

Template for Respondents

Respondent Information

Respondent type	Individuals and Others
Organisation Name	Private
Full Name	Christiaan Johannes BOTHA
Job Title	Emeritus Internal Auditor
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Question 1

Do you believe that additional disclosures in the auditor's report about the scope of the audit would be useful in enhancing the understanding of the audit that was performed?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Scope of the audit. Refer to section A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>An external auditor should apply her / his professional judgement when performing an external audit, and in my view with 42 years of experience in auditing, it will not be professional to disclose the scope of the audit as this will have an impact on the independence of the external auditor in that her / his client will have insight on where the external audit activity will / have focus.</i>					

Question 2

Do you believe that disclosing the materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit in the auditor's report, would be useful in enhancing the understanding of the audit that was performed?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit. Refer to section A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>My experience was that an external (and internal) audit report means nothing for senior management of entities for the reason that auditors make use of sampling.</i>					

Through the disclosure of materiality thresholds clients may be of the view that minor transactions are not important in an external audit, and will again have a negative impact on relying on external audit reports by senior management of entities.

It brings me back to what we as external auditors were always referring to as the 90/20 principle (not 80/20).

Question 3

Do you believe that the disclosure of performance materiality in the auditor's report would be useful in enhancing the understanding of the audit that was performed?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Performance materiality. Refer to section A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Please refer to comments on Questions 1 and 2 above.

Question 4

Do you believe that additional disclosures in the auditor's report that explain the extent to which the audit was considered capable of detecting irregularities, including fraud, would be useful in enhancing the understanding of the audit that was performed?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Explanation of the extent to which the audit was considered capable of detecting irregularities, including fraud. Refer to section B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Entities could be of the view that an external audit should disclose any / all irregularities.

Material irregularities found during an external audit should be reported to SAICA, and the external auditor should withhold the external audit report until this / these matter(s) is/are being dealt with in an acceptable way.

Clients will realise the impact of withholding the external audit report, and will deal with this / these matter(s) as soon as possible.

Question 5

Do you believe that disclosures in the auditor's report about how the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation would be useful in enhancing the understanding of the audit that was performed?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
How the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations. Refer to section C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<i>This will place an external auditor in a very difficult situation as the external auditor is not an expert in the operational management activities of their clients. E.g., in the external audit of a motor manufacturing company the external auditor will not be able to evaluate the assessment of management on whether specific new vehicle models will be in future in demand by potential clients.</i>					

Question 6

Do you believe that a conclusion (i.e. a positive statement) that management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate should be included in the auditor's report?				
	Yes	Maybe	No	No particular view
Conclusion (i.e. a positive statement) that management's use of the going concern basis of accounting is appropriate. Refer to section C	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<i>Why only highlighting one basis of accounting (going concern)?</i>				
<i>Are the other basis of accounting in the preparation of the entity's financial statements of lesser importance?</i>				

Question 7

Where there is a material uncertainty related to going concern, do you believe that procedures specific to the auditor's response to the material uncertainty related to going concern should be disclosed in the auditor's report?				
	Yes	Maybe	No	No particular view
Procedures specific to the auditor's response to a material uncertainty related to going concern. Refer to section C	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>If it is in the view of the external auditor (again professional judgement of an experienced competent external auditor) material (e.g., where there will be a possibility of serious financial loss(es) or bankruptcy) in the financial statements, my recommendation will be yes.</i>				

Question 8

Where the auditor concludes that no material uncertainty related to going concern has been identified, would a statement that the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue be useful to you as a user?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
A statement that the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. Refer to section C	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Such a statement will be useful, but an independent external auditor is not in position to forecast the outcome of business activities for the coming twelve months. Such a forecast will influence the independence of an external auditor in the external audit of the following financial year. What is going to happen if the actual outcome of business activities is not as predicted by the external auditor, will it result in a previous year adjustment in the external audit report?

Question 9

Are there any other matters related to going concern that you believe should be disclosed in the auditor's report?

	Yes	Maybe	No	No particular view
Any other matters related to going concern that you believe should be disclosed in the auditor's report. Refer to section C	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>

No further comments, please refer to comments above.

Question 10

Do you believe that auditor's reports, other than on listed entities and where law or regulation requires the application of ISA 701, should disclose KAMs?

	Other PIEs	All Entities	No	No particular view
KAMs in auditor's reports other than on listed entities and where law or regulation requires the application of ISA 701. Refer to section D	<input type="checkbox"/>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<i>This / these disclosure(s) will protect the external auditor.</i>				

Question 11

In your view, are descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters useful in understanding the KAM?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters. Refer to section D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<i>The challenge with disclosing audit procedures is that senior management will know how the external auditor executed their responsibilities and of possible areas where the external auditor has not focused on.</i>					
<i>Key observations should be disclosed, where material in the external audit report, or in the management letter where the matter(s) is/are less material.</i>					

Question 12

Do you believe it is beneficial to stakeholders to have visibility of the professional relationships between an audit firm and the audit client for audits of entities that are not PIEs?				
	Yes	Maybe	No	No particular view
Visibility of the professional relationships between an audit firm and the audit client for audits of entities that are not PIEs. Refer to section E.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>There could be independency issues.</i>				

Question 13

If the answer to question 12 is "yes" or "maybe", do you believe this should be disclosed in the auditor's report?

	Yes	Maybe	No	No particular view
Disclosure of professional relationships in the auditor's report. Refer to section E.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Please refer to comment in Question 12.</i>				

Question 14

Do you believe the auditor's report is an appropriate mechanism to disclose the matters described in (a), (b), (c) and (d) in paragraph 65 in relation to fees?				
	Yes	Maybe	No	No particular view
Auditor's report an appropriate mechanism to disclose the matters described in (a), (b), (c) and (d) in paragraph 65. Refer to section E	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Please refer to comment in Question 12.</i>				

Question 15

Do you believe the auditor's report is an appropriate mechanism to disclose whether an entity has been classified as a PIE or not?				
	Yes	Maybe	No	No particular view
Disclosure of whether an entity has been classified as a PIE or not in the auditor's report. Refer to section F	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>The format of the external audit report should be in such a way that the report discloses this.</i>				
<i>N/a</i>				

Question 16

Do you believe that when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the matter should in all cases be described in the auditor's report?				
	Yes	Maybe	No	No particular view

Description in the auditor's report when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements. Refer to section G	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>It should be disclosed only when it is material according the external auditor. The experience and professional judgement of the external auditor will determinate materiality.</i>				
<i>Audit procedures performed: no disclosure in external audit report.</i>				
<i>Key observations (where material): disclose in external audit report, or rather refer to the note in financial statements.</i>				

Question 17

Where such disclosure is made in the auditor's report, whether mandated or not, do you believe that tailored descriptions of the audit procedures performed, and key observations made by the auditor regarding prior year material misstatements, would be useful in enhancing the understanding of how the auditor addressed the matter?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Tailored descriptions of the audit procedures performed, and key observations made by the auditor regarding prior year material misstatements. Refer to section G	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>The question comes up, who is auditing the external auditor?</i>					
<i>Management is responsible for compiling the financial statements, and the responsibility of the external auditor is not to certify / verify the accuracy of financial statements.</i>					
<i>The responsibility should be on management to communicate prior year material misstatements in an appropriate way.</i>					
<i>Where material, the external auditor may refer to this / these misstatement(s) in the external audit report or to a note in the financial statements.</i>					
<i>Where misstatements are material, the external auditor should consider terminating the audit assignment because of the reputational risk for the external auditor. These situations could tarnish the image of external audit.</i>					

Question 18

Do you believe the disclosure of the threshold of unadjusted misstatements in the auditor's report would be useful in further enhancing transparency by auditors?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Do you believe the disclosure of the threshold of unadjusted misstatements in the auditor's report would be useful in further enhancing transparency by auditors? Refer to section H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>The external auditor should consider unadjusted misstatements in her / his overall audit opinion.</i></p> <p><i>When the external auditor discloses the threshold of unadjusted misstatements, the users of the financial statements will still be unsure of the extent of actual misstatements and may be of the view that the external auditor does not fulfil their responsibilities.</i></p> <p><i>The external auditor should rather highlight in their report that the financial statements was compiled and is the responsibility of the Board of Directors / management.</i></p>					

Question 19

In relation to the matters described in sections A, B, C, G and H in the Consultation Paper, if applicable, would you please indicate for which types of entities these disclosures should be made? Your response should be in the format set out below (tick where appropriate and provide your reasons, including benefits and drawbacks, in the comment box).					
Details	All entities	PIEs only	Listed entities only	Other (Please explain)	Disclosure should not be made at all (Please explain)
Extending the disclosures of the audit scope <i>Refer to section A</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments: Please refer to comments made earlier in this document.</i>					
Materiality <i>Refer to section A</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments: Please refer to comments made earlier in this document.</i>					
Performance materiality <i>Refer to section A</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments: Please refer to comments made earlier in this document.</i>					
Enhancing the disclosure of the audit effort related to irregularities, including fraud <i>Refer to section B</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments: Please refer to comments made earlier in this document.</i>					

Enhancing the disclosure of the audit effort related to going concern <i>Refer to section C</i>	✓				
	<u>Comments:</u> Please refer to comments made earlier in this document.				
Auditor's report disclosures arising from prior year misstatements <i>Refer to section G</i>	✓				
	<u>Comments:</u> Please refer to comments made earlier in this document.				
Disclosure of the reporting threshold unadjusted misstatements <i>Refer to section H</i>	✓				
	<u>Comments:</u> Please refer to comments made earlier in this document.				
<p>External auditors should rather develop Fourth Industrial Revolution techniques that will enhance the execution of audits with the aim of providing a higher level of affordable assurance on financial statements.</p> <p>The independence of the audit profession should be of the utmost importance.</p>					

Question 20

Other than those proposals discussed in sections A to I in the Consultation Paper, are there more matters that can be disclosed by auditors in the auditor's report for an audit of financial statements?				
	Yes	Maybe	No	No particular view
More matters that can be disclosed by auditors in the auditor's report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please refer to the comments above in this document.</i>				

Question 21

Should there be prescribed standards or a rule that will mandate additional disclosures in the auditor's report? If not, please provide your reasons.				
	Yes	Maybe	No	No particular view
Prescribed standards or a rule that will mandate additional disclosures in the auditor's report.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

External audit reports should be concise and clear and not too complicated to understand.

Question 22

Is there a need to develop a structure or framework within which to accommodate currently envisaged but also future changes to auditor's report contents?

	Yes	Maybe	No	No particular view
A need to develop a structure or framework within which to accommodate currently envisaged but also future changes to auditor's report contents.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The challenge is that some users of financial statements is of the view that they can not rely on an external audit because auditors use sampling to stay within audit budgets.

Auditors should find better ways (probably Fourth Industrial Revolution techniques? etc) to execute audit procedures on all / more transactions.

There should be a major change in the way we audit, and the contents of future audit reports should change accordingly.