

*Committee for Auditing Standards*

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

## REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved the proposed *Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022) (proposed Revised Status and Authority of Auditing Pronouncements)* in November 2022 for exposure and comment, for a period of 120 days. Before being issued in its final form, this proposed Revised Status and Authority of Auditing Pronouncements may be modified in light of comments received.

This proposed Revised Status and Authority of Auditing Pronouncements has been prepared by the CFAS Task Group, which was made up of representatives of large, medium and small audit practices, the South African Institute of Chartered Accountants and the Auditor-General South Africa.

This proposed Revised Status and Authority of Auditing Pronouncements 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](mailto: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](http://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](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 CFAS' statutory responsibility 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 *Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022)* (proposed Revised Status and Authority of Auditing Pronouncements).
2. The Committee for Auditing Standards (CFAS) approved this proposed Revised Status and Authority of Auditing Pronouncements for exposure in November 2022, for a period of 120 days.

### BACKGROUND

3. This proposed Revised Status and Authority of Auditing Pronouncements is issued to facilitate an understanding of the status and authority of the auditing pronouncements developed, adopted, issued and prescribed by the Independent Regulatory Board for Auditors (IRBA).

### Revisions Made

4. This proposed Revised Status and Authority of Auditing Pronouncements was updated for the following:
  - Consequential amendments arising from 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)* and the International Standards on Quality Management (ISQMs);
  - The IRBA Regulatory Strategy (issued via Government Gazette No. 45389 on 27 October 2021); and
  - Any other editorial amendments, if relevant.

### THE EXTANT STATUS AND AUTHORITY OF AUDITING PRONOUNCEMENTS

5. The extant Status and Authority of Auditing Pronouncements remains effective until it is formally withdrawn and replaced by this proposed Revised Status and Authority of Auditing Pronouncements.

### PROJECT TIMETABLE AND EFFECTIVE DATE

6. Subject to comments received on exposure of these proposed pronouncements, the CFAS intends to finalise this proposed Revised Status and Authority of Auditing Pronouncements in the second quarter of 2023. Then, this proposed Revised Status and Authority of Auditing Pronouncements will be effective from the date of its publication.

### GUIDE FOR RESPONDENTS

7. 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. Are there any aspects of this proposed Revised Status and Authority of Auditing Pronouncements with which respondents disagree? Please provide reasons for your disagreement and suggestions for correction and/or improvements.
2. Are there any further matters that should be considered in the finalisation of this proposed Revised Status and Authority of Auditing Pronouncements? If so, please list those aspects and provide suggestions?

## EXPOSURE DRAFT

### PROPOSED STATUS AND AUTHORITY OF QUALITY MANAGEMENT, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS (REVISED NOVEMBER 2022)

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## INTRODUCTION

1. This Proposed *Status and Authority of Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (Revised November 2022)* (proposed revised Status and Authority of Auditing Pronouncements) is issued to facilitate an understanding of the status and authority of the auditing pronouncements developed, adopted, issued and prescribed by the Independent Regulatory Board for Auditors (the IRBA).
2. Auditing pronouncements are defined in Section 1 of the Auditing Profession Act, No. 26 of 2005, as amended (the Act) as meaning “*those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board which a registered auditor must comply with in the performance of an audit*”<sup>1</sup>, and referred to hereafter as “*auditing pronouncements*”.
3. The statutory responsibility of the Committee for Auditing Standards (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 by developing and maintaining auditing standards which are internationally comparable<sup>2</sup>.
4. The CFAS is committed to the International Auditing and Assurance Standards Board’s (IAASB) goal of global convergence to ensure International Pronouncements are generally accepted worldwide. Consequently, the CFAS seeks to ensure that pronouncements developed and issued by the IRBA are consistent with the IAASB’s International Pronouncements that are to be applied by registered auditors (auditors) in South Africa. The CFAS acts in the common interest of the public at large to create the framework and principles that contribute to the protection of the public who rely on the services of auditors; and to support auditors who carry out their duties competently, fearlessly and in good faith.
5. The proposed revised Status and Authority of Auditing Pronouncements is to be read together with the *Preface to the International Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements* published in the *IAASB Handbooks of International Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements (as amended)*, which are adopted and prescribed by the IRBA.
6. The *Status and Authority of Auditing Pronouncements* clarifies the status and authority of *standards, practice statements and guides* (auditing pronouncements) developed by the CFAS and issued by the IRBA.

## **ADOPTION OF INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES**

7. The Public Accountants and Auditors Board’s (PAAB) Auditing and Assurance Standards Board, the predecessor to the CFAS, adopted the original text of the IAASB *International*

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<sup>1</sup> The definition of “audit” in Section 1 includes engagements to audit or review financial statements and other assurance engagements.

<sup>2</sup> The Auditing Profession Act, 2005 (No 26 Of 2005), as amended, Section 4 and Section 22(2) (a), (b) and (c).



*Standards on Quality Control, Auditing, Assurance and Related Services* (the International Standards) as the standards to be applied by all 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 for all of the IAASB Engagement Standards. Subsequently, when the IRBA succeeded the PAAB – following the promulgation of the Act and with effect from 1 April 2006 – Circular B.1/2004 was withdrawn and replaced by Board Notice 128 of 2009, which was published in Government Gazette No. 32615 of 9 October 2009.

8. Then, 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 Management, Auditing, Review, Other Assurance, and Ethics Pronouncements* (the IAASB Handbooks) under the copyright from the International Federation of Accountants (IFAC)<sup>3</sup>. Therefore, the continued adoption and prescription for use by all auditors in South Africa is done in accordance with Section 4(1)(e) of the Act and effected through the gazetting of periodic IRBA Board Notices<sup>4</sup>.
9. This continued local adoption and prescription of International 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. This is followed by the possibility of making limited modifications to the International Standards for the local environment or developing local pronouncements, without eroding the initial baseline.<sup>5</sup>
10. By virtue of adopting the successive IAASB Handbooks under copyright from IFAC, the Board deemed them to have been prescribed without requiring publication of the entire Handbook<sup>6</sup>. The adoption and prescription are communicated to auditors via a Board Notice<sup>7</sup> from time to time. Board Notices will be issued and gazetted on this basis for as long as the IAASB Handbooks continue to be adopted and prescribed by the IRBA for use by auditors.
11. The above covers all the IAASB's *International Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements*.

## **ADOPTION OF THE IESBA CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS**

12. The development and maintenance of the *Code of Professional Conduct for Registered*

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<sup>4</sup> The IRBA Board Notices are available for downloading from the IRBA website ([www.irba.co.za](http://www.irba.co.za)).

<sup>5</sup> Refer to 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)* for details of the circumstances that will trigger the application of the "Compelling Reasons Test" for the modification of the International Standards, and the criteria that have to be met before a Standard is modified.

<sup>6</sup> The South African Institute of Chartered Accountants (SAICA) annually publishes its *Handbooks of Auditing and Financial Reporting Standards and Legislation* (the SAICA Handbooks). These include the IAASB Handbooks (under the copyright permission from the IFAC) – that are also adopted and prescribed by the IRBA – for use in academic classrooms or for the personal use of chartered accountants (South Africa), registered auditors and their audit firms. The SAICA Auditing Handbook also includes the other auditing pronouncements issued by the IRBA.

<sup>7</sup> Electronic versions of the IAASB Handbooks are available for downloading from the IRBA website ([www.irba.co.za](http://www.irba.co.za)) and the IAASB website ([www.ifac.org/auditing-assurance/publications-resources](http://www.ifac.org/auditing-assurance/publications-resources)).

*Auditors (Revised November 2018)* (the Code), together with the *Rules Regarding Improper Conduct* (the Rules) prescribed for auditors, is the responsibility of the Committee of Auditor Ethics (CFAE). The Code and Rules were approved by the Board and published by the IRBA, and gazetted as Board Notice 89 in Government Gazette No. 33305 on 18 June 2010. The IRBA adopted the *International Ethics and Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (2009)* under copyright permission from the IFAC<sup>8</sup> and published it as the *IRBA Code of Professional Conduct for Registered Auditors*<sup>9</sup>, with additional requirements for auditors in South Africa. Subsequent amendments to the *IESBA Code of Ethics for Professional Accountants* are considered by the CFAE prior to adoption by the IRBA.

#### **AUTHORITY OF THE IAASB'S PRONOUNCEMENTS ADOPTED AND PRESCRIBED**

13. The IAASB's pronouncements govern audit, review, other assurance and related services engagements that are conducted in accordance with the International Standards. They do not override the local laws or regulations that govern the audit or review of historical financial statements, or assurance engagements on other information, required to be followed in accordance with IRBA auditing pronouncements. In the event that local laws or regulations differ from, or conflict with, the International Standards on a particular subject, an engagement conducted in accordance with local laws or regulations will not automatically comply with the International Standards. An auditor should not represent compliance with the International Standards, unless they have complied fully with all standards relevant to the engagement.
14. The authority attaching to the International Standards issued by the IAASB is contained in the *Preface to the International Standards* published in the *IAASB Handbooks of International Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements* (as amended), which are adopted and prescribed by the IRBA.

#### **AUTHORITY OF PRONOUNCEMENTS ISSUED BY THE IRBA**

15. Section 44(2)(b), read with Section 44(3)(a) and Section 44(3)(f) of the Act, provides that an auditor may not express an unqualified opinion on financial statements or any supplementary information, unless, inter alia, in Section 44(3):
  - a. "the audit was carried out free from any restrictions whatsoever and in compliance, so far as applicable, with auditing pronouncements relating to the conduct of the audit; and
  - f. that the auditor has complied with all laws relating to the audit of that entity."
16. Section 4(1)(c) and (e) of the Act requires the IRBA to prescribe standards of professional competence with which auditors must comply in performing their duties as auditors, and to prescribe auditing standards.

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<sup>8</sup> Copyright © "This Code is based on Parts 1,2, and 4 of the Code of Ethics for Professional Accountants of the International Ethics Standards Board of Accountants (IESBA), published by the International Federation of Accountants (IFAC) in May 2013 and is used with permission of IFAC. Adaptations to Parts 1,2 and 4 are underlined and in italics in this Code." The SAICA Auditing Handbook includes the *IRBA Code of Professional Conduct for Registered Auditors and Rules Regarding Improper Conduct*.

<sup>9</sup> The *IRBA Code and Rules* are available for downloading from the IRBA website ([www.irba.co.za](http://www.irba.co.za)).

17. The auditing pronouncements of the IRBA are developed and issued following the proposed *CFAS Due Process Policy*<sup>10</sup>.

### **South African Standards**

18. Where necessary, local standards are developed to meet local requirements. South African Standards contain requirements and application material on a particular subject, while applying the principles in the relevant International Standards on a consistent basis.
19. Where issued, they may govern audits, reviews, other assurance and related services engagements and may include:
- a. South African Standards on Auditing (SASAs) that are to be applied in the audit of historical financial information.
  - b. South African Standards on Review Engagements (SASREs) that are to be applied in the review of historical financial information.
  - c. South African Standards on Assurance Engagements (SASAEs) that are to be applied in assurance engagements dealing with subject matters other than historical financial information.
  - d. South African Standards on Related Services (SASRSs) that are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements, as specified by the IRBA.
20. The IAASB's ISQMs are to be applied by registered auditors to engagements conducted in terms of South African Standards on *Auditing, Review, Other Assurance and Related Services* that are developed and issued.

### **South African Practice Statements**

21. South African Practice Statements may be developed and issued by the IRBA to provide practical assistance to auditors in the implementation of relevant International or South African *Standards on Quality Management, Auditing, Review, Other Assurance and Related Services*.
22. South African Practice Statements developed may be in respect of *Auditing, Review, Other Assurance and Related Services* (SAAPS, SAREPS, SAAEPS and SARSPS). They do not impose requirements on auditors beyond those included in the International or South African Standards or South African regulatory requirements; and do not change the auditor's responsibility to comply in all material respects with the requirements of the International or South African Standard/s or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement. When appropriate, additional considerations that are specific to public sector entities are included within the body of a South African Practice Statement.
23. An auditor is required to have an understanding of the entire text of every South African Practice Statement, to enable them to assess whether or not any particular South African Practice Statement is relevant to an engagement; and if so, to enable the auditor to apply

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<sup>10</sup> 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)*.

properly the requirements of the particular International or South African Standard to which the South African Practice Statement relates.

24. South African Practice Statements issued will contain the following wording, to reflect their status and authority:

This South African <Auditing/Review/Other Assurance/Related Services> Practice Statement [SAAPS/SAREPS/SAAEPS/SARSPS1] <insert name of SAAPS> provides guidance to registered auditors [auditors] in implementing the requirements of <the relevant International Standard/s / South African Standard/s - insert Name of Standard/s> when <insert scope of Practice Statement>.

South African Practice Statements are developed and issued by the IRBA to provide practical assistance to auditors in the implementation of relevant International or South African Standards on Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements. South African Practice Statements do not impose requirements on auditors beyond those included in the International or South African Standards or South African regulatory requirements and do not change the auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement.

An auditor is required to have an understanding of the entire text of every South African Practice Statement to enable the auditor to assess whether or not any particular South African Practice Statement is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the South African Practice Statement relates, properly.

In terms of Section 1 of the Auditing Profession Act, No. 26 of 2005, as amended (the Act), a South African Practice Statement is included in the definition of "auditing pronouncements" and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

An auditor is required to have an understanding of the entire text of every South African Practice Statement to enable the auditor to assess whether or not any particular South African Practice Statement is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the South African Practice Statement relates, properly.

In terms of Section 1 of the Auditing Profession Act, No 26 of 2005, as amended (the Act), a South African Practice Statement is included in the definition of "auditing pronouncements" and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

### **South African Guides**

25. South African Guides may be developed and issued by the IRBA to provide guidance to an auditor in meeting specific legislative requirements imposed by another regulator.
26. Guides do not impose requirements on auditors beyond those included in the International or South African *Standards on Quality Management, Auditing, Review, Other Assurance and Related Services* or South African regulatory requirements; and

do not change an auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement.

27. An auditor is required to have an understanding of the entire text of every Guide to enable them to determine whether or not any particular Guide is relevant to an engagement; and if so, to enable the auditor to apply properly the requirements of the International or South African Standards to which the Guide relates.
28. Depending on the nature of the topic(s) covered, a Guide may assist an auditor in meeting the subject-specific regulatory requirements in the circumstances of the engagement with regard to:
  - Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
  - Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
  - Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.
29. Joint Guides may be developed and issued by the IRBA jointly with the Auditor-General South Africa for private sector auditors auditing in the public sector. When appropriate, additional considerations that are specific to public sector entities are included in Joint Guides for subject-specific public sector topics. Joint Guides issued have the same status as South African Guides.
30. Also, Joint Guides may be developed and issued by the IRBA jointly with the South African Institute of Chartered Accountants (SAICA), to provide guidance on the application of legislative requirements affecting both auditors and chartered accountants (South Africa).
31. South African Guides issued will contain the following wording to reflect their status and authority:

This Guide<sup>13</sup> for registered auditors (“auditors”) <insert name of Guide> provides guidance to <specify if relevant> auditors in implementing the audit and review requirements in the relevant <International Standard/s / South African Standard/s> to meet the additional regulatory reporting requirements in the <specify regulatory requirements>.

Guides are developed and issued by the IRBA to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. Guides do not impose requirements on auditors beyond those included in the International or South African Standard/s or South African regulatory requirements and do not change an auditor’s responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagement.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the Guide relates, properly.

In terms of Section 1 of the Auditing Profession Act, No. 26 of 2005, as amended (the Act), a Guide is included in the definition of “auditing pronouncements”; and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

### **IRBA Communiqués and Staff Audit Practice Alerts**

32. IRBA Communiqués (and other communications) are prepared by the Secretariat and issued by the Director of Standards. Staff Audit Practice Alerts are periodically prepared by the Secretariat, with the assistance of the CFAS, and approved by the IRBA Chief Executive Officer.
33. These are prepared to raise auditors’ awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct auditors’ attention to relevant provisions of the IAASB, IESBA or IRBA auditing pronouncements, or relevant legislative requirements.

### **Existing Pronouncements**

34. Existing auditing pronouncements issued include South African Assurance Engagement Standards (SASAEs), South African Auditing Practice Statements (SAAPSs), Guides, and Circulars. These are reviewed periodically to ensure that their content remains relevant and responsive to legislative changes. The existing SASAEs, SAAPS and Guides have the status and authority of auditing pronouncements indicated above, albeit they may not contain the wording indicated in paragraphs 24 and 31 above.

### **Language**

35. The official text of an IAASB International Standard, Practice Note, Exposure Draft or other publication is that published by the IAASB in the English language.

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<sup>13</sup>. Adapt for Joint Guides where applicable.

36. The official text of an IRBA Pronouncement, whether an IRBA Standard, Practice Statement, Guide, Exposure Draft or Communique, is that published by the IRBA in the English language.

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