



*Committee for Auditing Standards (CFAS)*

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**Strategy for 2020-2024:**  
**Driving Audit Quality through Standard Setting**

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## Chairman's Foreword

At the heart of audit and assurance is a suite of standards and pronouncements, which are championed by the Committee for Auditing Standards (CFAS) in South Africa. The work of the CFAS is relevant, highly technical, rigorous and performed in the public interest. It benefits from the work and contributions of highly skilled professionals and specialists and is shaped by developments and insights gained from the regulation of the auditing profession in South Africa and around the world.

This is my first strategy as chairman, and from the onset, I acknowledge that the CFAS is currently operating in an environment of recovery from upheaval in the auditing profession. Incidents involving corporate failures, audit scandals and poor audit quality have tarnished the image of the profession and raised questions regarding the relevance and credibility of the entire industry, including auditing standards and their application. These challenges are genuine and pertinent, and this strategy seeks to address these directly.

Public sentiment towards auditors, auditing and the broader accounting profession has changed. The reputational crisis for the profession broke the public trust through what has been seen as unethical behaviour perpetrated or supported by the very beacons of integrity, trust and independence.<sup>1</sup> Furthermore, recent scandals associated with the financial reporting and audit of some banks and large corporates have highlighted weaknesses in the financial reporting eco-system, the lack of effective regulatory oversight over accounting and auditing professionals and limits to recourse against individuals suspected of malfeasance.

The IRBA Board has responded by placing audit quality at the centre of its three-pillar, five-year strategy. It has buttressed this pillar by prioritising the sustainability and relevance of the audit (the products, the firms and the regulator itself). This places CFAS, together with the other statutory committees of the IRBA that deal with matters such as education, ethics, inspections and discipline, in a position of immense responsibility to take steps within its remit to support the IRBA strategy.

This strategy, titled 'Driving Audit Quality through Standard Setting' comprises four strategic themes:

- Theme I: Continue to Develop, Maintain and Adopt **high quality auditing standards and implementation guidance**, that improve audit quality.
- Theme II: Enhanced consideration of the public interest by understanding and responding to stakeholder needs through **focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance**.
- Theme III: Strengthen the Standard-Setting Process by **deepening evidence-based research**.

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<sup>1</sup> Who broke auditing and can it be fixed? Ann Crotty, Financial Mail, 8 August 2019.  
<https://www.businesslive.co.za/fm/features/cover-story/2019-08-08-who-broke-auditing-and-can-it-be-fixed/>

- Theme IV: Plan and conduct **Integrated Standard Setting by keeping abreast of the emerging issues** such as technology, educational needs, ethical considerations globally, South African environment, **and responding appropriately.**

Recent events, in addition to the impact of COVID-19, have raised the need for the CFAS to be effective and agile in how it responds to developments in the auditing profession. It is therefore, after having made this evaluation of the environment in which we are operating in, that the committee has formulated its strategy.

Looking abroad, the CFAS took note of the relevant aspects of various reviews of the profession and the strategic responses around the world. This reflection on international regulatory developments also means that our strategy closely follows that of the International Audit and Assurance Standards Board.

In designing this strategy, we have also reflected on the fact that the IRBA's external inspections findings still show that audit quality remains a significant concern. As such, we need to understand the root causes of inspections findings and find ways to address these. One of the ways this can be done is through providing implementation guidance that is focused on fundamental audit principles aimed at improving audit quality.

The CFAS also considered its role in supporting the government's focus on anti-corruption initiatives, clean governance and the roles that auditors, regulators as well as preparers and users of financial reports should fulfil in respect of strengthening oversight of the financial reporting chain. In addition, the committee also considered its role in increasing accountability for those charged with governance.

It is thus clear that evidence-based research, focused consultation with our stakeholders and the need to keep abreast of emerging issues will be central to the CFAS strategy and its implementation. In addition, enhancement of audit quality is a multi-stakeholder responsibility of which the CFAS plays a key role in the process of regaining the public's trust and confidence in the auditing profession.

**Zine Mshengu**

**CFAS Chairman**

**November 2020**

## Introduction

1. The Committee for Auditing Standards (CFAS) is the IRBA's auditing standard-setting statutory committee that was established in terms of Section 22 of the Auditing Profession Act, 2005 (Act). Refer to **Appendix 1** for the extract from the Act.
2. This Strategy has been developed by CFAS members and staff of the Standards Department. It has been conceptualised using the framework of the requirements of the Auditing Profession Act and the powers and duties delegated to the CFAS in the IRBA Resolutions dated 20 June 2006, as amended from time to time<sup>2</sup>.
3. The [CFAS Due Process Policy for the Development, Adoption and Issue of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements \(Revised 2018\)](#) (the CFAS Due Process Policy) reflects the process followed by the CFAS in exercising its powers and implementing its duties<sup>3</sup>.
4. The [Status and Authority of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements \(Revised 2018\)](#) (Status and Authority of Auditing Pronouncements) clarifies the status and authority of auditing pronouncements adopted, developed and issued by the IRBA for use by registered auditors<sup>4</sup>.

## Our Goals

5. To **protect the public interest** and **develop and maintain internationally comparable auditing standards** that are **consistently and properly implemented**, and that therefore promote investment and, as a consequence, employment in South Africa.

## Our Key Considerations for the CFAS Strategy for 2020-2024

6. This Strategy has been driven by several key considerations:
  - (a) The IRBA's statutory public interest mandate; and its three focus areas for 2021-2025;
  - (b) The IAASB's Strategy and its strategic theme areas for 2020-2023;
  - (c) Emerging local and international trends and developments; and
  - (d) The 2015-2019 work programme and achievements of the CFAS and the IRBA.
7. Refer to **Appendix 2** for a detailed explanation of each key consideration.

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<sup>2</sup> Amended up to 6 November 2017 at the date of this document. Refer to the [CFAS Due Process Policy](#) for more details.

<sup>3</sup> [Issued by the CFAS in November 2013.](#)

<sup>4</sup> Issued by the CFAS in November 2013.

## Our Strategy and Focus

8. Adapting to the environment to meet stakeholders' needs is key to our success. Our Strategy and focus set out how we intend to concentrate on timely identification and resolution of issues that affect our standards, in response to current and forward-looking challenges and risks to the standards. Delivery of our committed work is key to our success.
9. This Strategy comprises four strategic themes:
- (a) Theme I: Continue to Develop, Maintain and Adopt **high-quality auditing standards and implementation guidance** that improve audit quality.
  - (b) Theme II: Enhanced consideration of the public interest by understanding and responding to stakeholder needs through **focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance**.
  - (c) Theme III: Strengthen the Standard-Setting Process by **deepening evidence-based research**.
  - (d) Theme IV: Plan and conduct **Integrated Standard Setting by keeping abreast of the emerging issues** such as technology, educational needs, ethical considerations globally, South African environment, **and responding appropriately**.



**Theme I: High-quality auditing standards and implementation guidance**

10. Adopting, Revising and Developing our standards to respond to the continuously changing environment, and the changing needs of our stakeholders, on a timely basis is core to our activities and essential to the continued adoption and use of our standards. Further, to ensure our local pronouncements are fit-for-purpose, there is an express need for the CFAS to focus on the current developments and emerging issues, and fundamentals of auditing principles, through providing implementation support.<sup>5</sup>

*Project selection*

11. The selection of projects should continue to follow a robust due process.
12. A system of prioritising projects was established to manage the order of those that will be added to the CFAS agenda as projects to be approved and added to the CFAS Work Programme. This allowed for an improved planning of resources, both in terms of the Secretariat's capacity and the workload of the committee.

*Timeframes of projects*

13. There is a global sense that standard setting takes too long. While it is understood that a due process needs to be followed, in order to set standards in the public interest, it has also been mentioned that standards are sometimes issued after they are required in the market. However, reducing timeframes, such as reducing the exposure period, may result in the due process being circumvented and the standards not being set in the public interest. Despite this, the CFAS and the Secretariat should be alert to opportunities to enhance our processes, through well-developed work programmes and project proposals, with clear timelines and reporting against these agreed objectives.

**Theme II: Focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance**

*Communication*

14. Communication must be user friendly, concise, grab attention, be visually appealing and explain why it is beneficial for the recipient to read/engage with it.
15. Communication should not be and is not limited to written and formal communication. Modern methods on which to engage with stakeholder will be further enhanced. These include the use of social media, infographics, podcasts, focus groups and workshops.
16. The CFAS is cognisant that communication should meet the needs and requirements of the stakeholders. Thus, communications need to be tailored to address the purpose of such communication.

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<sup>5</sup> Refer to the *Status and Authority of Auditing Pronouncements*.



*Consultation*

17. The CFAS considers the needs of stakeholders.
18. Stakeholders are consulted through various forums. These include outreach with local and international regulators and national standard setters (NSS); auditors (those in practice, technical auditors and quality/risk auditors); standing committees of the CFAS; other departments of the IRBA; other statutory committees of the IRBA; and other IRBA stakeholders and user groups. Consultation is both formal (through exposure drafts, task groups and a multi-stakeholder membership of the CFAS) and informal.
19. Those charged with governance are an important stakeholder to the work of the CFAS. Consultation and comments received from those charged with governance have been very helpful. Unfortunately, these consultations have been limited. The Standards Department will consider methods to create more regular interaction, to help address the needs of the market and bring those insights to the CFAS and our standard-setting activities.

*Advocacy*

20. The CFAS, through the Standards Department, will actively ensure that the committee's work is given due prominence. This will ensure that the useful output of the committee is used and understood, thus leading to better audit quality.

**Theme III: Deepening evidence-based research to support standard-setting**

21. Fact-finding, field experience and insights from regulatory outcomes are necessary inputs to more effective standard setting. Experience from practice, global developments and academic insights would strengthen the prioritisation of projects and the quality of standard setting outputs.

**Theme IV: Integrated standard setting by keeping abreast of the emerging issues, and responding appropriately**

22. The CFAS endeavours to shorten its response time to market developments through consideration of shorter comment periods, where appropriate, with respect to exposure drafts; as well as the consideration of the issuance of staff publications, such as IRBA staff practice alerts, which have a shortened due process as they are non-authoritative pronouncements. The market developments could be informed by various factors, such as:
  - Technological developments;
  - Educational needs;
  - Changes in the environment (for example, COVID-19); and
  - Any other relevant developments in the auditing profession.

## Our Strategic Actions

### Theme I: High-quality auditing standards and implementation guidance

23. We will continue to issue high-quality local pronouncements, following a rigorous due process. Our quality is enriched through well-considered project proposals, well-resourced task groups and relevant outreach.

#### *IAASB (and IESBA)*

24. We will continue to monitor international developments. In addition, we will continue to submit comments on surveys, consultation papers, discussion papers and exposure drafts issued by the IAASB. This will also include outreach projects.
25. We will consider the IAASB's detailed work plan for 2020-2021 and the IESBA's work plan for 2019-2023 (refer to **Appendix 5 and 6**) in the CFAS work programme, which are available on the [IAASB website](#) and the [IESBA website](#), respectively.
26. We will consider possible gaps between existing or new (international) standards adopted in South Africa, and what is required in South Africa in project proposals for projects of the CFAS, including researching an ISA plus approach.
27. We will consider providing implementation guidance that also addresses any unique industry issues and needs of small and medium-sized practices (SMPs). This need has been expressed in the past, and other bodies such as SAICA have called for this. This need is a reflection of the perceived complexity of the standards and the need for a better understanding of specific industries.

#### *Project selection*

28. We will consider the capacity of the Secretariat staff and committee (both statutory and standing) as well as that of task group members in the project prioritisation process.
29. Several factors are considered as affecting the priority of a project. We will, on each call for new projects, reflect on whether these factors are appropriate and complete, and the weightings attributed to the factors are indicative of the project's public interest impact. In accordance with the public interest framework developed by the Monitoring Group, we address the public interest by endeavouring to respond to the following questions:
  - For whom are IRBA pronouncements developed?
  - What interests need to be served?
  - How are the interests of users best served?
  - What qualitative characteristics should the IRBA pronouncements exhibit?
  - How is the public interest responsiveness of an IRBA pronouncement assessed?

- What special considerations are required for IRBA pronouncements, given their particular public interest relevance?
30. We will also include information gathering as part of the process of researching our projects, and this will inform future work streams.

*Timeframes of projects*

31. We will consult with the Inspections Department on a frequent basis, with trends being identified early and a response, in the form of guidance or similar, being issued promptly. This will aid in eliminating the “timing difference” of guidance being issued when trends are already well established. An emerging issues process, e.g. staff alerts, could be further formalised. This could entail the formation of an Emerging Issues group. This may also include appropriate projects being performed by the Secretariat and issued as communiques to ensure they reach the marketplace within the right timeframe.
32. Our stakeholders expect that standards will get to the market sooner. Our current practice for consultation periods is 90 days, based on the CFAS due process policy. Proposals will be considered on when and how a more agile consultation process can be implemented.

**Theme II: Focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance**

33. We will ensure that stakeholders, such as investors, regulators and preparers, participate on CFAS projects. The participation could be through
- The formation of CFAS task groups;
  - Commenting on IRBA exposure drafts; and
  - Invitations to IRBA workshops on CFAS pronouncements.
34. *Communication*
- (a) We will add the CFAS Strategy (including any revision thereto), the CFAS Work Programme and the selection of projects process to the IRBA website.
- (b) We will consider using various mediums of communication, including considering a survey to establish the effectiveness of the communication and what channels will be preferred by various stakeholders.
- (c) The IRBA will continue to issue a variety of CFAS communications regarding auditing pronouncements and guidance adopted or developed and issued for use by registered auditors. Examples include communiques; a CFAS report in the IRBA’s annual report; content on the IRBA website; communication with international stakeholders<sup>6</sup> and academics; and the quarterly IRBA News.

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<sup>6</sup> International stakeholders such as the IAASB, the NSS, regulators, the International Forum of Independent Audit Regulators (IFIAR), IFAC member bodies, the Forum of Firms, International

35. We will consult with the Inspections and Investigations departments on a frequent basis and consider the issuance of joint communiques to inform the market place of any emerging issues from a regulatory perspective. This includes hosting of webinars, podcast, workshops, were appropriate.
36. The key stakeholders that inform both this Strategy and the auditing pronouncements adopted, developed and issued by the IRBA are listed below. These also indicate the resources that the CFAS draws on to achieve its output. We will continue to engage with these stakeholders.
  - (a) Private sector auditors and firms, including SMPs;
  - (b) Public sector auditors and firms, including the AGSA;
  - (c) Institutes and professional bodies;
  - (d) Academics;
  - (e) Other regulators and government departments;
  - (f) Investors, analysts, creditors and lenders;
  - (g) Other users of financial information;
  - (h) The IAASB, NSS, IFIAR and its working groups, and the international CAG;
  - (i) Those charged with governance and audit committees;
  - (j) Preparers of financial information; and
  - (k) The IRBA regulatory functions.
37. As part of deepening the relevance of the CFAS, strengthening the quality of standard setting and broadening the consultative approach, the following will be considered:
  - (a) We will increase and/or enhance the already wide representation of the CFAS members and observers to address the needs of other stakeholders, such as audit committees, investors, preparers, users of audits, the Department of Trade, Industry and Competition (DTIC)/Companies and Intellectual Property Commission (CIPC), and National Treasury. We will continue to take steps to support standing setting in the Southern African region by hosting guests at CFAS meetings and encouraging their participation in local projects.
  - (b) We will establish an investor consultative group to advise the Standards Director on audit issues.
  - (c) We will encourage the establishment of a process for the sharing of insights across all relevant IRBA committees, such as the Committee for Auditor Ethics.
  - (d) We will communicate to our stakeholders the status of CFAS projects to ensure that they are kept informed.

**Theme III: Deepening evidence-based research to support standard-setting**

38. The CFAS will undertake targeted information gathering and other activities for the scoping of projects, and to support future work streams. The output from this evidence-based research is intended to inform the CFAS' decisions about its future work streams. The activities described hereunder are adapted from the IAASB's strategy:
- (a) Actions for gathering information may include, for example, post-implementation reviews, scanning the environment, interacting with stakeholders and other surveys.
  - (b) Activities focusing on analysing identified topics to determine recommendations for CFAS' action (including the scoping of such work and the development of a project proposal as needed). The outcome(s) from these activities may include new projects or work streams on CFAS' work plan. Topics within this category would likely utilise the CFAS Steering Committee's time for the discussion of matters being considered.

**Theme IV: Integrated standard setting by keeping abreast of emerging issues, and responding appropriately**

39. As part of keeping abreast of emerging issues that are relevant to the CFAS, strengthening the quality of standard setting and broadening the consultative approach, the following will be considered:
- (a) We will encourage the establishment of a process for the sharing of insights across all relevant IRBA committees, such as the Committee for Auditor Ethics;
  - (b) Standing agenda items for feedback, presentation to the CFAS from relevant stakeholders, and consideration at a project proposal level; and
  - (c) Additional communication in relation to emerging issues, such as communications released in relation to COVID-19.
40. Refer to **Appendix 7** for a summary of Strategic Actions for the CFAS and the Secretariat.

**Our Work Programme for 2020-2021**

41. The CFAS Work Programme is determined based on this Strategy. Refer to **Appendix 3** regarding how the CFAS sets out its Work Programme.
42. The CFAS will undertake a mid-term review of the CFAS Strategy 2020-2024 to confirm that it remains fit for purpose, when the Work Programme for 2022-2023 is being considered.

## **Appendix 1: Section 22 of the Auditing Profession Act (the Act)**

Section 22 of the Act states that:

- (2) The committee for auditing standards must assist the Regulatory Board –*
  - (a) to develop, maintain, adopt, issue or prescribe auditing pronouncements;*
  - (b) to consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and*
  - (c) to promote and ensure the relevance of auditing pronouncements by –*
    - (i) considering the needs of users of audit reports;*
    - (ii) liaising with the other committees of the Regulatory Board on standards to be maintained by registered auditors and receiving feedback from such committees on areas where auditing pronouncements are needed;*
    - (iii) ensuring the greatest possible consistency between auditing pronouncements and accepted international pronouncements; and*
    - (iv) consulting with professional bodies on the direction and appropriateness of auditing pronouncements;*
- (3) The committee for auditing standards may assist the Regulatory Board to influence the nature of international auditing pronouncements by –*
  - (a) preparing comment on exposure drafts or discussion papers and replies to questionnaires prepared by the International Auditing and Assurance Standards Board or a successor body; and*
  - (b) nominating representatives to committees of the International Auditing and Assurance Standards Board or a successor body when requested to do so by the Regulatory Board.*

## Appendix 2: Key Considerations for the CFAS Strategy for 2020-2024

1. This Strategy has been driven by several key considerations:
  - (a) The IRBA's statutory public interest mandate, and its three focus areas for 2021-2025;
  - (b) The IAASB's Strategy and its strategic theme areas for 2020-2023;
  - (c) Emerging local and international trends and developments; and
  - (d) The 2015-2019 work programme and achievements of the CFAS and the IRBA.

### **(a) The IRBA's statutory public interest mandate and its three focus areas**

2. The objectives of the IRBA are to protect the public by regulating audits and develop and maintain internationally comparable auditing standards that promote investment and, as a consequence, employment in South Africa.
3. The IRBA Strategic Plan for 2021-2025<sup>7</sup> has the following three focus areas, which impact the CFAS Strategy for 2020-2024:
  - I. Sustainability and relevance of the IRBA;
  - II. Audit Quality; and
  - III. Comprehensive regulation.
4. The CFAS Strategy for 2020-2024 will be centred on the IRBA's Audit Quality focus area. In so doing, the CFAS will be aligned to the strategy of the IRBA Board, and help directly to achieve the objectives of the organisation.

### **(b) The IAASB's strategy and its strategic theme areas for 2020-2023**

5. The IAASB has published its strategy for 2020-2023<sup>8</sup>. As the global standard-setting board, its priorities are of great relevance to the IRBA and the profession in South Africa, as the country adopts and applies the outputs of the IAASB. Also, as a globally connected economy, the global threats and opportunities in standard setting have great resonance to the needs of users in South Africa. Therefore, the following IAASB strategic objectives impact the CFAS strategy for 2020-2024:
  - I. Increase the emphasis on emerging issues to ensure that the IAASB International Standards provide a foundation for high-quality audit, assurance and related services engagements.
  - II. Innovate the IAASB's ways of working to strengthen and broaden our agility, capabilities and capacity to do the right work.

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<sup>7</sup> Refer to the [IRBA Strategic Plan for the Fiscal Years 2021-2025](#).

<sup>8</sup> [IAASB website](#).

- III. Maintain and deepen relationships with stakeholders to achieve globally relevant, progressive and operable standards.

**(c) Emerging local and international trends and developments**

Economic Climate

6. The CFAS considers local and international developments when it assesses and prioritises the need to adopt or develop, issue and prescribe standards that meet the needs of various stakeholders in South Africa.
7. The period from 2017 to 2020 has been characterised by political and economic upheaval, both locally and internationally. Key developments were the claims of fraudulent activities in some large corporates in South Africa; the general loss in confidence in some audit firms and in the audit profession; and various perceived audit failures.
8. The South African climate is, unfortunately, one of increasing corruption and maladministration (as reported by oversight bodies, the media, crime statistics and corruption reports) and ongoing scrutiny of state capture. Stakeholders have alleged and perceived that some members of the accounting and auditing profession may not have always acted in the public interest. There is also an overall perception of a lack of auditor independence and objectivity.

Developments within the IRBA

9. The IRBA has sought to strengthen its investigation and disciplinary processes. This has been accomplished by an internal review of the processes, as well as a strengthening of the Auditing Profession Act. On 22 August 2018, cabinet approved the Draft Amendments to the Auditing Profession Act (Act 26 of 2005) (APA) and referred these to Parliament for consultation as part of the Financial Matters Bill 2018. Consultation closed on 14 September 2018. These amendments will provide the IRBA with subpoena powers in the investigation process; simplify the disciplinary hearing process; and provide the Minister of Finance with power to determine maximum fines, which are currently limited by legislation to R200 000 per offence.
10. Further actions have been undertaken or are underway in order to improve auditor independence and enhance audit quality:
  - (a) The IRBA published a Rule in December 2015 that makes it mandatory that all auditor's reports on annual financial statements shall disclose the number of years which the audit firm/sole practitioner has been the auditor of the entity (audit tenure). This rule applies to audit reports issued on the annual financial statements of all PIE, as defined in the Companies Act of 2008 and prescribed by the IRBA Board from time to time, for periods ending on or after 31 December 2015. Note that this rule has been clarified through [Frequently Asked Questions](#) (FAQs).



- (b) On 2 June 2017, the IRBA issued a Rule prescribing that auditors of public interest entities (PIEs) must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023.
- (c) The IRBA is encouraging the publication of transparency reports by audit firms, prior to communication with external parties becoming prescribed by the proposed ISQM 1.
- (d) The IRBA collated data from certain firms for the development of audit quality indicators and the publication of an Audit Quality Indicator Feedback Report.
- (e) The IRBA is undertaking a “Restoring Confidence in the Profession” project. Some current and past CFAS standard-setting projects are included within the remit of the restoring confidence plans.
- (f) The requirement for Key Audit Matters to be disclosed in audit reports, per ISA 701<sup>9</sup>.

#### Extended External Reporting (EER) and Sustainability reporting

11. The request for assurance is extending steadily to other assurance, i.e. not only audits or reviews of financial statements. The scope is now broadening to EER. Developments in EER are taking place both globally and locally, with South African preparers requesting and practitioners proving to be leaders in the fields of providing assurance on sustainability reports, or parts thereof, and thought leadership on assurance on integrated reports.

#### Regulatory Landscape

12. In 2014, the European Commission (EC) finalised its amended Statutory Audit Directive (the Directive) and new Regulation on Statutory Audit to clarify the role of auditors and restore confidence in financial statements. The revised Directive includes measures to strengthen the independence of statutory auditors, make the auditor’s report more informative and strengthen audit supervision throughout the European Union (EU). It makes specific reference to the ISAs and other relevant IAASB standards. The Regulation introduces stricter requirements on the statutory audits of PIEs, such as listed companies, credit institutions and insurance undertakings, to reduce the risks of excessive familiarity between statutory auditors and their clients, encourage professional scepticism and limit conflicts of interest. The US Public Company Accounting Oversight Board (PCAOB), in its dual role as a standard-setter and a regulator, is also actively addressing, amongst others, the topics of auditor reporting and audit quality. While these efforts are in the context of a regional regulatory environment, they have stimulated debate at the international level. Linked to this is the greater international alignment between standard setters and audit regulators globally, taking into consideration the topics on the agendas of the IAASB, the PCAOB, the EU and the IFIAR.

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<sup>9</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

13. The Twin Peaks Model of Financial Regulation has been introduced in South Africa by the Financial Sector Regulation Act, in order to control market abuse. Two regulatory authorities – the Prudential Authority and the Financial Sector Conduct Authority (FSCA) – have emerged. Some of the regulatory reporting requirements for the industries regulated by the Prudential Authority and the FSCA will change, requiring updates to existing reports or additional new reports.

#### IRBA Code of Professional Conduct

14. The International Ethics Standards Board for Accountants (IESBA) issued the revised and restructured *International Code of Ethics for Professional Accountants (including International Independence Standards)* in 2018. Beyond its new structure, the new Code brings together substantive revisions to ethics and independence provisions and clarifies how professional accountants should apply the conceptual framework to comply with the fundamental principles of ethics and, where applicable, be independent. The new Code is effective from 15 June 2019.
15. In December 2017, following the completion of the project to review safeguards in the Code, the IESBA established a new NAS (non-audit services) Working Group to explore the broad issues relating to NAS, in particular those relating to permissibility that were raised by regulatory respondents to the Safeguards Exposure Draft and the Public Interest Oversight Board (PIOB). At its September 2018 meeting, the IESBA approved a new project to obtain stakeholder input to help frame the scope and potential direction of the project. The objective of the project is to ensure that all the NAS provisions in the Code are robust and of high quality for global application, thereby increasing confidence in the independence of audit firms.
16. Further, the IESBA has a project on fees that was recently approved. The objective of the project is to review the provisions in the Code as these pertain to fee-related matters within the project scope, and recommend any changes considered necessary for the Code to remain robust and appropriate in enabling Professional Accountants to meet their responsibility to comply with the fundamental principles and, where applicable, be independent.
17. The IEBSA has also approved a project on the definition of engagement team, with a coordinated project with the IAASB to update the Code for an alignment to the proposed International Standard on Auditing 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and conforming and consequential amendments (ED-600), developed by the IAASB.

#### National Standard Setters

18. NSS of large economies have closely aligned their standard setting with the work programme of the IAASB. A formal process of consultation exists between NSS and the IAASB, and this ensures an alignment of priorities. For example, an NSS-led initiative to address an emerging need for the audit standards to address the audits of less complex entities (small audits) has led to the commencement of IAASB projects to address this need.

Audits of SMPs

19. As discussed above, there is an ever-increasing demand for the scaling of audit or assurance requirements for the audit of SMPs. Some international markets have published proposals for the development of a risk-based audit standard for the audit of less complex entities.

Technology

20. There is a need for auditors to keep up with advances in technology. These include data analytics, big data, cryptocurrencies, artificial intelligence and robotics, among others. The IAASB has since commenced with two related projects. The first addressed technology issues. The second broader project addresses the sufficiency and appropriateness of evidence, now that the nature and sources of evidence are so deeply influenced by technology (refer to Appendix 4). The IAASB also considers technology in all its current projects, as is evidenced by the recently approved ISA 315 (Revised 2019). Therefore, the CFAS will remain engaged on these projects through providing inputs, and will not replicate those projects at this stage.

Monitoring Group Developments

21. The Monitoring Group issued a Consultation Paper titled *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*<sup>10</sup> in 2018. The Consultation Paper suggested several changes to the current international standard-setting process related to audits and ethics for accountants and sought views on whether there should be continued public-interest oversight of international standard setting for accounting education. [The Monitoring Group's paper to strengthen the international audit-related standard-setting system, including the Public Interest Framework](#) was issued in July 2020.

Soon to be Effective IAASB Amendments

22. The IAASB also approved ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement including Conforming and Consequential Amendments to Other International Standards*, as a final standard. The revised ISA will be effective for audits of financial reporting periods beginning on or after 15 December 2021. This standard is foundational to any audit and the revisions modernise the standard to keep up with the evolving environment in which businesses operate, particularly in relation to technology, and is focused on why procedures are required.

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<sup>10</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD586.pdf>

#### South African Implementation Support

23. As the IAASB completes its project on the quality management standards, the need for standard setters' work plans to consider the transition and implementation support, as well as the effect of the COVID-19 pandemic, has become paramount.

#### Regulatory Requirements with respect to Non-Compliance with Laws and Regulations:

24. There is an increasing demand for reporting on compliance with laws and regulations and the needs of South African regulators.

#### Corporate Governance

25. The King IV Report on Corporate Governance for South Africa 2016 was released on 1 November 2016. It is effective for financial years commencing from 1 April 2017.

#### IRBA Inspections Report

26. The IRBA released its 2019 Public Inspections Report<sup>11</sup> in March 2020. The nature and extent of the findings reported did not significantly differ from what was reported in the prior two years; and this highlights a pressing need for audit firms to analyse, remediate and monitor reported deficiencies more effectively.
27. The Public Inspections Report 2019 indicates that some findings are repeat findings. Trends in findings have also arisen. The South African Institute of Chartered Accountants (SAICA) addresses previous inspection findings by issuing FAQs, in consultation with the IRBA. These FAQs are issued a year or more after the repeat findings, i.e. reactively.
28. The Inspections Department gets invited to submit possible CFAS projects periodically. Additionally, the Secretariat will continue to keep the CFAS abreast of emerging issues from ongoing inspections findings that may require a quick response.

#### **(d) The 2015-2019 work programme and achievements of the CFAS and the IRBA**

29. For reflections on the CFAS strategic focus areas for the period 2015-2019 and what the CFAS achieved in that period, refer to the Annual Reports of the IRBA<sup>12</sup>.
30. The CFAS Strategy for the period 2020-2024 builds on its Strategy for the period 2015-2019, but intensifies the approach by increasing consultation, looking at better evidence-based standard setting and a proactive selection of projects.

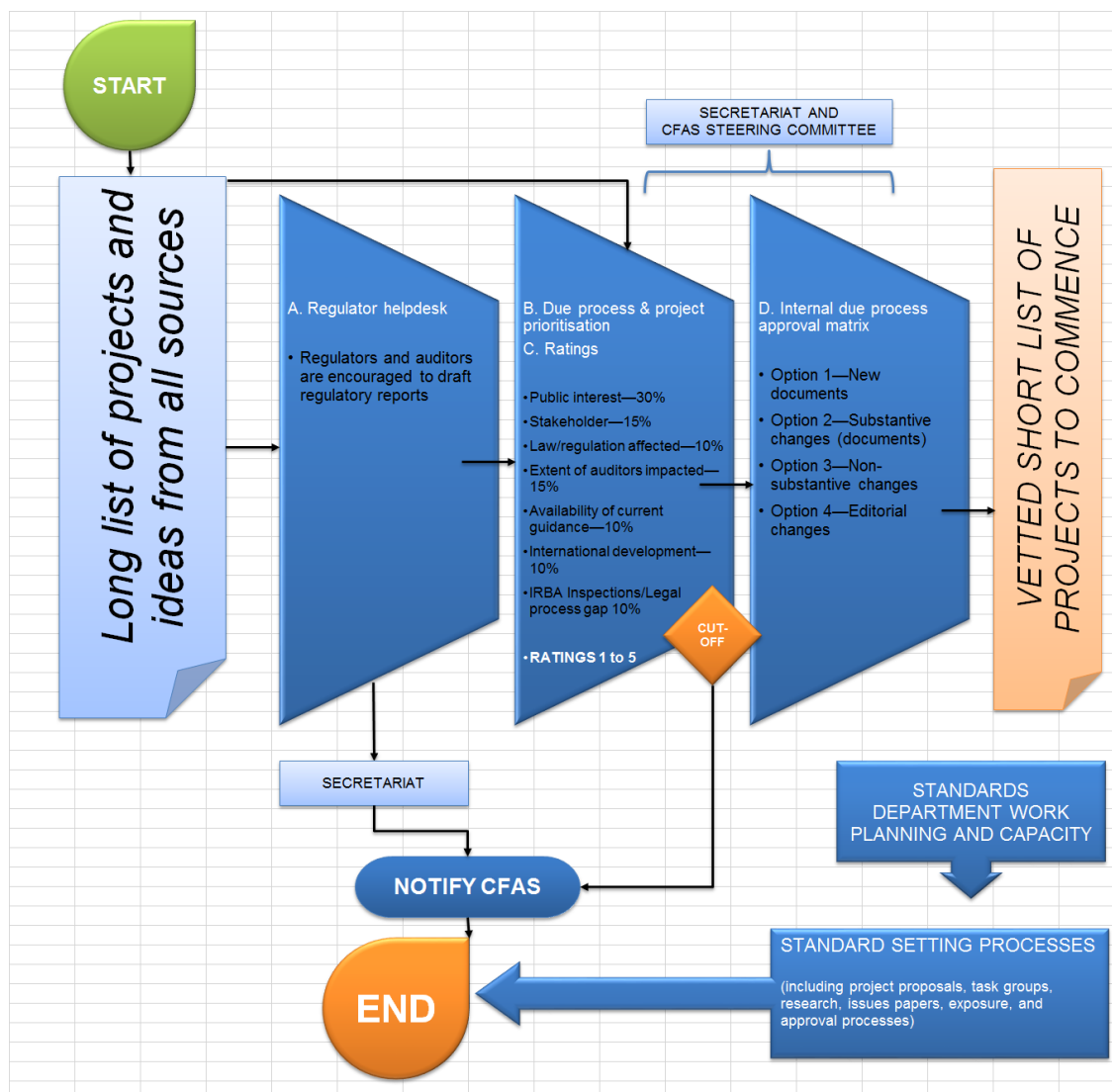
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<sup>11</sup> <https://www.irba.co.za/upload/IRBA%20Inspections%20Report%202019%20final.pdf>.

<sup>12</sup> The annual reports are available at <https://www.irba.co.za/library/annual-reports>.

## Appendix 3: Our Work Programme for 2020-2021

1. The CFAS Work Programme is determined based on this Strategy. The committee has developed a process for determining which projects are taken onto the CFAS Work Programme and how these are prioritised. Refer to **Appendix 4** for the CFAS Performance Measurement.
2. The Standards Department has developed a process, approved by the CFAS, to prioritise projects based on various factors. The process is summarised in the CFAS Process Flow Diagram below.



### A. *Regulator helpdesk: Approach for the drafting of regulator factual findings reports*

The need arose to establish a new approach for dealing with numerous requests from regulators and/or auditors to assist with the drafting of factual findings reports for agreed-upon procedures engagements required by legislation.

**B. *Due process and project prioritisation***

A formal process is used when prioritising projects (pronouncements and/or reports). This process takes into consideration:

- A public call for projects;
- Inspections and Investigations findings, and insights from other IRBA departments (Education);
- The public interest associated with the project;
- Stakeholders;
- Influence on audit quality; and
- The project roles in restoring confidence in the profession.

**C. *Definition of ratings: rating factors***

This includes public interest, stakeholders, the law/regulation affected, the extent of auditors impacted, the availability of current guidance, international developments and the IRBA inspections/legal gap. In addition to the stated criteria, this process entails considering the inspection findings as per the Inspections Report<sup>13</sup>.

**D. *Internal due process approval matrix***

As the *CFAS Due Process Policy* does not cover the due process to be followed for amendments to pronouncements or the development of new/amended reports, the Secretariat identified a need to develop a due process to be followed for these circumstances.

**CFAS projects for 2020/2021**

3. The following projects were approved for the financial period 2020/2012 by CFAS at its November 2020 meeting:

<b>Projects to Commence<sup>14</sup></b>
Data Protection
Quality Management Standards - Local Laws & Regulations
System of Quality Management Transitional Guidance
Conforming Amendment to CFAS Pronouncements: Quality Management Standards
Auditor's Report Disclosures
ISA Plus
Conforming Amendments - ISRS 4400
Regulation 46 Banking Industry Reports
Debt Collectors Trust Account Assurance Reports

<sup>13</sup> IRBA [Public Inspections Report 2019](#).

<sup>14</sup> A threshold of 3.35 was determined by the Secretariat.

<b>Projects to Commence<sup>14</sup></b>
Social and Ethics Committee Report (awaiting legislation <sup>15</sup> )
Financial Conglomerates (awaiting legislation <sup>16</sup> )
Collective Investment Schemes Report (awaiting legislation <sup>17</sup> )

4. The CFAS work programme prioritisation incorporates the use of standing committee placeholders to ensure that all CFAS standing committees always have projects to work on.

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<sup>15</sup> Projects “awaiting legislation” are on the approved project list in order to expedite their start, should the legislation become available.

<sup>16</sup> Projects “awaiting legislation” are on the approved project list in order to expedite their start, should the legislation become available.

<sup>17</sup> Projects “awaiting legislation” are on the approved project list in order to expedite their start, should the legislation become available.

## Appendix 4: CFAS Performance Measurement

1. The IRBA is required to report quarterly on this to National Treasury, using the following format:

Measurable objective	Output	Outcomes	Measurable indicator	Performance targets	
				2020/2021	Status for the three months ended xxxxx 2020
Standards and Guidance issued	Issued auditing pronouncement, auditor reports and comment letters.	High-quality audits	Target dates for issuing audit pronouncements, audit reports and comment letters as per the CFAS Project Timetable, adjusted on a quarterly basis.	85%	xxx%

2. The spreadsheet "Performance reporting for the quarter", included in the CFAS Work Programme, is used to perform this calculation.
3. Only completed output is measured against output that was planned for that quarter. Documents are the only output that is measured. The documents that may result at various stages of a project include comment letters, exposure drafts, standards, guides and regulatory reports.
4. It is important to note that only one or two outputs, or even no outputs, may have been planned for the quarter. This does not mean that no work was planned and performed, but rather that other work, such as task group meetings or research, was planned and undertaken during that time.
5. Also, the CFAS Work Programme may be adjusted at quarterly CFAS meetings for the following reasons:
  - New projects, as per the above process.
  - Projects cancelled.
  - Scope of the project is changed.
  - Project deadline extended – which would be under circumstances that are beyond the control of the CFAS.
  - Changes in international projects and deadlines.
  - Capacity and resource issues.
  - Management of execution and reputation risk.
6. Performance is measured as a percentage of documents completed and of documents planned. Therefore, the denominator may change during the year, as documents planned may change.



7. The quarterly performance calculation is approved by the CFAS (evidence of this would be in the minutes of that meeting). The Director Standards signs the performance calculation.

## Appendix 5: IAASB Work Plan (based on the version published on 15 April 2020)

IAASB DETAILED WORK PLAN	2020				2021			
Project	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec
<b>I. Increase the Emphasis on Emerging Issues to Ensure that Our International Standards Provide a Foundation for High-Quality Audit, Assurance and Related Services Engagements</b>								
<b>Revising and Developing Standards</b>								
ISQM 1	X	F						
ISQM2	X	F						
ISA 220 (Revised)	X	F						
ISA 600 (Revised)	E		X	X	X	F		
Conforming Amendments to Other Standards Arising from Quality Management Standards			X	E		X	F	
Conforming Amendments to IAASB Standards Arising from Changes in the IESBA Code of Ethics for Professional Accountants (Including International Independence Standards)								
New Project Placeholder								
<b>Maintenance of Standards</b>								
New Project(s) Placeholder								
<b>Activities to Support Implementation – Development of Non-Authoritative Guidance and Other Activities Related to Standard-Setting</b>								
Extended External Reporting (EER) (non-authoritative guidance)		X	X	F				
Technology (ongoing)		X	X	X		X		X
Professional Scepticism (ongoing)			X		X		X	
Work Plan 2022-2023					X		X	F
Handbook – changes to standards and digitisation								

IAASB DETAILED WORK PLAN	2020				2021			
Project	Marc	June	Sept	Dec	March	June	Sept	Dec
<b>Activities to Support Implementation – First-time Implementation Activities</b>								
ISA 540 (Revised)								
ISA 315 (Revised 2019)			X					
Revised Quality Management Standards (ISQM 1, ISQM 2, ISA 220 (Revised))					X			
ISA 600 (Revised)								
<b>Information Gathering and Research (adapted from the published version)</b>								
Matters Related to Audits of Less Complex Entities	X	R	X	X	X	R		
Audit Evidence	X	R	P					
Fraud			X	X		P		
Going Concern			X		X		P	
Other						X	X	P
Category A Monitoring			X				X	
Auditor Reporting Post-Implementation Review				X		X		
ISA 540 (Revised) Post-Implementation Review							X	
<b>II. Innovate Our Ways of Working to Strengthen and Broaden Our Agility, Capabilities and Capacity</b>								
Developing the Framework for Activities	X	X	X	X				
Strengthening collaboration efforts with NSS and the International Federation of Accountants (IFAC)								
<b>III. Maintain and Deepen Our Relationships with Our Stakeholders</b>								
Outreach programme								
Coordination with the International Ethics Standards Board for Accountants (IESBA)			X				X	
Liaison activities with the International Accounting Standards Board (IASB)			X			X		

A letter within a cell indicates plenary time as follows:

- 'X' indicates that the IAASB plenary meeting time is scheduled for Board discussions.
- 'R' indicates **recommendations** for a way forward.
- 'P' indicates the **targeted** approval of project proposals.
- 'E' indicates the **targeted** approval of an Exposure Draft.
- 'F' indicates the **targeted** final approval by the IAASB of a new or revised standard.

## Appendix 6: IESBA Work Plan (published as at 9 April 2019)

The CFAS will consider the work undertaken by the IESBA, its relationship with Auditing Standards and possible implementation support necessary:

WORK STREAM	ANTICIPATED DEMAND ON BOARD PLENARY TIME	MILESTONE OR DELIVERABLE				
		2019	2020	2021	2022	2023
Advancing the Code’s Relevance and Impact MAINTAINING A GLOBAL CODE FIT FOR PURPOSE IN THE EVOLVING ENVIRONMENT						
Technology	High	Phase 1 report	Subject to Working Group report and recommendations			
Service delivery models	High		Final report	Subject to Working Group report and recommendations		
Emerging Issues Outreach Committee	Low	Discussion	Discussion	Discussion	Discussion	Discussion
Advancing the Code’s Relevance and Impact RAISING THE BAR ON ETHICS						
Role and Mindset	Medium	ED	Final pronouncement			
Non-Audit Services	High	ED		Final pronouncement		
Fees	High	ED		Final pronouncement		
Part 4B vs ISAE 3000	Low	ED	Final pronouncement			
Definitions – Listed Entity and PIF	Medium			Project proposal	ED	Final pronouncement
Materiality	Medium			Project proposal and ED	Final pronouncement	
Tax planning	High	Fact fi	Working Group report and recommendations	Subject to Working Group report and recommendations		
Documentation	Medium					Project proposal
General maintenance	Low	TBD	TBD	TBD	TBD	TBD

WORK STREAM	ANTICIPATED DEMAND ON BOARD PLENARY TIME	MILESTONE OR DELIVERABLE				
		2019	2020	2021	2022	2023
Deepening and Expanding the Code’s Influence						
E-Code	Low	Finalise Phase 1	Finalise Phase 2			
Long Association implementation review – Phase 1	Low		Fact fi	Working Group report and recommend- ations		
Implementation review restructured Code	Medium					Fact finding
Long Association implementation review – Phase 2	Low					Fact finding
NOCLAR implementation review	Low					Fact finding
Promote global adoption (including annual update to IESBA)	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Monitor and document global adoption	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Action communication strategy	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Pursue stakeholder outreach	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Commission staff publications	Low	TBD	TBD	TBD	TBD	TBD

WORK STREAM	ANTICIPATED DEMAND ON BOARD PLENARY TIME	MILESTONE OR DELIVERABLE				
		2019	2020	2021	2022	2023
Expanding the IESBA’s Perspectives and Inputs						
Coordination with IAASB and IAESB	Medium	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Extend stakeholder engagement	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Speak out on ethics	Low	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Other						
Strategy and Work Plan 2019-2023				Mid-cycle strategy review		

## Appendix 7: Strategic Actions for the CFAS and the Secretariat

This table presents new and incremental actions for the CFAS and the Secretariat. It does not repeat processes that already exist and that support the strategic themes		
Strategic theme	Actions for CFAS	Actions for the Secretariat (Standards Department)
Theme I: High-quality auditing standards and implementation guidance	<ul style="list-style-type: none"> <li>• Actions per para .23 - .32</li> <li>• Revise its due process to shorten the consultation periods to improve timeliness.</li> </ul>	
Theme II: Focused consultation with a range of stakeholders and subsequent advocacy of CFAS pronouncements and implementation guidance	<ul style="list-style-type: none"> <li>• Actions per para .33 - .37</li> <li>• Consider inputs gathered by the Secretariat from those charged with governance (TCWG).</li> <li>• Consider that the Secretariat prepared a stakeholder impact analysis before issuing auditing pronouncements on exposure.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish an investor consultative group to advise the Director Standards on auditing issues.</li> <li>• Outreach to audit committees on auditing pronouncements.</li> <li>• To communicate outputs (through hosting webinars, podcasts, articles in Accountancy SA to assist with the implementation of auditing pronouncements).</li> </ul>
Theme III: Deepening evidence-based research to support standard-setting	<ul style="list-style-type: none"> <li>• Actions per para .38</li> <li>• Track the research of CFAS projects on a quarterly basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-stakeholder research of CFAS approved projects before tabling project proposals for the CFAS Steering Committee's approval as well as for CFAS' noting.</li> </ul>
Theme IV: Integrated standard setting by keeping abreast of the emerging issues, and responding appropriately	<ul style="list-style-type: none"> <li>• Actions per para .39</li> <li>• Tackle emerging issues on a quarterly basis, and consider action or communication required.</li> </ul>	<ul style="list-style-type: none"> <li>• Using inspection findings and cases under investigation as well as any resulting root-causes to inform CFAS projects.</li> </ul>