

Imran Vanker
Director Standards
Independent Regulatory Board for Auditors
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Per Email: standards@irba.co.za

19 August 2022

Dear Mr Vanker

SNG Grant Thornton

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COMMENT LETTER ON THE PROPOSED IRBA RULES ARISING FROM THE INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT

Thank you for the opportunity to share with the audit regulator our views of the proposed IRBA Rules arising from the International Standards on Quality Management. We have structured our comment based on the questions asked in the Exposure draft.

Broadly we support the principles behind the proposals and believe they will enable the IRBA in its objective of endeavouring to protect the financial interests of South Africa through the effective and appropriate regulation of assurance services conducted by registered auditors in accordance with internationally recognised standards and processes.

Question 1:

Proposed IRBA Rule 1: Firm CEO	Comment
<p>a) Do you support the proposed IRBA Rule 1? Yes / No If "No", please indicate the reason(s) for your response.</p> <p>b) Do you believe that there is guidance required in support of the proposed IRBA Rule 1? Yes / No If "Yes", please indicate what guidance is needed.</p> <p>c) Do you agree with the effective date for the proposed IRBA Rule 1? Yes / No If "No", please indicate the reason(s) for disagreeing and also suggest an effective date and transitional provisions that will be appropriate.</p>	<p>a) Yes. We agree with the proposed IRBA rule that a firm CEO should be a registered auditor (RA).</p> <p>b) Yes. Clarification should be given on whether the requirement is for the CEO to be an assurance RA or non-assurance RA. Further the rule should clarify that the rule is applicable to CEO equivalents for those firms that do not have CEO positions or have different structures e.g., managing partners (as clearly highlighted in ISQM para 20(a)). Or for avoidance of doubt the rule can simply state that the person whom the firm gives ultimate responsibility and accountability for the system of quality management must be an RA.</p> <p>The IRBA Rule reflected on page 9 of the Exposure draft that "the ultimate responsibility to fulfil the role required by paragraph 20(a) and (b) should be limited to the CEO (or equivalent)". This rule would limit the flexibility provided in paragraph 20(a) of the standard and will combine and operationalise the ultimate responsibility for</p>

Proposed IRBA Rule 1: Firm CEO	Comment
	<p>the system of quality management (paragraph 20(a)) and the operational responsibility for the system of quality management (paragraph 20(b))</p> <p>c) Yes. We agree with the effective date of the proposed IRBA rule 1.</p>

Question 2:

Proposed IRBA Rule 2: Transparency Reports	Comment
<p>a) Do you support the proposed IRBA Rule 2? Yes / No If "No", please indicate the reason(s) for your response.</p> <p>b) Do you believe that there is guidance required in support of the proposed IRBA Rule 2? Yes / No If "Yes", please indicate what guidance is needed.</p> <p>c) Do you agree with the effective date for the proposed IRBA Rule 2? Yes / No If "No", please indicate the reason(s) for disagreeing and also suggest an effective date and transitional provisions that will be appropriate.</p>	<p>a) Yes. We agree with the proposed IRBA rule requiring the mandatory annual preparation of transparency reports for firms, as defined in the Auditing Profession Act, as amended, that audit financial statements of listed entities.</p> <p>b) Yes. Formal and detailed guidance on the content of the Transparency Report is necessary to ensure consistency throughout firms and the information that will be in the public domain.</p> <p>c) Yes. We agree with the effective date of the proposed IRBA rule 2.</p>

Question 3:

Proposed IRBA Rule 3: Engagement Quality Reviews	Comment
<p>a) Do you support the proposed IRBA Rule 3? Yes / No If "No", please indicate the reason(s) for your response.</p> <p>b) Do you believe that there is guidance required in support of the proposed IRBA Rule 3? Yes / No If "Yes", please indicate what guidance is needed.</p> <p>c) Do you agree with the effective date for the proposed IRBA Rule 3? Yes / No If "No", please indicate the reason(s) for disagreeing and also suggest an effective date and transitional provisions that will be appropriate.</p>	<p>a) No. While we appreciate the importance that is placed on the audit of public interest entities (PIEs), we are of the view that consideration may need to be given to the level of risk and size of some of the PIEs before we can conclude that an EQR is a requirement for all PIEs. Some of the audit fees for the smaller PIEs are low, with the risk also being low, that it may not make business sense to appoint an EQR on such engagements. This rule may also result in firms needing to increase overall their pool of EQRs, which may not make business sense if the relative size of those PIEs as well as the risk is low.</p> <p>b) Yes. If the above is considered acceptance, some guidance on a criterion might be useful.</p> <p>c) Yes. Should the rule be implemented in the current form, we agree with the effective date of the proposed IRBA rule 3.</p>

Question 4:

Proposed IRBA Rule 4: Engagement Quality Reviewer (EQR) and an Assistant to an EQR	Comment
<p>a) Do you support the proposed IRBA Rule 4? Yes / No If "No", please indicate the reason(s) for your response.</p> <p>b) Do you believe that there is guidance required in support of the proposed IRBA Rule 4? Yes / No If "Yes", please indicate what guidance is needed.</p> <p>c) Do you agree with the effective date for the proposed IRBA Rule 4? Yes / No If "No", please indicate the reason(s) for disagreeing and also suggest an effective date and transitional provisions that will be appropriate.</p>	<p>a) No. We believe anyone eligible to register as an RA is capable of performing an EQR. The focus should be on capability demonstrated by relevant experience and not whether or not an individual is registered. This again speaks to the increased pool of EQRs that would be required if rule 3 above is approved. Yes. We believe 3 years relevant experience for the EQR assistant is appropriate.</p> <p>b) Yes. 'Relevant experience' needs to be further clarified – does this mean 3 years of articles are considered sufficient or it means 3 years of post-articles experience? Will EQRs be required to register as an assurance or non-assurance RA? Will the same EQR criteria (should be an RA) be required to be used on non-PIE audits that the firm determines require an EQR e.g., as a safeguard to fee dependency, or other circumstances of unusual risk, etc.</p> <p>c) Yes. We agree with the effective date of the proposed IRBA rule 4.</p>

Question 5:

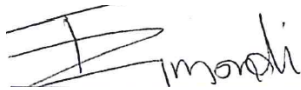
Proposed IRBA Rule 5: Assembly and Retention of Audit Documentation	Comment
<p>a) Do you support the proposed IRBA Rule 5? Yes / No If "No", please indicate the reason(s) for your response.</p> <p>b) Do you believe that there is guidance required in support of the proposed IRBA Rule 5? Yes / No If "Yes", please indicate what guidance is needed.</p> <p>c) Do you agree with the effective date for the proposed IRBA Rule 5? Yes / No If "No", please indicate the reason(s) for disagreeing and also suggest an effective date and transitional provisions that will be appropriate.</p>	<p>a) Yes.</p> <p>b) No.</p> <p>c) Yes. We agree with the effective date of the proposed IRBA rule 5.</p>

Question 6:

Request for Further Comments	Comment
a) Are there any other rule(s) that you believe the IRBA Board should consider so as to supplement and/or strengthen the requirements contained in the ISQMs that are applicable to audit firms and registered auditors? Yes / No If "Yes", please provide details of your proposed rule(s) and indicate the reason(s) for your response.	a) No.

We hope you find the above information useful.

Yours faithfully,



Tatenda Zimondi

Director

For and on behalf of SizweNtsalubaGobodo Grant Thornton Inc