

Template for Respondents

Respondent Information

Respondent type <i>Please select the capacity in which you are responding.</i>	Institute of Internal Auditors South Africa
Organisation Name	<i>Institute of Internal Auditors SA .</i>
Full Name	Charles Nel
Job Title	
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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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u><i>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.</i></u>					
<p>IT would be useful for the stakeholder to obtain an idea of the universe of the audited organisation to which the auditor has applied and the governance structures which have been assessed in determining the scope. This would provide the user of the audited results the opportunity to apply their mind to risk which they may deem important, but which have not been assessed due to the audit scope.</p> <p>This may increase the cost of the audit and make it less palatable for the audit client.</p>					

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?
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	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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><u>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.</u></p> <p>It would be useful for the stakeholder to obtain an idea of the materiality applied to the audited organisation(group) and the impact this could have on the ability to reflect on risk of underlying investment vehicles of the organisation such as subsidiaries. This would provide the user of the audited results the opportunity to apply their mind to risk which they may deem important, but which have not been assessed due to the audit materiality limits. The additional disclosures on the materiality determination and thresholds could improve trust in the auditor's report due to improved transparency in the materiality thresholds applied and through an explanation of significant judgements made by the auditor in determining the materiality threshold.</p>					

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><u>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.</u></p> <p>This would provide an indication to stakeholder of the perceived state of governance within the organisation(group) by the auditor when compared to the materiality levels set by the auditor. This would also aid the users of the financial statements to get an understanding of how the auditor has applied their mind to the accumulated risk of misstatement and draw their own conclusions on the assessment. To achieve the desired impact with reference to overall materiality threshold disclosures as per question 2 above, disclosure regarding the performance materiality will be important and meaningful in context of the "big picture".</p>					

With reference to potential negative impacts, the additional information can contribute to financial reports becoming cumbersome and lengthy for stakeholders to read. Additional information should be available to stakeholders who want to access the information, but should not necessarily be included by default in the main financial report (click through links, QR codes, etc. – to access additional information should).

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 type="checkbox"/>	<input type="checkbox"/>

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.

Whilst it is impossible to expect the auditor to detect fraud, the underlying control environment and governance structures and the organisational performance/compliance to the governance structures it has established are an indication of fraud risk. The auditor’s considerations and conclusions in this regard would aid stakeholders to better understand the underlying organisational culture. The stakeholder would need to read the auditor’s report with insight and utilise/assess the integrated report of the organisation, media reports etc. in investment and other decision making activities.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

It is key to any audit disclosure that the conclusion includes the basis on which the auditor made their conclusion and a referral to the governance applied by the directors in their conclusion that organisation has a positive going concern statement in the financial statements. This would provide the stakeholder with a clearer picture of the how the conclusions were made and the opportunity to consider whether there are other issues they need to consider in their unique stakeholder space.

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 checked="" type="checkbox"/>	<input type="checkbox"/>

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.

It remains management's responsibility to make the going concern statement realise. The auditor could only provide an opinion on whether there is anything material, which they have

discovered in the audit, which could prevent the organisation from being a going concern. Due the increasing rate of change worldwide, the auditor could only provide an opinion at the point in time of the audit as to the going concern statement.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

This would provide stakeholders with an opportunity to assess what the change to their risk profile is related to the organisation. However, the uncertainty of a going concern is an opportunity for organisation management/leadership to respond with actions/plan which will counter the going concern issue raised by the auditor before release of the report. Transparency would be in line with the King code in South Africa

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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

period of at least 12 months from when the financial statements are authorised for issue. Refer to section C					
<p><u>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.</u></p> <p>The auditor cannot see into the future so the report can only conclude that at a point in time that no 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.</p>					

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"/>	<input checked="" type="checkbox"/>
<p><u>Please provide the details and where applicable, the benefits and drawbacks of disclosure of such matters, as well as any suggestions you may have.</u></p>				

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><u>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.</u></p> <p>Useful for group companies and subsidiaries, Public Interest Entities to ensure that group directors have a rounded view of the full spectrum of their organisations.</p>				

Not useful for privately owned entities.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

The stakeholder acquires a clear understanding of how the assessments were made by the auditors. This provides the stakeholder with the opportunity to expand and/or consider other related matters or matters the stakeholder believes was not addressed which may influence their decision making.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

This should be a standard disclosure for any listed company, large private company and PIE.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i><u>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.</u></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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i><u>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.</u></i>				
This speaks to transparency of the relationship and potential/perceived power base of the organisation to influence the auditor's opinion and reporting.				

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

This should be an organisation responsibility and should be available at any time to all stakeholders and interested parties. It should, at a minimum be contained in the integrated report of the organisation.

If not, please provide reasons and suggestions on other appropriate mechanisms:

Should be on organisation website and integrated report.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

The key benefit is that assessments done by stakeholders may change as a result of the disclosures in the current year.

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?

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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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

The key benefit is that stakeholders would gain an understanding of the reasons surrounding the failure to identify a material misstatement.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

Although not deemed significant and a number of such misstatements would provide an indication of deeper underlying control issues within the organisation. It would however be a rare occurrence and should never happen.

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"/>				
<u>Comments:</u>					
Materiality <i>Refer to section A</i>	<input checked="" type="checkbox"/>				
<u>Comments:</u>					
Performance materiality <i>Refer to section A</i>	<input checked="" type="checkbox"/>				
<u>Comments:</u>					
Enhancing the disclosure of the audit effort related to irregularities, including fraud <i>Refer to section B</i>		<input checked="" type="checkbox"/>			
<u>Comments:</u>					
Enhancing the disclosure of the audit effort related to going concern <i>Refer to section C</i>	<input checked="" type="checkbox"/>				
<u>Comments:</u>					

Auditor's report disclosures arising from prior year misstatements <i>Refer to section G</i>	<u>Comments:</u>				
Disclosure of the reporting threshold unadjusted misstatements <i>Refer to section H</i>	<input checked="" type="checkbox"/>				
<u>Comments:</u>					
<u>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.</u>					

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>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.</i>				
<p>It is recommended that disclosures by external auditors for an audit of financial statements include reference to the combined assurance framework and the extent of reliance placed on other assurance providers (i.e. internal audit, specialists/experts, etc.).</p> <p>This is of critical importance and will become more prominent with increased requirements/complexity regarding corporate reporting going forward (consider the impact of sustainability reporting, climate related financial disclosures and the establishment of the International Sustainability Standards Board (ISSB) by the IFRS in the near future.</p> <p>We believe that providing for such additional disclosures now will be prudent and proactive by IRBA.</p>				

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>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.</i>				
No comment				

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"/>	<input checked="" type="checkbox"/>
<p><u>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.</u></p>				