
**INDEPENDENT REGULATORY BOARD FOR AUDITORS
COMMITTEE FOR AUDITING STANDARDS**

**Explanatory Memorandum and Exposure Draft
Proposed Revised South African Auditing Practice Statement (SAAPS) 2
Financial Reporting Frameworks and the Auditor's Report**

Johannesburg / 07 October 2010

The Committee for Auditing Standards (CFAS), a statutory committee of the IRBA approved the release of the Proposed Revised South African Auditing Practice Statement (SAAPS) 2, *Financial Reporting and the Auditor's Report* for publication in August 2010 for public comment. This proposed SAAPS may be modified in light of comments received before being issued in final form.

The proposed revision to SAAPS 2 is prompted by the changes that came about in International Standards on Auditing effective for audits of financial statements for periods beginning on or after 15 December 2009 (the clarified ISAs) and the need for auditors to understand the interaction, rather than the difference, between general and special purpose financial statements, general and special purpose frameworks, and fair presentation and compliance frameworks that are a feature of the clarified ISAs. Guidance is provided for auditors in both private sector and public sector audit engagements in determining whether the financial reporting framework applied is acceptable.

At the same time there have been changes in modifications to an auditor's report and requirements for the emphasis of matter and other matter paragraphs. The risk for an auditor lies in applying the wrong framework in the wrong circumstance and getting the auditor's report 'wrong' because the application of the clarified ISAs and their interaction is not fully understood.

The proposed revision to SAAPS 2 also deals with the requirements of public sector reporting as contributed by the Auditor-General South Africa and the title has also been changed from *Financial Reporting Frameworks and Audit Opinions* to *Financial Reporting Frameworks and the Auditor's Report*, thus indicating a more comprehensive application than previously. In these circumstances it is inevitable that this revision is longer than the version it replaces – some 51 paragraphs against 31 paragraphs, together with its appendices. This proposed revised SAAPS 2 is expected to require further revision when the Companies Act, 2008 and its Regulations are approved.

Comment process

To ensure that all relevant stakeholders are consulted and to streamline the consultation process, interested and affected stakeholders are invited to submit **written** comments to the IRBA. All comments will be considered a matter of public record.

Please submit written comments, preferably by e-mail, or on a computer disc to:

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Closing date for comments: 12 November 2010

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The Explanatory Memorandum and the Proposed Revised SAAPS 2 is available in PDF format and may be downloaded from the IRBA [website](#).

Should you have any further queries or experience any technical difficulties in downloading the documents please do not hesitate to contact the Standards Department at +27 (0)87 940 8800 or send an email to standards@irba.co.za.

Sandy van Esch
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.