

16 April 2023

Mr W Botha
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue
New York, NY 10017
USA

Submitted electronically to WillieBotha@iaasb.org

Dear Mr Botha

Comments on the IAASB's Proposed Strategy and Work Plan for 2024–2027

The IRBA is both the audit regulator and national audit and ethics standard-setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic. Its statutory Committee for Auditing Standards is responsible for assisting the IRBA to adopt, develop, maintain, issue, and prescribe auditing pronouncements.

We appreciate this opportunity to comment on the *Proposed Strategy and Work Plan for 2024–2027*, developed by the International Auditing and Assurance Standards Board (IAASB).

Our comments are set out under the following sections:

- A. Overall Comments; and
- B. Specific Questions.

If you require further clarity on any of our comments, please email us at sadam@irba.co.za.

Yours faithfully,

Signed electronically

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Established in terms of the Auditing Profession Act 26 of 2005 (as amended).

A. OVERALL QUESTIONS

1. We recognise the need for timely standard setting versus the time required for adoption, and implementation. The opportunity to comment on the proposed strategy and workplan allows us to contribute to finding that balance.
2. The need to evolve in this ever-changing world of standards setting is appreciated both at the speed at which IAASB projects are reaching finalisation as well as the nature of the changes to the standards. We look forward to the upcoming exposure drafts on high public interest topics such as fraud and going concern.
3. The agility of the IAASB on the topic of sustainability is admirable. The setting of assurance standards in step with the reporting standards will hopefully result in little or no window for preparer or regulatory confusion.
4. Congratulations on the establishment of the International Foundation for Ethics and Audit. This marks a significant step in strengthening the independence of standard setting for audit, assurance, and ethics, and a crucial step of actioning the Monitoring Group reforms.
5. In setting a strategy and at the work stream level, the [Public Interest Framework of the Monitoring Group recommendation](#) should remain the primary focus. These include Standards that are comprehensive, scalable, clear, implementable, globally operable, and enforceable.
6. The IAASB may wish to consider the recently released [IFIAR Survey of Inspection Findings 2022](#). In addition, our [IRBA 2022 Public Inspections Report on Audit Quality](#) was also recently published. We wish to draw attention to the section in our inspection report that highlights innovative and positive practices encountered at firms during inspections.
7. The IRBA is implementing our strategy focused on restoring confidence. Our strategy is addressing how the reporting ecosystem can be strengthened and what can be learnt from recent failures to be addressed through standard setting and regulatory initiatives.
8. In relation to the proposed post implementation reviews, we appreciate the need to learn how the standards are being applied. As the IAASB considers how best to manage a full workplan, consideration should be given to whether certain of these reviews can be combined and when would be a suitable time for stakeholders to participate.

B. SPECIFIC QUESTIONS

Question 1

Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 5–6)?

9. The Proposed Goal includes several important key considerations namely, timely standard setting in an evolving environment, the need to uphold trust, the importance of global adoption and the need for high quality engagements.
10. The appreciation for “*high quality*” standards may need to be included in the goal to ensure and enable the achievement of these overall goals.
11. On the Proposed Keys to Success and Stakeholder Value Proposition, the concept that may be considered for inclusion is flexibility. In this ever-changing environment, there needs to be reflection on which workstreams may better serve the public interest.

Question 2

Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7–9)?

Increased and More Diverse Demand for Our Standards

12. We agree with your discussion on this topic.

Confronting ‘headwinds’ to global adoption of standards

13. Regarding the subject of *Impact of and reasons for jurisdictions developing their own audit and assurance standards*, especially where these additions have been limited to “add-ons,” we would encourage the IAASB to track these additions. While there may be legal reasons for local adaptations of standards (for example, local reporting needs), the IAASB should be vigilant about understanding the reasons where the global standard may be seen as falling short of local expectations about the objective of the audit or the objective of any particular standard, or where there is an absence of a global standard. A plethora of adaptations may indicate unmet expectations from the standard setting process globally, or a disconnect in expectations around timing between local jurisdictions and the ability of a global board to respond.
14. We would encourage the IAASB to consider more clearly at the project proposal stage which areas should/could be set at a jurisdictional level to allow for a collaborative process, and a quicker process that does not get bogged down in trying to achieve global consensus when one won’t be possible.
15. Examples that we have find supportive of this collaboration are the Quality Management Standards that recognise the need for local laws and regulations as well as the proposal of what type of entities will fall within the definition of a less complex entity.

16. In South Africa, we are currently [revising our due process](#) to establish a framework and compelling reason test to consider adoption of the IAASB Standards with certain jurisdictional enhancements.

Changing Demands to Our Ways of Working

17. We look forward to the transitional arrangement and the implementation of the Monitoring Group Reforms. The need for well-informed views, diversity and insights in all stages of standard setting is imperative, but with the need to maintain independence.

Question 3

Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?

Proposed Strategic Objective 1: Support the Consistent Performance of Quality Audit Engagements by Enhancing Our Auditing Standards in Areas Where There Is the Greatest Public Interest Need

18. We are supportive.

Proposed Strategic Objective 2: Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting

19. We are supportive.

Proposed Strategic Objective 3: Enhance Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest

20. We are supportive.

Proposed Strategic Objective 4: Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

21. We recognise this as a long-term ambition of the IAASB. We are supportive, while encouraging more concrete steps.

Question 4

Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.

Materiality (Revisions to ISA 320)

22. We are supportive of this project.

Responding to Assessed Risk of Material Misstatement (Revisions of ISA 330)

23. We are supportive of this project. Given the recurring high level of findings with respect to the testing of Internal Controls in the annual IFIAR Survey and the IRBA Inspections report, we support the IAASB commencing a project to revise and clarify ISA 330 *Responding to Assessed Risks of Material Misstatement*. These amendments may be able to complement the recent amendments to ISA 315.

Various Standards in the ISA 550 Series

We are supportive of the ISA 550 Series Projects, specifically:

ISA 520, Analytical Procedures

24. We are supportive of this project. Given the recurring high level of findings with respect to substantive analytical procedures in the annual IFIAR Survey and specifically in respect to the audit of revenue and cost of sales the IRBA Inspections report.

ISA 530, Audit Sampling

25. We are supportive of this project. Given the recurring high level of findings with respect to the audit sampling in the annual IFIAR Survey and the IRBA Inspections report.

26. Technology targeted/ omnibus project(s)

We are supportive of this project.

ISA 620, Using the work of an Auditor's Expert:

27. We are supportive of this project. We note the possible need for coordination with the current IESBA Project on Use of Experts.

ISA 720 (Revised), The Auditor's Responsibilities relating to Other Information

28. We are supportive of this project.

ISRE 2410, Review of Interim Financial Information

29. We are supportive of this project. We are of the view that this is a long overdue legacy project that needs to be commenced to retain the legitimacy of the Standard.

Joint Audits (New Standard)

30. We support the call for a new standard on joint audits. This is a topic that has the potential to have massive impact directly and quickly on audit quality if properly addressed. The IRBA has developed a [Guide to Registered Auditors: Joint Audits](#), which has been effective for two years. For a jurisdiction which allows for/ requires joint audit engagements, the need for guidance is evident. This guidance provided registered auditors with clarity around firm-to-firm protocols and responsibilities. It also provides guidance to those charged with governance and management of audited entities who have joint auditors or are planning joint audits.

31. We have found a growing interest in the topic, reflected in the number of joint audits and requests of the IRBA as a standard setter to explore the need for more guidance.

Question 5

Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards.

Sustainability and Other Assurance Engagement:

32. We acknowledge and agree with the approach being proposed for further standards for Assurance on Sustainability Reporting. We view the current work programme as a meaningful commitment of the IAASB in this area, and do not have sufficient visibility about what further needs may arise in two or three years. The IAASB's phased approach is thus reasonable. Further Standards for Assurance on Sustainability Reporting (New Standards) may include:
- a. Materiality in a sustainability assurance engagement as this is key area given multi-stakeholders, diverse subject matter, double materiality considerations and qualitative nature of sustainability information and/or forward-looking nature thereof.
 - b. Considerations for use of work of experts given this is very commonly encountered on sustainability assurance engagements and encountered across the entire engagement.
 - c. Considerations for areas of difficult disclosure e.g., estimates and/or forward-looking information (typically based on scenarios etc. as opposed to historical information).
 - d. Considerations / approach when engaged to provide assurance over the entire sustainability report comprising both specific metrics and narrative / graphical information (i.e., Assurance of a whole report rather than metrics only).
 - e. Considerations with regard to internal controls and the impact this has on the assurance engagement and approach, especially between the different levels of assurance.
 - f. Assurance over other focused types of sustainability information (specific topics) such as reporting on performance with respect to green bonds / green finance commitments.
 - g. Considerations / approach with regard to connectivity of sustainability information to be assured in relation to the financial statements / other information surrounding the assured information.
 - h. Subject matter specific topics and related assurance considerations e.g., assurance over the materiality process, scope 3 emissions.
 - i. Group audits/ consolidations – and how to address this in sustainability assurance engagement.
 - j. Considerations / approach with regard to Report Materiality vs materiality for purposes of evaluating identified misstatements.

Assurance of XBRL (New Standard)

33. This is low in priority for our jurisdiction. The South African Companies and Intellectual Property Commission makes use of XBRL. Assurance of XBRL reporting is not yet required by the regulator.

Question 6

Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).

34. No additional standard-setting projects to put forward.

Question 7

Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.

35. We support and appreciate the on-going coordination with the International Ethics Standards Board for Accountants (IESBA). In South Africa, we adopt the IESBA Code of Ethics for Professional Accountants. Thus, we appreciate the coordination of both Boards in ensuring consistent and collaborative standard setting and ease in adoption and implementation at a jurisdictional level.
36. We would appreciate if coordination efforts were aligned, as much as possible, with the same effective date.
37. This effort will harmonize the requirements, both audit and ethical, that auditors need to apply. This collaboration is evident in many of the IAASB working groups.

Question 8**Are there any other matters that we should consider in finalizing our Strategy and Work Plan?**

38. The IAASB has generally undertaken standard setting work on a standard-by-standard basis, with conforming amendments to other standards. So, for example, a revision of ISA 315 was undertaken, and a proposal is now being made to consider revising ISA 330. However, calls to revise ISA 330 were made years ago at the same time as the revisions to ISA 315 were undertaken, and during previous strategy consultations. The IAASB may wish to consider in line with its goal of agility to envisage a future where multiple related standards are tackled together, instead of a piece-meal approach. The benefits are that the impact of changes may be greater, the updating of methodologies and training can be done at one time, and we would have related subjects in the ISAs all reflecting greater consistency. It would also have an immense impact on the utilisation of resources of the IAASB and for everyone who tracks your work.