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## INDEPENDENT REGULATORY BOARD FOR AUDITORS

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### **Proposed IRBA Rules Arising from the International Standards on Quality Management**

Johannesburg / 14 June 2022

The Independent Regulatory Board for Auditors (IRBA Board) approved the release of the [Proposed IRBA Rules Arising from the International Standards on Quality Management](#) (The proposed IRBA Rules) for public comment. The Proposed Rules are published alongside an Explanatory Memorandum.

The proposed IRBA Rules were informed by consultation with internal and external stakeholders and the input of IRBA's Committee for Auditing Standards' (CFAS).

The proposed IRBA Rules arise from the International Auditing and Assurance Standards Board's [Quality Management](#) standards. The proposed IRBA Rules are briefly highlighted below.

#### ***Proposed Rule 1: Firm Chief Executive Officer (CEO)***

A firm's CEO should be a registered auditor (RA), subject to firms being allowed to appoint CEOs for their assurance divisions (the CEO must be an RA), if a different non-RA CEO is to be appointed for the non-assurance division (the CEO can be an RA or any other suitable individual).

#### ***Proposed Rule 2: Transparency Reports***

The mandatory annual preparation of transparency reports for firms, as defined in the Auditing Profession Act, as amended, that audit financial statements of listed entities.

#### ***Proposed Rule 3: Engagement Quality Reviews***

An engagement quality review should be performed for all audits of financial statements of public interest entities, as defined in the IRBA Code, in addition to those engagements scoped in by International Standard on Quality Management (ISQM) 1.

#### ***Proposed Rule 4: Engagement Quality Reviewer (EQR) and an Assistant to an EQR***

The engagement quality reviewer must be registered with the IRBA as a registered auditor. Further, an assistant to an engagement quality reviewer must have, as a minimum, three years of relevant expertise.

#### ***Proposed Rule 5: Assembly and Retention of Audit Documentation***

- The assembly of the final engagement file shall not exceed 60 days;

- The retention period for the engagement documentation should be a minimum of five years, or such longer period as determined by other laws and regulations or firm policies/procedures; and
- The retention of documentation for the system of quality management should be a minimum period of five years, or such longer period as determined by other laws and regulations or firm policies/procedures.

### **Proposed Effective Dates for the Five Proposed IRBA Rules**

Depending on the comments received, the IRBA recommends that:

- Proposed IRBA Rules 1-4 be effective 24 months (two years) after the IRBA Board's prescription and/or publication of the Rules.
- Proposed IRBA Rule 5 (Assembly and Retention of Audit Documentation) be effective 12 months (one year) after the IRBA Board's prescription and/or publication of the Rule.

### **Request for Comments**

The IRBA welcomes comments from auditors and other interested parties on all matters addressed in the proposed IRBA Rules. It also seeks responses to the six questions that are set out in the Explanatory Memorandum section.

Comments, in Word and PDF formats, should be sent to [standards@irba.co.za](mailto:standards@irba.co.za) and submitted by 19 August 2022.

The Exposure Draft is available in a PDF format and may be downloaded from the [IRBA website](#).

Should you have any further queries, please do not hesitate to contact the Standards Department by emailing [standards@irba.co.za](mailto:standards@irba.co.za).

**Imran Vanker**

**Director: Standards**

### ***About the IRBA***

*The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.*