
INDEPENDENT REGULATORY BOARD FOR AUDITORS
COMMITTEE FOR AUDITING STANDARDS

IRBA Staff Audit Practice Alert 3:
The Audit Implications of International Financial Reporting Standard 15,
Revenue from Contracts with Customers

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The Independent Regulatory Board for Auditors' (IRBA) Chief Executive Officer has approved for issue the *IRBA Staff Audit Practice Alert 3: The Audit Implications of International Financial Reporting Standard 15, Revenue from Contracts with Customers*, for use by registered auditors (auditors).

This alert, hereafter referred to as the IRBA Staff Audit Practice Alert, is the IRBA's response to the interest and concerns raised about the audit implications of International Financial Reporting Standard (IFRS) 15. It was prepared by the IFRS 15 Task Group of the IRBA's Committee for Auditing Standards (CFAS).

IFRS 15, *Revenue from Contracts with Customers*, which became effective for annual reporting periods beginning on or after 1 January 2018, an effective date that also applies to entities that apply IFRSs in South Africa.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Therefore, in applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

This change in the framework for recognising revenue from the traditional 'risks and rewards' approach in International Accounting Standard 18, *Revenue*, impacts how auditors audit revenue from contracts with customers.

As a consequence, this IRBA Staff Audit Practice Alert serves to provide auditors with:

- The background to the risks related to, and audit implications of, IFRS 15; and
- Questions to be considered that can be used by the audit firm, the audit engagement team and the engagement quality control reviewer when considering certain audit implications of IFRS 15.

This IRBA Staff Audit Practice Alert does not constitute an authoritative pronouncement from the IRBA, nor does it amend or override the International Standards on Auditing, South African Standards on Auditing, South African Auditing Practice Statements, South African Guides (collectively called pronouncements), or the IFRSs. Also, this IRBA Staff Audit Practice Alert is not meant to be exhaustive. Reading this IRBA Staff Audit Practice Alert is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the IRBA website at www.irba.co.za. Should you have any further queries, please do not hesitate to contact the Standards Department by email at standards@irba.co.za.

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.