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Our ref IRBA Comment
letter Due Process
Policy and Status
and Authority of
Pronouncements

31 March 2023

Mr I Vanker
The Director: Standards
Independent Regulatory Board for Auditors (IRBA)
PO Box 8237
Greenstone, 1616
South Africa

By e-mail: standards@irba.co.za

Dear I Vanker

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

We appreciate the opportunity to provide comments on the proposed Revised Due Process Policy and the proposed Revised Status and Authority of Auditing Pronouncements. Our response has been informed by consulting with members of our Department of Professional Practice, Audit and Assurance. This letter represents the view of KPMG South Africa and addresses the specific questions posed in the respective explanatory memorandums.

We understand that the proposed Revised Due Process Policy and the proposed Revised Status and Authority of Auditing Pronouncements aims to:

- Establish a transparent and legally binding process when making limited modifications, only as necessary, to the International Auditing and Assurance Standards Board (IAASB) International Standards (IAASB Standards), provided that such modifications serve the



public interest and do not conflict with or result in lesser requirements than what the IAASB Standards stipulate to address issues in the South African environment;

- Update the proposed Revised Status and Authority of Auditing Pronouncements for any consequential amendments arising from the adoption of the revised Due Process Policy.

Below are our responses to the request for specific comments in relation to:

PART A: Proposed Due Process Policy

PART B: Proposed Status and Authority of Pronouncements



A. PROPOSED DUE PROCESS POLICY: REQUEST FOR SPECIFIC COMMENTS

1. Do respondents agree with the proposed due process followed for making limited modifications to the final IAASB Standard, in whole or in part, in particular:
 - i. The Compelling Reasons Test and the criteria that should be met before any modification is made to the final IAASB Standard, in whole or in part; and
 - ii. The impact of the modifications made on the effective date of the final IAASB Standard?

If “not”, please provide reasons for your disagreement and suggestions for corrections and/or improvements.

1. We agree with the proposed Due Process Policy to be followed when considering limited modifications to the final IAASB Standard. We have however highlighted areas for the IRBA to reconsider in our response below.

- i. Before considering the Compelling Reasons Test, we suggest that the respective task groups and the CFAS as part of the Due Process Policy first explore and consider whether a proposed modification, if it is limited to the explanatory and application material of the IAASB Standard or an appendix to the IAASB Standard, could be communicated through an alternative IRBA pronouncement, viz. South African Practice Statement or IRBA Guide. We therefore suggest that paragraph 46 (a) is considered before applying the criteria for the Compelling Reasons Test.

In addition, whilst we agree with the Compelling Reasons Test and criteria, we suggest that the policy should provide specific definitions or criteria on what may be considered:

- “Inconsistent” or “conflicting” with legal or regulatory requirements of the IRBA (paragraph 43(a));
- As “emerging principles” or “practices specific to South Africa” (paragraph 43(b));
- As “lesser requirements” than the final IAASB Standard (paragraph 44 (b)).

Without specific criteria or detailed objective guidance, the Compelling Reasons Test and criteria appears to be exploratory and therefore may allow for subjective member views to pass the Compelling Reasons Test. The definitions, boundary and limitations of the criteria will therefore enable a more objective application of the broad criteria currently proposed in the Due Process Policy.

Lastly, we also suggest that the following criteria mentioned in paragraph 45(a) be reconsidered by the IRBA to enable the objective application of the Compelling Reasons Test.

- Paragraph 45(a): *‘The application of which results in addressing known deficiencies and/or areas of concerns, including recurring IRBA regulatory findings.’*

This criterion is one of the criteria to be met when the final IAASB Standard (in whole or in part) does not reflect existing and/or emerging principles and practices that are specific to South Africa, in respect of the engagements governed by the IAASB



Standards. When comparing this criterion to the remaining criteria in paragraphs 45 (b) – (d), it appears to address regulatory findings only. We are of the view that regulatory findings challenge the consistent application of the standards by its users. Therefore, any modifications made to address known deficiencies and/or areas of concern including recurring IRBA regulatory findings are likely to be made to the explanatory or application material. In this instance the respective task group and CFAS should consider if the modifications could be made in an alternative IRBA pronouncement, viz. South African Practice Statement or IRBA Guide.

- ii. We suggest that the effective date of any modification to the final IAASB standard aligns to the effective date of the final IAASB standard.

We are concerned that for us to comply with performing our audit or review engagements in accordance with International Standards on Auditing (ISA), the effective date of any modification to the final IAASB standard will need to align to the effective date of the final IAASB standard.

We also would like to therefore suggest that the IRBA appropriately consider the length of the process described in paragraphs 52 – 60 to be followed should there be a modification to the final IAASB standard. The process will impact the effective date and therefore we suggest that clear timelines are projected by the task group or the CFAS to make a feasible decision on the effective date.

Furthermore, we expect that the modifications should not be significant as that is not the aim of the proposed Due Process Policy, and therefore the timing of the process of making modifications to the final IAASB standard should be carefully managed to enable alignment with the effective date of the final IAASB standard.

2. **Do respondents agree with the view that the scope of the amendments and/or deletions that may be made to the final IAASB Standard should be limited to inconsistencies/conflicts with only the IRBA’s legal and/or regulatory requirements? If “not”, please provide reasons for your disagreement and suggestions for corrections and/or improvements.**

Yes. We agree with the rationale provided in paragraph 20 and 21 of the explanatory memorandum that limits the scope of the amendments and/or deletions that may be made to the final IAASB Standard to inconsistencies/conflicts with only the IRBA’s legal and/or regulatory requirements.



3. Are there additional significant aspects that should be included in this proposed Revised Due Process Policy? If so, please list those aspects and provide suggestions.

To ensure consistency, we suggest that paragraphs 8 and 9 of the IAASB Policy Position should link to the wording in paragraphs 40 and 42 of the Due Process Policy document.

Paragraph 43 should provide clear guidance that reference to “legal and/or regulatory requirements of the IRBA” in the Due Process Policy document is the same as the IAASB Policy Position’s reference to “National legal and regulatory requirements”

4. Are there any further matters that should be considered in the finalisation of this proposed Revised Due Process Policy? If so, please list those aspects and provide suggestions.

Paragraph 45(d) “ The addition made to the final IAASB Standard does not result in a modified Standard that... Is overly complex and confusing...”

We agree with the inclusion of paragraph 45(d), however suggest that consideration should be given to defining and providing examples of what may be “overly complex”. Without being defined or the ability to compare to an example, members of the relevant task group may be subjective depending on the members experience. We therefore suggest that criteria, examples or guidance be developed to consider what may result in an overly complex addition.

B. PROPOSED STATUS AND AUTHORITY OF PRONOUNCEMENTS: REQUEST FOR SPECIFIC COMMENTS

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.

No. We agree with the proposed Revised Status and Authority of Auditing Pronouncements.

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?

We understand that both the South African Practice Statements and South African Guides are available by the IRBA to provide assistance and guidance to auditors in the implementation of the relevant International or South African standards. Where modifications to the final IAASB Standard is made in a Guide or Practice Statement, a clear distinction should be made on which documents are binding and should be complied with by the auditors, and which are available merely to assist auditors.



Overall, we support that IRBA continues local adoption and prescription of the IAASB Standards in ensuring South Africa's comparability and competitiveness with international peers.

If you would like to discuss our comments further, you may contact Safiyya Dawood-Esakjee via e-mail at safiyya.dawood-esakjee@kpmg.co.za.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Safiyya Dawood-Esakjee'.

Safiyya Dawood-Esakjee
Chartered Accountant (SA)
Associate Director
Department of Professional Practice