 375 569
Revenue from regulatory functions – non-exchange		100 402 227	83 293 799
		199 467 663	183 541 478
Other income			
Interest received		10 907 949	7 104 726
Operating expenses			
Audit Development Programme assessments		(781 142)	(716 523)
Auditors' remuneration	18	(840 891)	(637 938)
Bad debts and debt impairment provision	17	(4 282 202)	(1 701 571)
Building operating expenses		(2 192 121)	(1 827 272)
Committee expenses		(7 002 422)	(6 774 881)
Computer expenses		(5 370 446)	(3 834 239)
Consulting and professional fees		(1 572 841)	(704 251)
Depreciation, amortisation and impairments		(4 110 190)	(3 269 614)
Disciplinary and investigation expenses		(15 613 568)	(16 206 192)
Employee costs		(132 485 648)	(122 511 704)
Insurance		(457 402)	(371 680)
Lease of building		(4 273 540)	(4 273 540)
Loss on disposal of assets		(70 994)	(123 956)
Other expenses		(2 853 058)	(2 482 541)
Placement fees		(2 514 727)	(1 625 525)
Printing and stationery		(651 112)	(507 517)
Proficiency tests		(54 853)	(75 831)
Public relations		(876 427)	(695 314)
Publications		(140 927)	(84 077)
Raising awareness and branding		(198 785)	-
Staff welfare		(1 231 910)	(1 106 051)
Travel – local		(1 222 464)	(226 041)
Travel – overseas		(1 843 032)	(686 774)
Workman's compensation		(88 236)	(70 196)
		(190 728 938)	(170 513 228)
Surplus for the year		19 646 674	20 132 976

The supplementary information presented above does not form part of the annual financial statements and is unaudited.

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