



Audit Regulatory Transparency Report

Deloitte & Touche South Africa

30 September 2019

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Scope of this report

This report sets out the practices and processes that are currently employed by Deloitte & Touche South Africa, in accordance with the requirements of Article 13 of the European Union’s Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities.

In addition to the above requirements, the Independent Regulatory Board for Auditors (IRBA) issued a call, in July 2018, for South African audit firms to produce regulatory transparency reports providing insight into the audit firm’s operations, governance, culture and ethics, audit quality, transformation and audit engagements amongst others.



Leadership message

Deloitte & Touche South Africa leadership message



Andrew Mackie
Managing Partner
Audit & Assurance
Deloitte Africa

State of the profession

The expectation gap facing the audit profession has never been greater and must be addressed. It is however important that we focus not only on what is broken in the profession, but that we focus on the entire financial reporting ecosystem.

We support a complete overhaul of the financial reporting ecosystem and would endorse the introduction of separate legislation that governs all players involved, including management, those charged with governance and auditors, and establishes a “super-regulator” to regulate the entire financial reporting ecosystem, with powers to effect swift justice.

It is of particular importance that regulators and the players involved in the financial reporting ecosystem shift their gaze to our global counterparts to identify which global initiatives are yielding successful results. A good example is the implementation of Sarbanes-Oxley in the United States, where it can be argued that the ultimate consequence, which is criminal sanction, is what drives its effectiveness. This recognises that it is not about the audit profession deflecting, but that all players should be subject to the same type of sanction, as all players are entrusted with an element of responsibility in the process of safeguarding others’ money.

Auditing in the South African context is currently particularly challenging. CEOs and CFOs of listed entities face enormous pressure from fund managers, banks and other stakeholders to report favourable results, which is particularly difficult in a slow or stagnant economy with a GDP of less than 1%. The pressure on management in this regard is unrelenting and may create the situation where management is tempted to present a rosier picture than the truth.

Many of the items appearing on today’s balance sheet are fair value items that are valued based on management’s estimates of future events and economic conditions. These estimates are sensitive to unforeseen future events, which may result in significant adjustments being required. In an economy with healthy growth, errors of judgement can be absorbed, but in our current economy the estimates may become brittle and small changes to external factors could result in significant changes in these balance sheet items.

These factors have contributed to an environment where the professional skepticism of the auditor and members of the audit committee is critical. The level of challenge by the auditor must be more invasive and robust than in the past and the search for contradictory evidence must be intensified. The consequence will be that the audit committee will need to play the role of arbitrator and mediator between the auditor and management, as the burden of additional proof that is now required from the auditor is likely to strain the relationship.

We welcome the anticipated International Standard on Quality Management 1 and believe that if properly implemented, it will result in increased audit quality across the profession. The cost of compliance is anticipated to be significant and will require the implementation of systems and processes in order to comply with the standard. The cost of such compliance, whilst necessary, will ultimately be borne by clients.

At Deloitte

We have invested heavily in improving our risk sensing mechanisms and machinery. As a consequence of our lessons learnt over the last few years, we have reflected on what we could have done differently to improve our ability to foresee issues prior to signing an audit opinion. The result of this reflection has been the development of a specialised risk sensing team, half of which, by design, are not auditors, but are trained in equity analysis and similar disciplines. We now spend more time thinking about the financial statements, on which we opine, through the eyes of investors, analysts and other stakeholders, adding to the breadth of insight that we are able to bring to our clients. The profession has required us to change and we have responded by changing the level and depth of our skills and competence.

We continuously consider our client portfolio in terms of the label, "The Company We Keep", thereby ensuring that the company we keep remains appropriate. In this regard we have terminated our relationship with a number of clients, who did not meet our increasingly stringent requirements for being a Deloitte client.

We are proud of our transformation record in South Africa. We are particularly proud that of the 60 listed companies in South Africa, **31%** are signed by black partners, **19%** being African black. Three years ago only **19%** were signed by black partners, **12%** being African black. This is not yet good enough and we are actively laying the foundation for the next generation of black signing partners for listed clients.

The profession is in a state of flux. Deloitte welcomes the focus and the scrutiny. We acknowledge the role we play in the capital markets. A stronger profession, with a significantly narrowed expectation gap, is vital for all role players in the financial reporting ecosystem.

Throughout this report, the terms "Deloitte, we, us, and our" refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms, and their related entities. For more information about the Deloitte network, please see p. 3 or <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-deloitte.html>.



Deloitte network

Deloitte & Touche South Africa legal structure and ownership

Deloitte & Touche South Africa is connected to the Deloitte network through the Deloitte Pan African Trust, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte & Touche South Africa is referred to throughout this report as "Deloitte South Africa", and Deloitte Pan African Trust is referred to throughout this report as "Deloitte Africa". Deloitte Africa holds practice rights to provide professional services using the "Deloitte" name which it extends to Deloitte entities within its territory, comprised of practice offices in Botswana, Burundi, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and territorial rights over Ethiopia, Lesotho, Rwanda and Swaziland.

Deloitte South Africa is authorised to serve as an auditor for clients in South Africa, under IRBA registration number 902276. Our audit firm operates as a partnership and is established under South African law, with the head office registered at The Woodlands Office Park, 20 Woodlands Drive, Woodmead, Johannesburg.

Network description

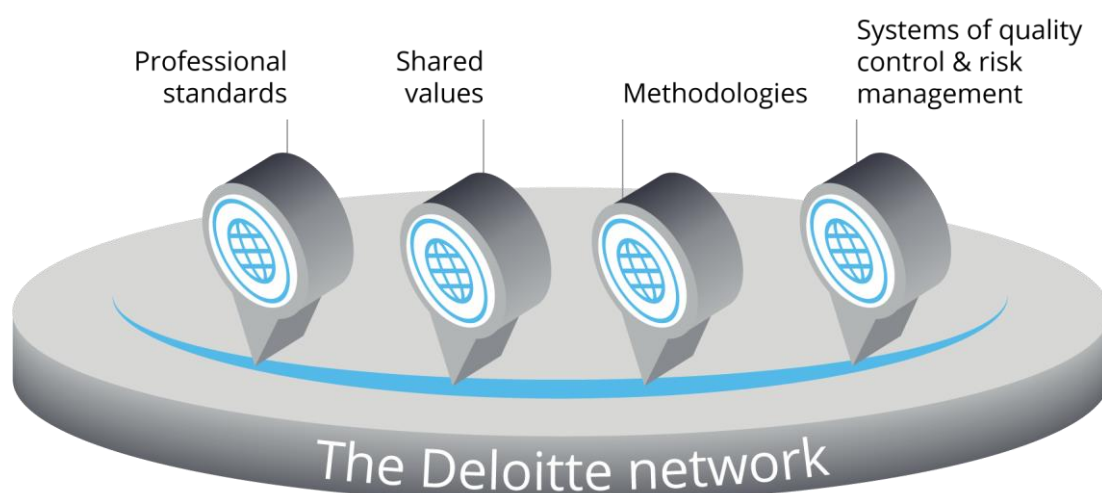
The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.

Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities.

For more information about the Deloitte network, please see: [About Deloitte](#).





The Deloitte audit quality journey

The Deloitte Audit Quality Journey





Tone at the top

Refreshed shared values.

Our commitment to the highest standards of audit quality is in our DNA.

We continue to set a **strong tone at the top**, in particular regarding ethics, quality and compliance with the firm's policies and procedures.

Through our refreshed **Shared Values** we are able to serve our clients, our people and our communities in a way that is consistently and unmistakably Deloitte. (1) We lead the way, (2) We serve with integrity, (3) We take care of each other, (4) We foster inclusion, and (5) We collaborate for inclusion.

We provide strong support to audit partners who face matters head-on. **We publicly recognise and acknowledge the role of the partner.** Our partners know this, and are proud of our leadership stance.

Deloitte Africa Board

Our Board is constituted in terms of a partnership agreement and is elected by the partner and directors every three years. In accordance with best practice corporate governance, we insist on a separation between the board of partners and directors and the executive management.

Roles and responsibilities

- Ongoing oversight and monitoring of Deloitte Africa's adherence to ethics, laws and regulations
- Promotion and protection of partner and director interests and overseeing management
- Determine Deloitte Africa's long-term strategies, with specific oversight of risk and quality.

Deloitte Africa Audit Executive Committee

Our Audit Executive Committee is responsible for the governance and oversight of the Audit & Assurance service line.

Roles and responsibilities

- Sets the strategic direction and focus areas
- Approves the service line's business strategy
- Approves the allocation of units and earnings to partners
- Approves the financial aspects of business plans.

Deloitte Africa Executive Committee

Our Executive Committee is led by our Chief Executive Officer and consists of the Deputy Chief Executive Officer, the Chief Operating Officer, Reputation & Risk Leader, Talent & Transformation Leader, service line managing partners or directors and Africa regional leaders.

Roles and responsibilities

- Assisting the Chief Executive Officer in managing Deloitte Africa
- Implementing policies and strategies of Deloitte Africa as approved by the Africa Board
- Retaining the authority to manage the day-to-day operations of Deloitte Africa
- Planning Deloitte Africa's future development.

Deloitte Africa Audit Risk and Quality Committees

The below committees are responsible to ensure audit quality is our first priority:

- Africa Audit Quality Board
- Audit Learning Board
- Africa Audit Risk Committee.

Members of the Deloitte Africa Audit Executive Committee

Andrew Mackie Managing Partner	Anne Muraya East Africa Leader	Bonga Nyembe Gauteng Audit Leader
Eric Tshabalala Transformation & Diversity Leader	George Tweedy Audit Risk Leader	Graham Berry Lead Client Service Partner
Hermine Smit National Professional Practice Director	James Welch Chief Operating Officer	Michael Daudu West Africa Leader
Penny Binnie Audit Capture & Defend Leader	Stephen Munro Financial Services Industries Leader	Thega Marriday Chief Financial Officer



Ethics and independence

Stronger stance on non-compliance with firm policies and processes.

Strengthened independence processes.

Enhanced disciplinary liability framework.

Our culture is an essential part of our business in engendering and preserving trust and we undertake a number of activities to continuously develop our culture. We remain committed to maintaining a work environment that promotes ongoing, and open communication about ethics, compliance, corruption or other related matters and to provide an understanding of how to identify and report potential violations.

Deloitte People make a commitment to live the **Deloitte Africa Code**, which emphasises that ethics, quality and integrity are fundamental and not negotiable and that a responsibility rests on each of our people to report inadvertent breaches or other violations through our **Deloitte Speak Up** platform. We have implemented a non-retaliation policy.

We take a **zero-tolerance stance on bribery and corruption and prohibit all forms of bribery and corruption** in compliance with local and global anti-corruption laws and regulations.

We are in the process of further embedding ethics and integrity into the learning curriculum for the entire partnership body, **Leading with Integrity**. The focused ethical leadership training has been invested in to ensure that our partners embrace the requirement to be a voice for ethical leadership, role-modelling ethical leadership behaviours and fostering teams with high integrity.






We received an 'A' rating from Deloitte Global Ethics for our Ethics and Integrity implementation.



We manage our practice so that financial and operational considerations do not override fidelity to professional standards and serving public interest.

Deloitte Global Independence supports independence awareness across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.

Our **independence policies and processes** are summarised as follows:

<p>Policy </p>	<ul style="list-style-type: none"> • Deloitte Global develops independence policies, processes and enablers, based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. • Independence leadership messages, reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into our professional values and culture.
<p>People </p>	<ul style="list-style-type: none"> • Annual and engagement level independence declarations. • Rotation of key audit partners and staff, at a minimum in accordance with the IESBA Code or more restrictive local laws and regulations where applicable. • Training on ethics, independence and conflicts of interest. • Global Independence Monitoring System. • Business Relationship Management System. • Firm rotation from clients per regulatory requirements.
<p>Client </p>	<ul style="list-style-type: none"> • Deloitte Conflict Checking System. • Deloitte Entity Search and Compliance system. • Business Relationship Management System. • Non-audit services assessed through enhanced Section 90(2) processes.
<p>Monitoring </p>	<ul style="list-style-type: none"> • Portfolio risk reviews. • Annual system of quality control review. • Global independence review, every three years. • Partner and director independence testing, every three years. • Audit quality dashboard, reporting and monitoring on breaches.
<p>Sanctions </p>	<ul style="list-style-type: none"> • Enhanced Africa disciplinary liability framework. • Disciplinary processes.



Risk management

Driving relevance, urgency and appropriate conflict management.

Changing behaviours to an intelligent and pro-active response to the risks facing our business.

To respond to the enhanced risk we face as a business and to drive the appropriate change in behaviours, we have invested heavily in our risk management processes. We emphasise the importance of effective risk management strategies through driving **relevance, urgency and appropriate conflict management** in resolving risk matters. We recognise that maintaining **professional skepticism** obliges us to maintain a never ending and uncompromising mind set.

We have developed a risk intelligence process that comprises **risk sensing**, the **dragon's den** and **client review board** in addition to our existing portfolio risk review process. Through these processes we pro-actively and continuously identify significant risk exposures emanating from our clients to the audit business, allowing us to design and implement safeguards to mitigate the risk exposure. These processes are further expanded on in the "A peek into the Deloitte Audit" section.

Clients exposing our business to an elevated risk of brand and reputation damage are enrolled into **iCARE** if the risk exposure is considered high and **CARE** where the risk exposure is considered medium. Both iCARE and CARE programmes are staffed by specialised members of the Audit Risk Management team who guide the engagement team and provide an additional level of competence and objectivity in planning, performing and concluding on the engagements.

With the US regulatory and professional environment in which we operate becoming more demanding and onerous we have established a dedicated **PCAOB risk team** to assist with our PCAOB assignments.

African Bank Investment Limited (ABIL) was placed under curatorship by the South African Reserve Bank in 2014. The IRBA has brought charges against two of our partners. Our view supports the findings and causes of the failure of ABIL as reported in the Myburgh Commission of Inquiry in May 2016, which yielded no adverse findings about the way Deloitte South Africa fulfilled and complied with our obligations. The allegations by the IRBA and its investigator remain unproven and no adverse findings or judgements have as yet been made against Deloitte, or the two respondent partners.

The IRBA has initiated an investigation into the audit of **Steinhoff International Holdings NV and its subsidiaries** (Steinhoff), whose share price collapsed after the company admitted to accounting irregularities, following questions raised by Deloitte. We firmly believe that we did the right thing by challenging the management of Steinhoff and showing appropriate scepticism across our audits.

The IRBA has launched an inquiry into the **Tongaat Hulett** matter. We are working closely with management and those charged with governance and the independent forensic investigators towards completion of the internal strategic and financial reviews, with the ultimate objective of ensuring that Tongaat's financial statements for 2019 are issued.

We have cooperated fully with the IRBA since the commencement of the above matters and will continue to cooperate and engage proactively, responsibly and collaboratively in order to fulfil our ethical, legal and regulatory obligations.



Deloitte people

Right skillset at the right time.

Focus on changed behaviours to ensure that our auditors maintain professional skepticism.

Enhanced talent model which includes learning, rewards and recognition, centres of excellence, and delivery centres.

Our **transformed approach to audit delivery** is enabling our professionals to use more advanced analytics, apply the latest tools, technologies and more critical thinking, thus spending more time applying professional judgement and gaining a deeper understanding of a client's business and industry and ultimately contributing to enhanced audit quality and an improved experience for our people.

Performing a high-quality Deloitte audit requires **deep technical knowledge combined with relevant auditing skills and a skeptical mind-set**. Substantial investments have been made in our talent and learning strategies and we have transformed our technical audit curriculum to build proficiency required by level.

At the core, a global mandatory Audit technical learning curriculum has been developed, targeting learners y-level, using a dynamic blend of live instructor-led, digital on-demand courses and on-the-job activities

Our **professional development program** has been established to help partners and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, we provide formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit Curriculum. Our audit partners and professional staff are required to complete at least 20 hours of continuing professional education annually and at least 120 hours every three years.

We have **driven a change in behaviour** to ensure that our auditors maintain professional skepticism through specifically tailored learning initiatives aimed at improving our partner and manager ability to deal with fraud. We have been driving an increased awareness in "what to look out for" and what focused audit procedures are required when responding to the risk of fraud.

When the engagement team utilises an **expert**, the engagement team evaluates whether the expert has the necessary competence, capabilities, and objectivity. We involve **specialists** throughout the audit engagement, including taxation, information technology, valuation, forensic and actuarial experts (among others) who receive relevant training as they are part of the extended audit teams and work directly within our audit systems processes, where required.

Our **Gauteng audit practice has been restructured** into 2 business units, one with a focus on private clients and the other on public clients. The split has come about due to the differing risk profiles of the underlying clients, required skill sets to address these differing risk profiles and the market expectations in respect of public versus private entities. The restructuring allows partners, managers and professional staff, with the right level of experience to be allocated to different client profiles and streamlines our training and quality processes to the unique needs of the client profiles.

Senior engagement team member workload has been noted as a causal factor with symptoms presenting in a broad expanse of audit quality issues. We will be placing significant focus on this area with priority actions focused on the development of processes that allow for pro-active and holistic monitoring of workload and capacity, including the portfolio review process and an increased level of monitoring will be enforced on newly accepted clients. Solutions to assist our senior engagement team members in project management and attaining improved work-life balance continue to evolve.

We are excited to welcome new **trainees** through our doorways, recognising that the path to achieving the Chartered Accountant (South Africa) designation is a challenging but rewarding career and personal growth experience. Trainees are required to complete a training contract and pass SAICA's professional examinations, the Initial Test of Competence (ITC) and Assessment of Professional Competence (APC). Our trainees' pass rate in the November 2018 **APC** exam was **78%**, against the national pass rate of 68%. SAICA released the results of the **ITC** in March 2019 and our trainees achieved a **pass rate of 82%** against the national pass rate of 71%. We are extremely proud of these results and our contribution towards developing Chartered Accountants in South Africa.

The IRBA assessed our **Audit Development Programme (ADP)** during March 2019, through a process of reviewing a self-evaluation submitted by the firm and conducting a monitoring visit. The IRBA concluded that all standards are largely met and the environment in which the ADP is offered is conducive to the development of professional competence of Registered Candidate Auditors.

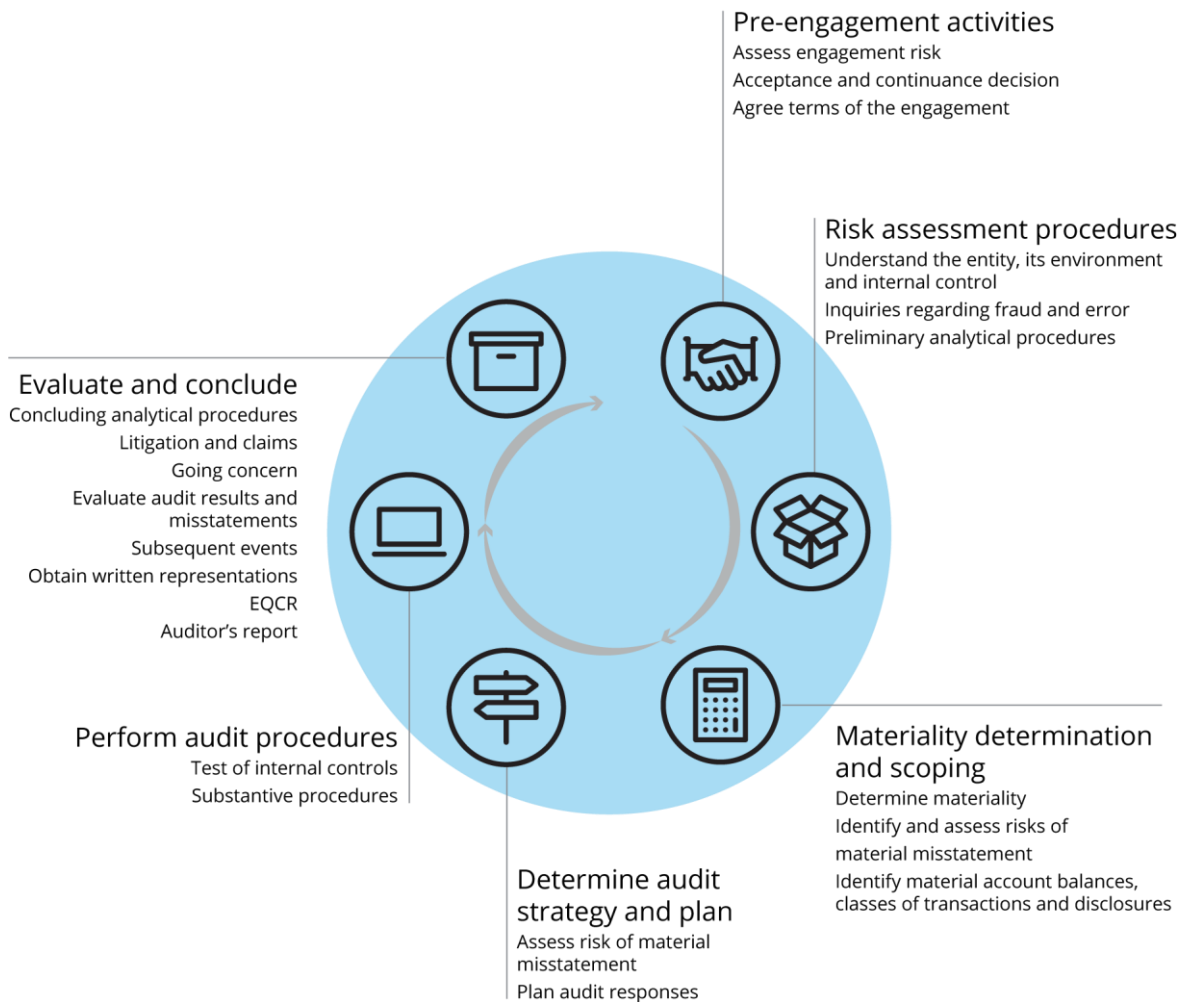
Partner remuneration

Audit quality is recognised through reward and recognition programmes and is built into performance standards at every level, against which professionals' overall evaluations are measured. In accordance with global policies, our partners are evaluated on an annual basis. Specifically partner evaluations which take the following factors into account: internal practice review, external inspection results and compliance with mandated requirements.



A peek inside the Deloitte Audit

Our audit approach includes requirements and guidance to assist in planning, performing, reporting and concluding audit engagements. These are based on the International Standards on Auditing and other applicable auditing standard frameworks for dual listed entities. The firm has supplemented these requirements and guidance to reflect local requirements, as applicable. We continuously enhance our audit methodologies to encourage a robust, fact-based risk assessment and adjustment of audit response in relation to changes in that risk assessment.





A peek inside the Deloitte Audit



Pre-engagement activities

We have deployed our client acceptance, continuance and opportunity management software solution, **Phoenix**, across the Africa member firm to embed and drive a consistent approach. Our **Know-Your-Client** process assesses whether information exists that makes association with a particular client questionable or undesirable, with specific consideration being given to whether entities and individuals have been implicated in corruption or are politically exposed persons.

Risk sensing has been designed to identify risks that appear to be “hidden in plain sight”. Our risk sensing team pro-actively senses the risks through consideration of external data available in the public domain. The integrated risk intelligence model underpinning the process identifies risk insights for selected clients and articulates the risk exposure to the firm on a level that is independent of the audit business’ audit activities to develop an historic client risk profile for future predictive risk intelligence. At 31 May 2019, 46 clients had been enrolled across our Africa member firm with prevalent themes identified being the presence of politically exposed persons on our clients’ boards of directors, allegations of insider trading against members of senior management, aggressive chief executive officers , aggressive board of director remuneration strategies, independence concerns regarding audit committees, instances of non-compliance and restatements

The **Dragon’s den** is initiated on clients with escalated risk. The process provides an opportunity for us to understand what drives the company’s value and therefore critically evaluate areas that may be prone to management bias. We are able to assess the client through the lens of a stakeholder to provide a further independent and holistic view of the health and risk of the client. Dragon’s den is intended to challenge our approach, change our behaviour and ensure that we embed specialist capabilities and tools and tailor the scope of our work to respond to identified risk indicators.

The **Client review board** has been mandated as a robust consideration and consultation process for all listed entities, banks and insurers in order to drive deliberate changed behaviours in our client acceptance and continuance processes. Through the process we assess the client risk by asking pertinent questions and considering identified risk flags; the professional services risk by assessing the appropriateness of our capacity, capabilities and specialists to execute the audit as well as our pricing model based on the client risk profile.

Where further heightened risk is identified a **Global audit acceptance consultation** is mandatory. Where the risk cannot be appropriately mitigated against, or threats to independence safeguarded, the board declines or terminates the engagement. For the year ended 31 May 2019, 208 client engagements have been assessed through the client review board process. Prevalent themes identified through the client review board include the presence of politically exposed persons on our clients boards of directors, adverse media related to the client, the client's association with implicated entities or individuals, the client having links to government, matters related to weak management integrity and poor governance, entities facing issues related to viability and being highly leveraged, cross-border listings and entities with restatements.

A combination of risk sensing and client review boards have resulted in approximately 208 clients being reviewed across the continent with 18 engagements terminated or proposals not accepted for the year ended 31 May 2019.



A peek inside the Deloitte Audit



Risk assessment procedures

Through a thoughtful and fact-based risk assessment process, the guided risk assessment (GRA) process has been rolled out on our audit software to enable users to identify and assess the risk of material misstatement and identify controls and substantive procedures in alignment with the Deloitte Way. The GRA acknowledges that lower risks should have a standard response and higher risks a more tailored customised response. Based on the GRA, preliminary analytical procedures are performed to support the risk assessment.

In response to the outcome of the GRA, prescriptive generalised control descriptions are provided to respond to the risk of material misstatement.



A peek inside the Deloitte Audit



Audit strategy and plan

A major change in our audit strategy and planning in the past year has been our approach to **ISA 600 Using the Work of Another Auditor**. We have a strong preference to perform the audits of all significant subsidiaries and components as Deloitte, ensuring a minimum level of coverage of the component audits within the group and all significant components from a materiality and risk perspective.

We have made a strategic investment in **Risk operations**, a proactive upfront challenge of the risk assessment, resulting in a responsive audit where time is focused on the real areas of risk. The key objectives are to drive change and the right behaviour upfront, improve the confidence of practitioners and ensure that our files are of a good quality standard through reviews of the audit risk assessment; risk of material misstatement identified; risk classification, and appropriateness of the planned audit response. The team is led by one of our most senior and experienced partners and has at 31 May 2019 reviewed more than 40 files across our Africa member firm.



A peek inside the Deloitte Audit



Audit procedures

The roll out of GRA and **Deloitte Way Workflows (DWW)** is designed to address the most common scenarios on audit engagements, which are applicable to entities in all industries. The DWW provides a standardised process for executing audit procedures on an account balances, financial statement cycle or a non-account process.

We have **increased our focus on fraud** in response to stakeholder expectations by increasing the involvement from forensic, money laundering and legal specialists when red flags derived from our lessons learnt are identified. A process has been developed to assess all **special purpose vehicles and unconsolidated structures** to determine whether they have been treated correctly for the Group. Our related parties procedures have been extensively enhanced to include improved identification thereof and assess the commercial substance and relevance of relationships.

Our established consultation network assists in resolving issues identified by the engagement team that requires additional information, perspectives or specialised knowledge.



A peek inside the Deloitte Audit



Evaluate and conclude

An Engagement quality control review (EQCR) is performed for all public interest entities, by an engagement partner who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations, as well as experience and knowledge of the entity's industry, economic environment, and accounting principles. We have in the past year placed significant focus on capacitating and recognising the role of the EQCR and enhanced the eligibility and training requirements.

In our role of raising the overall quality of financial statements, our audit reports are required to convey our opinion on the truth and fairness of financial statements and as such are required to be of high quality and insightful transparency. **Key Audit Matters** are reported for listed entities to enhance the communicative value of the auditor's report by detailing information on the matters that, in auditor's professional judgment, were of most significance in the audit of the financial statements.

Our **communications with audit committees** and our client's boards of directors provide valuable commentary on the more qualitative aspects of financial reporting and management of clients' businesses.

Where audit findings meet the definition of a reportable irregularity, we report that finding to the IRBA, which then notifies the appropriate regulator of its details. We have developed a formal consultation process, through which well-respected subject matter experts are consulted by the audit team and the appropriate reporting outcome achieved. We consider our obligations in respect of NOCLAR (non-compliance with laws and regulations), which deals with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection and public health and safety.



Monitoring

Embedding the Audit Quality Monitoring and Measurement (AQMM) programme.

Our **AQMM programme** drives credible, reliable, and real-time audit quality monitoring activities that have contributed to our quality improvement goals. We are focused on identifying audit issues early, understanding what caused the issues, identifying key themes, and determining the actions needed to resolve the audit deficiencies. The early recognition of thematic or pervasive issues continues to be a critical focus to drive member firm level remediation.

Engagement monitoring is approached with a two-pronged strategy, a pro-active **in-flight monitoring (IFM)** process and retrospective **internal review process**.

The IFM process drives faster interventions to potential audit quality deficiencies on audit engagements while they are in process, through identification, timely solutions and real time actions. **Diagnostics monitoring**, specifically focused on public interest engagements, extracts key metrics on audit files to identify inconsistencies, potential documentation weaknesses, audit quality milestone non-compliance and issues with file configuration set-up. Through **Health Checks** and audit quality milestones, methodology enhancements and the most pervasive findings from the prior year's internal review are monitored. Where a partner has a prior year internal or external inspection remediation plan, an engagement file for that partner will be selected and will be subjected to In-flight Review in the current year.

Our **internal review process** has been augmented to ensure that up to 90 reviews can be accommodated across Deloitte Africa. The process accommodates public interest entities and other large non-public entities which are selected on a risk basis. The selected engagement files are reviewed to determine whether quality control procedures have been appropriately applied, assess the adequacy of the implementation of the audit approach, including compliance with our policies and procedures, monitor compliance with applicable local laws and assess the overall quality of service provided to clients. Consistency in findings and engagement ratings is driven by a mandatory moderation panel.

A risk-based approach is adopted to determine whether the **systems of quality control** processes and underlying Deloitte Policies Manual have been effectively designed, implemented and are operating effectively.

Focusing on **continuous improvement** is essential to driving improvements in audit quality. Understanding why findings occur in both internal and external inspections and the development of the appropriate actions to address the causes is fundamental. The key components of **causal factor analysis and remediation** include the creation of a culture where the causes of deficiencies are thoroughly and consistently explored. This results in the revision of the audit quality plan so that it provides for effective identification, implementation and monitoring of key audit quality priorities. The results from the internal review and quality control monitoring are included in our audit quality plan which is presented to our Audit Quality Board and Audit Leadership.

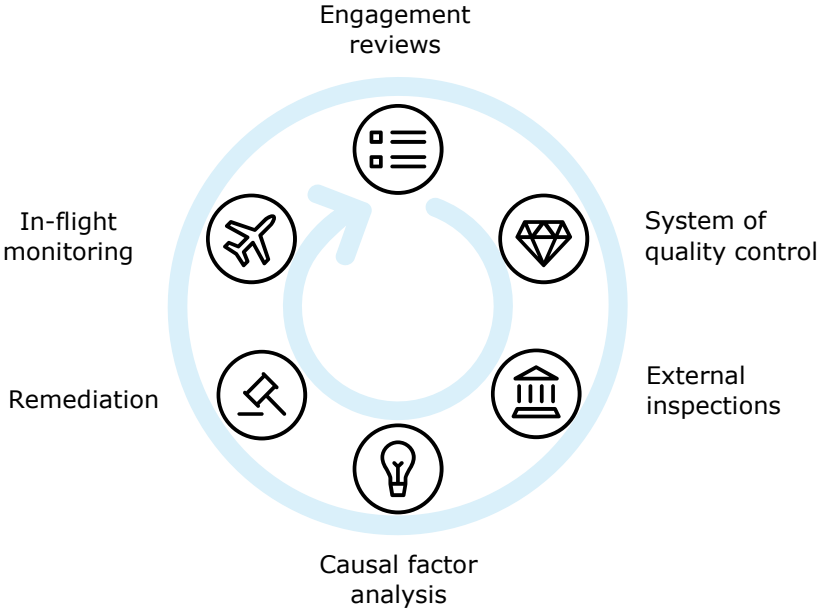
External inspections

We are subject to external inspections, which independently evaluate our quality and assist in enhancing our overall system of quality control. Following our IRBA inspection from January to March 2017, our quality control processes were satisfactory. The IRBA has recently performed an inspection that was confined to a selection of assurance engagements undertaken by the firm. Remediation plans were submitted to the IRBA for assurance engagements with findings.

Following our PCAOB inspection, in 2016, which subjected three files to review, two findings were raised on two files. We submitted a remediation plan which was accepted by the PCAOB.

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.



Appendices

Appendix A

EU EEA audit firms

Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation¹

EU/EEA Member State (Article 13.2 (b)(iii) EU Audit Regulation: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business)

Name of audit firms carrying out statutory audits in each Member State (Article 13.2 (b)(ii) EU Audit Regulation: the name of each audit firm that is a member of the network) EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities

EU/EEA Member State²	Name of audit firms carrying out statutory audits in each Member State³
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	Deloitte Audit Eesti AS
Finland	Deloitte Oy

¹EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities

²EU transparency reporting requirement: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business.

³EU transparency reporting requirement: the name of each audit firm that is a member of the network.

Appendix A

EU EEA audit firms

Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation

EU/EEA Member State²	Name of audit firms carrying out statutory audits in each Member State³
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	Consultants Auditeurs Associés
	DB Consultants
	Durand & Associés
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit Et Conseil
Pierre-Henri Scacchi et Associés	
Revi Conseil	
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants SA
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP - Republic of Ireland
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit

Appendix A

EU EEA audit firms

Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation

EU/EEA Member State ²	Name of audit firms carrying out statutory audits in each Member State ³
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit S.R.L.
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Gibraltar Limited
	Deloitte NI Limited

Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation⁴

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: € 2 billion⁵

⁴ EU transparency reporting requirement: the total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.

⁵ Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member States provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2019, except for a limited number of instances where a Deloitte audit firm has different financial year-end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2018 to 31 May 2019.

Appendix B

Financial information

Disclosure in accordance with Article 13.2 (k)(i)-(iv) of the EU Audit Regulation

The breakdown of the Deloitte & Touche South Africa's turnover for the year ended 31 May 2019:

Turnover	South African Rand
Statutory audit (PIEs or PIE subsidiaries)	960,026,744
Statutory audit (non-PIEs or non-PIE subsidiaries)	472,277,209
Non-audit services (audited PIEs or PIE subsidiaries)	241,880,124
Non-audit services (audited non-PIEs or non-PIE subsidiaries)	120,934,827
Non-audit services (other entities)	14,503,685
Total	1,809,622,589

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
AcSION Limited	February
Adapt IT Holdings Limited	June
Adcorp Holdings Limited	February
ADvTECH Limited	December
AECI Limited	December
Africa Re-insurance Manager	December
African Energy Partners Limited	June
Allan Gray Pension Preservation Fund	March
Allan Gray Provident Preservation Fund	March
Allan Gray Retirement Annuity Fund	March
Anglo American SA Finance Limited	December
Anglo Platinum Limited	December
ArcelorMittal South Africa Limited (AMSA)	December
Attacq Limited	June
Balwin Properties Limited	February
Bank of India	March
Bank of Seychelles	December
Bank of Tokyo	March
Barloworld Limited	September
Bayport Financial Services 2010 (Pty) Ltd	December
Bell Equipment Limited	December
Blue Diamond Investments No.1 (RF) Limited	February
Blue Diamond Investments No.2 (RF) Limited	February
Blue Diamond Investments No.3 (RF) Limited	February
BNP Paribas Personal Finance South Africa Proprietary Limited	December
Bonitas Medical Fund	December

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
Brimstone Investment Corporation Limited	December
Cape Municipal Pension Fund	June
Capital Drilling Ltd	December
Cartrack Limited	February
Central Bank Of Lesotho	March
Coface South Africa Insurance Company Limited	December
Compcare Medical Scheme	December
CoreShare Exchange Traded Funds	December
Crookes Brothers Ltd	March
Datatec Limited	February
Delta-EMD Limited	March
Dipula Income Fund	August
Durban University of Technology	December
Edcon Limited	March
enX Group Limited	August
Etana Insurance Company Limited	June
Ethos Capital Partners Limited	June
Famous Brands Limited	February
FedGroup Life Limited	February
FirstRand Bank Limited	June
FirstRand Limited	June
FNB Insurance Brokers	June
Fortress Income Fund Ltd	June
Futuregrowth Asset Management Pty Ltd	December
GAIA Infrastructure Capital Limited	February
Gobal Administrators	February

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
Government Employees Medical Scheme	December
Government Employees Pension Fund	March
Grant Thornton Capital	February
Greenhouse Funding (RF) Limited	December
Greenhouse Funding 4 (RF) Limited	December
Greenhouse Funding III (RF) Limited	December
Grindrod Bank Limited	December
Grindrod Limited	December
GroBank Limited	April
Habib Overseas Bank	December
Hollard Life Assurance Company Ltd	June
Hollard Specialist Insure	June
Hollard Specialists Life	June
Hosmed Medical Aid Scheme	December
Imperial Logistics Limited	June
KAP Industrial Holdings Limited	June
KeyHealth Medical Aid	December
King Price Insurance Ltd	June
Kumba Iron Ore Limited	December
Life Healthcare Group Holdings Limited	September
Lion of Africa Insurance Company Ltd	December
Lion of Africa Life Assurance Company Limited	December
Long4Life Limited	February
Lucky Star Ltd	February
Merafe Resource Limited	December
Merchantile Bank Limited	December

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
Metrofile Limited	June
Mix Telematics Limited	March
Momentum Health Medical Scheme	December
Motus Holdings Limited	June
Mpact Limited	December
Murray & Roberts Limited	June
Mustek Limited	June
Nampak Limited	September
Nedbank Group Limited	December
Nedbank Retail Subsidiaries	December
Nedgroup Collective Investments (RF) Pty Ltd	December
Nedgroup Investments Core Income Fund	December
Nedgroup Investments Money Market Fund	December
Nedgroup Investments Stable Fund	December
Nedgroup Private Wealth Stockbroking	December
Nedsettle Pty Limited	December
Net 1 UEPS	June
Netcare Limited	September
NMG C & A Holdings (SA) Proprietary Limited	December
Oakhurst Insurance Company Limited	February
Oakhurst Life Limited	February
Oceana Group Limited	September
Octodec Investements Limited	August
Old Mutual Customised Solutions Pty Ltd	December
Old Mutual Investment Group Pty Ltd	December
Old Mutual Life Assurance Company (South Africa Limited)	December

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
Old Mutual Limited	December
Peregrine Group Ltd	March
Peregrine Holdings Limited	March
Peregrine Life	March
PPC Limited	March
Precinct Funding II Limited	December
Rand Mutual Assurance Company Limited	February
Real People Investment Holdings Limited	March
Relyant Life Assurance Company (Pty) Ltd	September
Renasa Insurance Company Limited	June
Reunert Limited	September
RGA Reinsurance	December
RH Bophelo Limited	February
Rhodes Food Group Holdings Limited	September
RMB Morgan Stanley	June
RMB Stockbroking Operations	June
SA Corporate Real Estate Limited	December
SA SME Fund	February
Sabvest Limited	December
Safari Investments	March
SAHL Insurance Company Limited	December
SAHL Life Insurance Company Limited	December
Sea Harvest Group Ltd	December
South African National Blood Service	March
South African Retirement Annuity Fund	December
Steinhoff Investments Holdings Limited	September

Appendix C

Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes at 31 May 2019:

Name	Client's financial year-end
Steinhoff Services Limited	September
Stenprop Ltd	March
Sygnia Life Limited	September
Sygnia Limited	September
The Amber House Fund 2 (RF) Limited	December
The Amber House Fund 3 (RF) Limited	December
The Foschini Group Limited	March
The Hollard Insurance Company Limited	June
The Smartlife Insurance Company Limited	June
The Thekwini Fund 12 (RF) Limited	December
The Thekwini Fund 13 (RF) Limited	December
The Thekwini Fund 14 (RF) Limited	December
The Thekwini Fund 15 (RF) Limited	December
The Thekwini Fund 9 (RF) Limited	December
The Thekwini Warehousing Conduit (RF) Limited	December
Tiso Blackstar Group	June
Tongaat Hulett Limited	March
Topmed Medical Scheme	December
Torre Industries Limited	June
Toyota Financial Services (SA) Ltd	March
Transaction Capital Limited	September
Transsec (RF) Ltd	September
Transsec 2 (RF) Ltd	September
Transsec 3 (RF) Limited	September
Transsec 4 (RF) Limited	September
West Road South No.3 (RF) Ltd	December

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