

June 2020

Dear Audit Committee Members

### Introduction

In a recent engagement with the JSE, the Audit Committee Forum (the “**ACF**”) reflected on the need for guidance to Audit Committee Members in respect of the responsibilities of Audit Committee Members as set out in paragraph 3.84(g) of the JSE Listings Requirements (the “**JSE Requirements**”). The ACF believes it is necessary to provide Audit Committee Members with guidance on this topic in order for members to fully understand the JSE Requirements and to ensure that accurate and complete information is considered by the Audit Committee in fulfilment of their responsibilities in terms of the JSE Requirements.

The JSE Requirements empower Audit Committee Members to request specific information from audit firms as set out in paragraph 22.15(h) of the JSE Requirements which an audit firm is obliged to comply with in terms of the JSE Requirements.

The discussion below addresses the following key matters:

- An analysis of the relevant JSE Requirements, the objectives thereof and the nature and content of the information to be considered;
- Some of the experiences of Audit Committee members in respect of their interactions with audit firms highlighting both good and bad examples of compliance with the JSE Requirements; and
- Guidance to members in respect of accurate and complete information to be requested and considered.

Whilst this document may not deal with each and every scenario that may arise in the fulfilment of an Audit Committee Member’s responsibilities in terms of the JSE Requirements, the document provides a framework for the understanding of the JSE Requirements and the avenues available to Audit Committee Members where information provided by audit firms appears to be incomplete or inaccurate.

Audit Committee members are encouraged to view the JSE Requirements as the minimum information required for consideration by the Audit Committee, the Audit Committee is well within its rights to request any further information from the relevant audit firm that it may deem necessary in the fulfilment of its responsibilities.

### Applicable JSE Requirements

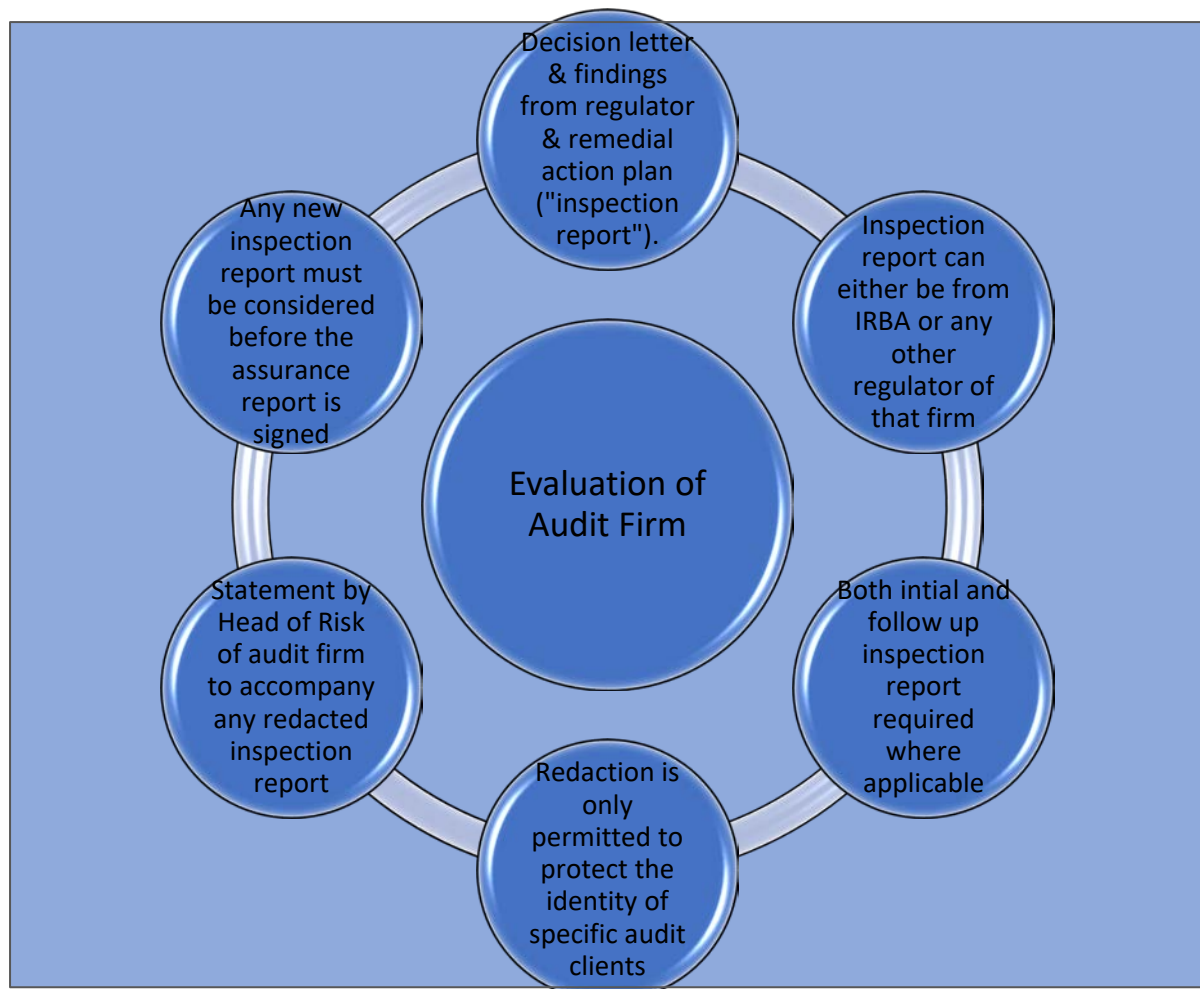
A fundamental shift in the JSE regulatory model for auditor accreditation was introduced in October 2017. The crux of the revised model is that the Audit Committee is tasked with considering certain specific information before making their recommendation to shareholders in respect of the appointment (or re-appointment) of the auditor. The obligation placed on the Audit Committee and specifically the information required to be considered reflects an increased focus on audit quality of the relevant audit firm.

Consistent sustainable high audit quality enhances the accuracy and credibility of financial reporting promoting confidence in capital markets. This plays an important role in creating and growing an investment market for both local and global investors.

Paragraph 3.84(g)(iii) of the JSE Requirements (7.10(b) of the Debt Listings Requirements) places a responsibility on the Audit Committee to request from the audit firm (and if necessary consult with the audit firm on) the information detailed in paragraph 22.15(h) of the JSE Requirements in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment. This requirement also applied to an applicant issuer of securities prior to listing.

Paragraph 22.15(h) of the JSE Requirements sets out the following minimum information that the audit firm must provide to the audit committee of the Issuer:

1) Firm inspection review



Reference: paragraph 22.15(h)(i)(1), (4), (5) and (6) of the JSE Requirements

Key points for consideration:

- a) The inspection report must be complete including a decision letter by the regulator, an executive summary, a findings report detailing all findings and a root cause analysis prepared

by the firm accompanying their proposed remedial action plan for all the findings in the finding report. In addition any other correspondence issued by the regulator to the firm or partner relating to audit quality or the firm's system of quality control must be provided to enable full transparency on these matters;

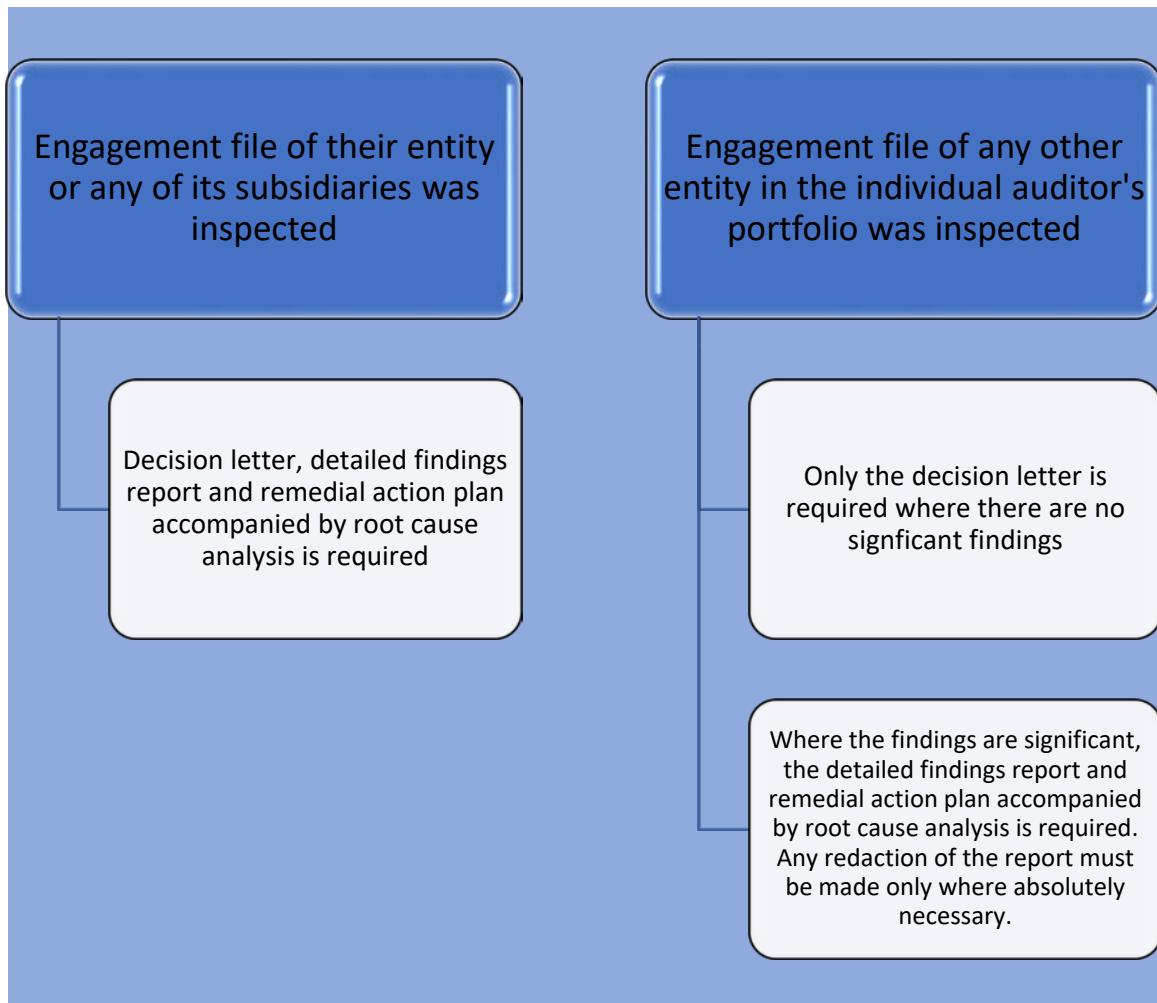
- b) Certain audit firms are registered both locally and abroad to perform assurance work in other jurisdictions. The audit firm may have been inspected by their local regulator and other regulatory bodies. Audit Committee Members are to ensure that the latest inspection report is provided for each separate regulator as may be applicable;
- c) The IRBA has increased its focus on firm leadership as communicated in the *IRBA Manual of Information: IRBA Inspections Strategy and Process, Seventh Inspections Cycle*. The IRBA has clearly communicated in its strategy document that in terms of the auditing standards the leadership of the firm is ultimately responsible for promoting a culture of quality that ensures consistent, sustainable high quality on all audits within the firm, including that any reported quality control review or inspection findings are promptly evaluated, internally communicated and remediated as part of the firm's ongoing quality improvement processes;
- d) Audit Committee members are encouraged to familiarise themselves with the abovementioned IRBA strategy and process document, or any later version thereof, as this document provides a comprehensive overview of the inspections process, including the following definitions of reportable findings:
  - At a firm level these include any significant or systemic deficiency related to the firm's conduct or system of quality control that may have an impact on audit quality by creating a risk of inappropriate auditor's reports being issued by the firm, including failure to implement remedial/corrective action on all assurance engagements performed by the firm, resulting in recurring deficiencies reported by inspections;
  - At an engagement level these include any significant deficiency whereby the firm has failed to perform sufficient and appropriate audit procedures and/or has failed to obtain or document sufficient and appropriate audit evidence to support its auditor's report, including a failure to identify or address a material or potential material financial reporting/accounting related deficiency; or any non-compliance with applicable standards, codes of conduct and legislation, including a departure from the firm's adopted policies, procedures or methodology
- e) The IRBA has adapted the format of the Inspection report such that the decision letter no longer communicates an outcome such as satisfactory or unsatisfactory as may have been the case in the past. The detailed inspection report is accompanied by an executive summary to the firm which provides an overview of the inspection result. The executive summary is a key feature of the inspection report introduced by the IRBA to provide a summary of the inspection outcome to users of the inspection report;
- f) Paragraph 4.7.2 of the abovementioned IRBA strategy document states that the inspection report is anonymised as far as possible and is written with the users in mind. These users may include the firm leadership, engagement partner/team, the Inspections Committee of the IRBA and other relevant users such as Audit Committees or other regulators;
- g) Accordingly, redacted inspection reports whilst contemplated by the JSE Requirements should be limited to very specific circumstances where it is possible that confidential information may become known to the reader of the report. Audit Committee members are encouraged to carefully scrutinise the statement provided by the Head of Risk, or a similar senior person who

is tasked with the responsibility of risk management or audit quality, of the audit firm where redacted reports are supplied;

- h) Audit Committee members are encouraged to request reasons from the Head of Risk, or a similar senior person who is tasked with the responsibility of risk management or audit quality, of the audit firm for redaction of reports in cases where redacted reports are submitted;
- i) A summary of inspection findings only, will constitute an incomplete submission of information by the audit firm to the Audit Committee. Any summaries provided should be supported by the full report;
- j) An important obligation placed on the audit firm by the JSE Requirements is that to provide an explanation of the findings in the inspection report to ensure that there is an understanding of those findings in the appropriate context. The JSE Requirements state that such an explanation is especially relevant to redacted reports where the full context of the finding may be unclear/obscured. An explanation of this nature for specific findings within the inspection report may however be necessary irrespective of whether the report is redacted or not, to ensure that Audit Committee members obtain a clear understanding of what the findings may convey about the status of crucial aspects of audit quality of the firm;
- k) Audit Committee members are encouraged to carefully scrutinise the root cause analysis prepared by the firm as it provides insight into the causal factors leading to findings being raised by regulators. i.e. weaknesses that may be present in the quality control system of the firm;
- l) Whilst the obligation to provide any new inspection report to the Audit Committee sits with the audit firm, the Audit Committee may seek a better understanding of the timing of expected new inspection reports by enquiring from the firm about the inspection schedule of the regulator as communicated to the firm. This will assist the Audit Committee in its awareness of when new inspection reports may be issued for the firm both in respect of the firm's local regulator and other regulatory bodies that the firm may be registered with; and
- m) Where no new inspection reports have been brought to the attention of the Audit Committee, enquiries should be made of the audit firm of the existence of any new inspection reports during the audit and prior to signature of the assurance report.

## 2) Individual auditor inspection review

The regulatory body of an audit firm could select one or more specific engagements for inspection. This could include the company/ entity you are an Audit Committee member of or any other engagement file of the individual auditor. The JSE Requirements differentiate between these inspection reports for submission to the Audit Committee as depicted below. The rationale for the differentiation is to ensure confidentiality of client specific information albeit that regulatory bodies anonymise the inspection reports as instances may arise where Audit Committee members in the same industry may be able to identify peer companies/ entities.



Reference: paragraph 22.15(h)(i)(2), (3) and (4) of the JSE Requirements

Key points for consideration:

- a) An individual auditor engagement file may be selected for review by a regulatory body other than the local regulator;
- b) Irrespective of whether the regulator has conducted a review or not, it is necessary useful to consider a summary of the outcome of any internal monitoring review process undertaken on that individual;
- c) It is important to identify significant findings that may have resulted in a referral to investigation or disciplinary matter and understand the nature of the investigation, the remedial action plans that have been implemented to avoid findings of a similarly serious nature and the outcome of the implementation of the remedial action plans;
- d) Each of the points listed under 1 above in respect of the audit firm inspection report are equally relevant for the individual auditor inspection report.

### 3) Monitoring and remediation process

The JSE Requirements recognise the monitoring and remediation processes of the firm applicable to both the firm and individual auditors of the firm as prescribed by International Standard on Quality Control 1 (Revised). A summary approved by the Head of Risk, or a similar senior person who is tasked

with the responsibility of risk management or audit quality, of the audit firm of the following information is required to be provided to the Audit Committee:

- a description of the monitoring procedures performed (Paragraph 53(a) of ISQC1);
- the conclusions drawn from the monitoring procedures (Paragraph 53(b) of ISQC1); and
- where relevant, a description of systemic, repetitive or other significant deficiencies and the steps taken to resolve or amend those deficiencies (Paragraph 53(c) of ISQC1).

*Reference: paragraph 22.15(h)(ii) of the JSE Requirements*

The abovementioned information which is a result of internal monitoring procedures of the audit firm is necessary for consideration in conjunction with the abovementioned external reviews of the audit firm and individual auditor to provide a holistic view of the audit quality of the firm.

#### 4) Legal or disciplinary proceedings

The outcome and a summary of any legal or disciplinary proceedings concluded within the past 7 years, which were instituted in terms of any legislation or by any professional body of which the audit firm and/or designated individual auditor are a member or regulator to whom they are accountable, including where the matter is settled by consent order or payment of a fine is required to be provided to the Audit Committee.

Whilst paragraph 22.15(h)(iii) of the JSE Requirements only requires disclosure of legal and disciplinary proceedings against the audit firm and the designated individual auditor, a summary of material findings against other audit partners with the firm is useful as it provides a more holistic picture of the audit firm. Furthermore, whilst concluded investigation or disciplinary matters are required to be provided by the audit firm, any new or pending matters will provide valuable information for the Audit Committee to consider. A negative statement may be provided by the firm where no new, pending or other matters exist. The Audit Committee is encouraged to request the abovementioned further information in this regard.

The abovementioned disclosure is to be provided each time that the audit firm submits information to the Audit Committee pursuant to paragraph 22.15(h) of the JSE Requirements.

#### 5) JSE Guidance to audit firms

On 25 July 2018 the JSE issued guidance to audit firms in respect of information to be provided by the audit firm to Audit Committee members. This guidance followed a review of a sample of submissions by accredited audit firms to Audit Committees pursuant to paragraphs 3.84(g)(iii) and 22.15(h) of the JSE Requirements. Audit Committee members are reminded of this guidance which accompanies this document. Where Audit Committee members find that a JSE accredited firm is not complying with the abovementioned requirements, they are encouraged to refer such matters of non-compliance to the JSE.

### Summary of Audit Committee members' experiences

The table provided in Annexure 1 provides insight into the experiences of Audit Committee members in two categories. The categories deal with instances of information provided by audit firms in a manner that reflected a commitment by such firms to the spirit of the JSE Requirements and instances reflecting contrary behaviours from audit firms.

As the circumstances relevant to an audit firm may change rapidly and although the JSE requirements require an assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment and the enquiry in respect of new reports issued prior to signature of the assurance report, it is encouraged that Audit Committees determine whether the assessment is performed:

- at the relevant year end even though the Audit Committee should; or
- at the last Audit Committee meeting prior to the Annual General Meeting when auditors are put forward for re-election.

### Audit Committee actions where non-compliance with the JSE Requirements is noted:

Where Audit Committee members are experiencing challenges in obtaining the complete set of information prescribed by the JSE Requirements or any other matter involving their responsibilities in terms of the JSE Requirements, Audit Committee members may consider the following actions:

- Discuss the challenges experienced with the appropriate level of leadership of the audit firm, preferably the CEO, with the intention of reaching an appropriate resolution timeously;
- Audit Committee members may report firms that submit false or misleading information to the IRBA as this behavior may constitute ethical misconduct;
- Audit Committee members may engage with the JSE, Issuer Regulation Division to inform the JSE of potential non-compliance with the JSE Requirements by specific audit firms, where applicable;
- Audit Committee members may bring matters to the attention of the ACF Forum so that the ACF forum can consider appropriate guidance to Audit Committee members to assist with contentious matters that may arise in the application of the JSE Requirements. The shared experiences of ACF and other Audit Committee members will undoubtedly prove useful in navigating the various challenges Audit Committee members may face in this regard.

The contact information of the parties referred to above is provided below should you wish to engage with the relevant body as described above.

- 1) JSE Limited, Issuer Regulation Division.

Email: [Auditorsadmin@jse.co.za](mailto:Auditorsadmin@jse.co.za)

Tel: 011 520 7667 or 011 520 7067

- 2) ACF Forum (we need to consider what happens here where someone has a KPMG issue – include a note perhaps?)

#### Conclusion

The obligations placed on the Audit Committee in considering the information included in the JSE listing requirements is a significant one. The audit committee plays a crucial role in considering this information in ensuring that they are comfortable that their individual Registered Auditor and the audit firm as a whole, is suitable addressing audit quality issues that have arisen in the IRBA inspection findings. Auditors are required to comply with the JSE listing requirements for the provision of defined information in a professional manner. Audit committees are likely to be spending additional time assessing whether the firm is performing the appropriate root cause analysis and implementing and monitoring the effectiveness of their remedial actions. This is a meaningful way that Audit Committees can contribute to driving the audit quality needed within the capital markets system.



## ANNEXURE 1

The information provided below in no way identifies a specific audit firm but rather provides a description of the nature of information submitted to the Audit Committee/s in a manner that was either beneficial to the Audit Committee assessment of such firm or an impediment to the responsibilities of the Audit Committee as set out in the JSE Requirements.

Instances where audit firms met their obligations in terms of paragraph 22.15(h) of the JSE Requirements	Instances where audit firms fell short in their obligations in terms of paragraph 22.15(h) of the JSE Requirements and areas for improvement for Audit Committee members
<p>A complete set of information as required in terms of the JSE Requirements provided by the audit firm:</p> <ul style="list-style-type: none"> <li>• Compliance with the Requirements is achieved particularly timeliness of the submissions to the JSE;</li> <li>• The firm includes a cover note providing more detail in respect of the most significant findings in the IRBA review and their views on the findings. This cover note is signed by the Head of Risk of the firm;</li> <li>• The appropriate level of leadership, e.g. not only the client relation partner, is available to meet with the Audit Committee to highlight information significant to the Audit Committee assessment;</li> <li>• The firm allows for a meaningful engagement on what the findings mean in respect of compliance with the JSE Requirements, the audit quality of the firm and independence matters that may be relevant;</li> <li>• Audit Committee members appreciate when the firm displays behaviour in their engagement that is open and transparent which build trust. The leadership of the firm are able to discuss matters in a frank, detailed, and transparent manner including details around profitability of the firm and the assurance engagement/ assurance leg of the firm;</li> <li>• An agenda is prepared by the audit firm for discussion of the following matters</li> </ul>	<p>Incomplete information provided to the Audit Committee:</p> <ul style="list-style-type: none"> <li>• Summarised Inspection reports are provided which in some instances are signed off by the Head of Risk and justified to be similar to redacted information;</li> <li>• Transparency reports are provided which contain information other than what is required by the JSE Requirements with the bulk of the information prescribed by the JSE Requirements provided in a summarised format;</li> <li>• Where specific queries are raised on summarised information, either redacted detailed findings reports are provided or detailed remedial action plans are provided without the detailed findings report;</li> <li>• The firm's responses to the detailed findings reports are provided without providing the detailed findings reports themselves;</li> <li>• Outdated findings reports are provided to the Audit Committee instead of the latest inspection finding report and related information as required by the JSE Requirements;</li> <li>• Limited or summarised findings from the detailed inspection report was</li> </ul>

which are detailed in a presentation by the firm:

- IRBA/regulator ISQC1 firm level inspection report;
- Latest IRBA/ regulator engagement level review;
- JSE response to IRBA findings;
- Internal Quality review process
- Summary of engagement partners latest internal quality review;
- Summary of legal and disciplinary hearings;
- JSE accreditation letter;
- Fee recovery breakdown;
- Subsidiary audits details;
- Audit principles and risks;
- Team rotation and bench strength
- Independence declaration
- Transparency report (clearly defined as a separate report).

Please note that some of these are not specific requirements of the regulations – but have been useful in providing additional information on audit quality.

provided with the promise of more detailed information once the firm is shortlisted in a tender process;

- Long delays by audit firm in responding to request for missing information by Audit Committee;
- The Audit Committee having to request the information required with an unreasonable period of time requested by the audit firm for consultation with the risk department before being able to submit the prescribed information.

**Notes to Audit Committee:**

*Full and complete inspection reports are required as summarised information may obscure the understanding of the inspection reports. Summarised information may be used by the firm to assist in explaining and supplementing the information prescribed by the JSE Requirements without obscuring or changing the true nature of the inspection deficiencies as reported by the regulator. In no way do the JSE Requirements endorse the provision of summarised information without the detailed inspection report.*

*As stated above the JSE Requirements require explanation and context to be provided in respect of the findings detailed in the inspection report. It is therefore unacceptable for summarised information to be provided without detailed findings and appropriate explanations in respect of those findings.*

*The firm's response to findings is generally included in the regulator's report. It is important to take the firm's direct response to the regulator into account in considering any additional explanation by the firm.*

*The rationale for redaction of inspection reports per the JSE Requirements is for the protection of company specific confidential information. It is*

	<p><i>important for Audit Committee members to note that subsequent to the introduction of the new JSE accreditation model in 2017, the IRBA specifically reworked the presentation and format of the inspection reports in recognition of the use of these reports by a wider audience, i.e. Audit Committee members. Regulatory bodies take great care in anonymising inspection reports to protect the identity and confidentiality of company/ entity specific information which the auditor is privy to. Accordingly, Audit Committee members are to be wary of unnecessary redaction of information which does not appear justified or is not appropriately signed off by the Head of Risk of the firm.</i></p> <p><i>Audit Committee members should be wary of entertaining requests for consultation with quality and risk departments of firm causing a delay to the Audit Committee assessment. The inspection report required by the Audit Committee is required to be submitted to the JSE in terms of the JSE Requirements and hence is available in a format that can be used by the Audit Committee.</i></p>
<p>Audit Committee members ensure that there is a clear process in place as well as adequate time for assessment of the audit firm and the information required by the JSE Requirements.</p> <p>The Audit Committee should determine their preference of which members of the leadership of the firm they would like to address the committee on the information to be provided and assessed by the committee. This should be communicated to the firm to ensure that the appropriate level of leadership of the firm is available to the committee.</p>	<p>Structure of Audit Committee meetings:</p> <ul style="list-style-type: none"> <li>• The audit quality review is slotted in middle of a very long year end agenda. Auditors are asked to step out of the room for few minutes whilst an off the cuff discussion follows. There is no planning or structure to the discussion or specific focus of audit quality;</li> <li>• There is no documentation by the Audit Committee of the discussions and process followed for consideration of an audit firm and individual auditor.</li> </ul> <p>Notes to Audit Committee:  <i>Audit Committee members are encouraged to ensure that specific focus is given to their responsibilities in terms of the JSE Requirements. A structured agenda of matters for consideration is recommended together</i></p>

	<p><i>with appropriate minutes of meetings as evidence of the execution of their responsibilities and for future reference is necessary.</i></p>
<p>Where the firm does not have recent inspection reports for the individual auditor, the firm provides the results of internal monitoring reviews to meet the objective of the JSE Requirements.</p>	<p>In certain instances the individual auditor has not been recently selected for inspection by the regulator and the firm does not provide any alternative information for consideration.</p> <p><i>Notes to Audit Committee: Audit Committee members are encouraged to request alternative information from the audit firm where certain information required in terms of the JSE Requirements may not be available with the objective of ensuring an appropriate assessment of the audit quality of the firm and the individual auditor.</i></p>
<p>The firm provides a comprehensive overview of all investigation and disciplinary matters and provides an update within a reasonable period of time to the Audit Committee where an investigation or disciplinary matter is finalised.</p>	<p>Investigation matters that are pending pose a challenge to the Audit Committee as the outcome of the investigation cannot be predicted. The outcome of the investigation may have a significant impact on the reputation of the firm/ individual auditor and will necessitate the re-evaluation of the firm for suitability.</p> <p>The firm may in certain instances submit the outcome of an investigation without the detailed documentation accompanying the submission.</p> <p>The firm in certain instances may not report the outcome of an investigation to the Audit Committee.</p> <p><i>Notes to Audit Committee: Investigation matters may take a long time to be finalised. It is therefore necessary that Audit Committee members understand the nature of the investigation, the progress that has been made by the regulator and the firm's view on the outcome and completion of the investigation.</i></p> <p><i>The Audit Committee should specifically focus on any implications for the audit of their entity, and call for whatever inputs they need from the appropriate level of leadership of the audit firm, to fully understand the concern, the impact it may have on the audit of the entity, and the</i></p>

	<p><i>controls that the firm has put in place to ensure that the matter would not occur on the audit of the specific entity.</i></p> <p><i>Whilst the Audit Committee must be cautious in predetermining the outcome of an investigation, the Audit Committee must also be cautious in assessing the potential consequences on the audit firm, individual auditor and the assurance engagement as a result of the nature of the matter under investigation.</i></p>
<p>Audit regulators have emphasised the importance of the leadership of the firm taking responsibility for the inspection report. The CEO and Head of Audit Quality as the main individuals responsible for the audit quality of the firm meet with the Audit Committee to provide the information required in terms of the JSE Requirements.</p> <p>The engagement with the leadership of the firm provides an opportunity for the Audit Committee to assess:</p> <ul style="list-style-type: none"> <li>• Tone at the top;</li> <li>• Culture of high audit quality;</li> <li>• The commitment and attitude of the firm to be transparent and open about the status of audit quality and disciplinary matters within the firm;</li> <li>• The firm's compliance with all of the regulatory requirements (single or multiple audit and requirements imposed by other regulatory bodies);</li> <li>• Detailed explanations are provided by the leadership of the firm, including global firm leadership (where necessary) to understand why the regulator concluded that the audit work did not support the audit opinion, and what the firm will do to remedy these on subsequent audits.</li> </ul>	<p>Where the engagement partner/ individual auditor propose to meet alone with the Audit Committee to provide the prescribed information this may reflect a lack of commitment by the leadership of the firm in ownership of the responsibility clearly defined by audit regulators.</p> <p>In instances where the audit firm expresses disagreement with the regulator's findings (per the written responses to the regulator's findings or during discussions) to the Audit Committee the committee should consider whether this may reflect the attitude of the leadership of the firm toward the regulatory process and audit quality improvement. This is important as this indicates the seriousness with which the firm views the findings and may attempt to address/or not address any weaknesses in the quality control environment.</p> <p><i>Notes to Audit Committee:</i>  <i>It is important to consider the following in engaging with leadership of the audit firm:</i></p> <ul style="list-style-type: none"> <li>• <i>The approach by audit firms that display an inappropriately defensive attitude towards regulators;</i></li> <li>• <i>The Audit Committee responsibility to call for information on the remedial action and consequence management applied to the individual auditor where the individual auditor has significant</i></li> </ul>

	<p><i>findings in the relevant inspection report;</i></p> <ul style="list-style-type: none"> <li>• <i>The attitude of the firm in accepting the findings raised by the regulator, the consequences arising from the significance of findings such as referral for investigation. Where the firm disagrees with the findings or resultant regulatory consequences it is important for the committee to fully explore the basis of the disagreement and assess whether the firm/ individual auditor is attempting to undermine the regulatory process and audit quality improvement;</i></li> <li>• <i>Mindfulness in respect of the confidential and sensitive nature of the information provided and the extent of decision makers involved in the assessment.</i></li> </ul>
<p>The audit firm shows a high level of commitment to addressing the regulator’s findings and performs in depth root cause analysis. The firm appropriately develops and monitors the implementation and outcome of the remedial action plan to ensure that the finding/s are appropriately addressed and do not recur in future on any other audit engagements.</p>	<p>Certain audit firms appear to suggest that their regulatory body has taken an overly strict approach to the reporting of findings based on the present environment where the trust in the audit industry has been tested.</p> <p>Audit Committee members rely on the regulatory process to ensure that audit firms are comprehensively regulated and fit to provide the services they wish to undertake.</p> <p>This attitude from audit firms creates difficulty for Audit Committee members as the Audit Committee should not be placed in a position of assessing the merits of whether a finding should have been raised or not. This type of dispute between the firm and regulator also requires the Audit Committee to fully explore the basis for the disagreement and the firm’s stance to proactively meeting its regulatory responsibilities.</p> <p><a href="#">Notes to Audit Committee:</a></p>

	<p><i>Audit Committees recognise that audit firms and individual auditors may have findings the regulator would like them to address. In addition to ensuring that the committee fully understand the historic issue, the committee should also focus on what is being done in the firm to remediate and ensure that this matter is addressed for the firm, and the safeguards in place that this will not occur on the audit of the entity itself. This will assist in audit quality improvement and restoring confidence in the audit profession.</i></p>
<p>The audit firm timeously meets the JSE Requirements reporting deadlines and in addition engages with the JSE to ascertain the impact of the inspection report on the continued accreditation of the firm. The firm is therefore in a position where it can provide the Audit Committee with feedback on its continued accreditation with the JSE.</p> <p><i>Notes to Audit Committee:</i>  <i>The Audit Committee is to bear in mind that the JSE assesses the inspection report to ascertain the eligibility of the audit firm for continued accreditation. This process involved the assessment of the root cause analysis and remedial action plan as well and requires a reasonable period of time for the JSE to conclude.</i></p>	<p>Where the firm is late with their reporting/ submission to the JSE, uncertainty is created over the JSE assessment of the firm and whether from a JSE perspective the firm remains validly accredited with the JSE.</p> <p><i>Notes to Audit Committee:</i>  <i>The Audit Committee is encouraged to enquire about the firm's compliance with all JSE Requirements. If not all requirements have been complied with an assessment of the implications on the continued accreditation of the firm need to be taken (in consultation with the JSE if necessary). Furthermore, Audit Committee members are encouraged to report any non-compliance with the JSE Requirements to the JSE for consideration.</i></p>
<p>The audit firm clearly highlights the trends that arise from their previous inspection reports and discuss why certain findings appear to be recurring in nature and what is being done to resolve these matters fully.</p>	<p>Certain findings and matters that may have been referred for investigation appear to be recurring findings from previous inspection reports. This could be an indication that the root cause analysis and remedial action plan are inappropriate in addressing the finding/s, and a failure in the firm's ongoing audit quality improvement cycle.</p> <p><i>Notes to Audit Committee:</i>  <i>The Audit Committee is encouraged to identify recurring findings in the inspection report and specifically request this information from the audit firm and individual auditor. Where a</i></p>

	<p><i>matter is recurring for a period of more than two years the firm should be required to substantiate why the root cause analysis and remedial action plans have not appropriately addressed the finding.</i></p> <p><i>This also provides an opportunity to assess the firm's commitment to ensuring that the findings are appropriately addressed and the attitude of the firm in respect of the findings raised by the regulator.</i></p>
<p>The firm ensures compliance with the JSE Requirements by ensuring that the individual auditor put forward has been appropriately considered by the JSE and does not appear on the JSE list of disqualified auditors.</p>	<p>In certain cases, the firm has put forward and the issuer has accepted the appointment of a specific individual auditor whereas that individual has not submitted the required declaration forms for consideration by the JSE.</p> <p><i>Notes to Audit Committee:</i>  <i>The Audit Committee is encouraged to request the JSE accreditation letter which contains a detailed annexure of each of the individual auditors that have submitted the required declarations to the JSE. The Audit Committee must ensure that the name individual auditor put forward as the engagement partner appears on the JSE accreditation letter.</i></p>