Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance

Presented by

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Good Practices of Monitoring Compliance, and Enforcement

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Synopsis

- Legislative Mandate
- **World Bank Report on the Observance of Standards and Codes (ROSC) – 2013**
  - Why
  - Pillars
  - Key recommendations for monitoring, compliance and oversight
- Key principles for effective regulation
- Challenges in regulation (and how to overcome these)
- Key messages
- Is it working for SA?
The IRBA was established in terms of section 3 of the Auditing Profession Act, 2005 (Act no. 26 of 2005) with the following objectives (*own emphasis*):

- To provide for the establishment of an **Independent** Regulatory Board for Auditors;
- To **protect the public** in the republic by regulating audits performed by registered auditors;
- To improve the development and maintenance of **internationally comparable** ethics standards and auditing standards for auditors that **promote investment** and as a consequence **employment** in South Africa;
- To set out measures to advance the implementation of appropriate standards of **competence** and good ethics in the auditing profession; and
- To provide for procedures for **disciplinary action** in respect of improper conduct
World Bank ROSC – 2013

Why?
- Reforms to Strengthen Systemic Issues
- Commendable Reforms Implemented
- Good Practices Shared

Pillars
- Statutory Framework
- Accountancy Profession
- Education and Training
- Accounting Standards
- Auditing Standards
- Monitoring, Enforcement and Oversight
World Bank ROSC – 2013
Key Recommendations for Monitoring, Compliance and Oversight

• Inspection methodology to be strengthened in terms of IFRS Reviews
• Independence from profession
• Disciplinary process and sanctioning further strengthened in terms of independence, rigor and timely resolution
• IRBA resources and capacity to be increased
• Funding model to be stabilized
Key principles for effective monitoring and enforcement

- Independence from profession (but remain the custodian of the profession)
- Government, profession and public must understand the difference between regulator and professional bodies
- Enabling audit legislation
- Confirm regulatory philosophy
- Composition of governance structures must ensure independent and effective monitoring and enforcement
- Effective communication with profession, the public and government
- Strong stakeholder relationships
- High quality staff
- Enforcement powers
Challenges in monitoring and enforcement (and how to overcome these)

- Propensity for change
- Independent funding
- Getting the balance right
- Misperceptions from the public and stakeholders
- Responding to global trends
- Monitoring other legislation
- Responding to investor needs
- Challenges to Due Process
- Responding to auditor needs
- Restrictive legislation
- Misperceptions of role
Key Messages

- Have a vision, mission, regulatory philosophy and branding strategy
- Ensure regulator independence
- Create sustainable funding model that will not compromise independence
- Engage with profession, government and stakeholders
- Create effective governance structures
- Promote effective communication and education of auditors, stakeholders and public about role of regulator
- Go Global
Is it working for SA?

• South Africa achieved number 1 position for its auditing standards in the World Economic Forum’s Global competitiveness Survey for five years running (2010-2014)
• The IRBA is recommended by the treasury to regulate the accountancy profession
• The IRBA supports the IIRC to lead the development of an issues paper on assurance on Integrated Reporting
• The IRBA is approved by the European Union as a regulator which is equivalent to the best in the world
• Participation in international structures and projects
• Regulation of other industries in SA
Thank you

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