
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITING STANDARDS

Exposure Draft: Proposed South African Auditing Practice Statement 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities

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The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) has approved the [Exposure Draft: Proposed South African Auditing Practice Statement \(SAAPS\) 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities Audit Engagements](#) (proposed SAAPS 7) for issue. The Exposure Draft (ED) was approved for exposure in March 2024 for a 90-day period, for public comment by **15 June 2024**.

International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, requires that a firm communicates relevant and reliable information to external parties. This is informed by an increased need for external parties to understand a firm's system of quality management (SoQM). For certain firms, transparency reports may be an appropriate tool to achieve that ISQM 1 objective. Examples of transparency reports are available on the [IRBA website](#).

The proposed SAAPS 7 is aimed at assisting firms that audit financial statements of publicly traded entities to achieve compliance with paragraphs 33(d)(ii) and A114 of ISQM 1 and the regulatory requirement applicable to firms in South Africa, relating to the content and format of a firm's transparency report.

The CFAS Task Group that developed the proposed SAAPS comprised technical staff representatives from auditing firms, the South African Institute of Chartered Accountants, the Auditor-General South Africa and the IRBA.

It should be noted that South African Practice Statements are authoritative pronouncements and their authority is set out in the [Status and Authority of Auditing Pronouncements](#). However, they do not impose requirements on auditors beyond those included in the International or South African Standards on Quality Control, Auditing, Review, Other Assurance and Related Services or South African regulatory requirements. Also, they 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.

Accordingly, the firm or auditor will have to exercise professional judgement to determine the extent to which any of the guidance provided in the proposed SAAPS 7 may be appropriate, in

light of the requirements of ISQM 1 and the IRBA's Rule 2 (Transparency Reports) of [the IRBA Rules Arising from the International Standards on Quality Management](#), published in Government Gazette No. 49757 of 24 November 2023 (pursuant to Sections 9 and 10, read with Sections 1, 2 and 3 of the Auditing Profession Act 26 of 2005, as amended).

Approach to the Proposed SAAPS

The proposed SAAPS 7 was drafted with a view of a firm that is considering the eight components of a SoQM, as outlined in ISQM 1, in its preparation of a transparency report. This approach was followed because it is principles-based.

Paragraph 6 of ISQM 1 lists the eight SoQM components as:

- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication; and
- The monitoring and remediation process.

Therefore, related aspects in ISQM 1 have been incorporated into this proposed SAAPS with references where appropriate.

Proposed Effective Date

Depending on the comments received, the plan is for the CFAS to approve the final SAAPS in August 2024 and issue the final version thereafter. The final SAAPS 7 will be effective for transparency reports prepared and published on or after 15 December 2025, with early adoption permitted.

Request for Comments

The CFAS welcomes comments from auditors and other interested parties on all matters addressed in the ED. It also seeks responses to the specific questions set out in Section 4 of the Explanatory Memorandum. Comments, in Word format, should be submitted via email to standards@irba.co.za. All comments will be considered as a public record.

The submission deadline for comments to the IRBA is **15 June 2024**. To download the ED, visit the [IRBA website](#).

Should you have any other queries regarding the above-noted amendments or experience any technical difficulties in downloading any of the documents, please do not hesitate to email the [Standards Department](#).

Imran Vanker

Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

The statutory responsibilities of the CFAS are 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.