

**BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

**Use of Information**

Please refer to the Disclaimer published on the Compliance Program website.

**ACTION PLAN**

<b>IFAC Member:</b>	South African Institute of Chartered Accountants (SAICA)
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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

## GLOSSARY

<b>AGA(SA)</b>	Associate General Accountants (South Africa)
<b>AGC</b>	Assurance Guidance Committee
<b>APA</b>	Auditing Profession Act (Act 26 of 2005)
<b>APB</b>	Accounting Practices Board
<b>APC</b>	Accounting Practices Committee
<b>ASB</b>	Accounting Standards Board
<b>CA(SA)</b>	Chartered Accountant (South Africa)
<b>CFAE</b>	Committee for Auditor Ethics
<b>CFAS</b>	Committee for Auditing Standards
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CPD</b>	Continuing Professional Development
<b>DTI</b>	Department of Trade and Industry
<b>FRIP</b>	Financial Reporting Investigation Panel <b>FRSC</b> Financial Reporting Standards Council <b>FRTC</b> Financial Reporting Technical Committee <b>GAAP</b> Generally Accepted Accounting Practice <b>GRAP</b> Generally Recognized Accounting Practice
<b>IAASB</b>	International Auditing and Assurance Standards Board <b>IAESB</b> International Accounting Education Standards Board <b>IAPS</b> International Accounting Practice Statements
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board of Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IFRS for SMEs</b>	International Financial Reporting Standards for Small and Medium-Sized Entities
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>ISA</b>	International Standard on Auditing
<b>ISAE</b>	International Standard on Assurance Engagements
<b>ISQC</b>	International Standard on Quality Control
<b>ISRE</b>	International Standard on Review Engagements
<b>ISRS</b>	International Standard on Related Services
<b>JSE</b>	Johannesburg Stock Exchange Limited
<b>MFMA</b>	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

**GLOSSARY (CONTINUED)**

<b>PFMA</b>	Public Finance Management Act, 1999 (Act No. 1 of 1999)
<b>PIE</b>	Public Interest Entity
<b>RA</b>	Registered Auditor
<b>ROSC A&amp;A</b>	Report on the Observance of Standards and Codes – Accounting and Auditing
<b>SA</b>	South Africa / South African
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SARB</b>	South African Reserve Bank
<b>SME</b>	Small-and-Medium-sized Entities
<b>SMO</b>	Statement of Membership Obligations
<b>SMP</b>	Small and Medium-sized Practitioners
<b>SPF</b>	Senior Partners Forum
<b>TQMS</b>	Technical Query Management System
<b>NT</b>	National Treasury
<b>NSMP</b>	National Small Medium Practices Committee
<b>PAO</b>	Professional Accountancy Organisation

**General Information:**

**Regulation of the accountancy profession in South Africa, including audit oversight arrangements**

The auditing profession in South Africa is regulated; however, there is no national supervision over the professional accountancy organisations (PAOs). The Independent Regulatory Board for Auditors (IRBA) is established under the Auditing Profession Act 2005 (APA) ([https://www.gov.za/sites/default/files/gcis\\_document/201409/a26-050.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/a26-050.pdf)) and is mandated to regulate the auditing profession in the public interest. The objectives of the IRBA are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors (RAs). The IRBA is also the auditing and assurance standards-setter in South Africa.

The APA provides for the education, training and professional development of RAs, for the accreditation of professional bodies whose members will be eligible to register as RAs with the IRBA and to regulate the conduct of RAs. Under the APA, the IRBA has responsibilities relating to the registration, inspection and discipline of RAs, as well as for setting auditing standards and standards of professional competence, ethics and conduct for RAs.

During May to October 2013 the World Bank conducted the second Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC A&A) review in South Africa at the request of the Minister of Finance. The ROSC A&A, published in June 2013, recommended inter alia that appropriate legislation should be enacted to provide for the regulation of both PAOs and an audit regulatory body. While each PAO would continue to support and regulate its members, the proposed regulatory body should ensure that the education and training offered by PAOs is appropriate to the types of services being offered by the PAO membership. The regulatory body would accredit, register, monitor, and sanction the PAOs, as well as monitor compliance in accordance with the accreditation criteria on an ongoing basis. It was further recommended that the regulatory body would continue with the existing IRBA functions in addition to the proposed oversight function over PAOs (i.e. providing for the comprehensive regulation of the accountancy profession).

Based on the ROSC A&A recommendations, National Treasury (NT) commenced a process of consultations and stakeholder engagements from January 2014. In September 2015 the Office of the Accountant-General (in NT) hosted a collaborative stakeholder engagement meeting to engage stakeholders, soliciting additional comments and views on the establishment of a new regulator including the impact it might have on their respective institutes and members.

- In principle the initial proposal is that a new regulator for both the accounting and auditing spheres be established, and that the current mandate of the IRBA be expanded to allow it to be the new regulator of the accountancy profession, under new legislation, i.e. a proposed Accountancy Profession Act.
- Furthermore, the initial proposal includes the adoption of an accreditation model in terms of which the Regulator will prescribe minimum requirements for accreditation of PAOs.
- PAOs and other stakeholders provided input at the September 2015 meeting, and were granted an additional opportunity to submit information and views to NT by the end of October 2015.

- NT was to prepare and submit a Memorandum to the Minister of Finance for his consideration and approval, and direction on how to progress this project.
- The process has been temporarily delayed during 2016 owing to various factors, including the appointment of a new Accountant-General, the appointment of a new Finance Minister and the effect of the municipal elections in South Africa.  
As at the date of publication of this report, the legal and regulatory framework has not been amended and no new legislation has been enacted.

#### **Audit Reform project:**

In the February 2020 Budget speech, Minister of Finance Tito Mboweni indicated that National Treasury will appoint an independent panel of experts to review practices in the auditing profession. While there is an understanding that the audit profession needs to change in order to address trust restoration and reputational issues, SAICA's view is that the overall financial reporting eco-system and capital markets' stability are called into question by the current situation. The answers to the trust restoration and relevance questions will not be found by reforming only one element of the ecosystem. SAICA strongly believes that the answers to the trust restoration and relevance questions lies in the profession embracing the concept of joint responsibility and accountability for the stability and credibility of the financial reporting eco-system.

Corporate failures continue to happen despite: management claiming that financial information is prepared according to the applicable financial reporting frameworks; the auditors claiming that audits are performed in compliance with the International Standards of Auditing (ISAs); the boards of directors and audit committees claiming to have discharged their fiduciary duties in terms of the relevant legislation; and regulators claiming to have perform their regulatory duties for these public interest entities. Therefore, there is a need to address the expectation gaps in all of the elements, including:

- The role of those charged with the responsibility to produce financial statements (senior executives).
- Those charged with governance (boards of directors and the audit committees).
- The internal audit function
- External auditors
- The role of professional bodies, regulators and standard setters.

In this regard, in 2020 SAICA embarked on a wide consultation process with members of the accountancy profession and users of the financial statements to understand what some of the causes of corporate failures are and the measures that the profession can take to prevent or minimize the impact of future failures. A benchmarking exercise was also performed to understand the progress that has been made in other jurisdictions on corporate reporting and audit reforms. This exercise culminated in a Terms of Reference document that highlights the key areas for consideration that the Minister of Finance should potentially focus on when the Ministerial panel has been established. This document also forms the basis of SAICA's engagement with National Treasury and will continuously be updated as further consultations take place with the profession. At this point, due to COVID-19 and other pressing matters of national importance, National Treasury still have not announced the establishment of the Ministerial Panel to look into the auditing profession thus giving SAICA time to perform further research in this area.

#### **The South African Institute of Chartered Accountants (SAICA)**

SAICA's mission is to promote and lead the chartered accountancy profession so as to create sustainable value for its members and other

stakeholders. As a membership organisation, SAICA's primary role is to serve, represent and promote the interests of its members and associates. In meeting this objective, SAICA's long-term professional interests are always in line with public interest and responsible leadership.

The chartered accountancy profession in South Africa receives its license to operate through the Chartered Accountants Designation (Private) Act 67 of 1993 in terms of which chartered accountants may offer a professional service to the public on condition that they are members of SAICA. In return, chartered accountants need to operate in accordance with a strict code of professional conduct.

SAICA operates as a voluntary association not-for-gain and is registered in terms of the Non-profit Organisations Act 71 of 1997.

SAICA is governed by a Board (the SAICA Board) who is elected and appointed in terms of the SAICA constitution and operates in terms of the by-laws and board charter. The Board is representative of the SAICA membership base and is committed to implementing the principles of the King Report on Corporate Governance in South Africa.

As at the end of June 2021, SAICA has 48 563 members (Chartered Accountants (SA)) (CA(SA)s). Of these, 38 558 (79,4%) are members in South Africa and 10 005 (20,6%) are members outside South Africa. Member constituencies can be summarised as follows:

□	In public practice	29%	[14 169]
□	In business (finance, accounting, internal auditing, management, executive)	45%	[22 111]
□	In the public sector	5%	[2 290]
□	In education	2%	[900]
—□	Retired, unemployed and other	19%	[9 903]

### Professional accountancy organisations (PAOs) in South Africa

#### *PAOs in South Africa which are full members of IFAC*

- The South African Institute of Chartered Accountants (SAICA) ### \*\*□
- The South African Institute of Professional Accountants (SAIPA) \*\*\*

*The following PAOs in South Africa are associated with parent organizations in the UK (the UK parent organizations are full members of IFAC)*

- The Chartered Association of Certified Accountants – SA (ACCA) \*\*\*
- The Chartered Institute of Management Accountants – SA (CIMA) \*\*\*

#### *PAOs in South Africa which are not members of IFAC*

- Chartered Secretaries Southern Africa (CSSA) \*\*\*
- Institute of Accounting and Commerce (IAC) \*\*\*
- The South African Institute of Business Accountants (SAIBA) \*\*\*
- The Members of the Chartered Institute for Business Management (MCIBM) \*\*\*
- The Southern African Institute of Government Auditors (SAIGA) \*\*\*
- The Institute of Certified Bookkeepers (ICB)
- The Institute of Internal Auditors – SA (IIA)

Notes:

**###** SAICA is currently the only PAO in South Africa that is accredited by the IRBA in terms of the Auditing Profession Act 2005. CAs(SA) can apply for registration with the IRBA and provide services as registered auditors (RAs) in South Africa.

**\*\*\*** Some of the PAOs are accredited with the CIPC which in turn permits their members to perform the duties of an accounting officer of a close corporation in terms of the Close Corporations Act 1984, and are allowed to be appointed as independent reviewers to perform the reviews of the financial statements of certain categories of companies in accordance with the Companies Act 2008 and Companies Regulations 2011. With respect to the latter only CA(SA)s and RAs can perform independent reviews of qualifying companies with a public interest score of 100 or more.

**SAICA is accredited by the IRBA**

SAICA is accredited by the IRBA in terms of sections 32 to 34 of the APA. Individuals must apply to the IRBA for registration as registered auditors (RAs) in terms of section 37 of the APA. The Auditing Profession Amendment Act, 5 of 2021, effective from 26 April 2021 included a new requirement that an individual may only be registered with the Regulatory Board if he or she is a member of a professional body accredited in terms of section 32(2). This is different from the past requirement where a RA did not have to retain membership with SAICA once he / she completed the training and qualified as a CA(SA). Firms may also be registered as RAs, subject to the requirements under section 38 of the APA.

*Accreditation* is the status granted by the IRBA to professional bodies that meet and continue to meet the prescribed accreditation standards. A professional body (i.e. PAO) must demonstrate, to the satisfaction of the IRBA, that:

- It complies with the prescribed requirements for professional development and the achievement of professional competence;
- It has appropriate mechanisms for ensuring that its members participate in CPD as recognised by the Regulatory Board;
- It has mechanisms to ensure that its members are disciplined where appropriate;
- It is, and is likely to continue to be, financially and operationally viable for the foreseeable future;

- It keeps a register of its members in the form prescribed by the Regulatory Board;
- It has in place appropriate programs and structures to ensure that it is actively endeavoring to achieve the objective of being representative of all sectors of the South African population; and
- It meets any other requirement prescribed by the IRBA from time to time, including that the professional body must have appropriate technical support and guidance available to its members who are RAs.

The *IRBA Accreditation Model* sets out the detailed institutional accreditation standards for each of the above accreditation requirements. SAICA is required to submit an annual *Institutional Requirements Report* to the IRBA in the form of a formal report and a self-evaluation. The SAICA report for the year 2020 was submitted to the IRBA on 10 May 2021.



**Action Plan Subject:** SMO 1–Quality Assurance

**Action Plan Objective:** Maintain and continue to enhance compliance with Quality Assurance requirements

**Background:**

**Regulation and standard-setting**

The Independent Regulatory Board for Auditors (IRBA) is the audit regulator and the auditing and assurance standard-setter in South Africa, under the Auditing Profession Act 2005 (APA). SAICA members, i.e. CA(SA)s are eligible to register as RAs with the IRBA, and if admitted, they are subject to full regulation by the IRBA.

As from 1 January 2005, the predecessor body of the IRBA, the Public Accountants and Auditors Board (PAAB) adopted, without modification, the International Standards issued by the International Auditing and Assurance Standards Board (IAASB). Following the promulgation of the APA, effective from 1 April 2006, the IRBA confirmed the adoption of the International Standards issued by the IAASB.

By virtue of SAICA being accredited by the IRBA, all CA(SA)s registered as RAs with the IRBA are required to use and comply with the International Standards issued by the IAASB, including with respect to quality control:

- At firm level: ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.
- At engagement level: ISA 220, Quality Control for an Audit of Financial Statements, as well as the relevant engagement standards for services other than audits, including ISRE 2400 (Revised), ISAE 3000 (Revised), ISRS 4410 (Revised), etc.

Those CA(SA)s in public practice who are not RAs (and therefore do not perform audits of financial statements) are required by SAICA, as part of their membership obligations, to use and comply with ISQC 1 and the relevant engagement standards issued by the IAASB relevant to the professional services they provide, which may include reviews, other assurance engagements and related services.

**Quality assurance reviews performed by the IRBA**

In terms of section 4(1)(a) of the APA, the IRBA is required to take steps to promote the integrity of the auditing profession, including, in terms of section 4(1)(a)(iv), “conducting practice reviews or inspections”. The IRBA Inspections Department performs inspections of firms and of individual partners (i.e. assurance engagements). The objective of *firm inspections* is to inspect the design and implementation of an audit firm’s system of quality control. The objective of *engagement inspections* is to monitor RAs’ compliance with the relevant professional standards, pronouncements and codes in the performance of the assurance function.

The IRBA’s inspection process is mandatory for all RAs and ensures that all mandatory audits in South Africa, i.e. audits that are required in terms of legislation or regulation, are subject to a quality assurance review process. Inspections are performed in terms of section 47 of the APA that requires, amongst other, that the IRBA must, at least every three years, inspect or review the practice of a RA who audits a public company. The IRBA prioritizes the inspection of firms performing audits of financial statements of public interest entities (PIEs), but all firms performing statutory audits are subject to be selected for inspection. Within a particular inspection cycle, the IRBA will inspect a risk-based sample from a population comprising all mandatory audits; however, there is also an element of unpredictability with some random selections from time to time.

Audit firms that are accredited by the Johannesburg Stock Exchange Limited (the JSE) to audit the financial statements of listed entities are subject to a full firm inspection. The larger firms are inspected on an annual basis, based on the number of audits of PIEs, while other firms are selected based on risk factors. Firms that perform high risk audits may be selected for a firm inspection (the larger a firm is in terms of its audits of PIEs, the more likely that a firm inspection will be performed). When a firm inspection is performed, a sample of the high-risk assurance engagements performed by the individual partners of the firm is subject to engagement inspection (per individual partner). If a firm inspection is not applicable, but individual partners in a firm perform high risk assurance engagements, a sample of such engagements is subject to engagement inspection (per individual partner).

The IRBA applies the following approach to categorizing assurance engagement risk:

Category A: High risk audits and related assurance work

This refers to audits performed by RAs and firms that are required in terms of legislation or regulation. These include:

- Audits required in terms of the Companies Act, 2008 of:
  - public companies
  - state-owned enterprises
  - private companies with a public interest score of 350 and above (per the Companies Act).
  - private companies with a public interest score of less than 350, but at least 100, if the annual financial statements were internally compiled.
- Audits of banks and regulatory returns to the South African Reserve Bank (SARB) in terms of the regulations to the Banks Act, 1990.
- Audits required by legislation under the Financial Services Board (FSB), of:
  - insurance companies
  - collective investment schemes
  - pension and retirement funds
  - provident funds
  - any other audits required by the Financial Advisory and Intermediary Services Act, 2002
- Audits of Medical Schemes

- Audits on behalf of the Auditor-General
  - Trust accounts for legal practitioners (including attorneys trust accounts)
  - Audits of Estate Agents, body corporates (in terms of the Sectional Titles Schemes Management Act)
  - Audits of Co-operatives
  - Audits of non-profit organisations where the turnover is more than R50 million
  - Audits of all tertiary educational institutions
  - Audits required by the Sectional Titles Schemes Management Act, 2011 (as amended).
- Assurance work related to other regulatory returns in respect of any of the above audit clients
- Audits of private companies with a public interest score below 350 where its Memorandum of Incorporation has been altered to include an audit requirement

#### Category B: Low risk assurance work

This refers to all assurance work not already stated above and including:

- Voluntary audits
- Independent reviews required in terms of the Companies Act, 2008
- Other assurance work.

Note: Assurance work in Category B is only subject to inspection or investigation on a reactive basis, based on a complaint or allegation made directly to the IRBA, or made to SAICA and subsequently referred to the IRBA.

Cases of possible improper conduct, including those linked to alleged non-compliance with applicable technical and professional standards, are referred either from SAICA to the IRBA or from IRBA to SAICA. In the former, SAICA is obliged to refer cases to the IRBA in matters where an accused is both a RA and a CA(SA) at the time of the alleged offence. Upon conclusion of cases referred to the IRBA, SAICA then institutes proceedings in terms of its By-laws and takes the necessary action against the accused. The Auditing Profession Amendment Act, 2021<sup>1</sup> introduced a requirement that the IRBA Enforcement Committee may, if considered appropriate refer a non-audit matter brought against a RA to the relevant professional body for investigation and disciplinary proceedings.

In the case of RAs who are SAICA members, the link between quality assurance (SMO 1) and investigations and discipline (SMO 6) is made by the IRBA. [Refer to SMO 6 in this Action Plan for further detail]

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<sup>1</sup> Section 48(1A) of the Auditing Profession Amendment Act, 5 of 2021, effective from 26 April 2021  
Status as of Date of Publication

### **Other quality assurance arrangements**

SAICA does not apply a separate quality assurance system similar to that of the IRBA for CA(SA)s who are not RAs, but rather deals with cases of possible improper conduct that are linked to alleged non-compliance with applicable technical and professional standards in accordance with its investigation and discipline processes. Furthermore, the following quality assurance arrangements are reactive and will result in consideration and, if applicable further investigation, by SAICA Legal division, based on a complaint or allegation made directly to SAICA, or referred to SAICA by one of the identified intermediaries, or by the IRBA or by any other person or organisation. **[Refer to SMO 6 in this Action Plan for further detail.]**

#### *The JSE*

Section 22 of the JSE listing requirements prescribes requirements pertaining to the qualifications, roles and responsibilities, status, and termination of accreditation of an accredited audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist. In terms of section 22 of the JSE Listing Requirements, the audit firm and the individual auditor who will sign the assurance report of the applicant issuer must be registered with the IRBA for that purpose or in the instance of an audit firm and their individual auditors registered in a jurisdiction other than the Republic of South Africa, with a similar regulatory/ professional body for auditors. Section 22 of the Listing requirements sets out the criteria that must be met by the audit firm in order to be accredited on the JSE list of Auditors and Accounting Specialists. Included in this criteria are:

- The audit firm have at least three individual auditors who are registered as assurance individual auditors with their regulator and whose names do not appear on the JSE list of individuals that are disqualified as auditors;
- The audit firm must have at least one IFRS adviser, either internal or external to the firm, accredited on the JSE list of Auditors and Accounting Specialists;
- The IRBA or regulatory/professional body for auditors in that jurisdiction must have completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm in its current or previous inspection cycle;
- The audit firm must provide the JSE with the outcome of an audit firm inspection performed by the IRBA (or a similar regulatory or professional body for auditors in another jurisdiction) together with the decision letter and findings report from the IRBA (or similar regulatory or professional body for auditors), regardless of whether or not the audit firm intends to challenge the decision.

The audit firm will only be accredited if the JSE is satisfied with the outcome of the ISQC 1 review based on its assessment of how any matters identified in the inspection may impact on the JSE's ability to fulfil its regulatory duties and responsibilities as well as an assessment of the impact that this review may have on the integrity of the JSE's markets.

### *Companies and Intellectual Property Commission (CIPC)*

CIPC is established in terms of section 185 of the Companies Act 2008.

Only RAs are permitted to perform audits of financial statements. As discussed in the “General information” section at the start of this Action Plan, the members of nine PAOs are permitted to perform independent reviews of company financial statements; however, only CA(SA)s and RAs can perform independent reviews of qualifying companies with a public interest score of 100 or more (this would include a CA(SA) that is not a RA). Any non-conformances of companies are directly reported to CIPC (in lieu of RAs reporting Reportable Irregularities identified during audits to the IRBA in terms of the APA). SAICA members who are not RAs may also perform other assurance engagements and related services, provided that they do not hold themselves out to be RAs.

Regulation 29(12) of the Companies Regulations 2011 determines that every profession (i.e. PAOs) recognised by the Minister whose members are entitled to perform an independent review of company financial statements, is required to annually file a report with CIPC demonstrating that:

- ☐ it has proper mechanisms for ensuring that its members participate in continued professional development and achievement of professional competence;
- ☐ it has mechanisms to ensure that its members are disciplined where appropriate;
- ☐ it is, and is likely to continue to be, financially and operationally viable for the foreseeable future;
- ☐ it keeps and maintains a proper register of its members;
- ☐ it has in place appropriate programmes and structures to ensure that that it is actively endeavouring to achieve the objective of being representative of all sectors of the South African population; and
- ☐ it meets any other requirements that may be determined by CIPC from time to time.

CIPC does not have a quality assurance system similar to that of the IRBA in relation to independent reviews and reviewers, but rather relies on the relevant systems and processes of the various PAOs, which it monitors as provided for in regulation 29(12). CIPC commenced its monitoring in terms of the above regulation in 2014. SAICA has submitted our latest annual report to CIPC in on 31 March 2021 (with respect to the 2020 year)

### *Financial Reporting Investigation Panel (FRIP)*

The FRIP (the Panel) is an advisory panel that performs an investigation function linked to the JSE’s review process to proactively monitor compliance by JSE listed entities with applicable financial reporting requirements. The FRIP only considers cases referred to it by the JSE Issuer Regulation Division. The function of the Panel is to advise the JSE Issuer Regulation Division in relation to alleged cases of non-compliance with financial reporting standards in annual and interim reports and any other company publications. The JSE Issuer Regulation Division will consider the advice of the FRIP and take such action it deems appropriate. To assist those responsible for the regulation of RAs, CA(SA)s and other professionals, the JSE Issuer Regulation Division may provide information to the relevant professional bodies and regulators. [Refer to SMO 7 in this Action Plan for further detail]

## **Responsibilities**

Owing to its legislative mandate and functions the following elements of SMO 1 is the responsibility of the IRBA. SAICA is not directly involved in the inspection process. SAICA's role is to provide support to RAs in implementing and maintaining appropriate systems of quality control and to engage with the IRBA on matters of quality control and audit quality. The following are examples of SAICA's activities related to QA:

- Quality control standards – To assist all members in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control;
- Participating in the IRBA's processes to develop and issue local practice statements and guidance;
- Participating in and influencing local processes with respect to the development of new, or revisions to legislation and regulations that affect members in public practice;
- Participating in international standard-setting – SAICA's own efforts to evaluate and comment on the outputs of the standard-setting activities of the IAASB;
- Proactively engage with the IRBA (providing for effective two-way communication) on matters relating to inspections, quality control and audit quality, and disseminating IRBA related information to SAICA members;
- Participating in international standard-setting – In the context of collaborating with the IRBA (and other relevant stakeholders) in evaluating and commenting on the outputs of standard-setting activities of the IAASB.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	<p>A more formalised and collaborative approach of proactive engagement with the IRBA on matters relating to inspections (the inspections process and common inspections findings), quality control and audit quality:</p> <ul style="list-style-type: none"> <li>□ Open and direct communication channels between SAICA and the IRBA.</li> <li>□ Regular meetings with the IRBA Director Inspections and other senior staff from the Inspections Department.</li> <li>□ Utilising SAICA's committee structure (primarily the Assurance Guidance Committee) to facilitate a forum for the IRBA to provide constructive feedback to auditors relating to inspections and matters of audit quality and for SAICA to escalate matters that come to its attention to the IRBA.</li> </ul>	Ongoing	Senior Executive Audit and Assurance	SAICA and IRBA technical staff, and SAICA committees

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	Ongoing	<p>Continue to offer and facilitate relevant and appropriate CPD activities on the International Standards issued by the IAASB and adopted and prescribed for use by the IRBA, and other accountancy profession developments. Due to the diverse professional roles SAICA members are involved in, SAICA allows its members to identify and record learning activities that fall outside the scope of courses and seminars, such as preparation for and attendance at Board meetings, provided such activities contribute towards the learning and development of the member in his or her specific role.</p> <p>SAICA annually hosts a variety of CPD events (seminars, workshops, information sessions, etc.). Besides knowledge and skills development and information sharing, they also enable SAICA to promote the importance of quality control and audit quality.</p> <p>In general, all technical audit and assurance events / interventions encapsulate matters relating to quality control and improving audit quality (compliance with standards and laws and regulations, promoting good practice and ensuring that the auditor's report (or other engagement report) is appropriate in the circumstances). However, examples of recent events that have specifically focused on, or incorporated quality control are:</p> <ul style="list-style-type: none"> <li>• Auditing of Accounting Estimates: ISA 540 (Revised)</li> <li>• Independent Reviews refresher</li> <li>• A session hosted with members in Assurance on the Exposure Draft to the Quality Management Standards.</li> <li>• A webinar hosted on how to audit revenue (IFRS 15)</li> <li>• An event focused on Corporate Reporting and Audit Reform.</li> <li>• The audit of Legal Practitioners' Trust Accounts.</li> <li>• Monthly TechTalk sessions where feedback is given to members on developments in Audit and Assurance. During these sessions, stakeholders such as the IRBA are often invited to make presentations.</li> </ul>	Ongoing	Senior Executive Audit and Assurance and Senior Executive Member Engagement	SAICA staff and external resources (including access to expertise on / through SAICA's committees, collaboration with stakeholders, networks of specialists, externally contracted subject matter experts)



#	Start Date	Actions	Completion Date	Responsibility	Resource
3.	Ongoing	<p>Maintaining and, as applicable, improving the D365 query system and raising awareness of the system amongst members.</p> <p>The D365 query system enables the extraction of business intelligence from the system to assist SAICA with the identification of member needs and the development of training interventions to address those needs.</p> <p>The D365 query system continues to provide members with assistance in order to keep them abreast of changes in legislation and technical standards. The Tax department, from 8 December 2017, discontinued the Tax Technical Query System. but the department has implemented more Tax Technical discussions under the monthly TechTalk series to support members.</p>	Ongoing	The three Senior Executives responsible for Standards (Audit and Assurance, Corporate Reporting and Tax)	<p>Project Directors and Project Managers within each of the technical areas, as well as external resources as may be required</p> <p>D365 query system</p>
4.	Ongoing	The IRBA has its own CPD requirements that are specific to RAs which require that CPD be performed in learning areas of professional skills, professional knowledge and ethical values relevant to RAs. This encourages SAICA members who are RAs to participate in relevant and appropriate CPD.	Ongoing	Senior Executive Member Engagement Project Directors in each of the technical areas	SAICA staff
5.	Ongoing	<p>Ongoing communication of matters of relevance to SAICA members:</p> <ul style="list-style-type: none"> <li>□ Publish all applicable Standards or links to Standards on the SAICA website, including maintaining dedicated webpages in each of the technical areas.</li> <li>□ Publish articles in SAICA's monthly journal, ASA (short for Accountancy South Africa). Members have access to a Frequently Asked Questions (FAQ) document that gives guidance on various audit and assurance topics.</li> <li>□ Standards and Legislation electronic newsletter.</li> <li>□ Other constituency focused communications, for example the SMP Newsletter.</li> <li>□ Social media platforms.</li> </ul>	Ongoing	The three Senior Executives responsible for Standards (Audit and Assurance, Corporate Reporting and Tax)	<p>SAICA technical staff</p> <p>Articles and other content submitted to SAICA (vetted by SAICA technical staff)</p> <p>SAICA communications staff</p>

#	Start Date	Actions	Completion Date	Responsibility	Resource
6.	Ongoing	Annually update the SAICA online Members Handbook on SAICA's secure members' website.	Ongoing	Senior Executive Member Engagement	SAICA technical staff SAICA communications staff
7.	Ongoing	Continue to collaborate with the IRBA in the delivery of members' needs, including participating in, and contributing to the IRBA's processes to develop and issue guidance relating to auditing, assurance and ethics.	Ongoing	Senior Executive Audit and Assurance	SAICA Project Directors and Project Managers within each of the technical areas IRBA Standards Department SAICA's Assurance Guidance Committee (AGC) IRBA's Committee for Auditing Standards (CFAS) (and the Standing Committees of CFAS) SAICA's Ethics Committee (EC) IRBA's Committee for Auditor Ethics (CFAE)
8.	Ongoing	Development of SAICA Guides and Circulars (communicated to members when issued and accessible on the SAICA website).	Ongoing	Senior Executives responsible for Standards (Audit and Assurance, Corporate Reporting, Public Sector and Enabling Competencies and Tax)	Project Directors and Project Managers within each of the technical areas SAICA technical committees and project groups

#	Start Date	Actions	Completion Date	Responsibility	Resource
9.	Ongoing	Participate in international standard-setting by making submissions to the IAASB in response to requests for comment. This could involve SAICA preparing its own comment letters, or collaborating with the IRBA and contributing to the IRBA's processes to prepare comment letters.	Ongoing	Senior Executive Audit and Assurance	SAICA Project Directors and Project Managers within each of the technical areas SAICA's Assurance Guidance Committee (AGC) (and other committees, as appropriate), including task groups IRBA Standards Department and the IRBA's CFAS (including standing committees and task groups)
<i>Review of SAICA's Compliance Information</i>					
10.	Biennially	There is a need to review the SMO 1 information biennially as there may have been changes to the legislative and or administrative landscape. Carry out periodic reviews of SAICA's responses and update sections relevant to SMO 1 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.	Biennially	Executive Director Standards Senior Executive Legal and Governance	SAICA staff

**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB

**Action Plan Objective:** Continue to use best endeavors to ensure SAICA’s Chartered Accountants’ education and training continues to comply with International Education Standards (IES) requirements

<b>SAICA IS HOME TO THREE DESIGNATIONS:</b>	
<ol style="list-style-type: none"> <li>1. ACCOUNTING TECHNICIAN (SOUTH AFRICA (AT(SA)))</li> <li>2. ASSOCIATE GENERAL ACCOUNTANT SOUTH AFRICA (AGA(SA))</li> <li>3. CHARTERED ACCOUNTANT (CA(SA))</li> </ol>	
<b>Overview of the SAICA qualification process to become a CA(SA) (this is a full member of SAICA):</b>	
Formal competency-based academic education (= academic programme)	Technical, Professional Values and Attitudes and Enabling competencies (CA2025 new framework) are initially developed through SAICA-accredited academic programmes (which are formal qualifications) delivered by universities (an undergraduate degree followed by a postgraduate programme known as the Post Graduate Diploma in Accounting (PGDA))
A standard setting examination assessing core technical competence (Initial Test of Competence (ITC))	This ensures that all candidates have the requisite level of core technical competence before embarking the next steps in the qualification process. This standard setting examination allows SAICA-accreditation of a wide range of academic programmes
Formal competency-based professional education (= professional programme)	Acquired through accredited professional programmes delivered by providers accredited by SAICA
A final professional examination assessing professional competence (Assessment of Professional Competence (APC))	This assesses professional competence before entry to the profession
Practical work place-based experience (= training programme)	This is acquired through a formal training contract of at least three years with a registered training office which is accredited by SAICA
SAICA is fully responsible for setting the qualification framework (process) and curriculum for its members (i.e. CA(SA)s only). In order to register as an auditor, further requirements that are set by the Independent Regulatory Board for Auditors (IRBA), need to be met once qualified as a CA(SA).	

**Overview of the SAICA qualification process to become an associate of SAICA (AGA and AT):**

a. **Associate General Accountant (AGA(SA))**, the following steps from the above CA(SA) process are required:

1. Formal academic based education – three year undergraduate degree accredited by SAICA (same degree as done by the CA stream or a separately accredited AGA undergraduate degree).
2. Practical experience – three year training contract under the same conditions as the CA(SA).

b. **Accounting technician (AT(SA))**, the following routes to qualification are recognised:

(i) NQF Level 5 qualification, either commerce and industry, or local government or public sector + 12 months registered learnership (workplace-based experience) + Test of Professional Competence

OR

(ii) NQF Level 5 qualification, either commerce and industry, or local government or public sector + 24 months' relevant work experience + Test of Professional Competence

OR

(iii) NQF Level 5 qualification, either commerce and industry, or local government or public sector + 60 months relevant work experience

SAICA offers ongoing learning and development activities for all members and associates (including RAs) as well as to its trainees in the accredited training programme.

SAICA reviews and updates the content and delivery of its qualification programme on a regular basis in order to ensure it has an efficient and relevant process. Any revisions are done with reference to the IESs.

It is SAICA's objective to comply with all aspects of the IESs but would like to report the following in relation to **IES 8 – Competence requirements for engagement partners**:

- The qualification path and required competencies to become a Registered Auditor (RA) in South Africa is determined by the IRBA and not SAICA (SAICA is the only professional body recognized by the IRBA, having met their recognition criteria);
- Since 2015 new requirements to become a RA are in place. Post qualifying as a CA(SA), a Registered Candidate Auditor (RCA) must undertake the Audit Development Programme (ADP) before being able to register with the IRBA as a RA. The following is an extract from the IRBA website:

“The ADP is period of work experience undertaken by a qualified professional accountant that is relevant to the work of a Registered Auditor (RA). The work experience enables the individual's development of professional competence in the workplace and provides a means whereby individuals can demonstrate the achievement of professional competence in a Registered Auditor firm.

The ADP is the joint responsibility of the IRBA and the RA firms. It builds on the competence of a professional accountant and focuses on the competence required for a specialist role within the field of professional accountancy; that of an RA.”

- RCAs are required to complete the following:
  - A minimum of 18 months in an audit and assurance environment.
  - A minimum of 1 500 productive hours in audit and assurance.
  - Successful demonstration of the competences outlined in the competency framework prescribed by the IRBA.

SAICA therefore has no direct responsibility in carrying out the requirements of IES 8 which requires member bodies to establish competence for engagement partners as defined in the IES. While SAICA does effectively monitor that RAs (who are also CA(SA)s) do undertake CPD (through the SAICA CPD policy requirements), the IRBA also undertakes its own evaluation of all RA's CPD (per their CPD which is closely aligned to the SAICA policy) and imposes specific requirements (above that of a CA(SA)) on such RAs.

Detailed information about SAICA's professional education, training and CPD requirements can be found in the relevant sections on the SAICA website [www.saica.org.za](http://www.saica.org.za).

#### **Oversight of SAICA / Certification process**

SAICA's qualification process is subject to several quality assurance checks as follows:

- The IRBA recognizes SAICA and its qualification as leading towards that of a RA. As a result, SAICA is reviewed through various mechanisms by the IRBA on an annual basis.
- The South African Qualifications Authority (SAQA) recognizes SAICA as a professional body having to meet certain minimum requirements and as a result SAICA is required to report regularly to SAQA.
- SAICA is also recognized by the South African Revenue Service (SARS) as a recognized professional body (RCB) which means that SAICA members (who apply) can be registered as Tax Practitioners. This is also subject to oversight by SARS and having to meet certain additional requirements.
- SAICA is an accredited professional body with the CIPC which allows SAICA member to apply for a license to practice as a business rescue practitioner. This is also subject to meeting certain additional requirements.

SAICA does not have direct responsibility for all aspects and requirements of the IESs. Some aspects are delivered by external but accredited providers (SAICA oversight), some aspects are shared with the IRBA, some aspects SAICA has direct responsibility for (e.g. professional assessments) and other areas SAICA has no jurisdiction or control as the IRBA is mandated to perform those functions in terms of the APA (development of RA's).

SAICA shares responsibility for:

- Academic Programme (primary responsibility for this lies with the universities whose programmes / qualifications are accredited by SAICA for purposes of CA and AGA). Therefore, there is direct contact and oversight from SAICA. The programme is assessed independently through the ITC.
- For the AT(SA) designation and underlying qualification Academic Programme component, SAICA develops content and assessments and shares this with accredited providers who deliver the programme.
- The Professional Programme (primary responsibility for this lies with the providers whose programmes are accredited by SAICA).

SAICA works very closely with both academic programme providers and the professional programme providers on an ongoing basis. This is done by:

- Having a SAICA developed competency framework which is used as the basis on which academic and training programmes are designed and developed. Staff from academic and the professional programme providers play a crucial role in the development of such documents so getting their buy in for implementation is not difficult (This competency framework is updated every 2 to 3 years and SAICA recently approved its completely revised CA2025 Competency framework which will be implemented over the next 4 years across all aspects of the qualification process);
- Maintaining good stakeholder relationships with key staff at SAICA-accredited providers;
- Having a formal monitoring and accreditation process in place for both the academic and professional programme where a peer review is done at least once every five years (academic programme) and at least once every three years (professional programme) on the detailed material and assessments related to the academic and professional programmes. This is an excellent mechanism also for discussion with the universities on the implementation of a competency based approach;
- Holding meetings monthly with the Heads of Department from all of the SAICA-accredited providers to discuss matters related to education, training and development of prospective CAs including in depth discussions about the SAICA competency framework which covers the requirements of the IES's;
- Establishment in 2021 of Communities of best Practice for academics to network and share best practices over a wide range of areas from critical thinking to the development of digital acumen.
- The IAESBs work and the IESs are discussed when relevant (i.e. new changes etc.). The IAESB has also had opportunity twice in the last 10 years to hold conferences in South Africa and on both occasions sessions (outreach programmes) were held with academics and the IAESB where matters related to the work of the IAESB were discussed;
- While SAICA is not directly responsible for the delivery of these programmes the assessments that SAICA sets (ITC and APC) drive the academic programmes to implement and develop the competencies required.

SAICA is directly responsible for:

- Training programme (although the actual training is done at Accredited Training Offices which are also regularly monitored and reviewed)
- Assessments of competence – ITC and APC (for CA(SA)) and the Test of Professional Competence (ToPC) for the AT(SA)
- CPD (through its updated CPD policy which is applicable to its members and associates)

### ***New developments***

Following are new SAICA developments in 2020 / 2021:

- Introduction of a revised CPD policy shifting from the input (hours) to the output (competence) measurement method (with more emphasis being placed on members and associates for undertaking relevant lifelong learning activities linked to their specific role and development areas).
- Finalization of a review of the competency framework (under the banner of the CA2025 project), where formal research was conducted to determine competencies accountants are required to demonstrate to remain relevant in the future. This new framework will now be implemented over the period 2021 – 2024 across the academic, training and professional programmes as well as through the professional assessments.

- The AGA and AT competency frameworks have also been reviewed and updated to reflect competencies required for future and relevant professional accountants.
- Development and introduction of the AT(SA) Test of Professional Competence
- Reviews of all our education and training regulations, guidelines, processes and procedures are reviewed regularly for improvement.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
11.	Ongoing	For all IES: continue to ensure new developments to Chartered Accountant pre and post qualification education and training are consistent with IESs. SAICA provides detailed comment on all new exposure drafted /revisions to standards and guidelines issued. While we would submit our own response, we often hold discussions to share our views before submitting our comments.	Ongoing	Professional Development Unit	SAICA appropriate Committees and Boards, staff of the Pre-Qualification Learning and Development Unit of SAICA, use of external experts
<i>Review of SAICA's Compliance Information</i>					
12.	Biennially	There is a need to review the SMO 2 information biennially as there may have been changes to the legislative and or administrative landscape. Carry out periodic review of SAICA's responses and update sections relevant to SMO 2 as necessary.	Biennially	Professional Development Unit	SAICA appropriate Committees and Boards, staff of the Pre- Qualification Learning and Development Unit of SAICA, use of external experts



**Action Plan Subject:** SMO 3–International Standards and Other Pronouncements Issued by the IAASB

**Action Plan Objective:** To continue using best endeavors to maintain an ongoing process to adopt ISAs and assist in the implementation of the adopted Standards

**Background:**

The Independent Regulatory Board for Auditors (IRBA) is the audit regulator and the auditing and assurance standard-setter in South Africa, under the Auditing Profession Act 2005 (APA). In terms of section 4(1)(e) of the APA, the IRBA is required to prescribe auditing standards for use by RAs in South Africa. SAICA members, i.e. CAs(SA) are eligible to register as RAs with the IRBA, and if admitted, they are subject to full regulation by the IRBA.

The International Standards issued by the International Auditing and Assurance Standards Board (IAASB) has been adopted (without modification), issued and prescribed for use by the IRBA since 1 April 2006 (and by the IRBA's predecessor body since 1 January 2005). This included the full adoption, without modification, of the clarified ISAs which have been effective for audits of financial statements for periods beginning on or after 15 December 2009. The most recent Board Notice from the IRBA was included in the government Gazette on 18 December 2015 and resolves that the IRBA adopts, issues and prescribes for use by RAs, the IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2015. The IAASB Handbook (Volumes I, II and III) is issued by the IRBA under copyright permission from the International Federation of Accountants (IFAC). IAASB Standards that are issued subsequent to the adopted Handbook and before the issue of a successive Board Notice that adopts a successive Handbook are approved for adoption, issue and prescription for use by RAs on an individual basis and subject to the IRBA Committee for Auditing Standards (CFAS) *Due Process Policy*.

Therefore, all of the IAASB's standards are applicable in South Africa; i.e. ISQC 1, ISAs, ISREs, ISAEs and ISRSs. The IRBA have adopted the suite of Quality Management standards, namely, ISQM 1, ISQM 2 and ISA 220 (Revised) for use by RAs in South Africa.

Those CA(SA)s in public practice who are not RAs (and therefore do not perform audits of financial statements) are required by SAICA, as part of their membership obligations, to use and comply with ISQC 1 and the relevant engagement standards issued by the IAASB relevant to the professional services they provide, which may include reviews, other assurance engagements and related services.

The IRBA also has the authority to develop and issue additional auditing and assurance pronouncements as may be necessary in the context of local requirements, following the CFAS *Due Process Policy*. Such pronouncements may include South African Standards, South African Practice Statements and South African Guides. The IRBA has issued an authority document, *Status and Authority of Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* (November 2013), which has the purpose of facilitating an understanding of the status and authority of the auditing pronouncements developed, adopted, issued and prescribed by the IRBA (i.e. international standards and pronouncements and local standards and pronouncements).

### **SAICA activities related to the IAASB's pronouncements**

SAICA seeks to participate, contribute and influence the regulatory environment and development of auditing, review, other assurance and related services standards by evaluating and commenting on exposure drafts and redrafting proposals issued by the IAASB. SAICA has established technical committees to be utilised as enablers in the delivery of members' needs, including influencing the regulatory environment and standards, providing technical support and guidance to members in implementing and complying with relevant standards and legislation, and informing the public as to the role and scope of audit, review, other assurance and related services engagements. One such committee, the SAICA Assurance Guidance Committee (AGC) focuses on the auditing and assurance practitioner constituency of SAICA's membership in the context of issues that concern members within the auditing and assurance profession, including auditing and assurance standard-setting processes.

SAICA also undertakes research and development of relevant products and services for the benefit of practicing members to maintain and enhance their competence in audit and assurance. These products include a variety of seminars, workshops and other events, publishing of technical articles, the issue of Guides and Circulars, staff communications, technical webpages etc. that address members' needs in terms of technical support and guidance.

Because the IRBA is the audit regulator and standard-setter in South Africa, all of their standards, including related pronouncements and implementation guidance, are considered authoritative according to its powers granted by the APA. The IRBA is primarily responsible for issuing any auditing and assurance implementation or practical guidance for RAs. SAICA liaises with the IRBA on any guidance required and a decision is then taken about what is required and whether it is appropriate for the IRBA or SAICA to issue guidance, or whether the issuing of joint guidance is appropriate. The IRBA and SAICA are always represented and involved in one another's committees and task groups, including the IRBA's CFAS which SAICA attends as an observer and SAICA's AGC where the IRBA is a permanent invitee. Roundtable discussions / discussion forums between SAICA, SAICA's members and the IRBA are also held outside the committees with regard to individual projects.

The IRBA is responsible for communicating new standards and pronouncements to RAs (dissemination of standards), but SAICA also communicates the issuance of those standards and pronouncements to its members (raising awareness amongst all CA(SA)s), and provides, in consultation with the IRBA, relevant and appropriate CPD activities on those standards and pronouncements.

### **Types of companies that are required to have their financial statements audited**

The summary provided here relates to the audit or review of companies in terms of the Companies Act, 2008 and the Companies Regulations, 2011. There are also other laws and regulations that prescribe the audit of financial statements of other types of entities in certain industries [also **refer to SMO 1** that provides an overview in this regard, related to the IRBA's inspections process applicable to all audits performed in terms of legislation or regulation].

In terms of the Companies Act 2008 read together with the Companies Regulations 2011 the annual financial statements of all companies are subject to either an annual audit or an annual independent review, depending on its categorisation, unless the company is exempt from audit or review in terms of section 30(2A). Section 30(2A) determines: "If, with respect to a particular company, every person who is a holder of, or has a beneficial interest in, any securities issued by that company is also a director of the company, that company is exempt from the requirements in this section to have its annual financial statements audited or independently reviewed." However, this exemption will not apply to a company that falls into a class of company that is required to have its annual financial statements audited in the first instance in terms of the Companies Act 2008 or the Companies Regulations 2011, or in terms of another law, or in terms of any agreement to which the company is a party.

The following categories of companies are subject to **audit**:

- Stated-owned companies.
- Public companies (whether listed or not).
- Any profit or non-profit company if, in the ordinary course of its primary activities, it holds assets in a fiduciary capacity for persons who are not related to the company, and the aggregate value of such assets held at any time during the financial year exceeds ZAR 5 million.
- Non-profit companies which were incorporated directly or indirectly by the state, an organ of state, a state-owned company, an international entity, a foreign state entity or a foreign company; or which were incorporated primarily to perform a statutory or regulatory function in terms of any legislation, or to carry out a public function at the direct or indirect initiation or direction of any such organ or organisation.
- Private companies or close corporations or non-profit companies whose public interest score in that financial year is 350 or more.
- Private companies or close corporations or non-profit companies whose public interest score in that financial year is at least 100, but less than 350, and its annual financial statements for that year were internally compiled.

The following categories of companies are subject to **independent review**:

- Private companies or close corporations or non-profit companies whose public interest score in that financial year is at least 100, but less than 350, and its annual financial statements for that year were independent compiled and reported.
- Private companies or close corporations or non-profit companies whose public interest score in that financial year is less than 100.

However, if any company in these categories is required by its own Memorandum of Incorporation to have its annual financial statements audited, or has voluntarily had its annual financial statements audited, the independent review requirements will not apply.

**SAICA provides support by:**

- Commenting on local and international exposure drafts, discussion papers, consultation papers and similar.
- Participating in the IRBA's CFAS as an invitee, and contributing to standard-setting through the CFAS's standing committees and task groups.
- Collaborating with the IRBA's Standards Department with respect to participating in SAICA's committee structures, and engaging on individual projects.
- Providing CPD activities to members who are RAs.
- Communicating new and revised standards and pronouncement, and related developments to members who are RAs.

**Elements of direct responsibility**

- To provide technical support and guidance to members with respect to the implementation of the IAASB's standards and pronouncements as adopted by the IRBA, and additional auditing pronouncements issued by the IRBA.

- Participating in the IRBA's processes to develop and issue local practice statements and guidance.
- Participating in and influencing local processes with respect to the development of new, or revisions to legislation and regulations that affect members in public practice.
- SAICA's process of disseminating information regarding standard-setting and related activities and developments to RAs, including promoting the use of IAASB practice notes and other non-authoritative publications.
- Participating in international standard-setting – SAICA's own efforts to evaluate and comment on the outputs of the standard-setting activities of the IAASB.
- With respect to members and associates other than RAs performing reviews, other assurance and related services engagements:
- Developing and issuing additional guides and circulars in the context of local requirements:
  - Dissemination information on relevant standards and pronouncements.
  - Raising awareness to members who are not RAs.
  - Providing relevant CPD activities to all members (RAs and non-RAs).

**Elements of shared responsibility**

- SAICA supports RAs in implementing the standards and pronouncements adopted and issued by the IRBA.
- SAICA confirms the adoption of, and requires the implementation of all the engagement standards issued by the IAASB by all of its members in public practice – both RAs and members who are not RAs (as relevant to the services they provide).
- Participating in international standard-setting – In the context of collaborating with the IRBA (and other relevant stakeholders) in evaluating and commenting on the outputs of standard-setting activities of the IAASB.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
13.	Ongoing	<p>Continue to provide support and guidance to members in the form of technical training (seminars, workshops, information sessions, etc.). Technical audit and assurance events focus on knowledge and understanding of auditing, review, other assurance and related services standards and pronouncements (as well as local pronouncements and laws and regulations) – the requirements and their implementation. Examples of these include:</p> <ul style="list-style-type: none"> <li>• Auditing of Accounting Estimates: ISA 540 (Revised)</li> <li>• Independent Reviews refresher</li> <li>• A session hosted with members in Assurance on the Exposure Draft to the Quality Management Standards.</li> <li>• A webinar hosted on how to audit revenue (IFRS 15)</li> <li>• An event focused on Corporate Reporting and Audit Reform.</li> <li>• The audit of Legal Practitioners' Trust Accounts.</li> <li>• Monthly TechTalk sessions where feedback is given to members on developments in Audit and Assurance. During these sessions, stakeholders such as IRBA are invited to make presentations</li> </ul>	Ongoing	Senior Executive Audit and Assurance	<p>SAICA's Project Director and Project Manager, Assurance</p> <p>SAICA's AGC</p> <p>External resources as may be required (including access to expertise through SAICA's committees, collaboration with stakeholders, networks of specialists, externally contracted subject matter experts)</p>

#	Start Date	Actions	Completion Date	Responsibility	Resource
14.	Ongoing	<p>Ongoing communication of matters of relevance to SAICA members:</p> <ul style="list-style-type: none"> <li>□ Publish all applicable standards and pronouncements or links thereto on the SAICA website, including maintaining dedicated audit and assurance webpages;</li> <li>□ Informing members and providing access to webcast recordings of certain technical seminars and events;</li> <li>□ Publish articles in SAICA's monthly journal, ASA (short for Accountancy South Africa);</li> <li>□ Use SAICA's Standards and Legislation electronic newsletter to keep members abreast of recent and emerging developments;</li> </ul> <p>Other constituency focused communications, for example the SMP Newsletter.</p>	Ongoing	Senior Executive Audit and Assurance	<p>SAICA technical staff Articles and other content submitted to SAICA (vetted by SAICA technical staff) SAICA communications staff</p>
15.	Ongoing	<p>Continue to collaborate with the IRBA in the delivery of members' needs, including participating in, and contributing to the IRBA's processes to adopt and issue the IAASB's standards, and develop and issue additional guidance relating to auditing, review, other assurance and related services engagements.</p>	Ongoing	Senior Executive Audit and Assurance	<p>SAICA's Project Director and Project Manager, Assurance IRBA Standards Department SAICA's Assurance Guidance Committee (AGC) IRBA's Committee for Auditing Standards (CFAS) (and the Standing Committees of CFAS)</p>

#	Start Date	Actions	Completion Date	Responsibility	Resource
16.	Ongoing	Development of SAICA Guides and Circulars (communicated to members when issued and accessible on the SAICA website).	Ongoing	Senior Executive Audit and Assurance	SAICA's Project Director and Project Manager, Assurance SAICA's AGC External resources as may be required
17.	Ongoing	Participate in international standard-setting by making submissions to the IAASB in response to requests for comment. This could involve SAICA preparing its own comment letters, or collaborating with the IRBA and contributing to the IRBA's processes to prepare comment letters.  This includes, notifying members and other interested parties of all IAASB consultation papers and exposure drafts as they are released (see ongoing communications, above).	Ongoing	Senior Executive Audit and Assurance	SAICA's Project Director and Project Manager, Assurance SAICA's AGC (including task groups) IRBA Standards Department and the IRBA's CFAS (including standing committees and task groups)
<i>Review of SAICA's Compliance Information</i>					
18.	Biennially	There is a need to review the SMO 3 information biennially as there may have been changes to the legislative and or administrative landscape.  Carry out periodic reviews of SAICA's responses update sections relevant to SMO 3 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.	Biennially	Senior Executive Audit and Assurance	Project Director: Assurance Project Manager: Assurance

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants

**Action Plan Objective:** To continue to use best endeavours to maintain SAICA's Code of Professional Conduct's consistency in all material respects with the IESBA Code

**Background:**

The IRBA, in 2018, adopted the International Ethics Standards Board for Accountants (IESBA) revised and restructured *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) as the *IRBA Code of Professional Conduct for Registered Auditors* (the IRBA Code) with additional requirements for auditors in South Africa. No changes are made to the IESBA Code that will result in a less onerous requirement or application in South Africa. Subsequent amendments to the IESBA Code are considered by the Committee for Auditor Ethics (CFAE) prior to adoption by the IRBA. The local amendments are to address local issues not specifically addressed in the IESBA Code, to provide local context to RAs and to enable the IRBA to effectively perform its functions within South African legislation.

The SAICA Code of Professional Conduct (SAICA Code) is consistent with the IESBA Code of Ethics for Professional Accountants (IESBA Code). There are certain South African specific additions to the SAICA Code. The SAICA Code also conforms to the *IRBA Code of Professional Conduct for Registered Auditors* (the IRBA Code). The SAICA Code applies to all SAICA members and associates; CA(SA)s who are also registered as RAs with the IRBA are required to also comply with the IRBA Code. In Part B of the SAICA Code, reference to audit services is applicable only to CA(SA)s who are registered with the IRBA as RAs. Compliance with both Codes is facilitated by the fact that these two codes are aligned and both are consistent with the IESBA Code.

Changes to the IESBA Code approved by the IESBA and the IFAC Board are incorporated into the SAICA Code. The SAICA Code was updated in December 2020 using the Handbook of the Code of Ethics for Professional Accountants, 2020 Edition and was released in January 2021 as the 2019/2020 edition of the SAICA Code. No changes are made to the IESBA Code that will result in a less onerous requirement or application of the IESBA Code. Therefore, the SAICA Code is consistent with the IESBA Code.

The South African specific additions in the SAICA Code include the addition of definitions of a chartered accountant and an associate, in line with South African legislation and the SAICA Constitution. A definition of professional services is also included. Other inclusions relate to multiple firms and signing conventions as prescribed by the IRBA. The SAICA Code also includes additional requirements stating that chartered accountants are not allowed to charge contingent fees for assurance services or for the completion of an original or amended tax return (a specific requirement for Tax Practitioners required by the South African Revenue Services). The SAICA Code also includes additional information in terms of the keeping of client monies and the provision of second opinions, where the SAICA Code includes a requirement that second opinions must be in writing and that the accountant providing the second opinion provides a copy of said opinion to the current or predecessor accountant.

SAICA endeavors to comment IESBA exposure drafts, and SAICA has provided comments on Exposure Drafts in 2020.

SAICA is monitoring the proposed amendments to the IESBA Code and plan to roll out training and further events with the release of the amendments. SAICA will be updating the 2020/2021 Code in December 2021 to be aligned with the Handbook of the Code of Ethics for Professional Accountants, 2021 Edition, once released.



SAICA has an Ethics Committee, which include an IESBA member and technical advisor, advising and assisting SAICA staff in the rollout of changes and in the drafting of comment letters.

**SAICA provides support to its members by:**

- Implementation guidance to all members
- Dissemination of standards to all members
- Participating in international standard-setting by commenting on proposed standards and revisions to standards issued by the IESBA
- Raising awareness to all members
- Providing relevant and appropriate CPD activities for all members

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
19.	Ongoing	Continue to monitor developments as issued by IESBA, and amend the SAICA Code as appropriate.	Ongoing	Project Director: Ethics and Practice	Project Director: Ethics and Practice Project Manager: Ethics and Practice SAICA's Ethics Committee IFAC website (IESBA) External resources as may be required (including access to expertise through SAICA's committees, collaboration with stakeholders, networks of specialists, externally contracted subject matter experts)

#	Start Date	Actions	Completion Date	Responsibility	Resource
20.	Ongoing	<p>Ongoing communication of matters of relevance to SAICA members:</p> <ul style="list-style-type: none"> <li>□ Publish all applicable standards or links thereto on the SAICA website, including maintaining a dedicated ethics webpage;</li> <li>□ Informing members and providing access to webcast recordings of certain technical seminars and events;</li> <li>□ Publish articles in SAICA's monthly journal, ASA (short for Accountancy South Africa);</li> <li>□ Use SAICA's Standards and Legislation electronic newsletter to keep members abreast of recent and emerging developments;</li> <li>□ Other constituency focused communications, for example the SMP Newsletter;</li> <li>□ Social media platforms.</li> </ul>	Ongoing	Project Director: Ethics and Practice	<p>Project Director: Ethics and Practice Project Manager: Ethics and Practice Articles and other content submitted to SAICA (vetted by SAICA technical staff) SAICA communications staff</p>
21.	Ongoing	<p>Continue to provide support and guidance to members in the form of technical training (seminars, workshops, information sessions, etc.).</p> <p>Links to relevant ethical requirements are incorporated in events across the various technical areas.</p> <p>Note: A dedicated technical ethics seminar was held on the 20<sup>th</sup> of May 2021 and an ethics series is planned for October 2021 (eight sessions are planned). SAICA will be engaging with various stakeholders such as the Ethics Institute of South Africa in order to provide a broader range of products to members during October 2021.</p>	Ongoing	Project Director: Ethics and Practice	<p>Project Director: Ethics and Practice Project Manager: Ethics and Practice Project directors and project managers in each of the other technical areas SAICA's Ethics Committee External resources as may be required (including access to expertise through SAICA's committees, collaboration with stakeholders, networks of specialists, externally contracted subject matter experts)</p>

#	Start Date	Actions	Completion Date	Responsibility	Resource
22.	Biennially	<p>There is a need to review the SMO 4 information biennially as there may have been changes to the legislative and or administrative landscape.</p> <p>Carry out periodic reviews of SAICA's responses to IFAC in accordance with the IFAC Member Compliance Program and update sections relevant to SMO 4 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.</p>	Biennially	Project Director: Ethics and Practice	Project Manager: Ethics and Practice

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB

**Action Plan Objective:** To maintain the equivalent South African Public Sector standards in line with International Public Sector Accounting Standards (IPSAS)

**Background:**

The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) requires the Accounting Standards Board (ASB) to develop standards of “generally recognised accounting practice”.

In setting standards the ASB is required to take into account all relevant factors, including best accounting practices, both locally and internationally; and the capacity of the relevant institutions to comply with the standards. The Act makes provision for the ASB to set different standards for different categories of institutions to which these standards apply. The standards set by the ASB are further required to promote transparency in and effective management of revenue, expenditure, assets and liabilities of the institutions to which these standards apply.

The National Treasury (NT) is responsible for development of implementation guidance, dissemination of standards, guidance, directives, etc., raising awareness, training.

**Applicable financial reporting frameworks and the status of adoption of IPSAS**

Accrual IPSAS have been adopted in South Africa as accounting standards for public sector entities indirectly through national standards, referred to as Generally Recognised Accounting Practice (GRAP) which are based on IPSASs with local adaptation for country specific issues.

Government departments currently apply a modified cash basis of accounting. However, the NT has developed a roadmap to implement accrual accounting for those departments.

At present, the following financial reporting frameworks are applicable:

- Government departments – NT Modified Cash Basis of Accounting
- National and provincial public entities under the PFMA – Standards of GRAP
- Constitutional institutions – Standards of GRAP
- National and provincial government business enterprises – Standards of GRAP or IFRSs
- Municipalities and municipal entities – Standards of GRAP
- Parliament and Provincial Legislatures – Standards of GRAP

**SAICA’s overall involvement in public sector**

SAICA’s public sector project team consist of a Senior Executive, Project Director and Project Manager who drive SAICA’s interventions in the public sector in the following areas:

- Public Sector Reporting
  - Public Sector Assurance (Assisted by the Assurance Team)
  - Public Sector Governance, Legislation and Risk Management; and
  - Public Sector Capacity Building
- SAICA supports the ASB and NT by:
- Raising awareness for members through communication of recent developments in GRAP, IPSASs and related public sector reporting developments in technical newsletters, website updates and social media posts. SAICA also supports the ASB with advocating for comments on exposure drafts for both Standards of GRAP and IPSAS.
  - Providing relevant and appropriate CPD activities for members through seminars covering recent developments and basics in GRAP and IPSASs and technical articles in SAICA'S Accountancy SA magazine.
  - Commenting on documents issued on exposure to influence local and international standard-setting.
  - Participating in the ASB's processes to develop and issue GRAP and related local guidance.
- Participating in IPSASB meeting as an observer.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
23.	Ongoing	Comment on IPSASB discussion documents/ exposure drafts issued by the ASB within the timeframes set by the ASB and participate in the roundtable discussions held to formulate a South African response to the IPSASB documents.	Ongoing	Senior Executive: Public Sector and Enabling Competencies	Senior Executive: Public Sector and Enabling Competencies Project Director and Project Manager: Public Sector SAICA Public Sector Committees / Interest Groups

#	Start Date	Actions	Completion Date	Responsibility	Resource
24.	Ongoing	<p>Support the ASB by providing technical and advocacy assistance when necessary.</p> <p>The technical assistance process is established and working well. It is measured regularly as well in an effort to maintain effectiveness and efficiency.</p> <p>The advocacy assistance process has been established to promote Standards of GRAP and IPSASB; and to gain a greater reach for exposure drafts, etc.</p>	Ongoing	Senior Executive: Public Sector and Enabling Competencies	Senior Executive: Public Sector and Enabling Competencies Project Director and Project Manager: Public Sector
25.	Ongoing	<p>Provide training with respect to the public sector regulatory environment and public sector reporting, including the GRAP Standards. Examples of events presented and planned for 2016/2017 include:</p> <ul style="list-style-type: none"> <li>ASB-SAICA GRAP Update Live Webcast (Overview of recent developments in the public sector);</li> </ul>	Ongoing	Senior Executive: Public Sector and Enabling Competencies and Project Director: Public Sector	Senior Executive: Public Sector and Enabling Competencies Project Director and Project Manager: Public Sector SAICA Public Sector and Enabling Competencies Committees / Interest Groups External resources as may be required (including access to expertise through SAICA's committees, collaboration with
26.	Ongoing	SAICA is a standing stakeholder on the Public Sector Accounting Forum established by the ASB. Through this forum we are able to understand the challenges affecting public sector financial reporting and provide support and input.	Ongoing	Senior Executive: Public Sector and Enabling Competencies and Project Director: Public Sector	Senior Executive: Public Sector and Enabling Competencies Project Director and Project Manager: Public Sector

#	Start Date	Actions	Completion Date	Responsibility	Resource
		<ul style="list-style-type: none"> <li>□ GRAP Certificate;</li> <li>□ Techtalks (covers Public Sector Financial Reporting; Legislation and Governance, Predetermined Objectives) Workshops on the preparation of financial statements</li> </ul>			Stakeholders, networks of specialists, externally contracted subject matter experts)
27.	Ongoing	<p>Ongoing communication of matters of relevance to SAICA members:</p> <ul style="list-style-type: none"> <li>□ Publish applicable standards, guidance, legislation and related information or links thereto on the SAICA website, including maintaining a dedicated public sector webpage;</li> <li>□ Informing members and providing access to webcast recordings of certain technical seminars and events;</li> <li>□ Publish articles in SAICA's Public Sector Newsletter, ASA (short for Accountancy South Africa);</li> <li>□ Use SAICA's Standards and Legislation electronic newsletter to keep members abreast of recent and emerging developments;</li> <li>□ Use social media platforms to inform members.</li> </ul>	Ongoing	Senior Executive: Public Sector and Enabling Competencies and Project Director: Public Sector	Senior Executive: Public Sector and Enabling Project Director and Project Manager: Public Sector Articles and other content submitted to SAICA (vetted by SAICA technical staff) SAICA communications staff
28.	Ongoing	Solicit views of SAICA members on all public sector accounting documents being issued locally and internationally.	Ongoing	Senior Executive: Public Sector and Enabling Competencies and Project Director: Public Sector	SAICA members Public Sector Committee
<i>Review of SAICA's Compliance Information</i>					
29.	Biennially	<p>There is a need to review the SMO 5 information periodically as there may have been changes to the legislative and or administrative landscape.</p> <p>Carry out periodic reviews of SAICA's responses and update sections relevant to SMO 5 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.</p>	Biennially	Senior Executive: Public Sector and Enabling	Senior Executive: Public Sector and Enabling Project Director and Project Manager: Public Sector

**Action Plan Subject:** SMO 6–Investigation and Discipline

**Action Plan Objective:** To continue to use best endeavours to maintain the operation of a fair and effective investigative and disciplinary regime that is line with the requirements of SMO 6

**Background:**

**Requirements at jurisdictional level**

SAICA's disciplinary process is governed by the provisions of SAICA's Constitution and By-laws. SAICA is accredited as a Professional Body by the Regulator, The Independent Regulatory Board for Auditors (IRBA). One of the requirements for accreditation in terms of Section 33(c) of the Auditing Profession Act 2005 (Act 26 of 2005) (APA) is that the professional body demonstrate to the satisfaction of the IRBA that there are mechanisms in place to ensure that members are disciplined where appropriate. SAICA is required to submit annual monitoring reports to the IRBA which includes content on the investigation and disciplinary function for the year under review. Regulation 29(12) to the Companies Act 2008 (Act 71 of 2008) requires SAICA to submit an annual report to the Companies and Intellectual Property Commission (CIPC) demonstrating that, among other criteria, SAICA has mechanisms to ensure that its members are disciplined where necessary. SAICA is a Recognised Controlling Body (RCB) under The Tax Administration Act 2011 (Act 28 of 2011) and under section 243 the South African Revenue Service (SARS) will refer matters of improper conduct by tax practitioners to the relevant RCB to handle in terms of their rules.

In June of 2020 SAICA implemented Revised By-laws which saw the introduction of a separate Disciplinary Code as Appendix 4 to the By-laws. These revision were aimed at making the disciplinary process more efficient for example by the introduction of Admission of Guilt options; without prejudice settlement discussions and the introduction of Settlement Orders at the Disciplinary Committee stage together with allowing for the publication of all guilty Findings with the name of the member who was found to be guilty of improper conduct. SAICA also amended its Constitution in May 2021.

The improvements to the Disciplinary process have resulted in SAICA successfully prosecuting a high profile case against a member who was found guilty of improper conduct at two parastatals, namely Eskom and Transnet, and the member was excluded from membership.

SAICA has also brought charges against another high-profile matter dealing with public protection after significant investigations into this matter, namely the member implicated in accounting irregularities at Steinhoff.

**The SAICA disciplinary process**

A system of investigation and discipline exists for SAICA members, associates and trainees in accordance with SAICA's Constitution and By- laws. This system is implemented, maintained and managed by SAICA Legal and Discipline, supported by a Professional Conduct Committee and a Disciplinary Committee. To ensure fairness in the process, the Professional Conduct Committee and Disciplinary Committee are chaired by members of the legal profession. The disciplinary process is only concerned with the professional behavior of SAICA members, associates and trainee accountants, and the Disciplinary Committee has limited powers to direct the member to compensate complainants where client money is unlawfully withheld and to direct delivery of documents to a client where these have been unlawfully withheld.



SAICA's Investigation and Discipline system is in line with the following requirements of SMO 6:

- Scope of the system (operational in terms of investigations and discipline; public access to disciplinary stats).
- Initiation of proceedings (including both a “complaints-based” and “information-based” approach).
- Investigative process (a separate Professional Conduct Committee).
- Disciplinary process (a separate Disciplinary Committee).
- Sanctions (imposing appropriate penalties, which may include suspension of membership and exclusion from membership which are linked to loss of professional designation).
- Rights of representation and appeal (while no third appeals body exists within SAICA, the defendant may take the matter on Judicial Review)  
Administrative processes (including timeframe targets, tracking of cases and records of investigations and disciplinary processes).
- Public interest consideration (awareness of the investigative and disciplinary system and reporting of results).

[Note: While no process for independent review exists within SAICA, the complainant may take the matter on Judicial Review]

In 2017-2018, SAICA will work towards compliance with:

- Liaison with outside bodies: To establish an appropriate process for liaison with outside bodies on involvement in serious crimes and offences. While SAICA does liaise with the IRBA on matters related to RAs and with the Commercial Crimes Unit of the South African Police Services where persons are found to be ‘holding out’ as Chartered Accountants in contravention of the Chartered Accountants Designation (Private) Act 67 of 1993, SAICA Legal and Discipline plans to, during 2017-2018, engage with Commercial Crimes to establish a process for reporting serious crimes and offences which have come to SAICA’s attention through our investigation and disciplinary processes. SAICA has succeeded in furthering relationships with the NPA and the Serious Economic Crime unit of the South African Police Services as well as the South African Revenue Service and other regulators for example the Financial Sector Conduct Authority and SAICA has both assisted these organisations with their investigations.

In the case of registered auditors (RAs) who are SAICA members, the link between quality assurance (SMO 1) and investigations and discipline (SMO 6) is made by the IRBA, since the IRBA has direct responsibility for the quality assurance review system – SMO 1 of this Action Plan addresses the quality assurance review system. The IRBA’s Investigation and Discipline system is in line with the requirements of SMO 6:

- Scope of the system (operational in terms of sections 48-51 of the APA in terms of investigations and discipline systems, powers and composition).
- Initiation of proceedings (including both a “complaints-based” and “information-based” approach).
- Investigative process (a separate Investigating Committee established in terms of section 20(2)(e) of the APA, as well as a Disciplinary Advisory Committee established as a sub-committee of the Board under section 20(1) of the APA).

Disciplinary process (a separate Disciplinary Committee established in terms of section 20(2)(f) of the APA,).

- Sanctions (imposing appropriate sentences in accordance with section 51(3) of the APA: a caution or reprimand; a monetary fine; a suspension of the right to practice as a RA for a specific period; and the cancellation of registration as an RA and the removal of the RA's name from the Register of Registered Auditors).
  - Rights of representation and appeal (rights of representation as provided for in section 50(8) of the APA; the complainant can take the matter on judicial review).
  - Administrative processes (well established processes including timeframe targets, tracking of cases and records of investigations and disciplinary processes).
  - Public interest consideration (public awareness of the investigative and disciplinary system and the reporting of results via the IRBA quarterly newsletter and annual report).
- Liaison with outside bodies (SAICA observer attends Investigation Committee meetings; monitoring of cases to identify those that need to be reported in terms of the Prevention and Combating of Corrupt Activities Act (Act 12 Of 2004)).
- Regular review of implementation and effectiveness (both internal and external audit reviews of implementation; ROSC review of effectiveness by the World Bank on a cyclical basis).

#### **Recent disciplinary stats of SAICA**

□ For 2020 (Jan to Dec) a total of **476** complaints were on record and can be accounted for as follows (as at 31 December 2020):

- 38 cases were referred to the IRBA
- 137 cases were resolved through the Professional Conduct Committee
- 6 cases were resolved through the Disciplinary Committee

The significant increase in the complaints is due to Tax Practitioner non-compliance which SAICA is prosecuting where members have either failed to complete the required annual Tax specific Continuing Professional Development (CPD) as prescribed by the Tax Regulator, SARS or where member have failed to submit their annual declarations confirming their compliance with requirements to remain registered as Tax Practitioners.

#### **SAICA supports the IRBA with I&D of RAs by:**

- Participating in IRBA committees and vice versa
- Reacting on and initiating disciplinary procedures against members when alerted by the IRBA

#### **Direct responsibility**

Investigate and discipline all members:

□

Investigate complaints received from the public (all members)  
 Investigate complaints originating from the IRBA (members who are also RAs)  
 Investigate matters of alleged improper conduct notwithstanding the absence of a complaint

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
30.	Ongoing	Continue to monitor developments and trends in the nature of complaints, report appropriately to SAICA's Board and provide guidance to members. SAICA's Legal and Discipline function liaises with the relevant business units on the outcomes of disciplinary matters for various acts of improper conduct and collaborates with the business units in communicating these to members by way of publications, committee structures and SAICA information sessions (also refer to actions in relation to SMO 1 and SMO 4). SAICA provides guidance to members in interpreting their obligations under the SAICA Code of Professional Conduct, By-laws and applicable regulations.	Ongoing	Senior Executive: Legal and Governance	Project Director: Legal and Discipline Project Manager: Legal
<i>Review of SAICA's Compliance Information</i>					
31.	Biennially	There is a need to review the SMO 6 information biennially as there may have been changes to the legislative and or administrative landscape. Carry out periodic reviews of SAICA's responses and update sections relevant to SMO 6 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.	Biennially	Senior Executive: Legal and Governance	Project Director: Legal and Discipline Project Manager: Legal

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB

**Action Plan Objective:** Continue to use best endeavors to ensure adoption and implementation of IFRS

**Background:**

Companies in the private sector, other than very small ones, are required to apply International Financial Reporting Standards (IFRS) or the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) as issued by the International Accounting Standards Board (IASB), depending on the company's category in accordance with the Companies Act 2008 and Companies Regulations 2011. The JSE Limited Listings Requirements have required listed companies to use IFRS with effect from 1 January 2005.

The Companies Act requires the Companies and Intellectual Property Commission (CIPC) to monitor patterns of compliance with IFRS. To assist the CIPC to fulfil this mandate and other legislative duties in the short to medium-term, it adopted Extensible Business Reporting Language (XBRL). XBRL was implemented by the CIPC from 1 July 2018. In terms of this mandate, certain categories of companies are required to submit financial statements to the CIPC via XBRL replacing the pdf submissions. The CIPC has adopted the IFRS and IFRS for SMEs Taxonomy as published by the IFRS Foundation.

**History**

Until 2011, the Accounting Practices Board (APB) was the financial reporting standard-setter in South Africa. During this time, the Companies Act of 1973 referred to 'generally accepted accounting practice' (GAAP). The APB was established in 1973 to consider what should be GAAP and to issue South African Statements of Generally Accepted Accounting Practice (SA GAAP). In 2003, the APB decided to harmonise SA GAAP with IFRS and, after due process, issued the IFRS Standards as SA GAAP without amendment.

The Companies Act of 1973 was superseded by the Companies Act 71 of 2008 (Companies Act) which became effective in 2011. The Companies Act and the Regulations thereto prescribe the applicable financial reporting frameworks based on each individual company's public interest score. The Regulations permit the use of either IFRS, IFRS for SMEs or SA GAAP in specific instances.

The financial reporting standard-setter, Financial Reporting Standards Council (FRSC) falling under the auspices of the Department of Trade, and Industry and Competition (the dtic) was established in 2011 in terms of the Companies Act. It replaced the Accounting Practices Board (APB). The function of the FRSC is to advise the Minister on matters relating to financial reporting standards. It should be noted that the FRSC is currently non-operational pending the renewal of the member's terms dtic To this end SAICA has engaged with the dtic to both offer assistance and express the need for the FRSC to be resuscitated.

Given that the Companies Act refers to IFRS, there is no need for SA GAAP (which in 2011 was identical to IFRS at that date). Accordingly, the APB and the FRSC jointly announced that SA GAAP would be withdrawn with effect from financial years beginning on or after 1 December 2012. Additionally, requests have been made by the FRSC to have the Companies Regulations 2011 amended to delete the reference to SA GAAP. However, these changes have still not been made. But, due to the APB and the FRSC announcement, for all intents and purposes, SA GAAP no longer exists. Affected companies were required to convert to IFRS or IFRS for SMEs as appropriate.

SAICA has a technical financial reporting committee namely the Accounting Practices Committee (APC). The APC plays a critical role in the standard-setting process locally and globally. The APC exists to be the leading African financial reporting technical body, with a view to improving financial reporting in South Africa, Africa and globally. In order to fulfil its purpose, the APC seeks to play a leadership and influential role by keeping informed of developing trends, developing guidance where necessary, making proactive and reactive submissions on all relevant pronouncements and legislation that affect financial reporting, communicating to and educating SAICA. In the absence of a fully functional FRSC, the SAICA APC has maintained its position, which is being the prominent technical financial reporting body in South Africa that positively contributes to the financial reporting standard-setting process locally and globally

The FRSC established a technical committee in 2015, called the Financial Reporting Technical Committee (FRTC), to assist in the execution of its duties. The FRTC also no longer exists.

SAICA supports the implementation of IFRS by:

- Raising awareness
- Providing relevant CPD opportunities for members
- Commenting on proposed new or revised standards to influence local and international standard-setting
- Providing non-authoritative guidance
- Investigating referred cases of potential non-compliance with IFRS
  - The JSE and SAICA established the Financial Reporting Investigations Panel (FRIP), previously known as the GAAP Monitoring Panel (GMP) to review referred instances of potential non-compliance with IFRS for JSE listed companies. Since 2011 the JSE has been conducting a proactive monitoring process whereby the financial statements of every listed company are reviewed at least once every five years to identify areas of non-compliance with IFRS. Where necessary, cases are referred to the FRIP. The JSE penalises companies depending on the nature of non-compliance and at the same time reports the auditors and professional members involved to the respective professional bodies i.e. the IRBA and SAICA.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Influence in the Standard-Setting Process</i>					
32.	Ongoing	<p>Continue to be involved in standard-setting processes locally and internationally. Specifically:</p> <p>SAICA serves both of EEG and IFASS as noted above.</p> <ol style="list-style-type: none"> <li>SAICA continues to issue comments on all IASB and IFRS Foundation related documents and outreach requests and will also comment on any FRSC pronouncements when issued. Members of the APC are technical partners of auditing firms, preparers from different industries, academics, users, etc.</li> <li>SAICA submits comments on draft documents issued by the FRSC.</li> <li>Participates in all IFRS Foundation structures by nominating SAICA members. SAICA members are currently represented on the Trustees of the IFRS Foundation, IASB, IFRS Interpretations Committee, IFRS Advisory Council, the ASAF (Accounting Standards Advisory Forum), the SME Implementation Group, the Emerging Economies Group (EEG) and various other working groups.</li> <li>Collaborate with the FRSC on all matters related to financial reporting, when needed.</li> </ol>	Ongoing	<p>Senior Executive: Corporate Reporting</p> <p>Project Director: Financial Reporting</p>	<p>SAICA's APC SAICA members</p> <p>Senior Executive: Corporate Reporting</p> <p>Project Director and Project Manager: Financial Reporting</p>
33.	Ongoing	<p>Solicit views of SAICA members on all accounting documents being issued locally and internationally (mainly IASB and IFRS Interpretations Committee documents).</p>	Ongoing	<p>Senior Executive: Corporate Reporting</p> <p>Project Director: Financial Reporting</p>	<p>SAICA members SAICA's APC</p>

#	Start Date	Actions	Completion Date	Responsibility	Resource
34.	Ongoing	Continue to work closely with the JSE to obtain feedback on IFRS implementation challenges and determine initiatives to address the challenges.	Ongoing	Senior Executive Corporate Reporting Project Director: Financial Reporting	Project Director and Project Manager: Financial Reporting
<i>Implementation of IFRS</i>					
35.	Ongoing	<p>Continue to offer CPD activities on IFRS and IFRS for SMEs.</p> <p>SAICA hosts a variety of CPD activities (seminars, workshops, roadshows, physical products, on-line products/guides, eLearning, IFRS certificate courses) on different accounting topics. These include:</p> <ul style="list-style-type: none"> <li>• SAICA IFRS Certificate which is a comprehensive IFRS learning programme comprised of both face-to-face sessions and e-learning, and addresses all IFRSs.</li> <li>• SAICA IFRS Back to Basics – which is a two-day refresher course on IFRSs.</li> <li>• Annual IFRS updates.</li> <li>• Ad hoc seminars, especially when major standards have been issued and quite recently on the new Insurance Contracts Standard.</li> </ul>	Ongoing	Senior Executive Corporate Reporting Senior Executive Member Engagement Project Director: Financial Reporting	Presenters that SAICA identifies to deliver training Senior Executive Corporate Reporting Project Director and Project Manager: Financial Reporting
36.	Ongoing	<p>Offer technical query service to members.</p> <p>Repetitive IFRS and IFRS for SMEs queries from members have been identified and made into Frequently Asked Questions (FAQs) that have been placed on the SAICA website and revised quarterly.</p> <p>SAICA continues to receive financial reporting related queries which it strives to answer within three business</p>	Ongoing	Senior Executive: Corporate Reporting Project Director: Financial Reporting	Senior Executive: Corporate Reporting Project Director and Project Manager: Financial Reporting, as well as external resources as may be required

#	Start Date	Actions	Completion Date	Responsibility	Resource
37.	Ongoing	Develop accounting guidance, templates and circulars to assist members in understanding and applying the requirements of IFRS and IFRS for SMEs.	Ongoing	Senior Executive: Corporate Reporting Project Director: Financial Reporting	SAICA's APC members and sub-committees Senior Executive Corporate Reporting Project Director and Project Manager: Financial Reporting, as well as external resources as may be required
38.	Ongoing	SAICA gives members access to the IFRS Foundation's publications including IFRS Standards and IFRS for SMEs through its portal, eIFRS. eIFRS had replaced the SAICA annual handbook which also contained IFRS, circulars, auditing and ethics Standards.	Annually	Senior Executives from Corporate Reporting and Education Project Directors: Financial Reporting; Education	IFRS Foundation and IFAC SAICA staff from Financial Reporting and Education
39.	Ongoing	Communicate regularly to members on IFRS and IFRS for SMEs developments and issue media releases to the public on these developments and the impact for SA entities.	Ongoing	Senior Executive: Corporate Reporting Project Director: Financial Reporting	Senior Executive: Corporate Reporting Project Director and Project Manager: Financial Reporting Articles and other content submitted to SAICA (vetted by SAICA technical staff) SAICA communications staff
40.	Ongoing	Continue to partner with JSE in maintaining the FRIP that reviews referred cases of potential non-compliance with IFRS for JSE listed entities.	Ongoing	Senior Executive: Corporate Reporting Project Director: Financial Reporting JSE	Senior Executive: Corporate Reporting Project Director and Project Manager: Financial Reporting JSE



#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of SAICA's Compliance Information</i>					
41.	Biennially	<p>There is a need to review the SMO 7 information biennially as there may have been changes to the legislative and or administrative landscape.</p> <p>Carry out periodic reviews of SAICA's responses and update sections relevant to SMO 7 as necessary. Once updated, SAICA informs IFAC compliance staff about the updates in order for them to republish the updated information.</p>	Biennially	Senior Executive Corporate Reporting	<p>Project Director: Financial Reporting</p> <p>Project Manager: Financial Reporting</p>