

Committee for Auditing Standards

**Proposed Due Process Policy for the Development, Adoption and Issue of
Quality Management, Auditing, Review, Other Assurance and Related
Services Pronouncements (Revised November 2022)**

NOTE TO READERS

***The link to 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)
has been updated.***

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 November 2022)* (proposed Revised Due Process Policy) in November 2022 for exposure and comment, for a period of 120 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, comprising representatives of large, medium and small audit practices, the South African Institute of Chartered Accountants and the Auditor-General South Africa.

This proposed Revised Due Process Policy may be downloaded free-of-charge from the IRBA website at: <https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters>.

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

Comments should be submitted by **31 March 2023**.

Should you have any queries, or experience any technical difficulties in downloading the documents, please e-mail the Standards Department at 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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CONTENTS	PAGE
<hr/>	
Explanatory Memorandum	
Introduction	5
Background	5
The Extant Due Process Policy	10
Project Timetable and Effective Date	10
Guide for Respondents	10
Request for Specific Comments	10
Exposure Draft	
<i>Proposed Due Process Policy for the Development, Adoption and Issue of Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (Revised November 2022)</i>	12
<hr/>	

EXPLANATORY MEMORANDUM

INTRODUCTION

1. This memorandum provides the 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 November 2022)* (proposed Revised Due Process Policy).
2. The Committee for Auditing Standards (CFAS) approved this proposed Revised Due Process Policy for exposure in November 2022, for a period of 120 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 Standards, and pronouncements developed by the CFAS, which 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 predecessor 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, No. 26 of 2005 (the APA), as amended, 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 audit 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 approach then entails making limited modifications, only as necessary, to the IAASB Standards, provided that such modifications serve the public interest and do not conflict with or result in lesser requirements than what the IAASB Standards stipulate to address issues in the South African environment.

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 Test). 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) that adopts the IAASB Standards as its national standards may make to these Standards while still asserting that the resulting national standards conform to them.

Revisions Made

11. The proposed Revised Due Process Policy was updated for the following:
 - a. The due process to be followed for making limited modifications to the IAASB Standards.
 - b. Inclusion of the process to develop the IRBA Staff Audit Practice Alerts, but that are not currently detailed in the Due Process.
 - c. Consequential amendments arising from the following:
 - The IAASB's International Standards on Quality Management (ISQMs);
 - Resolutions, passed by the IRBA Board on June 2021, that set out the detailed responsibilities, delegation of powers and assignment of duties, among others, to the CFAS and effectively establishing the committee's Terms of Reference; and
 - The IRBA Protocol for the Appointment of Members to the IRBA Statutory Committees.
 - d. Any other editorial amendments, if relevant.

Significant Matters

Significant matters considered and agreed on during the revision process are detailed below.

Modifications to International Standards

12. The CFAS will continue to influence the international standard-setting process, so as to maximise South Africa's input and ensure that the IAASB Standards will be appropriate for adoption, issue and prescription by the IRBA, for use by registered auditors locally. This includes tracking and providing input to global standard setting (whether it is the IAASB's strategy, work plan, framework for activities, project proposals, exposure drafts, final pronouncements, or basis for conclusions); as well as providing relevant input to the IAASB's processes, through stakeholder consultation, and regulatory insights.
13. A proposed new/revised standard that the IAASB issues on exposure will continue to be exposed simultaneously in South Africa. A communication is ordinarily issued to stakeholders on the proposed new/revised IAASB Standard, requesting comments to be submitted to the IRBA or directly to the IAASB. In future, communication announcing exposure drafts may contain additional South African-specific questions requesting input from stakeholders via comment letters to the IRBA. This provides the best opportunity to obtain feedback from stakeholders about significant matters at an optimal stage in the standard-setting process. Such feedback also contributes to the IRBA's comment letter to the IAASB.
14. The revised due process proposes that when the standards body has issued the final new/revised IAASB Standard, the relevant (same) task group established by the CFAS to prepare the IRBA comment letter on the proposed new/revised IAASB Standard reviews the final Standard and considers whether the IRBA comments have been adequately addressed; and if there are reasons for the final IAASB Standard not to be adopted (as is) in South Africa. The relevant task group will also need to consider the comments from its members and stakeholders submitted during the local exposure period, to determine whether there is a need for modifications to be made to the final IAASB Standard for adoption in South Africa.

Compelling Reasons Test and Criteria for Making Modifications to IAASB Standards

15. The Compelling Reasons Test developed adheres to the principles set out in the IAASB's Policy Position. This should then enable the IRBA to assert compliance with the final IAASB Standards when making modifications, but this will need to be evaluated by the CFAS when such modifications are envisaged.
16. The IAASB's Policy Position – which the CFAS endorses – sets out the limited additions, deletions from or other amendments to an IAASB Standard that the NSS can make (refer to paragraph 40 of the proposed Revised Due Process Policy).

A. Deletions and/or Amendments to the Final New/Revised IAASB Standard (Final IAASB Standard)

17. The limited amendments and/or deletions that are to be made to the final IAASB Standard should be limited to the amendments and/or deletions as stated in the IAASB Policy Position (refer to paragraph 40(ii) of the proposed Revised Due Process Policy).
18. Deletions and/or amendments to the final IAASB Standard include:
 - a. The elimination of options or alternatives provided for in the final IAASB Standard.
 - b. Requirements or application guidance where the final IAASB Standard recognises that different practices may apply in different jurisdictions, and that is the case in South Africa.
 - c. Amendments and/or deletions to be made where the final IAASB Standard is not consistent/conflicts with legal and/or regulatory requirements.

Amendments and/or Deletions to be Made Where the Final IAASB Standard is Not Consistent/Conflicts with Legal and/or Regulatory Requirements

19. The CFAS deliberated on whether:
 - a. The scope of amendments and/or deletions to be made, if the final IAASB Standard is not consistent/conflicts with local law and/or regulation, should be read with reference to all legislation and/or regulation in South Africa or be narrow in scope (i.e. with reference to the IRBA's legislative requirements); and
 - b. Legislation and/or regulation that sets out the responsibilities/duties of a registered auditor (e.g. the Companies Act), and not included in the final IAASB Standard, should be added to it.
20. As the IAASB Standards are "jurisdiction neutral", the CFAS suggested that the registered auditor's responsibilities/duties that are set out in local legislation and/or regulation should not be added to the final IAASB Standards. This is due to the following reasons:
 - a. It will be difficult to ensure completeness thereof;
 - b. The interpretation as to which of them should be added and/or excluded will be left open; and
 - c. The modified IAASB Standard will need to be updated as and when the legislation and/or regulation is amended, which will be onerous.
21. Further, the CFAS suggested that the scope of the amendments and/or deletions that may be made to the final IAASB Standard should be limited to inconsistencies/conflicts with only the IRBA's legal and/or regulatory requirements. Extending the scope to other legislation and/or regulations could lead to unintended consequences, such as the IAASB Standard being modified instead of amending the legislation and/or regulation that is incorrect.

22. Thus, the Compelling Reasons Test for making amendments and/or deletions will be considered where the final IAASB Standard, in whole or in part:
 - a. Is not consistent/conflicts with the legal and/or regulatory requirements of the IRBA.
23. The following criteria should be met before an amendment and/or deletion is made to the final IAASB Standard, in whole or in part:
 - a. The modified Standard has to result in compliance with the legal and/or regulatory requirements of the IRBA; and
 - b. The modified Standard must not result in lesser requirements than what the final IAASB Standard requires.
24. Stand-back approach required when deleting a requirement under paragraphs 18(b) and (c) – Per the IAASB’s Policy Position when deleting a requirement under paragraphs 18(b) and (c), 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.

B. Additions to the Final IAASB Standard

25. The Compelling Reasons Test for making additions will be considered where the final IAASB Standard, in whole or in part:
 - a. Does not reflect existing and/or emerging principles and practices that are specific to South Africa, in respect of the engagements governed by the IAASB Standards.¹
26. The following criteria should be met before an addition is made to the final IAASB Standard, in whole or in part:
 - a. The addition should be based on or supported by data, such as the IRBA’s regulatory findings, and address known deficiencies and/or areas of concern;
 - b. Each addition has to be clear and promote consistent application by all registered auditors; or
 - c. The addition should promote improvement in the quality of the audit, review, assurance or related services engagement to be performed and enhance the value that stakeholders will derive from the engagement.
 - d. The addition should not lead to a modified standard that:
 - Is inconsistent/conflicts with or results in lesser requirements than what the final IAASB Standard entails;
 - Is overly complex and confusing; and

¹ Engagements governed by the IAASB Standards are outlined in Appendix 1 of the International Framework for Assurance Engagements in the Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements 2020 Volume III (as updated).

- Will inadvertently change the meaning or intent of the final IAASB Standard, or place more onerous requirements on registered auditors than necessary.

Effective Date of the Modified Standard

27. In determining the effective date of the modified Standard, the proposed Revised Due Process Policy envisions that the CFAS will consider whether that should be:
- a. Aligned to the effective date of the final IAASB Standard;
 - b. Later than the effective date of the final IAASB Standard; or
 - c. Aligned to the effective date of the final IAASB Standard, with the modifications becoming effective at a later stage.

Prospective vs Retrospective Application

28. After the updated Revised Due Process Policy has been finalised and issued, modifications to the IAASB Standards should be proposed (made) to only new/revised IAASB Standards (prospective) that are issued on exposure by the IAASB. Retrospective modifications to the IAASB Standards (i.e. to standards that have already been issued) will result in unintended consequences, such as an impact on the effective dates of the IAASB Standards (current standard vs the modified standard). As such, the CFAS agrees that modifications should only be made prospectively.

THE EXTANT DUE PROCESS POLICY

29. 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

30. Subject to comments received on exposure of this proposed Revised Due Process Policy, the CFAS intends to finalise it in the second quarter of 2023. This proposed Revised Due Process Policy will be effective from the date of its publication.

GUIDE FOR RESPONDENTS

31. 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 the wording. When a respondent agrees with the proposals in this exposure draft, it will be helpful for the CFAS to be made aware of this view.

REQUEST FOR SPECIFIC COMMENTS

Respondents are requested to comment on the following:

1. Do respondents agree with the proposed due process followed for making limited modifications to the final IAASB Standard, in whole or in part, in particular:

- i. The Compelling Reasons Test and the criteria that should be met before any modification is made to the final IAASB Standard, in whole or in part; and
- ii. The impact of the modifications made on the effective date of the final IAASB Standard?

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

2. Do respondents agree with the view that the scope of the amendments and/or deletions that may be made to the final IAASB Standard should be limited to inconsistencies/conflicts with only the IRBA’s legal and/or regulatory requirements? If “not”, please provide reasons for your disagreement and suggestions for corrections and/or improvements.
3. Are there additional significant aspects that should be included in this proposed Revised Due Process Policy? If so, please list those aspects and provide suggestions.
4. Are there any further matters that should be considered in the finalisation of this proposed Revised Due Process Policy? If so, please list those aspects and provide suggestions.

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)

CONTENTS	PAGE
Introduction.....	14
The Committee for Auditing Standards	14
Membership of the Committee for Auditing Standards.....	14
Chairperson and Deputy Chairperson of the CFAS.....	15
Term of appointment of members.....	15
Nominations process	16
Technical advisors	16
Public observers	16
Subcommittees and task groups.....	16
Voting.....	17
Quorum for the CFAS meetings	17
Recommendation for approval for issue of standards	17
Approval of exposure drafts, practice notes, practice statements and guides for issue	17
Reporting	18
Process for the adoption and development of pronouncements	18
International Developments	18
Adoption of international pronouncements developed by the IAASB	18
Proposed International pronouncements and consultation papers	19
International Standards issued	19
International Practice Notes issued	24
IAASB publication not included in the IAASB Handbook	25
Copyright permission and communication of adoption	25
Pronouncements developed by the CFAS	25
Process for approval by the IRBA Board	27
Documents developed by the Secretariat and approved by the IRBA CEO	27

PROPOSED DUE PROCESS POLICY FOR THE DEVELOPMENT, ADOPTION AND ISSUE OF QUALITY MANAGEMENT,
AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS
(REVISED NOVEMBER 2022)

Appendix A	29
Extracts from the resolution of the Board dated June 2021	29
Appendix B	33
Standing Committees	33

INTRODUCTION

1. This 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 high-quality standards on Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements that are issued by the 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, 2005 (Act No. 26 of 2005), as amended (the Act) 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 Act establishes the CFAS as a “permanent committee in terms of Section 22 of the Act”, which sets out the composition of the CFAS and its primary responsibilities. The composition and detailed responsibilities of the CFAS are embodied in paragraphs 10.3 to 10.6 of the IRBA 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 Act set out the powers and duties of the CFAS, which are addressed in paragraph 10.4 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 Act 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 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 (Act No. 101 of 1997);
 - f. One person nominated by any stock exchange licensed under the Financial Markets Act (Act No. 19 of 2012);
 - g. The Commissioner of the South African Revenue Services Act (Act No. 34 of 1997), or a person nominated by the Commissioner; and

- h. An incumbent of the office of 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.
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 firm, 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 annually elect a chairperson from among its members (Section 20(3)(d)). The chairperson shall hold office from the date of appointment for the remaining period of his/her term of office on CFAS.
9. A deputy chairperson may be elected by the CFAS from among its members. The deputy chairperson shall hold office from the date of appointment for the remaining period of his/her term of office on 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 10.5.1 of the Resolution² 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 or she shall serve on the CFAS for as long as he or 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 or she shall serve on the CFAS until the incumbent of that office withdraws his or her nomination.
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

² Refer to Appendix A.

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 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** that can be downloaded from the IRBA website: www.irba.co.za.

Subcommittees and Task Groups

16. Paragraph 10.4.7 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 the standing 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 standing committee is accountable to the CFAS for the projects of the task groups.
19. The chairperson and deputy chairperson of a task group are to 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 CFAS; and
 - b. The chairperson of a task group established by a CFAS Standing Committee is accountable to that Standing 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 issue 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 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 guides³ 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 the work and activities of the committee, 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 CFAS shall be submitted to the Board, as and when the need arises.

PROCESS FOR THE ADOPTION AND DEVELOPMENT OF PRONOUNCEMENTS

International Developments

30. The CFAS keeps abreast of global developments affecting the auditing profession. Sources that are monitored include, inter alia, the agendas of the (International) Consultative Advisory Group (CAG); the International Forum of Independent Audit Regulators (IFIAR) – Standards Coordination Working Group; communications from 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. Developments and trends identified inform the CFAS strategy, work programme, agendas and projects 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,

³ Including Guides developed with the Auditor-General South Africa (AGSA) – or other parties, such as the South African Institute of Chartered Accountants (SAICA) – and issued jointly by the IRBA and the AGSA, or the IRBA and SAICA.

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 the views of South African stakeholders) on surveys, consultation papers and 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 exposed 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 to 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 in South Africa and, if so, what those amendments should be; and
 - c. Any other identified matters that may be relevant for the South African market.
34. The CFAS establishes 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 to submit to the relevant international body.

International Standards issued

35. The Public Interest Oversight Board (PIOB) oversees the work of the IAASB and its Consultative 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.
36. Following the issue of the final IAASB Standards, the relevant task group will consider:
- a. Whether the IRBA comments have been adequately addressed in the final IAASB Standard issued and 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; and
 - d. If any consequential amendments may need to be made to other IRBA pronouncements.
37. Additionally, the relevant task group will consider 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 amendments, deletions and/or additions (modifications) to be made to the final IAASB Standard for adoption in South Africa.

38. The final IAASB Standards issued are usually adopted as is in South Africa and limited modifications may be made, if there are compelling reasons to do so. This is referred to as the “Compelling Reasons Test” discussed in paragraphs 42 and 43.

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

39. 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 \(July 2006\)](#) sets out the IAASB policy that National Standard Setters must comply with to assert compliance with the IAASB Standards when making modifications.

40. The IAASB’s Policy Position, which the CFAS endorses, states the following (as described in paragraphs 8 and 9):

- 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 lesser or in conflict with the current requirements or guidance in the International Standard.*
- 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 or 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 (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.”

41. The Compelling Reasons Test set out below adheres to the principles that are in the IAASB's Policy Position. This enables the IRBA to assert compliance with the final IAASB Standards when making modifications.

Compelling Reasons Test for making modifications to the final IAASB Standards

42. Amendments and/or deletions from the final IAASB Standard could include:
- a. The elimination of options or alternatives provided for in the final IAASB Standard, where necessary. An option or alternative will be deleted if it is not appropriate for the South African environment, or to promote consistent application locally.
 - b. Requirements or application guidance where the final IAASB Standard recognises that different practices may apply in different jurisdictions, and this is the case for South Africa.
43. The Compelling Reasons Test for making modifications is considered where the final IAASB Standard, in whole or in part:
- a. Is not consistent/conflicts with the legal and/or regulatory requirements of the IRBA; and/or
 - b. Does not reflect existing and/or emerging principles and practices that are specific to South Africa, in respect of the engagements governed by the IAASB Standards.⁴

Criteria to be met before making modifications to the final IAASB Standards

44. Where the final IAASB Standard (in whole or in part) is not consistent/conflicts with the legal and/or regulatory requirements of the IRBA, the following criteria has to be met before an amendment and/or deletion is made to it (per paragraph 43(a)):
- a. The modified Standard has to result in compliance with the legal and/or regulatory requirements of the IRBA; and
 - b. The modified Standard must not result in lesser requirements than the final IAASB Standard.
45. Where the final IAASB Standard (in whole or in part) does not reflect existing and/or emerging principles and practices that are specific to South Africa, in respect of the engagements governed by the IAASB Standards, the following criteria has to be met before an addition is made to it (per paragraph 43(b)):
- a. The application of which results in addressing known deficiencies and/or areas of concerns, including recurring IRBA regulatory findings;
 - b. Is clear and promotes consistent application by all registered auditors in South Africa; or

⁴ Engagements governed by the IAASB Standards are outlined in Appendix 1 of the International Framework for Assurance Engagements in the Supplement to the Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements 2020 Volume III (as updated).

- c. Promotes improvement in the quality of the audit, review, assurance or related services engagement and enhances the value that stakeholders will derive from these engagements;
 - d. The addition made to the final IAASB Standard does not result in a modified Standard that:
 - Is inconsistent/conflicts with, or results in lesser requirements than, the final IAASB Standard;
 - Is overly complex and confusing; and
 - Inadvertently changes the meaning or intent of the final IAASB Standard or places more onerous requirements on registered auditors than necessary (refer to paragraph 46).
46. In undertaking any modifications under paragraph 44 and/or paragraph 45, the relevant task group and the CFAS will:
- a. Determine whether the modification, if it is limited to the explanatory and application material of the IAASB Standard or an appendix to 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; and
 - b. Consider the consequences of the modifications proposed, including:
 - Their positive impact on the protection of the financial interest of the public; and
 - The additional work effort for registered auditors to comply with the modifications proposed.
47. In the case of deleting a requirement under paragraphs 42(b) and 43(a), 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.
48. Any modifications made are to be communicated to the IAASB, for input and future consideration.
49. 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. Later than the effective date of the final IAASB Standard; or
 - c. Aligned to the effective date of the final IAASB Standard, with the modifications becoming effective at a later stage.

Adoption of IAASB Standards in South Africa

No modifications made to the Final IAASB Standards

50. 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.
51. If satisfied with the relevant task group's recommendations, CFAS members approve a recommendation to the IRBA Board to adopt and approve the final IAASB Standard for issue and for it to be prescribed for registered auditors in South Africa.

Modifications made to the final IAASB Standards

52. Where potential compelling reasons to make modifications to the final IAASB Standard are identified, a project proposal is prepared by the relevant task group for approval by the CFAS Steering Committee to proceed. The approved project proposal, which gets noted by the CFAS, should set out:
 - a. The South African issues identified;
 - b. The Compelling Reasons Test for making modifications to the final IAASB Standard (refer to paragraphs 42 and 43);
 - c. The criteria to be met for making modifications to the final IAASB Standard (refer to paragraphs 44 and 45);
 - d. The research conducted;
 - e. Consequential amendments to other IRBA pronouncements;
 - f. The nature and scope of the modifications to be made;
 - g. How the project serves the CFAS Strategy;
 - h. The technical and other resources required for the project; and
 - i. The anticipated timeframe for the project.
53. The CFAS Steering Committee considers the project proposal, whether the criteria for making the modifications have been met, the priority and 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.
54. Once the project proposal is approved by the CFAS Steering Committee, 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

55. 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 clearly differentiated from the original text through the use of **grey shading** and South African prefixes to the paragraph numbers.

56. When the proposed modified Standard has been prepared by the relevant task group, it is presented 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 (longer or shorter exposure period):
- 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.
57. At the close of the exposure period, all comments received on the proposed modifications are analysed and considered by the relevant task group, which:
- 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 consideration by the committee.
58. All comments received on the proposed modified Standard are uploaded to the IRBA website as a matter of public record.
59. 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 further changes proposed; or
 - b. Approve the modified Standard for recommendation to the IRBA Board to adopt and approve for issue and to prescribe it for registered auditors in South Africa.
60. A final language, formatting and editorial review is conducted by the IRBA staff, to ensure a consistent quality for the type and nature of the Standard to be issued.

International Practice Notes issued

61. When a non-authoritative IAASB International Practice Note is issued, it is considered at the CFAS meeting following its issue. The CFAS has regard to possible implementation issues affecting 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 is 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 Handbook

62. 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 Handbook, and are also not considered as authoritative. This due process policy envisages that such publications, where relevant, will be shared by the Secretariat 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

63. The IRBA applies for copyright permission from IFAC (or any successor body) for new editions of the *IAASB Handbooks of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the IAASB Handbooks) that incorporate the authoritative and non-authoritative pronouncements issued by the IAASB since the preceding edition of the IAASB Handbooks previously adopted. These are then prescribed by the IRBA. Once copyright permission is received, the IRBA gazettes a Board Notice, formally adopting and prescribing the latest edition of the IAASB Handbook and the South African modifications made for use by registered auditors in South Africa.

64. Individual International Pronouncements issued by the IAASB in between issuing a revised edition of the IAASB Handbooks are considered separately at the CFAS meeting following their issue (refer to paragraphs 35 to 60). 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.

Pronouncements Developed by the CFAS⁵

65. 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 gets noted by the CFAS, should set 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.

⁵ Proposed Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022).

66. The CFAS Steering Committee considers the project proposal, the priority and available resources to work on the proposed pronouncement, and then either supports or declines to support the project proposal. Alternatively, it refers the project proposal back to the relevant standing committee or task group for a further consideration of issues raised or suggestions made.
67. Once the project proposal is approved by the CFAS Steering Committee, 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.
68. When the proposed standard, practice statement or guide has been prepared by the task group, it is presented 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 (longer or shorter exposure period):
 - 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.
69. Once the exposure period is over, all comments received are analysed and considered by the relevant standing committee and/or task group, which:
 - 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
 - c. Reports to the CFAS, setting out the significant matters raised and recommendations made for consideration by the committee.
70. All comments received on the CFAS exposure drafts are uploaded to the IRBA website as a matter of public record.
71. The final pronouncement developed, comprising a standard, practice statement or guide, together with the *analysis of comments* and *Issues Paper*, is presented to the CFAS by the chairperson of the standing committee and/or task group for its 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 further changes proposed;

- b. Approve the pronouncement comprising a standard for recommendation to the IRBA Board for approval to issue and determine the effective date for implementation; or
 - c. Approve the pronouncement comprising a practice statement or guide for issue by the IRBA, and for noting by the Board.
72. A final language, formatting and editorial review is conducted by the IRBA staff, 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.
73. 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 (www.irba.co.za) and made available for downloading free of charge.

PROCESS FOR APPROVAL BY THE IRBA BOARD

74. The CFAS recommendation is submitted to 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 in South Africa; and
 - c. The proposed effective date of the relevant pronouncement.
75. All new pronouncements comprising standards, and any substantive changes to existing pronouncements revised, are issued under the authority of the IRBA Board.
76. 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.
77. **Effective date:** Unless otherwise stated, registered auditors may apply an IAASB international pronouncement or IRBA pronouncement before the effective date specified therein.
78. All pronouncements issued are uploaded to the IRBA website and are available for downloading free of charge.

DOCUMENTS DEVELOPED BY THE SECRETARIAT AND APPROVED BY THE IRBA CEO

79. The Secretariat, with the assistance of the CFAS, periodically prepares Staff Audit Practice Alerts (Practice Alert) that are issued by the IRBA CEO 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, International Ethics Standards Board for Accountants or IRBA auditing pronouncements, or relevant legislative requirements.

80. When a need for the development of a Practice Alert is identified, a project proposal is prepared for consideration by the CFAS Steering Committee to recommend to the IRBA CEO for approval to proceed. The approved project proposal, which gets noted by the CFAS, 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.
81. The IRBA CEO considers the proposal, the priority and 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 issues raised or suggestions made.
82. Once the proposal is approved by the IRBA CEO, the Practice Alert is included in the CFAS Work Programme and developed by the relevant standing committee or task group.
83. When the relevant standing committee or task group has drafted the Practice Alert, the following process is followed:
 - a. Consultation with the CFAS for its comments on the Practice Alert.
 - b. The Practice Alert is reviewed by the Director Standards.
 - c. The Practice Alert is reviewed and approved by the IRBA CEO.
84. The Practice Alert, in the form of an IRBA Communication, is issued by the IRBA to registered auditors and any other specified parties, and is uploaded to the IRBA website.

APPENDIX A: EXTRACTS FROM THE RESOLUTION OF THE BOARD DATED JUNE 2021

10.3 Delegation and Assignment

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

- 10.3.1 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)*].
- 10.3.2 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)*].
- 10.3.3 The duty to provide the Board with the names of any persons nominated to serve on CFAS under Section 23(1).
- 10.3.4 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 Act [*Section 4(2)(d)*].

10.4 Additional Powers and Duties of CFAS

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

- 10.4.1 The duty to assist the Board to develop, maintain, adopt, issue or prescribe auditing pronouncements [*Section 22(2)(a)*].
- 10.4.2 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)*].
- 10.4.3 The duty to assist the Board to promote and ensure the relevance of auditing pronouncements by:
 - 10.4.3.1 Considering the needs of users of audit reports;
 - 10.4.3.2 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;
 - 10.4.3.3 Ensuring the greatest possible consistency between auditing pronouncements and accepted international pronouncements;
 - 10.4.3.4 Consulting with professional bodies on the direction and appropriateness of auditing pronouncements [*Section 22(2)(c)*]; and

10.4.3.5 Promoting debate through appropriate forums.

10.4.4 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)].

10.4.5 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)].

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

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

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

...

10.5 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:

10.5.1 Term of Office of Members of CFAS

10.5.1.1 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.

10.5.1.2 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.

10.5.1.3 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

10.5.1.4 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.

10.5.2 *Dissolution and Reconstitution of the Committee and the Termination of the Membership of Members*

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

10.5.2.2 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.

10.5.2.3 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.

10.5.3 *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.

10.6 Committee Operations

...

10.6.3 *Meetings and Attendance*

10.6.3.1 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)].

10.6.3.2 CFAS shall regulate its meetings as it deems fit.

10.6.3.3 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.

10.6.3.4 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.

10.6.4 Minutes

- 10.6.4.1 The Chairperson of CFAS shall cause the secretariat to keep a record of all CFAS meetings.
- 10.6.4.2 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.
- 10.6.4.3 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, electronic⁶ or otherwise, shall be *prima facie* evidence of resolutions taken by CFAS.

...

10.6.8 Decisions

- 10.6.8.1 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.
- 10.6.8.2 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.
- 10.6.8.3 If a round-robin resolution, as envisaged in 10.6.8.2 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.
- 10.6.8.4 The round-robin resolution shall be included for noting in the next meeting pack of CFAS and minuted accordingly.

⁶ An electronic signature refers to a signature as defined in the Electronic Communications and Transactions Act 2002 (Act No. 25 of 2002).

APPENDIX B: STANDING COMMITTEES

To address demands for the development of relevant pronouncements for registered auditors, the following standing committees have been established as the CFAS' subcommittees:

	Standing Committee	Main Function
1.	CFAS Steering Committee	Guides the CFAS Agenda for its meetings as well as considers Project Proposals for approval.
2.	CFAS Public Sector Standing Committee (PSSC)	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.
3.	CFAS Regulated Industries and Reports Standing Committee (RIRSC)	Develops pronouncements on: <ul style="list-style-type: none"> • Acceptable financial reporting standards applied in South Africa; • Illustrative auditors' reports, for use in the private and public sectors; and • Audit, review, other assurance and compliance reports that meet the specific needs and legislative requirements of various regulators and government departments.
4.	CFAS Sustainability Standing Committee (SSC)	Conducts research for the purposes of commenting on discussion papers as well as international and local exposure drafts, to develop guidance in performing and reporting on subject-specific assurance engagements, such as sustainability reporting, integrated reporting and corporate governance reporting.