

Reportable Irregularities

The Accounting Profession Act, 2005 (Act 26 of 2005)(APA) imposes a legal obligation upon Registered Auditors (RAs) to report certain irregularities that may arise out of a financial audit, to the Independent Regulatory Board for Auditors (IRBA). Auditors who fail to report an irregularity face severe penalties ranging from an array of disciplinary actions imposed by the IRBA to civil sanctions and, depending on the circumstances, even criminal prosecution with a jail term of up to 10 years.

Whilst many of the provisions in the APA are similar to those in the now repealed Public Accountants' and Auditors' Act of 1991 (PAAA), it does contain a number of important provisions that are very different. One of the most notable changes brought about by the enactment of the APA is the identification and treatment of what was known as a "material irregularity" (MI) under the PAAA, now termed a "reportable irregularity" (RI).

The auditor is required to conduct his/her audit in accordance with the standards set out in the definition of "auditing pronouncements", which standards may assist the auditor in identifying potential reportable irregularities and in this manner, assist the profession in discharging its responsibility to protect and promote the public interest through the services rendered.

CGF's report provides a broad overview of the responsibility of Registered Auditors to report RIs in terms of section 45 of the APA; including, the definition of a RI, when the duty to report arises, the reporting process, the impact on an audit report as well as sanctions that may be imposed should an auditor fail to report such irregularity.

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A PowerPoint report covering this topic can be purchased through CGF at www.cgf.co.za
