

Proposed South African Preface

30 November 2012

Comments requested by 31 January 2013



Committee for Auditing Standards

**Proposed South African Preface to the Quality Control,
Auditing, Review, Other Assurance, and Related
Services Pronouncements**

REQUEST FOR COMMENTS

REQUEST FOR COMMENTS

The Committee for Auditing Standards (“CFAS”) of the Independent Regulatory Board for Auditors (“IRBA”) approved the release of the proposed *South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements (proposed SA Preface)*. This proposed *SA Preface* may be modified in light of comments received, before being issued in final form.

The *proposed SA Preface* may be downloaded free of charge in .pdf format from the IRBA website at <http://www.irba.co.za>.

This proposed *Preface to the South African Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, was prepared by the CFAS. The statutory responsibility of the CFAS is to assist the IRBA to:

- develop, maintain, adopt, issue or prescribe auditing pronouncements;
- consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and
- promote and ensure the relevance of auditing pronouncements.

In line with the IRBA’s legislative mandate, the IRBA’s objectives are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors and to support registered auditors who carry out their duties competently, fearlessly and in good faith. The goal is to help create an ethical, value-driven financial sector that encourages investment, confidence and promotes sound practices by *developing and maintaining auditing standards which are internationally comparable*.

The mission 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.

This publication may be downloaded free-of-charge from the IRBA website: www.irba.co.za

Respondents are asked to submit their comments electronically to the Director: Standards - Sandy van Esch (svanesch@irba.co.za). All comments will be considered a matter of public record and will ultimately be posted on the IRBA website (www.irba.co.za). Comments may also be faxed for the attention of the Director: Standards at: +27 086 575 6535 or mailed to:

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Comments should be submitted by **31 January 2013**

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REQUEST FOR COMMENTS

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to, and an explanation of, the proposed *South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements (proposed SA Preface)*. The Proposed SA Preface clarifies the status and authority of the *International Pronouncements*, issued by the International Auditing and Assurance Standards Board (IAASB), that are adopted and prescribed by the IRBA, and that of *South African Engagement Standards, Guides and Practice Notes*, developed by the Committee for Auditing Standards (CFAS) and issued by the IRBA.

Proposed South African Preface

The IAASB's *Amended Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (the Amended IAASB Preface)*¹ was issued on 15 December 2011 and applies to the IAASB Engagement Standards, ISQC 1 and Practice Notes, adopted and prescribed for use by registered auditors in South Africa, and to IAASB Staff publications. The implications of the changes are explained more fully below.

The issue of the IAASB's Amended Preface has necessitated the issue of a *Proposed South African Preface (2012)* to facilitate an understanding of the scope and authority of IAASB pronouncements adopted, and pronouncements developed by the CFAS and issued by the IRBA, that reflect the authoritative, or non-authoritative, status of such pronouncements.

Amended Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (2011)

The Amended IAASB Preface differentiates between Authoritative and Non-Authoritative Pronouncements. The International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs) and International Standards on Related Services (ISRSs) (referred to collectively as the IAASB's Engagement Standards) are issued following the IAASB's stated due process and comprise the Authoritative Pronouncements.

The IAASB's International Standards on Quality Control (ISQC 1) apply to all services falling under the IAASB's International Engagement Standards.

Non-authoritative pronouncements include International Practice Notes issued by the IAASB for any of the IAASB Engagement Standards and Staff publications. Non-authoritative material is not part of the IAASB's Engagement Standards. The International Practice Notes may be issued for any of the IAASB Engagement Standards and do not impose any additional requirements on auditors beyond those in the related ISA, ISRE, ISAE or ISRS, nor do they change the auditor's responsibility to comply with the relevant IAASB Engagement Standards. They do, however provide practical assistance to auditors.

¹ The Amended IAASB *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* may be downloaded from the IAASB website: <https://www.ifac.org/auditing-assurance/publications-resources>, as can the *Basis for conclusions: Amendments to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements and withdrawal of International Auditing Practice Statements*.

² The term "professional accountants" used in the IAASB Pronouncements applies in South Africa, 

Background to the adoption of IAASB International Engagement Standards

The entire suite of the IAASB *International Engagement Standards*, including the *International Auditing Practice Statements*, were adopted by the Auditing and Assurance Standards Board (AASB), the predecessor to the CFAS, and prescribed for use by registered auditors in the conduct of their audit, review, other assurance and related services engagements with effect from 1 January 2005. The adoption and prescription was communicated by the Public Accountants' and Auditors' Board (PAAB), predecessor to the IRBA, in Board Circular B.1/2004 issued in November 2004.

Subsequent changes to the IAASB Engagement Standards have been exposed simultaneously with the international exposure period and final IAASB Engagement Standards issued by the IAASB have been considered by the CFAS and recommended for approval by the Board to adopt and prescribe for use by registered auditors. The adoption and prescription by the Board has been gazetted by way of the following Board Notices:

- Board Notice 128 of 2009, included in Government Gazette No. 32615 of 9 October 2009 (Appendix B); and
- Board Notice 154 of 2010, published in Government Gazette 33710 of 5 November 2011 (Appendix C).

The authority attaching to IAASB International Engagement Standards and Practice Statements already adopted and prescribed in South Africa

International Engagement Standards and Practice Statements adopted by the AASB

A South African Preface to the “*International Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Adopted for Issue by the Auditing and Assurance Standards Board*” (the “*AASB’s SA Preface (2004)*”) was approved in September 2004 and issued to facilitate understanding of the objectives and operating procedures of the AASB and the scope and authority of the international and local pronouncements developed and issued. The extracts from the *AASB’s SA Preface (2004)*, reproduced below, reflect the authority of the said pronouncements at that time as follows:

“The authority attaching to IAASB International Engagement Standards adopted by the AASB

Par 14 Paragraphs 10-19 of the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services set out the authority attaching to standards issued by the IAASB and adopted by the AASB for use in South Africa.

Par 15 The auditor should be aware of, and comply with, any legislation or regulations applicable to the audit in the conduct of the engagement. A court of law, when considering the adequacy of the work of an auditor, is likely to seek confirmation that, in the performance of the audit work, the auditor has complied in all material respects with the auditing standards. In the event of significant deviation from the guidance on specific matters contained in the auditing standards, the auditor may be required to demonstrate that such deviation did not result in failure to achieve generally accepted auditing standards. The auditor could also face the prospect of disciplinary action by the PAAB.”

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Authority and status of South African Practice Statements

Following the promulgation of the Auditing Profession Act (Act 26 of 2005) effective from 1 April 2005, *South African Auditing Practice Statements* (SAAPS) and *Guides* have been developed by CFAS and issued by the IRBA to provide guidance for registered auditors in the implementation of the IAASB's Engagement Standards in South Africa.

The SAAPS and Guides did not introduce new requirements, and their authority and status continued unchanged from that indicated in the AASB *SA Preface (2004)*, as being the same as that of the *International Auditing Practice Statements (IAPS)* adopted by the AASB and applied from 1 January 2005, namely:

“The authority attaching to IAASB Practice Statements adopted and SAAPS issued by the AASB

Par 16 Paragraphs 20-21 of the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services set out the authority attaching to practice statements issued by the IAASB and adopted by the AASB for use in South Africa.

Par 17 South African Auditing Practice Statements (SAAPS), issued subsequent to the adoption of IAASB Standards on 1 January 2005, are issued by the AASB to provide guidance and practical assistance to auditors in implementing the international standards in the South African context. The same authority attaches to SAAPS as the authority attaching to international practice statements adopted by the AASB, see paragraph 16 above.”

The authority reflected in the International Auditing Practice Statements that has been applied to SAAPS and Guides issued in South Africa for use by registered auditors stated:

“International Auditing Practice Statements (IAPSs) are issued to provide interpretive guidance and practical assistance to professional accountants² in implementing ISAs and to promote good practice. Professional accountants should be aware of and consider Practice Statements applicable to the engagement. A professional accountant who does not consider and apply the guidance included in a relevant Practice Statement should be prepared to explain how: (a) the requirements in the ISAs; or (b) the basic principles and essential procedures in the IAASB's other Engagement Standard(s), addressed by the Practice Statement, have been complied with.”

Withdrawal of existing IAPSs

Consistent with its decision to withdraw IAPS as a category of authoritative pronouncements of the IAASB, the IAASB agreed to withdraw all existing IAPSs. This decision reflected the IAASB's view that retaining the extant IAPSs in any form is potentially misleading and unhelpful given they are out-of-date and inconsistent with the clarified ISAs. The IAASB viewed the risks of potential confusion as outweighing any potential limited benefits. The IAPS withdrawn are:

- IAPS 1000, *Inter-bank Confirmation Procedures*;

² The term “*professional accountants*” used in the IAASB Pronouncements applies in South Africa, to “*registered auditors*” registered with the IRBA.

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- IAPS 1004, *The Relationship Between Banking Supervisors and Banks' External Auditors*;
- IAPS 1006, *Audits of the Financial Statements of Banks*;
- IAPS 1010, *The Consideration of Environmental Matters in the Audit of Financial Statements*;
- IAPS 1012, *Auditing Derivative Financial Instruments*; and
- IAPS 1013, *Electronic Commerce—Effect on the Audit of Financial Statements*.

The IAASB may in future issue International Auditing Practice Notes (IAPNs), International Review Engagement Practice Notes (IREPNs), International Assurance Engagement Practice Notes (IAEPNs), and International Related Services Practice Notes (IRSPNs) to serve the same purpose for the ISAs, ISREs, ISAEs, and ISRSs respectively, however, any such future decision would need to be made in the context of the IAASB's *Strategy and Work Program 2012–2014*.

The first IAASB's International Auditing Practice Note (IAPN) 1000 *Special Considerations in Auditing Financial Instruments* was issued In December 2011 and contains the following statement regarding its status and authority:

"International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*, should be read in conjunction with the *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*. IAPNs do not impose additional requirements on auditors beyond those included in the International Standards on Auditing (ISAs), nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance."

Status of existing IRBA Pronouncements

The existing SAAPS provide guidance on the implementation of the IAASB's Engagement Standards to meet jurisdictional requirements specific to South Africa. They do not introduce any new requirements beyond those in the IAASB's Engagement Standards and consequently may for all intents and purposes be regarded as having the same non-authoritative status as that now accorded to the IAASB's International Practice Notes. It is proposed that the same non-authoritative status will apply to South African Auditing Practice Statements (SAAPS) issued after 1 June 2012.

The existing Guides, however, relate mainly to regulatory compliance, assurance and reporting requirements for auditors of entities in regulated industries to meet specific legislative requirements, or to provide guidance in respect of the application of legislative requirements, directly affecting auditors. Consequently, the existing IRBA Guides may contain both authoritative and non-authoritative guidance.

The CFAS is commencing a project to review all existing SAAPS and Guides to determine their status and authority and whether they are to be updated and reissued or withdrawn. In addition it is anticipated that the drafting convention applied to Guides will distinguish between authoritative and non-authoritative guidance.

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It is anticipated that the existing SAAPS may be re-issued as non-authoritative South African Practice Notes with implementation guidance for any of the IAASB's Engagement Standards: South African Auditing Practice Notes (SAAPNs), South African Review Engagement Practice Notes (SAREPNs), South African Assurance Engagement Practice Notes (SAAEPNs), and South African Related Services Practice Notes (SARSPNs).

It is also anticipated that the CFAS may develop subject specific South African Assurance Standards to be issued by the IRBA that are consistent with the principles in the International Standards on Assurance Engagements (ISAEs) that will be authoritative pronouncements.

Effective Date

Subject to comments received on exposure of the proposed *South African Preface* the CFAS intends to finalise the South African Preface to recommend to the Board for approval to issue in the first half of 2013.

Guide for Respondents

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this exposure draft it will be helpful for the CFAS to be made aware of this view.

Request for specific comments:

1. Do respondents agree with the proposed alignment of the status and authority of South African Standards and South African Practice Notes, with those of the IAASB Engagement Standards and International Practice Notes, adopted and prescribed by the IRBA for registered auditors?
2. Do respondents agree with the proposal that Guides issued in future by the IRBA, to meet legislative requirements of various regulators, may contain both authoritative and non-authoritative guidance?
3. Do respondents believe the proposed transitional arrangements clarify the authority and status of the extant IRBA Pronouncements, pending the issue of the South African Preface and the review, and where appropriate, their revision and reissue or withdrawal?

PROPOSED SOUTH AFRICAN PREFACE TO THE STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS

Issued November 2012

Introduction

1. This proposed *South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements* is issued to facilitate understanding of the scope and authority of the pronouncements adopted and / or developed and issued by the Independent Regulatory Board for Auditors (the IRBA).
2. The statutory responsibility of the Committee for Auditing Standards (CFAS) is to assist the IRBA to develop, maintain, adopt, issue or prescribe auditing pronouncements, to consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and to promote and ensure the relevance of auditing pronouncements by developing and maintaining auditing standards which are internationally comparable.
3. The CFAS is committed to the IAASB's goal of global convergence to ensure International Pronouncements are generally accepted worldwide. Consequently, the CFAS seeks to ensure pronouncements developed and issued by the IRBA are consistent with the IAASB's International Pronouncements and are applied by registered auditors in South Africa. The CFAS acts in the common interest of the public at large to create the framework and principles that contribute to the protection of the public who rely on the services of registered auditors and to support registered auditors who carry out their duties competently, fearlessly and in good faith.
4. The proposed *South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements* is to be read together with the *Amended Preface to the International Quality Control, Auditing, Assurance and Related Services Pronouncements* issued by the International Auditing and Assurance Standards Board (IAASB) in December 2011, which is adopted and prescribed by the IRBA (**Appendix A**).
5. The proposed *South African Preface* establishes the status and authority of South African *Engagement Standards, Guides and Practice Notes* (pronouncements) developed by the CFAS and issued by the IRBA.

Adoption of International Engagement Standards

6. The Auditing and Assurance Standards Board of the PAAB, the predecessor to the CFAS, adopted the original text of the IAASB International Standards on Quality Control, Auditing, Assurance and Related Services (the International Engagement Standards) as the standards to be applied by all registered auditors in South Africa from 1 January 2005. PAAB Circular B.1/2004, *Adoption of IAASB Standards by the Auditing and Assurance Standards Board* sets out the adoption process followed and the effective dates of all of the IAASB Engagement Standards. Board Circular B.1/2004, was

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withdrawn and replaced by Board Notice 128 of 2009, included in Government Gazette No. 32615 of 9 October 2009.

7. Following the promulgation of the Auditing Profession Act, No 26 of 2005, effective from 1 April 2006, the IRBA confirmed the adoption by the PAAB of the International Engagement Standards issued by the IAASB, as published in the successive IAASB *Handbooks of International Quality Control, Auditing, Assurance, and Ethics Pronouncements*, (the *IAASB Handbooks*) under copyright from IFAC. The continued adoption and prescription for use by all registered auditors in South Africa, in accordance with the provision of section 4(1)(e) of the Auditing Profession Act, 26 of 2005 (“the Act”), is effected by gazetting periodic IRBA Board Notices.
8. By virtue of adopting the successive *IAASB Handbooks* under copyright from IFAC, the Board deemed them to have been prescribed without requiring publication of the entire Handbook. The adoption and prescription was communicated to registered auditors and electronic versions of the *IAASB Handbooks* are available on the IRBA’s website www.irba.co.za and the IAASB website: <https://www.ifac.org/auditing-assurance/publications-resources>.
9. The South African Institute of Chartered Accountants (SAICA) annually publishes, under copyright permission from the IAASB, the *SAICA Handbooks of Auditing and Financial Reporting Standards and Legislation Handbooks*. These include the *IAASB Handbooks of International Quality Control, Auditing, Assurance, and Ethics Pronouncements* adopted and prescribed by the IRBA, for use in academic classrooms or for personal use of Chartered Accountants (South Africa), registered auditors and their audit firms.
10. The following IRBA Board Notices have been gazetted as successive versions of the IAASB Handbooks were published:
 - (a) Board Notice No 128 of 2009 published in Government Gazette No 32615 on 9 October 2009 (**Appendix B**); and
 - (b) Board Notice 154 of 2010 published in Government Gazette 33710 of 5 November 2011 (**Appendix C**). This Board Notice included the requirement that “References to the IESBA Code of Ethics for Professional Accountants in these publications must be read in conjunction with the IRBA Code of Professional Conduct for Registered Auditors issued in July 2010, effective from 1 January 2011, which has additional requirements for registered auditors in South Africa”.
11. The development of the *Code of Professional Conduct for Registered Auditors* (the *Code*), and *Rules Regarding Improper Conduct* (the *Rules*) prescribed for registered auditors is the responsibility of the Committee of Auditor Ethics (CFAE). The Code and Rules were approved by the Board and published by the IRBA, and were gazetted as Board Notice 89 in Government Gazette No 33305 on 18 June 2010. They are published annually in the IRBA Manual of Information.
12. Further Board Notices will be issued and gazetted on this basis for as long as the IAASB Handbooks continue to be adopted and prescribed by the IRBA for use by registered auditors.

The IAASB's Pronouncements adopted and prescribed by the IRBA

IAASB Authoritative Pronouncements

13. The IAASB's pronouncements govern audit, review, other assurance, and related services engagements that are conducted in accordance with International Standards. They do not override the local laws or regulations that govern the audit of historical financial statements or assurance engagements on other information in South Africa required to be followed in accordance with South Africa's standards. In the event that local laws or regulations differ from, or conflict with, the IAASB's Standards on a particular subject, an engagement conducted in accordance with local laws or regulations will not automatically comply with the IAASB's Standards. A registered auditor should not represent compliance with the IAASB's Standards unless the registered auditor has complied fully with all standards relevant to the engagement.
14. The authoritative pronouncements of the IAASB are the International Standards, which are issued following the IAASB's stated due process.

The Authority Attaching to International Standards issued by the International Auditing and Assurance Standards Board

15. International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information.
16. International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.
17. International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information.
18. International Standards on Related Services (ISRSs) are to be applied in compilation engagements, engagements to apply agreed upon procedures to information and other related services engagements as specified by the IAASB.
19. ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the IAASB's Engagement Standards.
20. International Standards on Quality Control (ISQCs) are to be applied for all services falling under the IAASB's Engagement Standards.

International Standards on Auditing

21. ISAs are written in the context of an audit of financial statements³ by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The authority of ISAs is set out in ISA 200.⁴

³ Unless otherwise stated, "financial statements" mean financial statements comprising historical financial information.

⁴ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

International Standards on Quality Control

22. ISQCs are written to apply to firms in respect of all their services falling under the IAASB's Engagement Standards. The authority of ISQCs is set out in the introduction to the ISQCs.

Other International Standards

23. Some International Standards identified in paragraphs 16-18 above contain: objectives, requirements, application and other explanatory material, introductory material and definitions. These terms are to be interpreted in a directly analogous way to how they are explained in the context of ISAs and financial statement audits in ISA 200.

24. Other International Standards identified in paragraphs 16-18 above contain basic principles and essential procedures (identified in bold type lettering and by the word "should") together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provides guidance for their application. It is therefore necessary to consider the entire text of a Standard to understand and apply the basic principles and essential procedures.

25. The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a registered auditor may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the registered auditor is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the registered auditor to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.

26. Appendices, which form part of the application material, are an integral part of a Standard. The purpose and intended use of an appendix are explained in the body of the related Standard or within the title and introduction of the appendix itself.

Professional Judgment

27. The nature of the International Standards requires the registered auditor to exercise professional judgment in applying them.

Applicability of the International Standards

28. The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the registered auditor is permitted to apply an International Standard before the effective date specified therein.

29. International Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:

- a. Within the body of an International Standard in the case of ISAs and ISQCs; or
- b. In a Public Sector Perspective (PSP) appearing at the end of other International Standards.

Non-Authoritative Material

30. Non-authoritative material includes Practice Notes issued by the IAASB and IAASB staff publications. Non-authoritative material is not part of the IAASB's International Standards.

International Auditing Practice Notes

31. International Auditing Practice Notes (IAPNs) do not impose additional requirements on registered auditors beyond those included in the ISAs, nor do they change the registered auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to registered auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

32. Depending on the nature of the topic(s) covered, an IAPN may assist the registered auditor in:

- Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
- Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
- Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

Practice Notes relating to other International Standards

33. The IAASB may also issue International Review Engagement Practice Notes (IREPNs), International Assurance Engagement Practice Notes (IAEPNs), and International Related Services Practice Notes (IRSPNs) to serve the same purpose for ISREs, ISAEs, and ISRSs respectively.

Staff Publications

34. Staff publications are used to help raise registered auditors' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of IAASB pronouncements.

The IRBA's Pronouncements

Authoritative Pronouncements

35. The IRBA's authoritative pronouncements are developed to meet South African legislative requirements and may govern audits, reviews, other assurance and related services engagements and provide implementation requirements or application material on a particular subject, whilst applying the principles in the relevant International Engagement Standards on a consistent basis.

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36. The authoritative pronouncements of the IRBA are issued following the completion of the CFAS' *proposed Due Process Policy*⁵.

The authority attaching to South African Standards Issued by the IRBA

37. South African Standards on Auditing (SASAs) are to be applied in the audit of historical financial information.
38. South African Standards on Review Engagements (SASREs) are to be applied in the review of historical financial information.
39. South African Standards on Assurance Engagements (SASAEs) which are to be applied in assurance engagements dealing with subject matters other than historical financial information.
40. South African Standards on Related Services (SASRSs) which are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements as specified by the IRBA.
41. International Standards on Quality Control (ISQCs) are to be applied to all services falling under the South African Engagement Standards.

The authority attaching to Guides issued by the IRBA

42. Guides which are to be applied in audit, review, other assurance and related services engagements, to meet the regulatory requirements of specific regulators, whilst applying the principles in the relevant International Engagement Standards, or South African Engagement Standards, on a consistent basis, may contain both authoritative and non-authoritative guidance.

Non-Authoritative Pronouncements

43. Non-authoritative pronouncements include Practice Notes⁶ developed by the CFAS and issued by the IRBA. Non-authoritative pronouncements are not part of the IRBA's South African Engagement Standards.

South African Auditing Practice Notes

44. South African Auditing Practice Notes (SAAPNs) do not impose additional requirements on registered auditors beyond those included in the ISAs or SASAs, nor do they change the registered auditor's responsibility to comply with all ISAs or SASAs relevant to the audit. SAAPNs provide practical assistance to registered auditors. SAAPNs are developed by the CFAS and issued by the IRBA and may provide material that auditing firms can use in developing their training programs and internal guidance.
45. Depending on the nature of the topic(s) covered, a SAAPN may assist the registered auditor in:

⁵ Refers to the CFAS' *Proposed Due Process Policy* that is exposed simultaneously with this proposed *South African Preface*

⁶ Currently issued by the IRBA as *South African Auditing Practice Statements* that provide implementation guidance in the application of the IAASB Engagement Standards in South Africa

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- Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
- Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
- Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

Practice Notes relating to other International Standards or South African Standards

46. The IRBA may also issue non-authoritative *South African Review Engagement Practice Notes* (SAREPNs), *South African Assurance Engagement Practice Notes* (SAAEPNs), and *South African Related Services Practice Notes* (SARSPNs) to serve the same purpose for ISREs, ISAEs, and ISRSs, or for SASREs, SASAEs, and SASRSs respectively as implementation guidance when applied in the South African context.
47. The IRBA may also issue guidance jointly with the Auditor-General South Africa for private sector auditors auditing in the public sector. When appropriate, additional considerations specific to public sector entities are included:
- a. Within the body of a South African Practice Note; or
 - b. In Joint Guides for subject specific public sector topics.

IRBA Communiqués

48. Communiqués prepared by the IRBA Standards Department are issued to raise registered auditors' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct auditors' attention to relevant provisions of the IAASB or IRBA pronouncements, or relevant legislative requirements.

Transitional arrangements

49. The extant IRBA Pronouncements issued include: Guides, South African Auditing Practice Statements (SAAPs) and Circulars. These will be reviewed and it is anticipated they will either be withdrawn or re-issued as Guides, or non-authoritative South African Practice Notes (SAAPNs), as appropriate. Until this process is completed, the extant Guides, SAAPS and Circulars have the status and authority indicated in the following paragraph.
50. Until such time as the final SA Preface is issued by the IRBA, and the review process referred to in the preceding paragraph is completed, the status and authority of pronouncements issued after the <effective date⁷> will apply as follows:
- a. South African Engagement Standards developed by the CFAS and issued by the IRBA will be regarded as authoritative;
 - b. Guides developed by the CFAS and issued by the IRBA will distinguish between authoritative requirements and non-authoritative guidance;

⁷ Effective date to be determined on issue

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- c. South African Auditing Practice Statements (SAAPS) developed by the CFAS and issued by the IRBA will be regarded as non-authoritative guidance; and
- d. IRBA Circulars will reflect their authoritative or non-authoritative status.

Language

- 51. The official text of an IAASB International Standard, Practice Note, exposure draft or other publication is that published by the IAASB in the English language. These are not currently translated in South Africa.
- 52. The official text of a South African Standard, Guide, Practice Note, Circular, Exposure Draft or Communiqué is that published by the IRBA in the English language.

Appendix A

Amended Preface to the International Quality Control, Auditing, Assurance and Related Services Pronouncements

The *Amended Preface to the International Quality Control, Auditing, Assurance and Related Services Pronouncements* issued by the International Auditing and Assurance Standards Board (IAASB) in December 2011 may be downloaded from the IAASB website: <https://www.ifac.org/auditing-assurance/publications-resources>

The authority of the *International Quality Control, Auditing, Assurance and Related Services Pronouncements* adopted by the IRBA is encapsulated in the body of this proposed *South African Preface to the Standards on Quality Control, Auditing, Assurance and Related Services Pronouncements* and accordingly is not reproduced here.

Appendix B

Board Notice No 128 of 2009 in Government Gazette No 32615 on
9 October 2009



Board Notice 128 of 2009, published in Government Gazette No. 32615 of 9 October 2009

**Adoption of Auditing Pronouncements and Handbook of International Standards on
Auditing and Quality Control 2009 Edition**

Johannesburg / 24 November 2009

The IRBA would like to draw the attention of all Registered Auditors to Board Notice 128 of 2009, included in Government Gazette No. 32615 of 9 October 2009: “The Adoption of Auditing Pronouncements and Circulars made under the Public Accountants’ and Auditors’ Act, 80 of 1991 (now repealed) and the Adoption of International Standards on Auditing, Assurance, and Ethics Pronouncements in terms of the Auditing Profession Act, 26 of 2005 (“The Act”)”.

The Board Notice is available for download from the Auditing Standards section of the IRBA website www.irba.co.za

The Handbook of International Standards on Auditing and Quality Control – 2009 Edition (the 2009 Handbook) was issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), on 1 May 2009.

The 2009 Handbook was recommended by the Committee for Auditing Standards (CFAS) and approved by the Board following due process locally and internationally as part of the Clarity Project. The 2009 Handbook is prescribed for use by Registered Auditors in South Africa and becomes **effective for audits of financial statements and other engagements for periods beginning on or after 15 December 2009**. The 2009 Handbook together with the ***2008 International Standards on Review Engagements, the 2008 International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information, and the 2008 International Standards on Related Services***, which are currently effective, are issued by the IRBA under the following copyright permission from IFAC:

“Copyright © April 2009 and March 2008 respectively by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback”.

Scope of the 2009 Handbook

This handbook brings together all the International Standards on Auditing and the International Standard on Quality Control that have been redrafted by the International Auditing and Assurance Standards Board (IAASB) to improve their clarity (Clarity Project). It includes the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services, a Glossary of Terms* and the “Clarified” *International Standards on Auditing*. **These are effective for audits of financial statements and other engagements for periods beginning on or after 15 December 2009**. Background information on the International Federation of Accountants (IFAC) is also included. The 2009 Handbook replaces the *IFAC Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements - 2008 Edition Part II*.

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For practical purposes, where the audits of entities with financial periods beginning *before* 15 December 2009 have not yet taken place, the Clarified Standards included in the *2009 Handbook* may be early adopted.

The IFAC *Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements - 2008 Edition - Part I* (the *2008 Handbook – Part I*) will remain in effect during 2009. It contains pronouncements on auditing, review, other assurance, and related services issued by the IAASB as of 1 January 2008. The pronouncements on auditing will remain in **effect for audits of financial statements and other engagements for periods beginning before 15 December 2009** and thereafter will be replaced by those contained in the *2009 Handbook*.

The *2008 Handbook – Part I* also includes the *Code of Ethics for Professional Accountants* (Revised July 2006), issued by the International Ethics Standards Board for Accountants (the IESBA). Persons registered with the Board in South Africa are required to comply with the IRBA *Code of Professional Conduct and Disciplinary Rules* contained in the *Manual of Information*, but may find the SAICA *Code of Professional Conduct* which is consistent in all material respects with the IFAC *Code of Ethics for Professional Accountants*, useful guidance.

The *2008 and 2009 Handbooks* can be downloaded in a PDF format free of charge from the IRBA website: www.irba.co.za

Appendix C

Board Notice 154 of 2010 in Government Gazette 33710 of 5 November 2011



Board Notice 154 of 2010, published in Government Gazette 33710 of 5 November 2011

THE ADOPTION OF INTERNATIONAL QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS IN TERMS OF THE AUDITING PROFESSION ACT, 26 OF 2005 ("THE ACT")

Notice is hereby given, for general information, in accordance with the provision of section 4(1)(e) of the Auditing Profession Act, 26 of 2005 ("the Act") of the following:

1. The Board hereby resolves to adopt, issue and prescribe the following publications known as:
 - 1.1 ***Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part I, ISBN978-1-60815-052-6***; and
 - 1.2 ***Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part II, ISBN978-1-60815-052-6***

These publications now replace and substitute the publication known as "***Handbook of International Standards on Auditing and Quality Control***" 2009 Edition, ISBN 978-934779-92-7 effective from 15 December 2009. With the exception of *ISAE 3402 Assurance Reports on Controls at a Service Organisation*, which is effective for service auditors' reports covering periods ending on or after 15 June 2011, the standards contained in these publications are effective for audits of financial statements for periods beginning on or after 15 December 2009.

References to the IESBA *Code of Ethics for Professional Accountants* in these publications must be read in conjunction with the IRBA *Code of Professional Conduct for Registered Auditors* issued in July 2010, effective from 1 January 2011 which has additional requirements for registered auditors in South Africa.

2. By virtue of adopting 1.1 and 1.2 above, the Board deems the publications to have been prescribed without publication of the entire books, and hereby communicates the adoption to registered auditors as well as making it available on the IRBA's website: www.irba.co.za.

3. PDF formats of the 2010 Handbooks may be downloaded from the IRBA's website- www.irba.co.za. These Handbooks will also be available on CD free of charge on written request to standards@irba.co.za or communications@irba.co.za.
