

*Committee for Auditing Standards*

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**Proposed Due Process Policy for the Development, Adoption  
and Issue of Quality Management, Auditing, Review, Other  
Assurance and Related Services Pronouncements  
(Revised March 2024)**

## REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved the *Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised March 2024)* (proposed Revised Due Process Policy) in March 2024 for re-exposure and comment, for a period of 60 days. Before being issued in its final form, this proposed Revised Due Process Policy may be modified in light of comments received.

This proposed Revised Due Process Policy has been prepared by the CFAS Task Group that comprised representatives of large, medium and small audit practices, the South African Institute of Chartered Accountants and the Auditor-General South Africa. It may be downloaded for free from the [IRBA website](#).

Respondents are requested to submit their comments electronically in Word and PDF formats to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered as a matter of public record and will be posted on the [IRBA website](#).

Comments should be submitted by **31 May 2024**.

Should you have any queries, or experience any technical difficulties in downloading the documents, please email the Standards Department at [standards@irba.co.za](mailto:standards@irba.co.za).

The IRBA's mission 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.

In line with its 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 and confidence, and also promotes sound practices by *developing and maintaining auditing standards which are internationally comparable*. 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.

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## EXPLANATORY MEMORANDUM

### INTRODUCTION

1. This memorandum provides background to and an explanation of this *Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised March 2024)* (proposed Revised Due Process Policy).
2. The Committee for Auditing Standards (CFAS) approved this proposed Revised Due Process Policy for re-exposure in March 2024, for a period of 60 days.

### BACKGROUND

3. This proposed Revised Due Process Policy serves the public interest by facilitating an understanding of the CFAS' objectives and operating procedures in the development, adoption and issue of high-quality standards on quality management, auditing, review, other assurance and related services, as well as pronouncements developed by the CFAS that are relevant, internationally comparable and issued by the Independent Regulatory Board for Auditors (IRBA).
4. The Auditing and Assurance Standards Board of the erstwhile Public Accountants' and Auditors' Board (PAAB), the respective predecessors to the CFAS and the IRBA, adopted the original text of the International Auditing and Assurance Standards Board (IAASB) International Standards as the standards to be applied by all registered auditors in South Africa from 1 January 2005. The PAAB Circular B.1/2004, Adoption of IAASB Standards by the Auditing and Assurance Standards Board, set out the adoption process followed and the effective dates of all the IAASB Engagement Standards. Subsequently, that PAAB circular was withdrawn and replaced with the IRBA Board Notice 128 of 2009, which was included in Government Gazette No. 32615 on 9 October 2009.
5. Following the promulgation of the Auditing Profession Act 26 of 2005, as amended (APA), effective from 1 April 2006, the IRBA confirmed the PAAB's adoption 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, under copyright from the International Federation of Accountants. Consequently, the continued adoption of and prescription for use of the IAASB Standards by all registered auditors in South Africa are in accordance with Section 4(1)(e) of the APA and effected by the gazetting of periodic IRBA Board Notices.
6. This continued local adoption and prescription of the IAASB Standards is part of the IRBA's philosophy when it comes to setting auditing standards and maintaining South Africa's comparability and competitiveness with international peers. Furthermore, this approach, as set out in the IRBA Regulatory Strategy (issued via Government Gazette No. 45389 on 27 October 2021), is reinforced by having the option to make targeted enhancements to the IAASB Standards for the local environment, or developing local pronouncements without eroding the initial baseline.
7. This entails making limited modifications, as necessary, to the IAASB Standards to address issues in the local environment. The modifications, however, must serve the public interest and not conflict with or result in lesser requirements than what the IAASB Standards stipulate.

## **Development of a Due Process for Making Modifications to the IAASB Standards**

8. The establishment of an appropriate due process is one essential part of an effective standard-setting process. As such, the scope of updating the proposed Revised Due Process Policy was to establish the due process requirements for the CFAS to follow when making limited modifications, as necessary, to a new/revised IAASB Standard. This would ensure that the standard-setting process is clear, transparent and legally binding, and that the objectives of making amendments to the IAASB Standards are achieved.
9. In revising the proposed Revised Due Process Policy, the CFAS discussed and agreed that any final IAASB Standard should be adopted in South Africa as is, and only limited amendments, deletions and/or additions (modifications) should be made, if there are compelling reasons to do so (the Compelling Reasons). This view aligns with the IRBA Regulatory Strategy (refer to paragraph 6 above).
10. The [IAASB Policy Position: Modifications to International Standards of the IAASB – A Guide for National Standard Setters that Adopt IAASB's International Standards but Find It Necessary to Make Limited Modifications \(July 2006\)](#) (IAASB's Policy Position) sets out the policy of what modifications a National Standard Setter (NSS) must comply with, to assert that the resulting national standards conform to the IAASB Standards.
11. Previously, the CFAS had recommended that the Exposure Draft: *Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022)* (ED: Proposed Due Process Policy (Revised November 2022)) be issued on exposure at its November 2022 meeting.
12. Subsequently, ED: Proposed Revised Due Process Policy (Revised November 2022) was issued for exposure on 30 November 2022, with comments due by 30 March 2023. The seven comments letters received are accessible on the [IRBA website](#).
13. During that exposure period, significant comments were raised by respondents and our consideration of these inputs has now been reflected in this revised exposure draft.

## **SIGNIFICANT MATTERS**

The significant matters considered and proposed during the revision process are detailed below.

### **Compelling Reasons for Making Limited Modifications to IAASB Standards**

14. Overall, respondents supported the inclusion of the Compelling Reasons Test and agreed that a set of considerations be satisfied before any modifications are made to a final IAASB Standard. However, it was noted that the proposed test and criteria may not have sufficiently equipped the relevant task group and the CFAS to perform the required considerations objectively. For instance, paragraphs 42 and 43 of the ED: Proposed Due Process Policy (Revised November 2022) appear to set out the scope of possible local modifications to a final IAASB Standard, instead of a test. Furthermore, paragraph 43 specifies when the test should be performed, but not what must be done to perform it. Therefore, it was suggested that an improved alignment with paragraphs 8 and 9 of the IAASB's Policy Position may assist in addressing this concern.

### **Overview of the Deliberations and Consensus**

15. The CFAS agreed that the proposed Revised Due Process Policy only provides matters for consideration, not a test or criteria. As such, it removed references to the terms “test” and “criteria”.
16. Additionally, it noted that there is a clearly outlined scope of the limited South African modifications to be made to a final IAASB Standard, aligning each type of modification more closely to paragraphs 8 and 9 of the IAASB’s Policy Position. Thus, paragraphs 44 and 45 of the proposed Revised Due Process Policy read as follows:
  - a. South African additions to the final IAASB Standard are limited to requirements or application and other explanatory material<sup>1</sup> in respect of existing and/or emerging principles and practices that are specific to South Africa *and* that are not inconsistent with the requirements or application and other explanatory material in the final IAASB Standard.
  - b. South African deletions from and/or amendments to a final IAASB Standard are limited to the following:
    - The elimination of options (alternatives) provided for in the final IAASB Standard.
    - Requirements or application and other explanatory material, which is not consistent/conflicts with the requirements of the Auditing Profession Act (APA), that require an amendment to be consistent with the APA.
    - Requirements or application and other explanatory material where the final IAASB Standard recognises that different practices may apply in different jurisdictions, with South Africa being such a jurisdiction.
17. The proposed Revised Due Process Policy includes the factors that the relevant task group and the CFAS could consider in respect of all types of modifications, to determine whether such changes may be made in an IRBA pronouncement, for instance, if those are limited to the explanatory and application material of the IAASB Standard – such as a South African Practice Statement or Guide – instead of the final IAASB Standard (refer to paragraph 48 of the proposed Revised Due Process Policy).
18. There is an overarching paragraph detailing the primary sources of information for the relevant task group’s consideration in identifying potential modifications to the final IAASB Standard. As such, paragraph 49 of the proposed Revised Due Process Policy now reads as follows:

Modifications are considered for a matter:

  - a. That was raised by key stakeholders and/or multiple stakeholders during the local exposure process;

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<sup>1</sup> The IAASB’s Policy Position reference to “guidance” refers to “application and other explanatory material” in the IAASB Standards.

- b. That was included in the IRBA comment letter and either not considered by the IAASB or deliberated on but not included in the final IAASB Standard, as the matter was perhaps deemed to be specific to South Africa; and/or
  - c. That key stakeholders raised during the relevant task group outreach, where deemed necessary, post the issue of the final IAASB Standard.
19. Also, there are revised/updated considerations for the relevant task group in determining whether compelling reasons exist for the modification of a final IAASB Standard with regard to each type of modification (refer to paragraphs 50-53 of the proposed Revised Due Process Policy).

### **Renaming of the International Standards Framework**

20. The CFAS deliberated on the need for renaming the International Standards Framework in South Africa (i.e. the continued reference to the International Standards on Auditing (ISAs) in the context of audit engagements), should local modifications to the final International Standards be made.
21. The CFAS' rationale behind proposing a name change for the International Standards Framework was as follows:
- a. In terms of the proposed Revised Due Process Policy, the limited modifications that can be made to the final International Standards allow for adding new requirements (plus local modifications), such as in respect of existing and/or emerging principles and practices that are specific to South Africa. As a result, such new additional requirements to a standard may lead to a modified Standard that is more stringent than the final International Standard.
  - b. To enhance clarity and transparency for users of the auditor's report, highlighting that the International Standards include local modifications would be important for understandability and transparency.
22. The CFAS noted that the International Standards Framework will remain as is, until local modifications to the International Standards are required.
23. Then, based on further deliberations, the CFAS proposed that the International Standards on Auditing Framework be called International Standards on Auditing (South Africa) (ISA South Africa), should local modifications to the ISAs be made.<sup>2</sup>

### **GUIDE TO READING THE EXPOSURE DRAFT**

24. To enhance the readability and comprehension of the entire text, the CFAS has provided the complete content for convenience. However, it kindly requests respondents to direct their attention and comments specifically to the paragraphs that are not shaded in grey, as these are the sections open for public comment. Insights and feedback on these specific portions will help the CFAS to conclude on the areas that are currently under consideration. The committee appreciates every respondent's cooperation and thoughtful engagement in this feedback process.

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<sup>2</sup> The proposed naming convention will also apply to review, other assurance and related services pronouncements.



## **THE EXTANT DUE PROCESS POLICY**

25. The extant Due Process Policy remains effective until it is formally withdrawn and replaced by this proposed Revised Due Process Policy.

## **PROJECT TIMETABLE AND EFFECTIVE DATE**

26. Subject to comments received on exposure of this proposed Revised Due Process Policy, the CFAS intends to finalise it in the third quarter of 2024. Then, it will be effective from the date of its publication.

## **REQUEST FOR SPECIFIC COMMENTS**

Respondents are requested to comment on the following:

- a. Do you agree with the proposed due process followed for making limited modifications to the final IAASB Standards, as detailed in paragraphs 33-69?

If “not”, please provide reasons for your disagreement and suggestions for corrections and/or improvements.

- b. Do you support the suggested option on what the International Standards Framework should be called, if limited South African modifications are made to the International Standards? Should “International Standards on Auditing” be replaced with “International Standards on Auditing (South Africa)”?

If “not”, please provide reasons for your disagreement and suggestions for other naming options.

## EXPOSURE DRAFT

### PROPOSED DUE PROCESS POLICY FOR THE DEVELOPMENT, ADOPTION AND ISSUE OF QUALITY MANAGEMENT, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS (REVISED MARCH 2024)

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## INTRODUCTION

1. This *Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised March 2024)* (proposed Revised Due Process Policy) is issued to serve the public interest by facilitating an understanding of the objectives and operating procedures of the Committee for Auditing Standards (CFAS) in the development, adoption and issue of quality management, auditing, review, other assurance and related services pronouncements that are prescribed by the Independent Regulatory Board for Auditors (IRBA), and which are relevant and internationally comparable.

## THE COMMITTEE FOR AUDITING STANDARDS

2. Sections 4(1)(c) and (e) of the Auditing Profession Act 26 of 2005, as amended (the APA), require the IRBA to prescribe standards of professional competence with which registered auditors must comply in performing their duties as auditors, and to prescribe auditing standards.
3. Section 20(2) of the APA establishes the CFAS as a “permanent committee in terms of Section 22 of the APA”, which sets out the composition of the committee and its primary responsibilities. The composition and detailed responsibilities are embodied in paragraphs 11.3-11.6 of the IRBA Board Resolution dated June 2021, as amended from time to time (the Resolution) (Appendix A). The Resolution sets out the “*Delegation of Powers and Assignment of Duties to the CFAS*” and effectively establishes the committee’s Terms of Reference.
4. Sections 22(2) and 22(3) of the APA set out the CFAS’ powers and duties, which are addressed in paragraph 11.4 of the Resolution, extracts of which are included in Appendix A.

### Membership of the Committee for Auditing Standards

5. The composition of the CFAS is provided for in Section 22(1) of the APA and must consist, at least, of the following persons appointed by the IRBA:
  - a. Five registered auditors;
  - b. One person with experience of business;
  - c. An incumbent of the office of the Auditor-General, or a person nominated by that incumbent;
  - d. An incumbent of the office of the Executive Officer of the Financial Services Board (its successor in title being the Financial Sector Conduct Authority), or a person nominated by that incumbent;
  - e. One person with experience in the teaching of auditing at a university recognised or established under the Higher Education Act 101 of 1997;
  - f. One person nominated by any stock exchange licensed under the Financial Markets Act 19 of 2012;

- g. The Commissioner of the South African Revenue Service established in terms of the South African Revenue Service Act 34 of 1997, or a person nominated by the Commissioner; and
- h. An incumbent of the office of the Registrar of Banks (its successor in title being the Prudential Authority), or a person nominated by that incumbent.

- 6. The CFAS may co-opt and appoint additional members onto the committee, to address user needs of identified constituencies. Further, alternate members may be appointed for the members referred to in 5(c)-(h) above, as provided for in Section 23(1) of the APA.
- 7. CFAS members act in the common interest of the public at large and the worldwide auditing and assurance profession. This could result in them taking a position on a matter that is not in accordance with current practice in their firms (in the case of practitioners), nor in accordance with the position taken by those who nominated them for CFAS membership, and/or may be in conflict with the IRBA's public interest mandate. Members should communicate any conflict of interest to the Director Standards via email, and at the commencement of a CFAS meeting, and refrain from voting on a matter on the agenda of a CFAS meeting that is the subject of that conflict.

#### **Chairperson and Deputy Chairperson of the CFAS**

- 8. If a chairperson is not appointed by the IRBA Board, the CFAS must elect a chairperson from among its members (Section 20(3)(d)). The chairperson shall hold office for a term of office as determined by the IRBA Board/CFAS.
- 9. The CFAS may elect a deputy chairperson from among its members, for a term of office as determined by the IRBA Board/CFAS.
- 10. If the chairperson and deputy chairperson of the CFAS are absent or, for any reason, unable to perform their functions, the members present must elect a chairperson from those present for the meeting concerned.

#### **Term of Appointment of Members**

- 11. Paragraph 11.5.1 of the Resolution<sup>3</sup> provides that the term of office of the CFAS members will be three (3) years, renewable once only, for a second term of three (3) years each, provided that:
  - a. A member of the CFAS whose term of office has expired nevertheless continues to serve until re-appointment or a successor has been appointed, provided that such continuation shall be limited to a period of not more than three (3) months;
  - b. If the incumbent of the office referred to in Sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) serves on the CFAS, he/she shall serve on the CFAS for as long as he/she remains an incumbent of that office; and
  - c. If the incumbent of the office referred to in Sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) nominates a person to serve on the CFAS, he/she shall serve on the CFAS until the incumbent of that office withdraws his/her nomination.

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<sup>3</sup> Refer to Appendix A.

12. CFAS members – excluding those incumbents of the offices referred to in Sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) – who are absent from two (2) meetings in any 12-month period may be requested to resign from the committee. The IRBA may request the incumbents of the offices referred to in Sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) to replace a nominated representative who has been absent from two (2) meetings in a 12-month period.

### **Nominations Process**

13. The nominations process that will be followed for filling vacancies, due to the expiration of the members' terms of appointment and/or casual vacancies, is outlined in the IRBA Protocol for [the] Appointment of Members to the IRBA Statutory Committees.

### **Technical Advisors**

14. Each CFAS member may appoint one technical advisor, who may participate in discussions at the CFAS meetings, with the permission of the chairperson, but may not vote on any matter before the committee.

### **Public Observers**

15. The CFAS usually holds quarterly statutory meetings to discuss the development of, and to approve or recommend the issuance of, auditing pronouncements. These meetings are open to the public. Public observers may participate in discussions, with the permission of the chairperson, but have no vote on any matter before the CFAS. Public observers may be requested to complete a [Public Observer's Form](#).

### **Subcommittees and Task Groups**

16. Paragraph 11.4.7 of the Resolution provides that the CFAS shall have the power to constitute subcommittees and task groups, which it deems necessary, to assist it in carrying out its functions and duties, and to appoint the members thereof.
17. Subcommittees have a continuing role and function and are established as CFAS "standing committees". The chairperson of a standing committee is to be appointed by the CFAS and should preferably be a CFAS member, or such other person regarded as having the necessary technical expertise. The standing committees (refer to Appendix B) may draw on the technical expertise of various individuals or regulators, as appropriate, that are appointed as members of these committees, but who are not necessarily members of the CFAS. Acting and temporary chairpersons may be appointed by subcommittees in consultation with the Secretariat; and the CFAS and the CFAS Steering Committee should be notified of such acting or temporary appointments.
18. Task groups may be established by the CFAS or standing committees to assist with specific projects and may include individuals with specialised knowledge, experience and skills, and who are not members of the CFAS or the standing committees.

- a. Where task groups are established by the CFAS, the chairperson of the task group is accountable to the CFAS on projects undertaken by that task group; and

- b. Where task groups are established by a standing committee, the chairperson of that committee is accountable to the CFAS for the projects of the task groups.

19. The chairperson and deputy chairperson of a task group may be chosen by the task group. The chairperson should preferably be a CFAS member, the chairperson of the relevant standing committee, or such other person, regard being had for the necessary technical expertise required for the projects to be undertaken.

- a. The chairperson of a task group established by the CFAS is accountable to the CFAS; and
- b. The chairperson of a task group established by a CFAS standing committee is accountable to that committee.

## **Voting**

### ***Quorum for CFAS meetings***

20. A quorum for a CFAS meeting requires the presence, in person or virtually, of more than 50% of the members, including, where relevant, an alternate to a member.

### ***Recommendation for approval for the issuing of standards***

21. The approval of the IRBA Board is required for the issuing and prescribing of standards developed by the CFAS, and for the authoritative IAASB International Standards (IAASB Standards) to be adopted and prescribed for use by registered auditors in South Africa.

22. Following the completion of this due process and consideration by the CFAS, committee members approve a recommendation to the IRBA Board for approval to issue and prescribe the relevant standards for use by registered auditors. The CFAS recommendation is usually achieved by consensus, but if not, the recommendation to the IRBA Board shall be put to a vote and this requires agreement by the majority of the CFAS members – either present in person at a committee meeting or participating virtually – for it to be recommended to the IRBA Board.

23. Dissenting or abstaining opinions will be recorded in the minutes of the CFAS meeting. Each member (or alternate), including the chairperson, has one vote. In the event of an equality of votes, the chairperson of the meeting has a casting vote, in addition to his/her deliberative vote.

### ***Approval of exposure drafts, practice notes, practice statements and guides for issue***

24. The CFAS may approve and issue the following pronouncements, with such approval and issue being noted at a subsequent meeting of the IRBA Board:

- a. Exposure drafts developed by the IAASB or CFAS and issued for public comment;
- b. Non-authoritative international practice notes issued by the IAASB, adopted for use in South Africa and issued as guidance for registered auditors; and

c. Pronouncements comprising practice statements and guides<sup>4</sup> developed by the CFAS and to be issued as guidance for registered auditors.

25. Such CFAS approval follows a due process and is ordinarily achieved through a member consensus, but if not, shall be put to a vote and this requires the agreement of the majority of the CFAS members – either present in person at a committee meeting or participating virtually – for the pronouncement to be issued.

26. Dissenting and abstaining opinions will be recorded in the minutes of the CFAS meeting. Each member (or alternate), including the chairperson, has one vote. In the event of an equality of votes, the chairperson of the meeting has a casting vote, in addition to his/her deliberative vote.

### **Reporting**

27. The CFAS is accountable to the Board and shall, through the Director Standards, provide feedback on its work and activities, in the manner determined by the Board.

28. The chairperson of the CFAS may, at the request of the Board, be required to attend a Board (or Board subcommittee) meeting to give feedback on any of the CFAS activities.

29. Notwithstanding the above reporting obligations, recommendations of the CFAS shall be submitted to the Board, as and when the need arises.

### **PROCESS FOR THE ADOPTION AND DEVELOPMENT OF PRONOUNCEMENTS**

30. The CFAS keeps abreast of global developments affecting the auditing profession. Sources that are monitored include, inter alia, the agendas of the (International) Stakeholder Advisory Council (SAC); the International Forum of Independent Audit Regulators – Standards Coordination Working Group; communications from the International Federation of Accountants (IFAC) regarding guidance or global developments that are of relevance to the auditing profession; national standard setters; and other relevant bodies in the standard-setting ecosystem. These developments include insights gained from the IRBA's regulatory activities and reports. Developments and trends identified inform the CFAS strategy, work programme, agendas and projects to be undertaken.

### **Adoption of International Pronouncements Developed by the IAASB**

31. The CFAS monitors and tracks the strategy and standard-setting activities of the IAASB and its Consultative Groups and Task Forces by considering the content of the IAASB agendas at its quarterly meetings.

32. Further, the CFAS contributes to the IAASB's standard-setting activities, when the opportunity arises, in the development of proposed quality management, auditing, review, other assurance and related services standards, providing insights from South Africa's experience in the implementation of the IAASB Standards. The IRBA's views (taking into account those of South African stakeholders) on surveys, consultation papers and

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<sup>4</sup> Including Guides developed with the Auditor-General South Africa (AGSA) – or other accredited professional bodies, – and issued jointly by the IRBA and the AGSA, or the IRBA and other accredited professional bodies.

exposure drafts issued by the IAASB are communicated through written submissions, outreach activities and other engagements.

### ***Proposed International Pronouncements and Consultation Papers***

33. The IAASB's proposed international pronouncements and consultation papers issued on exposure internationally are generally exposed almost simultaneously in South Africa. A communication is issued to stakeholders – such as, but not limited to, registered auditors, the IRBA Board and certain statutory committees of the IRBA – for all of the IAASB's proposed international pronouncements, requesting comments to be submitted to the IRBA approximately 14 days before these are due to the IAASB, or to submit them directly to the IAASB by the due date and then provide a copy thereof to the IRBA. Further additional South African-specific questions may be included in the communication, requesting input from stakeholders in comment letters to be submitted to the IRBA on:
- a. Any regulatory requirements that could affect the implementation of the proposals in South Africa;
  - b. Whether there are any proposals that need to be added for application locally; and, if so, what those additions should be and the reasoning behind them;
  - c. Whether there are any proposals that need to be deleted; and where respondents suggest the deletion of a requirement of the IAASB proposed Standard in its entirety, they should provide reasons for that and an alternative, to ensure that the objective of the deleted requirement will still be met;
  - d. Whether there is a necessity to eliminate any options (alternatives) provided for in the IAASB proposed Standard and the reasons thereof;
  - e. Whether any requirement, application and other explanatory material needs to be amended in respect of where the IAASB proposed Standard recognises that different practices may apply in different jurisdictions; and
  - f. Any other identified matters that may be relevant for the South African market.
34. The reason for requesting input from stakeholders in respect of the abovementioned questions will be explained in the communication to stakeholders.
35. The inclusion of South African-specific questions is to identify whether there is a possibility that compelling reasons may exist to modify the final IAASB Standard, and/or obtain feedback on local-specific practices and how they impact the IAASB proposed Standard. Further, if it is determined that there is a need for South African additions, deletions or other amendments (modifications) to be made to the final IAASB Standard, the process has to allow for the final modified Standard to be issued on a timely basis, to ensure that the effective date is, as far as possible, aligned to that of the final IAASB Standard.
36. The Secretariat, in addition to the abovementioned communication, may undertake consultation/outreach with key stakeholder groups. The level of that consultation/outreach will be determined in terms of the CFAS Consultation Framework.
37. The CFAS may establish a task group to prepare the IRBA comment letter on the proposed new or revised IAASB Standard and/or consultation paper, including South African-specific concerns, for submission to the relevant international body.



### ***International Standards issued***

38. The Public Interest Oversight Board (PIOB) oversees the work of the IAASB and its Standing Advisory Group, to ensure that authoritative pronouncements developed by the IAASB have followed a due process and are responsive to the public interest, prior to approving them for issue. The IAASB Standards comprise the authoritative pronouncements of the IAASB.
39. Following the issue of the final IAASB Standards, the relevant IRBA task group will consider:
- a. How the IRBA comments have been addressed in the final IAASB Standard issued and/or the IAASB Basis for Conclusions;
  - b. If there are reasons for the final IAASB Standard not to be adopted in South Africa;
  - c. The effective date for implementation thereof;
  - d. If any consequential amendments may need to be made to other IRBA pronouncements;
  - e. Other relevant due process and implementation issues; and
  - f. Previous comments it discussed and any issues raised by stakeholders during the local exposure period. Such issues may include identifying and/or determining whether there is a need for South African modifications to be made to the final IAASB Standard for adoption locally.
40. The final IAASB Standards issued are usually adopted as is (without modification) in South Africa and limited modifications may be made,<sup>5</sup> if there are compelling reasons to do so. The considerations for determining whether or not there are compelling reasons to amend a final IAASB Standard are discussed in paragraphs 47-53.

### ***Consideration of the final IAASB Standards issued for possible limited modifications to be made***

41. The [IAASB Policy Position: Modifications to International Standards of the IAASB – A Guide for National Standard Setters that Adopt IAASB's International Standards but Find It Necessary to Make Limited Modifications \(July 2006\)](#) (IAASB's Policy Position) sets out the policy of what modifications a National Standard Setter (NSS) must comply with, to assert that the resulting national standards conform to the IAASB Standards.
42. The IAASB's Policy Position, which the CFAS endorses, states the following (as described in paragraphs 8 and 9 thereof):
- i. *“For the purposes of conformity under this policy, the NSS shall limit additions to an International Standard to the following:*
    - a) *National legal and regulatory requirements.*
    - b) *Other requirements or guidance that are not inconsistent with the current requirements or guidance in the International Standard.*

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<sup>5</sup> Paragraph 9 of the Revised Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised XXX 2024).

*NSSs are encouraged to communicate additions falling within paragraph 8(b) to IAASB, for future consideration.*

- ii. *For the purposes of conformity under this policy, the NSS shall limit deletions from, or other amendments to, an International Standard to the following:*
  - a) *The elimination of options (alternatives) provided for in the International Standard.*
  - b) *Requirements or guidance, application of which law or regulation does not permit, or which require amendment to be consistent with law or regulation.*
  - c) *Requirements or guidance where the International Standard recognizes that different practices may apply in different jurisdictions and the NSS is in such a jurisdiction.*

*In the case of paragraph ii(b) and (c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the NSS to replace the deleted requirement with an appropriate alternative that, in the opinion of the NSS, meets the test of the Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services for those exceptional circumstances when a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an International Standard to achieve more effectively the objective of the engagement.”*

- 43. The scope of limited local modifications to be made, as set out below, adheres to the principles that are in the IAASB’s Policy Position. This enables the IRBA to assert that the resulting standards conform to the final IAASB Standards, when making modifications thereto.

#### **Scope of limited modifications to be made to the final IAASB Standards**

- 44. South African additions to the final IAASB Standard are limited to requirements or application and other explanatory material<sup>6</sup> in respect of existing and/or emerging principles and practices that are specific to South Africa *and* that are not inconsistent with the requirements or application and other explanatory material in the final IAASB Standard.
- 45. South African deletions from and/or amendments to the final IAASB Standard are limited to:
  - a. The elimination of options (alternatives) provided for in the final IAASB Standard.
  - b. Requirements or application and other explanatory material, which is not consistent/conflicts with the requirements of the APA, that require an amendment to be consistent with the APA.
  - c. Requirements or application and other explanatory material where the final IAASB Standard recognises that different practices may apply in different jurisdictions, with South Africa being such a jurisdiction.

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<sup>6</sup> The IAASB’s Policy Position reference to “guidance” refers to “application and other explanatory material” in the IAASB Standards.

46. In the case of deleting a requirement under paragraphs 45(b) and (c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the replacement of the deleted requirement with an appropriate alternative that meets the test of the Preface of the IAASB Standards.

***Considerations for determining whether there are compelling reasons to modify a final IAASB Standard***

47. In undertaking any modifications under paragraph 44 and/or paragraph 45, the relevant task group and the CFAS will determine whether the modification, if it is limited to the explanatory and application material of the IAASB Standard, may be made in an IRBA pronouncement – such as a South African Practice Statement or Guide – instead of the final IAASB Standard.
48. The following factors could be considered by the relevant task group and the CFAS in respect of all types of modifications:
- a. If the modification being addressed has general application or is specific to a particular stakeholder group or sector;
  - b. If the final IAASB Standard is sufficient to lead registered auditors to the right outcome, provided it is applied appropriately;
  - c. Whether further guidance is needed to clarify, explain or interpret the requirements of the final IAASB Standard; or
  - d. How promptly the guidance needs to be made available. Guidance would be urgently required if a significant issue needs to be addressed, or if support would be required with the implementation of the final IAASB Standard.
49. Modifications are considered for a matter:
- a. That was raised by key stakeholders and/or multiple stakeholders during the local exposure process;
  - b. That was included in the IRBA comment letter and either not considered by the IAASB or deliberated on but not included in the final IAASB Standard, as the matter was perhaps deemed to be specific to South Africa; and/or
  - c. That key stakeholders raised during the relevant task group outreach, where deemed necessary, post the issue of the final IAASB Standard.
50. Additions to a final IAASB Standard that are within the scope of matters envisaged in paragraph 44 are made only when:
- a. The addition<sup>7</sup> cannot be effected by utilising another IRBA pronouncement (refer to paragraphs 47 and 48); and
  - b. The addition to be made to the final IAASB Standard results in a modified Standard that:

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<sup>7</sup> For an addition that pertains to a new requirement, the relevant task group and the CFAS could explore whether the addition could be implemented through an alternative mechanism, such as issuing an IRBA Rule, rather than modifying the final IAASB Standard.

- Is clear and promotes consistent application by registered auditors in South Africa;
  - Promotes improvement in the quality of the audit, review, assurance or related services engagement ([IAASB: A Framework for Audit Quality](#)); and
  - Does not inadvertently change the meaning or effect of the final IAASB Standard.
51. The elimination of an option (alternative) is made only if:
- a. An option (alternative) is prohibited in terms of a requirement of the APA;
  - b. An option (alternative) is not appropriate for the South African environment; or
  - c. The elimination of an option is desirable for promoting consistent application locally.
52. Where the final IAASB Standard, in whole or in part, is not consistent/conflicts with the requirements of the APA, a deletion and/or amendment is made to the final IAASB Standard only if the modified Standard:
- a. Will result in compliance with the requirements of the APA; and
  - b. Does not result in lesser requirements than the final IAASB Standard.
53. Requirements or application and other explanatory material where the final IAASB Standard recognises that different practices may apply in different jurisdictions, with South Africa being such a jurisdiction, will be deleted or amended where necessary, only if:
- a. Clarification of the particular practice applied locally is necessary for the final IAASB Standard's application in South Africa; and
  - b. The deletion and/or amendment cannot be effected by utilising another IRBA pronouncement (refer to paragraphs 47 and 48).
54. In undertaking any modifications under paragraph 44 and/or paragraph 45, the relevant task group and the CFAS will consider the consequences of the modifications proposed, including:
- a. Whether those will positively impact the protection of the financial interests of the public; and
  - b. The additional work effort for registered auditors to comply with the modifications proposed.
55. As mentioned in paragraph 46, in the case of deleting a requirement under paragraphs 45(b) and (c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the relevant task group and the CFAS to consider the replacement of the deleted requirement with an appropriate alternative that meets the test of the Preface of the IAASB Standards.
56. The relevant task group and the CFAS will also consider whether the effective date of the modified Standard should be:
- a. Aligned to the effective date of the final IAASB Standard;

- b. Aligned to the effective date of the final IAASB Standard, with the modifications becoming effective at a later stage; or
- c. Later than the effective date of the final IAASB Standard.

### **Adoption of IAASB Standards in South Africa**

#### ***No modifications made to the final IAASB Standards***

- 57. Where no potential compelling reasons to make modifications to the final IAASB Standard are identified, or there are no possible implementation issues affecting the adoption of the final IAASB Standard in South Africa, an issues paper is prepared for CFAS' consideration, setting out the process followed and the relevant task group's consideration and recommendations.
- 58. If satisfied with the relevant task group's recommendations, CFAS members consider approving a recommendation to the IRBA Board for its adoption and approval of the final IAASB Standard for issue and prescription for registered auditors in South Africa.

#### ***Modifications made to the final IAASB Standards***

- 59. Where potential compelling reasons to make modifications to the final IAASB Standard are identified, the relevant task group prepares a project proposal for approval by the CFAS Steering Committee to proceed. The approved project proposal, which the CFAS notes, should set out:
  - a. The South African issues identified;
  - b. The relevant task group's consideration of paragraphs 47-53;
  - c. The research conducted;
  - d. Consequential amendments to other IRBA pronouncements;
  - e. The nature and scope of the modifications to be made;
  - f. How the project serves the CFAS Strategy;
  - g. The technical and other resources required for the project; and
  - h. The anticipated timeframe for the project.
- 60. The CFAS Steering Committee considers the project proposal, whether the criteria for making the modifications have been met, the priority and the available resources to work on the changes to be made to the final IAASB Standard. Then, it either supports or declines to support the project proposal. Alternatively, it refers the project proposal back to the relevant task group for a further consideration of the issues raised or suggestions made.
- 61. Once the CFAS Steering Committee approves the project proposal, the revision of the final IAASB Standard is included in the CFAS Work Programme, and the relevant task group commences with the project.

#### ***Development and approval of the modified Standard***

- 62. Any proposed deletion from the final IAASB Standard should be clearly noted (i.e. ~~strikethrough~~ the affected copy); and any proposed amendment and/or addition should

be plainly differentiated from the original text through the use of **grey shading** and South African prefixes to the paragraph numbers, if applicable.

63. When the relevant task group has prepared the proposed modified Standard, it presents it to the CFAS for approval to issue on exposure for public comment, for 90 days from the date of issue, or such shorter period as the CFAS considers appropriate in the circumstances, but not less than 30 days. The CFAS will apply the following criteria in considering the appropriate exposure period (whether longer or shorter):
  - a. The extent of the change that is being proposed;
  - b. The urgency of the matter;
  - c. The extent to which outreach may be required; and
  - d. The extent of the stakeholders impacted by the proposal.
64. At the close of the exposure period, the relevant task group analyses and considers all comments received on the proposed modifications and then:
  - a. Recommends changes to the proposed modified Standard in response to the comments received;
  - b. Prepares an *analysis of the comments*, reflecting the proposed changes made and the basis for conclusions regarding the comments, together with its recommendation and responses; and
  - c. Reports to the CFAS, setting out the significant matters raised and the recommendations made for its consideration.
65. All comments received from the public exposure are uploaded to the IRBA website as a matter of public record.
66. The final modified Standard, together with the *basis for conclusions/analysis of comments* and the *Issues Paper*, is presented to the CFAS for its consideration and approval. The CFAS may then:
  - a. Refer the proposed modified Standard back to the relevant task group for further consideration, research of specific aspects and additional changes proposed;
  - b. Approve the modified Standard, followed by a consideration to either endorse its issue or re-exposure (refer to paragraphs 62 and 63); or
  - c. If re-exposure is not required, approve it for recommendation to the IRBA Board for adoption and approval for issue, and prescription for registered auditors in South Africa.
67. The IRBA staff conduct a final language, formatting and editorial review<sup>8</sup>, to ensure a consistent quality for the type and nature of the standard to be issued.
68. Any modifications made are communicated to the IAASB, for future consideration.

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<sup>8</sup> The drafting convention for the IAASB's International Standards will be followed.

69. Subsequent changes to a modified Standard that may be of a formatting and/or editorial nature are not within the scope of this due process (that is, they do not need to be identified as compelling reasons modifications).

#### ***International Practice Notes issued***

70. When a non-authoritative IAASB International Practice Note is issued, it is considered at the CFAS meeting following its issue. The CFAS considers possible implementation issues that may affect adoption in South Africa and, if there are any, determines how they are to be addressed. Thereafter, the CFAS approves the International Practice Note for use by registered auditors in South Africa and communicates its issue. The adoption and issue are reported at the subsequent IRBA Board meeting for noting. Non-authoritative International Practice Notes are available for use on issue.

#### ***IAASB publication not included in the IAASB Handbooks***

71. The IAASB may, from time to time, issue publications with varying titles, such as staff publications, FAQs, project updates, Basis of Conclusions and others. These publications do not form part of the *IAASB Handbooks of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* (IAASB Handbooks), and are also not considered as authoritative. This due process policy envisages that the Secretariat will share such publications, where relevant, with the CFAS and/or registered auditors. The Director Standards will determine how such publications are further dealt with, on a case-by-case basis.

#### ***Copyright permission and communication of adoption***

72. The IRBA applies for copyright permission from the IFAC (or any successor body) for new editions of the IAASB Handbooks that incorporate authoritative and non-authoritative pronouncements issued by the IAASB since the preceding editions of the IAASB Handbooks previously adopted. Then, the IRBA prescribes these pronouncements. Once it receives the copyright permission, the IRBA gazettes a Board Notice, formally adopting and prescribing the latest editions of the IAASB Handbooks and the South African modifications made for use by registered auditors locally.
73. Individual International Pronouncements issued by the IAASB in between issuing revised editions of the IAASB Handbooks are considered separately at the CFAS meeting following their issue (refer to paragraphs 33-66). Thereafter, the CFAS recommends the International Pronouncement to the Board for approval to adopt and prescribe. Once approved, a communication is issued to advise registered auditors of the issue of the revised or new International Pronouncement and its adoption and prescription by the IRBA. After the first modification, the South African modified Standard will be referred to as the “International Standard on Auditing (ISA) (South Africa)”, as the modifications that can be made, as set out above, will adhere to the principles that are in the IAASB’s Policy Position. This enables the IRBA to assert that the resulting standard conforms to the final IAASB Standards when making modifications thereto.

### **Pronouncements Developed by the CFAS<sup>9</sup>**

74. When a need for the development of local guidance is identified, a project proposal is prepared for approval by the CFAS Steering Committee to proceed. The approved project proposal, which the CFAS notes, usually sets out:

- a. The purpose of the pronouncement to be developed and its priority;
- b. The research conducted and other similar guidance already developed globally (where relevant);
- c. The nature of the pronouncement to be developed, namely, a standard, a practice statement or guide;
- d. How the pronouncement to be developed serves the CFAS Strategy;
- e. The technical and other resources required for the project; and
- f. The anticipated timeframe for development.

75. The CFAS Steering Committee considers the project proposal, the priority and the available resources to work on the proposed pronouncement. Then, it either supports or declines to support the project proposal. Alternatively, it refers the project proposal back to the relevant standing committee/task group/secretariat for a further consideration of the issues raised or suggestions made.

76. Once the CFAS Steering Committee approves the project proposal, the pronouncement, comprising a standard, practice statement or guide, is included in the CFAS Work Programme and developed by the relevant standing committee or task group.

77. When the task group has prepared the proposed standard, practice statement or guide, it presents it to the CFAS for approval to issue on exposure for public comment for 90 days from the date of issue, or such shorter period as the CFAS considers appropriate in the circumstances, but not less than 30 days. The CFAS will apply the following criteria in considering the appropriate exposure period (whether longer or shorter):

- a. The extent of the change that is being proposed;
- b. The urgency of the matter;
- c. The extent to which outreach may be required; and
- d. The extent of the stakeholders impacted by the proposal.

78. Once the exposure period is over, the relevant standing committee and/or task group analyses and considers all comments received, and then:

- a. Recommends changes to the proposed pronouncement in response to comments received;
- b. Prepares an *analysis of the comments*, reflecting the proposed amendments and basis for conclusions regarding the comments received, together with the relevant standing committee or task group's recommendation and responses; and

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<sup>9</sup> Revised Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised XXX 2024).



c. Reports to the CFAS, setting out the significant matters raised and the recommendations made for consideration by the committee.

79. All comments received on the CFAS exposure drafts are uploaded to the IRBA website as a matter of public record, unless respondents request that these not be published.

80. The final pronouncement developed, comprising a standard, practice statement or guide, together with the *analysis of comments* and the *Issues Paper*, is presented to the CFAS by a representative of the standing committee and/or task group for consideration and approval. The CFAS may then:

- a. Refer the proposed pronouncement back to the standing committee or task group for further consideration, research of specific aspects and additional changes proposed;
- b. Approve the pronouncement, followed by a consideration to either endorse its issue or re-exposure (refer to paragraph 77);
- c. If re-exposure is not required, approve it for recommendation to the IRBA Board for approval to issue the standard and determine the effective date for implementation; or
- d. If re-exposure is not required, approve it, with a practice statement or guide, for issue by the IRBA and noting by the Board.

81. The IRBA staff conduct a final language, formatting and editorial review, to ensure a consistent quality for the type and nature of pronouncement to be issued. A *Basis for Conclusions* regarding significant matters is prepared for South African Standards developed by the CFAS.

82. The IRBA Board does not have to give prior consent for the approval and communication of a non-authoritative IAASB practice note issued, or the issue of a CFAS practice statement, guide or exposure draft. Rather, all this is communicated to registered auditors and others, where relevant, by means of a communication that is simultaneously uploaded to the IRBA website and made available for downloading free of charge.

## PROCESS FOR APPROVAL BY THE IRBA BOARD

83. The CFAS recommendation is submitted at an IRBA Board meeting, setting out:

- a. The background to the authoritative IAASB's international pronouncement issued, including any South African modifications made, or the IRBA pronouncement comprising a standard developed by the CFAS for issue;
- b. The due process followed in South Africa, and the motivation for the authoritative IAASB international pronouncement to be adopted, including any South African modifications made, or the IRBA pronouncement comprising a standard developed to be issued and prescribed for registered auditors locally; and
- c. The proposed effective date of the relevant pronouncement.

84. All new pronouncements comprising standards, and any substantive changes to existing pronouncements revised, are issued under the authority of the IRBA Board.

85. IRBA pronouncements comprising standards, approved by the IRBA Board for issue and prescribed for use by registered auditors from the effective date are published by means of a communication and uploaded to the IRBA website.
86. Unless otherwise stated, registered auditors may apply an IAASB international pronouncement or IRBA pronouncement before the effective date specified therein.
87. All pronouncements issued are uploaded to the IRBA website and available for downloading free of charge.

#### **DOCUMENTS DEVELOPED BY THE SECRETARIAT AND APPROVED BY THE IRBA CEO**

88. The Secretariat, with the assistance of the CFAS, periodically prepares Staff Audit Practice Alerts (Practice Alert) that are issued with the authority of the IRBA CEO. These are to raise registered auditors' awareness of significant new or emerging issues by referring to existing requirements and application material; or to direct registered auditors' attention to relevant provisions of the IAASB, the International Ethics Standards Board for Accountants or IRBA auditing pronouncements, or relevant legislative requirements.
89. When a need for the development of a Practice Alert is identified, a project proposal is prepared for consideration by the CFAS Steering Committee and recommendation to the CEO for approval to proceed. The approved project proposal, which the CFAS notes, should set out:
  - a. The purpose of the Practice Alert to be developed and its priority;
  - b. The research conducted and other similar guidance already developed globally (where relevant);
  - c. The nature of the Practice Alert;
  - d. How the Practice Alert to be developed serves the CFAS Strategy;
  - e. The technical and other resources required for the project; and
  - f. The anticipated timeframe for development.
90. The CEO considers the proposal, the priority and the available resources to work on the proposed Practice Alert and either supports or declines to support the proposal; or refers it back to the relevant standing committee or task group for a further consideration of the issues raised or suggestions made.
91. Once the CEO approves the proposal, the Practice Alert is included in the CFAS Work Programme and developed by the relevant standing committee or task group.
92. When the relevant standing committee or task group has drafted the Practice Alert, the following process applies:
  - a. Consultation with the CFAS for comments on the Practice Alert;
  - b. The Director Standards reviews it; and
  - c. The CEO also reviews and then approves it.
93. The IRBA issues the Practice Alert to registered auditors and any other specified parties, and uploads it to its website.

## APPENDIX A: EXTRACTS FROM THE RESOLUTION OF THE BOARD DATED JUNE 2021 AND AMENDED IN MAY 2023

### 11.3 Delegation and Assignment

The Board delegates and assigns the following general powers and duties to CFAS in terms of Section 19(1):

- 11.3.1 The duty to recommend to the Board for approval the development and maintenance of internationally comparable auditing standards for auditors that promote investment and as a consequence employment in the Republic [Section 2(c)].
- 11.3.2 The power to participate in the activities of international bodies whose main purpose is to develop and set auditing standards and promote the auditing profession [Section 4(2)(a)].
- 11.3.3 The duty to provide the Board with the names of any persons nominated to serve on CFAS under Section 23(1).
- 11.3.4 The power to take any measures it considers necessary for the proper performance and exercise of its functions or duties or to achieve the objects of the APA [Section 4(2)(d)].

### 11.4 Additional Powers and Duties of CFAS

CFAS shall perform the following powers and duties, in terms of Sections 22(2) and 22(3):

- 11.4.1 The duty to assist the Board to develop, maintain, adopt, issue or prescribe auditing pronouncements [Section 22(2)(a)].
- 11.4.2 The duty to assist the Board to consider relevant international changes by monitoring the developments of other auditing standard-setting bodies and sharing information, where requested [Section 22(2)(b)].
- 11.4.3 The duty to assist the Board to promote and ensure the relevance of auditing pronouncements by:
  - 11.4.3.1 Considering the needs of users of audit reports;
  - 11.4.3.2 Liaising with the other committees of the Board on standards to be maintained by registered auditors, and by receiving feedback from such committees on areas where auditing pronouncements are needed;
  - 11.4.3.3 Ensuring the greatest possible consistency between auditing pronouncements and accepted international pronouncements;
  - 11.4.3.4 Consulting with professional bodies on the direction and appropriateness of auditing pronouncements [Section 22(2)(c)]; and

**11.4.3.5 Promoting debate through appropriate forums.**

11.4.4 The power to assist the Board to influence the nature of international auditing pronouncements by preparing comments on exposure drafts or discussion papers and replies to questionnaires prepared by the International Auditing and Assurance Standards Board or a successor body [Section 22(3)(a)].

11.4.5 The power to assist the Board to influence the nature of international auditing pronouncements by nominating representatives to committees of the International Auditing and Assurance Standards Board or a successor body, when requested to do so by the Board [Section 22(3)(b)].

11.4.6 The power to consider and promote relevant changes in other assurance pronouncements in South Africa and internationally by:

11.4.6.1 Monitoring developments by other auditing standard-setting bodies and sharing information, where requested; and

11.4.6.2 Making recommendations on other assurance services that can be provided by registered auditors.

11.4.7 CFAS shall have the power to constitute subcommittees and task groups which it deems necessary to assist it in carrying out its functions and duties, and to appoint the members thereof. ...

**11.5 Terms and Conditions of the Appointment of Members of CFAS**

Members of CFAS, including any persons that may be appointed when a vacancy arises, are appointed on the following terms and conditions:

**11.5.1 Term of Office of Members of CFAS**

11.5.1.1 Subject to Section 20(1) and Section 20(3)(c), members of CFAS's term of office will be three years, renewable once only for a second term of three (3) years each.

11.5.1.2 Notwithstanding the above, a member of CFAS whose term of office has expired nevertheless continues to serve until re-appointment or a successor has been appointed, provided that such continuation shall be limited to a period of not more than three (3) months.

11.5.1.3 If the incumbent of the office referred to in Sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) serves on CFAS, he/she shall serve on CFAS for as long as he/she remains an incumbent of that office; and

11.5.1.4 If the incumbent of the office referred to in sections 22(1)(c), 22(1)(d), 22(1)(g) and 22(1)(h) nominates a person to serve on CFAS, he/she shall serve on CFAS until the incumbent of that office withdraws his/her nomination.

### **11.5.2 Dissolution and Reconstitution of the Committee and the Termination of the Membership of Members**

11.5.2.1 The Board may, at any time, dissolve or reconstitute CFAS [Section 20(1)].

11.5.2.2 The Board may, at any time, terminate the membership of a member of CFAS, if [Section 20(3)(c)]:

- The performance by the member of the powers and functions of CFAS is unsatisfactory;
- The member, either through illness or for any other reason, is unable to perform the functions of CFAS effectively; or
- The member has failed to comply with or breached any legislation regulating the conduct of members, including any applicable code of conduct.

11.5.2.3 Where any person's appointment to the Committee for Auditing Standards is dependent on a nomination referred to in Section 22(1)(c)(d)(f)(g) and (h), the Board may make the duration of the appointment terminable on notice given by the nominating officeholder to the Regulatory Board that the nominated person has left its employment.

### **11.5.3 Remuneration of Members of CFAS**

In consultation with the Minister of Finance, the Board annually determines the fees which will be payable to members of CFAS.

## **11.6 Committee Operations**

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### **11.6.3 Meetings and Attendance**

11.6.3.1 CFAS must meet as often as circumstances require, but at least four (4) times per financial year and at such time and place as CFAS may determine [Section 15(1) read with Section 20(5)].

11.6.3.2 CFAS shall regulate its meetings as it deems fit.

11.6.3.3 Meetings of CFAS are open to the public, except where, in the opinion of the Chairperson of the meeting, any part of the meeting should be held in camera.

11.6.3.4 Members of the public attending CFAS may participate in discussions, with the permission of the Chairperson, but have no vote on any matter before CFAS.

#### **11.6.4 Minutes**

- 11.6.4.1 The Chairperson of CFAS shall cause the secretariat to keep a record of all CFAS meetings.
- 11.6.4.2 The secretariat shall be responsible for the recording of the CFAS meeting proceedings, as well as the preparation and distribution of minutes to the members of CFAS and the Chairperson, for consideration and approval.
- 11.6.4.3 An entry in a book containing the minutes of CFAS, signed by the Chairperson or an electronically transmitted and stored copy of the minutes bearing the Chairperson's signature, electronic<sup>10</sup> or otherwise, shall be *prima facie* evidence of resolutions taken by CFAS.

...

#### **11.6.8 Decisions**

- 11.6.8.1 The decision of the majority of the members present at a duly constituted meeting of CFAS is the decision of CFAS [Section 16(1) read with Section 20(5)]. No decision taken by or act performed under the authority of CFAS is invalid only by reason of a casual vacancy on CFAS, or the fact that a person who was not entitled to sit as a member of CFAS participated in the meeting at the time the decision was taken or the act was authorised, if the members who were present and acted at the time followed the required procedures for decisions.
- 11.6.8.2 Decisions may also be effected by members of CFAS by way of a round-robin resolution, circulating a proposed written resolution to all CFAS members, by way of email and thereby allowing such proposed resolution to be considered and assented or dissented to via email by the relevant member to the secretariat of CFAS, so as to be put together to form a composite round-robin resolution.
- 11.6.8.3 If a round-robin resolution, as envisaged in 11.6.8.2 above, is supported by a majority of CFAS members, then such a resolution shall be adopted by CFAS and have the same effect as if it had been approved by voting at a validly called CFAS meeting, provided all the members received sufficient notice of the proposed resolution.
- 11.6.8.4 The round-robin resolution shall be included for noting in the next meeting pack of CFAS and minuted accordingly.

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<sup>10</sup> An electronic signature refers to a signature as defined in the Electronic Communications and Transactions Act 25 of 2002.

## APPENDIX B: STANDING COMMITTEES

The standing committees noted below have been established as the CFAS’ subcommittees.

	Standing Committee	Main Function(s)
1.	CFAS Steering Committee	<ul style="list-style-type: none"> <li>• Guides the CFAS agenda for its meetings.</li> <li>• Considers Project Proposals for approval.</li> </ul>
2.	Public Sector Standing Committee (PSSC)	<ul style="list-style-type: none"> <li>• Identifies the need for, and the development of, joint pronouncements for registered auditors performing engagements in the public sector, in consultation with the Auditor-General South Africa, to enhance the quality of public sector audits and reporting.</li> <li>• Deals with matters related to audits and assurance work undertaken in the public sector.</li> </ul>
3.	Regulated Industries and Reports Standing Committee (RIRSC)	<p>Develops pronouncements on:</p> <ul style="list-style-type: none"> <li>• Acceptable financial reporting standards applied in South Africa;</li> <li>• Illustrative auditors’ reports, for use in the private and public sectors; and</li> <li>• Audit, review, other assurance and compliance reports that meet the specific needs and legislative requirements of various regulators and government departments.</li> </ul>
4.	Sustainability Standing Committee (SSC)	<ul style="list-style-type: none"> <li>• Develops and supports the development of high-quality assurance pronouncements that improve sustainability assurance engagement quality;</li> <li>• Assesses the risks posed to the regulator, the registered auditor and the users of the assurance report arising from sustainability assurance engagements; and</li> <li>• Plans and strengthens coordination with leading sustainability standards setters and regulators.</li> </ul>