Respondent

17 | Anonymous

69:53
Time to complete

1. Select Respondent Type *

Please select the capacity in which you are responding.

Firm

2. Organisation Name *

If you answered "Individual" in Question 1, please write "Private".

Deloitte & Touche

3. Full Name of Respondent *

Johan Combrink and Grant Howroyd

4. Job Title *

Partner- Audit Quality & Risk and Associate Director- Audit Quality & Risk

5. Email Address *

jcombrinck@deloitte.co.za and ghowroyd@deloitte.co.za

6. 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? *

Refer to question 1 in section A of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Scope of the audit. Refer to section A.	○	◉	○	○	○

7. In relation to question 6 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of the scope of the audit, including the scope of the group audit in terms of ISA 600 "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) would be useful and will provide the following potential benefits to the users of financial statements: • The additional disclosure of the scope of the audit performed may be one way of managing the expectation gap between what the auditing standards require an audit to address versus what users think an audit addresses. • Disclosure of group scoping will allow users to obtain an understanding of the scope and audit effort to formulate the group audit opinion, especially in large complex group scenarios where significant judgements in applying the requirements of ISA 600 are required. We do recommend that the following be disclosed at a minimum: o number of components scoped in for the group audit i.e., financially significant components, scoped in due to risk etc. o the number of "other" auditors relied on by the group auditor, being audit firms outside of the firm's own network. o benchmarks used to determine financially significant components. o % of group audit scope coverage obtained. The coverage should be expressed as a percentage of either total group revenue, total assets, profit before tax and any other key matrix. • The disclosure of the audit scope will allow the auditor to provide detail of whether a control reliance or purely substantive audit approach was followed. The disclosure would need to follow a standardised measurement approach (e.g., we followed a control reliance approach to address or partially address X% of identified Risks of Material Misstatements ("ROMMs")). Recommendations: As mentioned above, the interpretation of how the scope and detail thereof should be communicated would need to be standardised. For example, we do not believe that listing individual Risks of Material Misstatement ("ROMMs") and how these were tested would add significant understanding of the audit process or scope to the users. Any significant ROMMs which required extensive audit effort could be included within the Key Audit Matters ("KAMs") section of the report, there should be no duplication of significant risks nor should the scoping include details of any significant risks or details of KAMs. Following initial implementation of the enhanced audit report, it is recommended that the audit scope section includes significant changes in scope from prior periods.

8. 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? *

Refer to question 2 in section A of the Consultation Paper.

	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.	◉	○	○	○	○

9. In relation to question 8 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of the materiality threshold would be very useful and will provide the following benefits to users of financial statements: • The inclusion of the materiality threshold is a good way to enhance transparency in the audit, particularly in the case where significant judgements were applied in the determination of materiality and the determination of which balances within the financial statements are material or not. • The disclosure of the materiality number determined provides support to the scoping of the audit and could be used as a proxy for understanding a group audit detailed in question 1. • Disclosure of materiality will better enable comparability across the industry sectors and across various audit engagements . It will also provide a direct comparison between various audit firm whose methodologies in determining materiality and the resultant performance materiality differ. The disclosure of materiality in the audit report was also recommended as part of our response to the IRBA "Deloitte South Africa response to the IRBA on the IAASB discussion paper pertaining to fraud and going concern in an audit of the financial statements titled: 'exploring the differences between public perceptions about the role of the auditor and the auditor's responsibility in a financial statement audit'" dated 11 January 2021. Recommendations: To make the disclosure more meaningful the disclosure should include the basis for determining materiality which includes the benchmark and input factor used as well as the rational for the determination. Where the benchmark changes from one financial period to the next, the reasons for the change should be disclosed. Although we are not strongly in favour as this would be too much detail provided, the disclosure of component materiality's used in a group audit may add to understanding of the scope of the audit performed under ISA 600, as detailed in question 1. It is also worth noting that the concept of audit materiality should not be confused with the materiality framework that entities determine themselves and use in the preparation of their financial statements as discussed in the 2019 and 2020 JSE Proactive Monitoring reports.

10. 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? *

Refer to question 3 in section A of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Performance materiality. Refer to section A.	○	◉	○	○	○

11. In relation to question 10 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of the performance materiality threshold would be useful as detailed below. Benefits: Disclosure of performance materiality will enable more comparability across industry sectors and across various audit engagements. It will also provide a direct comparison of the determined performance materiality between various firms whose methodologies in determining materiality and the resultant performance materiality differ. The disclosure of performance materiality will provide transparency between audit firms as the performance materiality is a key driver in the determination of the scope and extent of audit procedures performed. Recommendations Although not strongly in favour as this would be too much detail provided , the disclosure of component performance materiality's used in a group audit may add to the understanding of the scope of the audit and the work performed under ISA 600, as detailed in question 1. The audit report should detail a definition of what performance materiality is and how the auditor determined their performance materiality including any significant judgements made.

12. 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? *

Refer to question 4 in section B of the Consultation Paper.

	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.	○	○	○	◉	○

13. In relation to question 12 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as any suggestions you may have.

Max 4 000 characters.

Additional disclosures would not be useful at this stage.The inclusion of disclosure may well lead to boiler plate wording expressing the inherent limitations of an audit.Mandating changes to the current audit report to cover any fraud or irregularities prior to the finalisation of the IAASB's"Fraud & Going Concern in an audit of financial statements" project to address the expectation gap will be premature.The current mechanisms for reporting reportable irregularities in accordance with the APA or identifying and reporting significant audit effort relating to fraud or other irregularities as part of a KAM still provides the auditor the ability to report to the users in a transparent way. Drawbacks-The auditor's responsibilities are currently included in the audit report,explicitly stating that one of the objectives is"to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether due to error or fraud." Additional disclosure in the auditor's report or accompanying the AFS are not likely to significantly improve the understanding of audit procedures.It may also be perceived as more of a disclaimer of responsibility.It is more important to ensure that the audit report avoid use of highly technical terminology, and instead provide users with easy-to-understand information.Some readers may mistakenly interpret additional disclosures as creating an obligation for the auditor to detect and prevent fraud that is indistinguishable from, or even greater than,the obligation of management and as those charged with governance ("TCWG"). Additional disclosures from entity management (possibly outside the AFS disclosures) regarding their fraud risk assessment,anti-fraud programs and controls may foster an improved understanding of the responsibilities of management to prevent and detect fraud and transparently providing this information publicly will likely increase focus on fraud detection and prevention by management and TCWG.If the auditor identifies fraud or suspected fraud (even non-material), under existing auditing standards, communication to an appropriate level of management,as well TCWG is required, and consideration of reporting to an authority outside the entity.There is currently no requirement to report fraud to all users of AFS.Consideration could also be given to the auditor's ability to report suspicious transactions to regulators/law enforcement agencies.Currently the only mechanisms available is through the reportable irregularity process as established under S45 of the APA.For this a change in standards and legislation would need to be considered and can't be remediated by additional disclosures in the audit report.An audit of AFS is significantly different in scope,focus and timing as compared to a forensic audit,which also requires a person with specialised skill & knowledge.Additional disclosure and focus on the audit effort specifically around fraud and other irregularities could even widen the expectation gap of users. Auditors should not be required to make legal determinations on the effect of non-compliance with laws and regulations or fraud which may increase the litigation risk in instances where in specific circumstances the instance may still be subject to investigation and prosecution by the relevant authorities or the courts of law. Recommendation-It is proposed that the IRBA engage with users of the AFS to validate that the wording in the audit report is fit for purpose. In the case of a KAM that relates to a fraud matter,the more specific the description of audit procedures performed in response to the increased fraud risk and/or identification of fraud,the more helpful it would be to users.It is recommended the IRBA wait for the IAASB project on"Fraud & Going Concern in an audit of financial statements" project to address the expectation gap to be finalised before making any change to the requirements in an audit report in respect of fraud.

14. 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? *

Refer to question 5 in section C of the Consultation Paper.

	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.	○	◉	○	○	○

15. In relation to question 14 above, please provide your reasons and indicate where applicable, what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

As previously mentioned in our letter: "Deloitte South Africa response to the IRBA on the IAASB discussion paper pertaining to fraud and going concern in an audit of the financial statements titled: 'exploring the differences between public perceptions about the role of the auditor and the auditor's responsibility in a financial statement audit'" dated 11 January

2021, additional disclosure in the audit report specifically around audit procedures carried out pertaining to going concern would be useful only where there is material uncertainty or a close call. Consideration should be given to the same level of disclosure that is currently in place, should going concern be considered a KAM (in the absence of a material uncertainty paragraph). The disclosure of the audit procedures when there is material uncertainty could drive more focus and more detailed procedures to be performed by the auditor and provide users more insight into this part of the audit. Users of financial statements of entities with a material uncertainty about the entities ability to continue as a going concern will benefit as the procedures performed to assess the material uncertainty will be transparent. Under the current standards a user would have greater insight into the auditor's effort and procedures to test the going concern assertion, where a material uncertainty does not exist but where a close call situation exists and the audit effort around going concern is disclosed in a KAM. As noted above if a Company or Group is not in a material uncertainty or close call situation, we don't believe the audit procedures as described above would add to further understanding by the users as the procedures could very well become boiler plate language and enhanced disclosures should be more entity specific. Assessing a medium-term viability statement by management relating to going concern would require a change in auditing standards and the regulations which governs Companies. Refer below for recommendations. Recommendations As noted in the Deloitte response letter to the IAASB on going concern in February 2021, accounting standard setters should provide more guidance and revised standards to improve the assessment, evaluation, and disclosure of going concern issues which would assist the auditor in assessing going concern and ultimately the disclosure in an audit report. The going concern of an entity or Group is dependent on the disclosure of management in the financial statements and disclosures of audit procedures should not and cannot provide additional disclosure not already provided by management.

16. 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? *

Refer to question 6 in section C of the Consultation Paper.

	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.	○	◉	○	○

17. In relation to question 16 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The conclusion on the appropriateness of going concern is by implication already made in an unmodified audit report and by way of a disclaimed or adverse opinion if the going concern assumption is doubtful or cannot be made. Adding a specific statement may in substance not add any additional understanding to an audience versed in auditing and accounting standards but could enhance transparency. Should a positive statement be required this will be boiler plate language and provide no further information and could appear that the auditor is now also responsible for the going concern assumption. Drawbacks The responsibility for the preparation of the financial statement as a going concern rests with that of management and the disclosure confirms this. An auditor is required to assess the going concern and only report should the assumption no longer be appropriate or there is a material uncertainty on the company's ability to continue as a going concern. By including a positive statement on going concern there could be a misunderstanding of the responsibility for the going concern assessment and widen the expectation gap.

18. 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? *

Refer to question 7 in section C of the Consultation Paper.

	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.	●	○	○	○

19. In relation to question 18 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

We do believe that procedures specific to the auditor's response to a material uncertainty related to going concern should be disclosed in the auditor's report, consistent with our response to question 5. Users of financial statements with a material uncertainty related to going concern will benefit as the procedures taken to assess the going concern assumption will be transparent. Under the current standards a user would have greater insight into the auditor's effort and procedures to test the going concern assertion, where a material uncertainty does not exist but where a close call situation exists and the audit effort around going concern is disclosed in a KAM. We have provided the same response in our letter: "Deloitte South Africa response to the IRBA on the IAASB discussion paper pertaining to fraud and going concern in an audit of the financial statements titled: 'exploring the differences between public perceptions about the role of the auditor and the auditor's responsibility in a financial statement audit'" dated 11 January 2021 Recommendation Consideration should be given to the same level of disclosure in instances where a material uncertainty related to going concern is identified to that which is currently in place should the going concern be considered a KAM (in the absence of a material uncertainty paragraph and going concern was a close call).

20. 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? *

Refer to question 8 in section C of the Consultation Paper.

	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.	○	○	◉	○	○

21. In relation to question 20 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

If the company is not in a material uncertainty or close call situation, we don't believe a statement that the auditor has not identified a material uncertainty related to events or conditions that may cast doubt on going concern should be provided. The disclosure of such could very well become boiler plate language and is only somewhat useful. As included in question 6 the responsibility for the preparation of the financial statement as a going concern rests with that of management and the disclosure confirms this. An auditor is required to assess the going concern and only report should the assumption no longer be appropriate. By including a statement that a material uncertainty on going concern was not identified in the audit report, it could lead to a misunderstanding of the auditors responsibility for the going concern assessment, which still remains that of management. The conclusion on the appropriateness of going concern is by implication already made in an unmodified report and by way of a disclaimed or adverse opinion if the going concern assumption is doubtful or cannot be made. Adding a specific statement may in substance not add any additional understanding to an audience versed in auditing and accounting standards but could enhance transparency.

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

Refer to question 9 in section C of the Consultation Paper.

	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.	◉	○	○	○

23. In relation to question 22 above, please provide the details and where applicable, the benefits and drawbacks of disclosure of such matters, as well as any suggestions you may have.

Max 4 000 characters.

Disclosing the period over which the going concern assessment post the audit report date (12 months) was made in the audit report may aid in managing the current expectation gap. Many entities do not disclose the period of their going concern assessment. Drawbacks The current disclosure relating to going concern in the audit report is dependent on the disclosure of management's assessment and determination of the appropriateness of the going concern assumption. Auditors should not be providing additional information. Recommendation The period for which the appropriates of the going assumption is made should be included in an audit standard. This may require ISA 570 (Revised) Going concern to be updated in line with ISA 570(UK) which explicitly states the period over which the going concern assumption is being assessed as being 12 months from the date of approval of the financial statements.

24. 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 Key Audit Matters (KAMs)? *

Refer to question 10 in section D of the Consultation Paper.

	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.	◉	○	○	○

25. In relation to question 24 above, please explain your reasons for the answer to this question and where applicable, specify the type of entity for which you believe the auditor's reports should disclose KAMs, as well as any suggestions you may have.

Max 4 000 characters.

Disclosing KAMs for all entities irrespective of who the users are or taking into account the size of the entity would add to the administrative burden of auditors and Those Charged with Governance. We are of the view this should requirement should only be extended to Other PIE's. The auditor should still be able to use their judgements and utilise KAMs in instances where they determine the matter to be important for a user to understand the financial statements and the audit effort involved in addressing the matter irrespective of if the entity is a PIE or not. Recommendation Clearly defining a PIE Although a PIE is defined in the IRBA Code, certain elements of the definition lend themselves to varying interpretations. In particular Par 66 (c), read with paragraph R400.8a, results in individual firms determining whether an entity is a public interest entity or not. As the proposals within the consultation paper could result in enhanced disclosures in the audit report of PIE's, there is a need for either a clear definition of PIE's or more detailed guidance to provide consistency in interpretation. KAMs in a group scenario and for PIE's The duplication of KAMs in a group scenario could be avoided by applying the requirement to disclose KAMs at a group consolidation level only. Guidance in this regard could be based on a similar exemption for preparing consolidated financial statement in instances where a consolidated set of financial statements are prepared elsewhere in the group as per IFRS10 / IAS 27: Consolidated and Separate Financial Statements. Where KAMs relate to both the consolidated and subsidiary audit report, the KAMs would only appear in the group audit report as the subsidiary may apply an exemption. A further consideration may be to mandate KAMs for PIEs where individual audit committees are constituted, as required by the companies act or on a voluntary basis. Therefore KAMs would be reported at the same level at which the audit committee discharge its duties.

26. 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? *

Refer to question 11 in section D of the Consultation Paper.

	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.	◉	○	○	○	○

27. In relation to question 26 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of the outcome of the audit procedures or key observations with respect to KAMs would be very useful. This is an area we as a firm already touch on in our KAMs. Providing conclusions, observations and key audit findings in the areas addressed by the KAM would provide additional transparency into the audit to the users of the financial statements. The disclosure of observations will provide further insight into the audit as currently in certain cases you are able to read between the lines about observations which auditors are trying to convey but which is not currently wide practice to disclose. Recommendation It is recommended that the observations may include audit procedures that lead to corrected and uncorrected misstatements or further disclosures, identification of failed controls in the specific areas as well as positive statements.

28. 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? *

Refer to question 12 in section E of the Consultation Paper.

	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.	◉	○	○	○

29. In relation to question 28 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder and specify for which types of entities should the disclosure of such professional relationships be. Also indicate any suggestions you may have.

Max 4 000 characters.

The disclosure of the professional relationships between the audit firm and clients will be beneficial. Fees in relation to audit, assurance related, and non-audit service should be disclosed. Currently there is the expectation gap of the work performed by an auditor and their perceived independence. The disclosure would provide transparency and it is in the best interest of the public and users the financial statements to allow users to determine their own views on the professional relationships between the firm and its client and the impact on perceived independence. Recommendation Should such disclosure be required, such disclosure will also require a positive confirmation that auditors have complied with all applicable requirements before any relationships are entered into. Drawbacks This could create unnecessary confusion and deepen the expectation gap between what the public perceive as a reasonable professional relationship vs what services an auditor may perform under current independence and ethical rules and standards.

30. If the answer to question 28 is "yes" or "maybe", do you believe this should be disclosed in the auditor’s report? *

Refer to question 13 in section E of the Consultation Paper.

	Yes	Maybe	No	No particular view	Not Applicable

	Yes	Maybe	No	No particular view	Not Applicable
Disclosure of professional relationships in the auditor’s report. Refer to section E.	○	◉	○	○	○

31. In relation to question 30 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder or provide alternative mechanisms for such disclosure.

Max 4 000 characters.

The professional relationships and fees earned from audit, assurance related, and non-audit services could be included in the audit report. Our strong preference is to place the onus on management to disclose the professional relationships and fees paid to the audit firm in either the report of the audit committee or annual financial statements. The audit report could in these instances refer to the disclosures made by management.

32. 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 of the Consultation Paper in relation to fees? *

Refer to question 14 in section E of the Consultation Paper.

	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.	○	◉	○	○

33. In relation to question 32 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder or provide suggestions on other possible mechanisms to achieve such disclosure, including the benefits and the drawbacks.

Max 4 000 characters.

Our strong preference is to place the onus on management to disclose the professional relationships and fees paid to the audit firm in either the report of the audit committee or annual financial statements. The audit report could in these instances refer to the disclosures made by management. The disclosure of the items of fees paid to the network firm will enhance transparency and trust in the auditor as well as highlight any potential perceived independence issues. The fees should be disclosed for assurance (limited and reasonable) engagements and for non- assurance services and disclosed per category. Recommendations For the disclosure of the fees, we suggest including these disclosures as part of managements disclosures in the financial statements or Audit Committee or Board Reports like those required by the previous Companies Act of 1973 and then cross reference in the audit report to where the disclosure can be obtained. Alternatively, we are not opposed to include the fees (disclosed per category) in the audit report. For the audit fee disclosure to aid the user in understanding any independence implications, there possibly could be a disclosure to the effect that the audit fee / all fees amount to less than XX% of the firm's total billings for a defined period. Challenge The interpretation and the determination of the fees disclosed would be inconsistent if rules are not determined and provided. The disclosure of such fees has the following dependencies: • Clear rules should be provided on how the disclosed fees are determined (actual payments vs accruals/budgets, invoiced, the time period covered, overruns etc); and • Clear rules must be set for Group audits and their related fees. (statutory vs group fee, inclusion of network firms and other firm splits). • Clear rules should be provided on other fees that are integral to an audit relationship i.e. agreed upon procedures related to financial information.

34. Do you believe the auditor's report is an appropriate mechanism to disclose whether an entity has been classified as a PIE or not? *

Refer to question 15 in section F of the Consultation Paper.

	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.	○	●	○	○

35. In relation to question 34 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

While transparency is important, we do not believe disclosure will benefit the user who might not fully understand the meaning and impact of a company being classified as a PIE. Concerns exist where the requirement may potentially introduce a level of judgement in the description of the classification as a PIE. Recommendation Deloitte agrees that the IRBA is best placed to define what constitutes a PIE but suggest the IRBA provide a baseline audit report description rather than leaving the description of the classification to firms especially in instances where there may be interpretation linked to the classification for example the "holding of assets in a fiduciary capacity". IRBA is expected to tighten definitions, set size criteria, add new types, or exempt entities.

36. 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? *

Refer to question 16 in section G of the Consultation Paper.

	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.	○	○	●	○

37. In relation to question 36 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of details on restatements and related procedures is not recommended due to the details provided below. The appropriate IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors disclosure in the financial statements should provide the user with sufficient information to understand the nature of the prior period error which resulted in the restatement. ISA 710 Comparative Information—Corresponding Figures and Comparative Financial Statements currently does not require an auditor to disclose anything additional relating to restatements, if the prior year financial statement amounts are restated but only if the restatement is not performed. If its concluded that such matters should in all cases be described in the auditor's report it would require amendments to be made to ISA 710. The current mechanisms such as the use of an emphasis of matter paragraph to highlight the restatement in instances where the understanding of the restatement is fundamental to the users of the financial statements or the use of a KAM if the restatement required extended or significant audit effort enables the auditor to provide sufficient details to the user. We also recommend that we would want to avoid any specific disclosures on audit effort to be a criticism of prior period audit procedures, especially when the restatement relates to financial statements audited by a predecessor auditor. Any such disclosures should include judgement made as to why the prior period error is considered material, taking into account the definition of materiality in terms of IAS 1 Presentation of Financial Statements, and not based on a purely quantitative determination of materiality in terms of ISA 320 Materiality in Planning and Performing an Audit. The disclosure of assessing whether an error is material rests with management.

38. Where such disclosure (refer to question 36) 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? *

Refer to question 17 in section G of the Consultation Paper.

	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.	○	○	○	◉	○

39. In relation to question 38 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

Refer to response above as we are of the view that the disclosure is only required if the restatement results in a KAM.

40. 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 question 18 in section H of the Consultation Paper.

	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.	○	◉	○	○	○

41. In relation to question 40 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

We believe that the threshold of reporting unadjusted misstatements to TCWG (or clearly trivial threshold) would be useful to the users and together with the materiality and performance materiality would enhance the transparency around the audit process. A clear definition of what this threshold is used for and how it is determined should be included in order to avoid confusion as not many users will know the purpose of the threshold and how determined. Any guidance provided should be clear that only the reporting threshold is to be disclosed and not detail of the uncorrected misstatements.

42. 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). *

Refer to question 19 in section I of the Consultation Paper.

	All entities	PIEs only	Listed entities only	Others (Please explain in question 43 below)	Disclosure should not be made at all (Please explain in question 43)
Extending the disclosures of the Audit Scope. Refer to section A.	○	●	○	○	○
Materiality. Refer to section A.	○	●	○	○	○
Performance Materiality. Refer to section A.	○	●	○	○	○
Enhancing the disclosure of the audit effort related to Irregularities, including fraud. Refer to section B.	○	○	○	○	●
Enhancing the disclosure of the audit effort related to Going Concern. Refer to section C.	○	●	○	○	○
Auditor’s report disclosures arising from Prior Year Misstatements. Refer to section G.	○	○	○	●	○

	All entities	PIEs only	Listed entities only	Others (Please explain in question 43 below)	Disclosure should not be made at all (Please explain in question 43)
Disclosure of the reporting threshold unadjusted misstatements. Refer to section H.	○	◉	○	○	○

43. In relation to question 42 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

Enhancing the disclosure of the audit effort related to Irregularities, including fraud. Refer to section B - Disclosure should not be made at all as this is considered premature in light of the IAASB project. Going concern Comments: Only in instances where there is a material uncertainty or close call situation. It is noted that this disclosure would not be relevant to retirement funds that prepare financial statements according to a regulatory framework called the Regulatory Requirements for Retirement Funds ("RRR"). For the two different type of retirement funds this is addressed differently and the risk relating to going concern is different: • Defined contributions fund – the risk is carried by the members in the fund – Investment risk lies with the members. • Defined benefit fund – the risk is determined by the actuary in the valuation report – models are used to form a long-term view. In cases where a fund is in deficit/shortfall, the actuary will recommend to the employers how to make good the deficit. The loss is therefore carried by the participating employers. As noted above – retirement funds audit is based on a regulatory framework and not IFRS and the auditor does not express a view on going concern. Misstatements This is applicable only where a restatement results in a KAM.

44. 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? *

Refer to question 20 in section J of the Consultation Paper.

	Yes	Maybe	No	No particular view

	Yes	Maybe	No	No particular view
More matters that can be disclosed by auditors in the auditor's report.	○	○	○	◉

45. In relation to question 44 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

We have no further proposals to note not already covered in the consultation paper.

46. Should there be prescribed standards or a rule that will mandate additional disclosures in the auditor's report? *

Refer to question 21 in section J of the Consultation Paper.

	Yes	Maybe	No	No particular view
Prescribed standards or a rule that will mandate additional disclosures in the auditor's report.	◉	○	○	○

47. In relation to question 46 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

Prescribed standards and rules will ensure consistency across various engagements and audit firms. No choice should be provided as this will not result in the required outcomes of this project and efforts to enhance the audit report. If not prescribed firms will choose not to select specific areas for example disclosure of fees, creating inconsistency between firms and various audit reports. The guidance provided should include clear definitions and format of disclosures required for example the audit fees as detailed in our response to question 14.

48. 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? *

Refer to question 22 in section J of the Consultation Paper.

	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.	◉	○	○	○

49. In relation to question 48 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder and explain what the elements of such a framework would be. Also provide any suggestions you may have.

Max 4 000 characters.

Prescribed standards and rules will ensure consistency across various engagements and audit firms.