

BOARD NOTICE 512 OF 2023



IRBA's Four Rules Arising from the International Standards on Quality Management

In accordance with Section 10 of the Auditing Profession Act No. 26 of 2005, as amended (the Act), the Independent Regulatory Board for Auditors (IRBA) may, by notice in the Government Gazette, prescribe rules with regard to any matter that is required or permitted to be prescribed in terms of the Act. The IRBA hereby prescribes the IRBA Rules arising from the International Standards on Quality Management (The IRBA QM L&R Rules).

THE IRBA QM L&R RULES¹

Rule 1: Ultimate Responsibility and Accountability for the System of Quality Management

As per International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 20, "the firm² shall assign ultimate responsibility and accountability for the system of quality management to the firm's chief executive officer or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent)". The individual(s) shall be a Registered Auditor(s) ((RA)(s)).

Rule 2: Transparency Reports

Firms, as defined in the Auditing Profession Act, as amended, that have registered as an auditor with the IRBA, that audit financial statements of publicly traded entities³, shall prepare and publish transparency reports⁴ on an annual basis.

Rule 3: Engagement Quality Reviewer (EQR) and an Assistant to an EQR

The engagement quality reviewer must be registered with the IRBA as a Registered Auditor (RA)⁵ or be in possession of an RA designation from another country⁶. Further, an assistant to an engagement quality reviewer must have, as a minimum, three years of relevant⁷ expertise^{8 9 10 11}.

¹ These Rules should be considered in line with the Auditing Profession Act, IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and the International Auditing and Assurance Standards Board's Quality Management Standards.

² Firm as defined in the Auditing Profession Act, 2005 as amended.

³ Publicly traded entity as defined in the IRBA Code.

⁴ The content of a transparency report as outlined in the IRBA pronouncements.

⁵ At the time of accepting the responsibility for being the EQR and throughout the engagement.

⁶ An RA designation is defined as an EQR that meets the regulatory requirements and is permitted to sign an independent audit report in their respective jurisdiction.

⁷ What is relevant is a matter of professional judgment.

⁸ The Glossary of Terms to the International Auditing and Assurance Standards Board's Handbooks defines expertise as "skills, knowledge and expertise in a particular field".

⁹ The expertise may be technical knowledge and/or practical skills.

¹⁰ Before being appointed as an assistant to an EQR.

¹¹ This Rule does not extend to pre-issuance reviews (equivalent to an engagement quality review) as prescribed by the Auditor-General of South Africa through the Public Audit Act, No. 25 of 2004, as amended.

Rule 4: Assembly and Retention of Audit Documentation

- a. The assembly of the final engagement file shall not exceed 60 calendar days after the date of the engagement report;
- b. The retention period for the engagement documentation shall be a minimum of five years from the date of the engagement report, or such longer period as determined by other laws and regulations or firm policies/procedures; and
- c. The retention of documentation for the system of quality management shall be a minimum period of five years, or such longer period as determined by other laws and regulations or firm policies/procedures.

Effective Dates with respect to the abovementioned four IRBA Rules

- IRBA Rules 1-3 are effective for audits of financial statements for periods beginning on or after 15 December 2025. Early adoption is permitted.
- IRBA Rule 4 (Assembly and Retention of Audit Documentation) is effective for audits of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted.

Should you have any queries, kindly direct those to Mr I Vanker, Director Standards by emailing IVanker@irba.co.za. Alternatively, please email standards@irba.co.za.

Mr I Nagy

Chief Executive Officer