

31 January 2013

Attention: Mrs S D van Esch  
The Director – Standards  
Independent Regulatory Board for Auditors  
P.O. Box 8237  
Greenstone  
1616

Dear Sandy

## **Proposed Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements**

We appreciate the opportunity to provide comments on the Proposed Due Process Policy for the Development, Adoption and Implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (Due Process Policy). Below you will find our overall comments on the Due Process Policy as well as our responses to the request for specific comments.

### **Overall Comments**

The Due Process Policy is concise and clear and represents a fair and reasonable process that should be followed in the development, adoption and implementation of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.

### **Responses to request for specific comments**

#### **1. Do respondents agree with the proposed due process followed for the adoption and prescribing of IAASB International Standards and International Practice Notes for use by registered auditors?**

Yes – we agree with the proposed due process to be followed for the adoption and prescribing of the IAASB International Standards and International Practice Notes.

We are concerned that it is not clear what happens in the situation where the IRBA Board resolves not to adopt a standard and question whether this would happen in practice. It is suggested that the policy should specify that in order to remain compliant with IAASB standards, they will adopt these standards. However, where issues for SA implementation are identified, SA supplementation in the form of authoritative and non-authoritative material may be necessary to support SA implementation.

**2. Do respondents agree with the proposed due process to be followed for the development of authoritative South African Engagement Standards, to be prescribed for application by registered auditors?**

Yes – we agree with the proposed due process to be followed for the development of authoritative South African Engagement Standards.

The Steering Committee plays a critical role in defining the matters discussed at CFAS meetings. Thus, it may be necessary to provide more insight in this process followed by the Steering Committee. Alternatively, it may be beneficial to provide reference to, for example, the Steering Committee charter or terms of reference which is publicly available and in which this is addressed.

**3. Do respondents agree with the proposed due process to be followed in the development of Guides that may contain both authoritative and non-authoritative guidance to meet legislative requirements of various regulators?**

Yes – we agree with the proposed due process to be followed for the development of such guides.

However, we recommend that consistency is achieved in referring to standards and guides. The policy sometimes refers to “authoritative standard or guide” (paragraph 40(c)) and sometimes refers only to “authoritative standard” (paragraph 45). The policy should consistently refer to “authoritative standard or guide” throughout, as guides would need to follow the same due process as authoritative standards, regardless of whether it also contains non-authoritative guidance or not. A guide which does not contain authoritative guidance should be a practice note.

However, please note our concerns with the use of the term “guides” in our commentary letter on the Proposed South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements

**4. Do respondents agree with the proposed due process to be followed for the development of non-authoritative South African Practice Notes as guidance for registered auditors?**

Yes – we agree with the proposed due process to be followed for the development of non-authoritative South African Practice Notes.

Paragraph 40 states that CFAS may then “d. approve the non-authoritative practice note for issue by the CFAS.” In this paragraph it is not clear whether non-authoritative guidance is issued by CFAS or the IRBA. Paragraph 44 later states these non-authoritative practice notes “do not require prior approval of the IRBA Board for issue by the IRBA...” Thus it is recommended that Paragraph 40.d. should rather state “d. approve the non-authoritative practice note for issue by the CFAS, which does not require the approval of the IRBA Board for issue”.

**5. Other comments**

We noted the following formatting and grammar issues:

- Heading to the Due Process Policy on the first page – The font size for policy is smaller than the other words.
- Throughout the document, the phrase “standard, guide or practice note” should be applied consistently. In some instances, the order of the pronouncements differs (“standards, practice note or guide”).
- Paragraph 5 – The date of the IRBA resolution is missing.
- Paragraph 22 – Remove the comma after standards, so that it reads “authoritative standards or guides”.
- Paragraph 27 – Part of the sentence does not make sense. We propose the last part is placed in a separate sentence that reads “This informs the CFAS agendas and activities.”
- Paragraph 34 – The first sentence does not make sense.
- Paragraph 35(a) - Remove the apostrophe from the word “it’s” to be “its”. The apostrophe indicates the contraction for “it is”.

- Paragraph 37 – We propose that this paragraph begins with “When the proposed standard, guide, or practice note is ready...”
- Paragraph 38:
  - Put “the” before “proposed standard, practice note or guide”.
  - Move “determines whether” into bullet point (a).
  - Amend the last sentence of paragraph 38 as follows “When the CFAS is satisfied with the proposed standard, practice note or guide, it will be exposed for 60 days from date of issue for public comment, however,....”.
- Paragraph 39 – Clarify that it is the Standards Department of the IRBA.
- Paragraph 40 – Remove the word “or” from the end of each bullet point, with the exception of (c).

## **Conclusion**

Please do not hesitate to contact Natalie Klonaridis via email at [nklonaridis@deloitte.co.za](mailto:nklonaridis@deloitte.co.za) or telephonically on 083 391 7144 should you wish to discuss any of the matters included in our letter.

Yours faithfully,

George Tweedy