

## Template for Respondents

### Respondent Information

<b>Respondent type</b> <i>Please select the capacity in which you are responding.</i>	Regulator
<b>Organisation Name</b> <i>If you answered "Individual", please write "Private".</i>	IRBA Investigations Department
<b>Full Name</b>	
<b>Job Title</b>	
<b>Email Address</b>	

### 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?					
	<b>Very useful</b>	<b>Useful</b>	<b>Somewhat useful</b>	<b>Not useful</b>	<b>No particular view</b>
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 style="color: red;">Disclosure about the scope of the audit <b>in a group setup</b> would be useful to various external parties (i.e. investors, regulators, etc.). Lately, there have been a lot of audit failures where complex group situations exist.</p> <p style="color: red;">The inclusion of disclosures regarding the scope of the audit will not add additional work for the auditor as the information will be available from the normal planning and completion procedures which need to be performed.</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>We propose including only the final materiality figure in the audit report and not an explanation of significant judgements made.</p> <p>Users of financial statements should be entitled to know what the auditors considered material and it will also increase transparency if they are aware that there might be misstatements in the financial statements up to a certain amount. When there is negative publicity in the media, this will also assist in understanding the role of the auditor, i.e. unidentified misstatement of R10 million is insignificant when materiality is R500 million, however, there is an audit failure if materiality was set at R1 million.</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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 should <u>not</u> be included in the audit report as it will not provide the user of the financial statements with relevant information to make decisions. This will clutter the audit report unnecessarily with a concept which will not be understood by a lot of users of financial statements.</p>					

### 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 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 any suggestions you may have.

Users will always be interested in whether the audit procedures could detect irregularities including fraud. However, this will not entirely address the needs of the users especially those who are of the view that the auditors should perform audit procedures to detect all material misstatements due to fraud. Furthermore, the nature and extent of the disclosures might be restricted by legalities resulting in the users not getting the full benefit.

Another drawback is that these additional disclosures might be treated as a tick-box exercise and boilerplate paragraphs whereby the auditor will only disclose the minimum procedures as required by the standards.

We shouldn't assume that the users understand the responsibilities of all parties involved (Management and Auditors), and therefore should consider enhancing the paragraph setting out the auditor's responsibilities.

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

concern and, where relevant, key observations. Refer to section C					
<p><u>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.</u></p> <p>Enhanced transparency and understanding of the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern taking into account the recent adverse events i.e. COVID pandemic as well as losses and damages suffered from the social unrest will be somewhat useful.</p> <p>Drawback is that these additional disclosures might be treated as a tick-box exercise and boilerplate paragraphs whereby the auditor will only disclose the minimum procedures as required by the standards.</p> <p>This might also result in duplicate reporting in instances where going concern is also included under KAMs.</p>					

**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?				
	<b>Yes</b>	<b>Maybe</b>	<b>No</b>	<b>No particular view</b>
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"/>
<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>No we do not believe that there should be an additional disclosure about the conclusion on management's use of the going concern. It would already have been taken into account by the auditor in determining the relevant audit opinion to be expressed.</p>				

**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?
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	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"/>
<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>No, currently there is sufficient disclosure required by the standards where there is uncertainty relating to going concern.</p>				

### 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"/>
<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>No, do not believe it is useful. This is implied and there is already a director's statement to this effect.</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 checked="" type="checkbox"/>	<input type="checkbox"/>

Please provide the details and where applicable, the benefits and drawbacks of disclosure of such matters, as well as any suggestions you may have.

No other matters

**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"/>

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.

We would propose that KAMS should be disclosed for **all** public interest entities, per the IRBA Revised Code definition.

This is to enhance auditor reporting, improve audit quality and improve investor confidence.

The investors trust and confidence are not only in the listed entities but in all public interest entities and therefore an important consideration to include KAMs for all public interest entities.

Investors will be particularly interested in the impact of COVID-19, which will impact a number of key areas of the audit and investors have a right to a better understanding of how the audit was conducted and complexities that arose, by disclosing information that previously was only available to those charged with governance at the entity.

### 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?					
	<b>Very useful</b>	<b>Useful</b>	<b>Somewhat useful</b>	<b>Not useful</b>	<b>No particular view</b>
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"/>
<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>Descriptions of the outcome of the audit procedures will most definitely be useful in understanding the KAM.</p> <p>Par A46 of ISA 701 states that the amount of detail to be provided in the auditor's report to describe how a KAM was addressed is a matter of professional judgment, and then provides a "may" describe and provides examples of the "may". The "may" amongst others include a brief overview of the procedures performed, indication of the outcome of the auditor's procedures and key observations with respect to the matter.</p> <p>These "may describe" disclosures will most definitely assist the reader of the AFS in better understanding the KAM and the outcome thereof and should rather be "<b>shall disclosures</b>".</p>					

### 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 <b>not</b> PIEs?				
	<b>Yes</b>	<b>Maybe</b>	<b>No</b>	<b>No particular view</b>
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"/>
<u><i>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</i></u>				

should the disclosure of such professional relationships be. Also indicate any suggestions you may have.

For transparency it is necessary that the disclosure required for PIEs are also applicable for non – PIEs as the stakeholders may also be interested in knowing whether the auditor has any conflict of interest and is truly independent.

### 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"/>

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.

Similar to the requirements for PIEs we suggest that if it is not disclosed in the financials, then the auditor should disclose it in the audit report.

### 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"/>

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.

Similar to the requirements for PIEs we suggest that if it is not disclosed in the financials, then the auditor should disclose it in the audit report.

### 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 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.*

The IRBA Rules requires additional disclosures for PIE's, such as the audit tenure. Therefore, we are of the opinion that no additional disclosure of PIEs is required.

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

None

**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.*

It will be useful to understand whether the auditor believes that the previously expressed opinion is still correct and the substantive reasons for coming to that conclusion.

Disclosure of the circumstances that led to the misstatement and the reason why it was not identified in the prior year would also be useful information especially for regulators and investors.

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?

Yes, for the same reasons provided above.

**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"/>

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.

Regulators and investors would be more interested in understanding the reasons for the prior year misstatements and why they were not identified in the prior year. Descriptions of audit procedures performed in the current year will not be useful in achieving the desired information.

**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
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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><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>Disclosure of the threshold of unadjusted differences would not be useful in enhancing transparency by auditors as the disclosure would not include the qualitative factors that were considered by the auditor in the evaluation of misstatements.</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)
<b>Extending the disclosures of the audit scope</b> <i>Refer to section A</i>		X			
	<u>Comments:</u> PIEs as per the definition in the IRBA Revised Code.				
<b>Materiality</b> <i>Refer to section A</i>	X				
	<u>Comments:</u> All the users would be interested in knowing what level of materiality the auditors are using.				
<b>Performance materiality</b> <i>Refer to section A</i>					X
	<u>Comments:</u> This should not be included in the audit report as it will not provide the user of the financial statements with relevant information to make decisions				

<p><b>Enhancing the disclosure of the audit effort related to irregularities, including fraud</b></p> <p><i>Refer to section B</i></p>	X				
<p><u>Comments:</u></p> <p>Users for all type of entities will always be interested in whether the audit procedures could detect irregularities including fraud.</p>					
<p><b>Enhancing the disclosure of the audit effort related to going concern</b></p> <p><i>Refer to section C</i></p>		X (5)			X (6 - 9)
<p><u>Comments:</u></p> <p><u>Question 5</u></p> <p>Users of the AFS for PIEs will be interested in the auditor's evaluation of management's assessment of the going concern basis.</p> <p><u>Question 6 - 9</u></p> <p>We do not advocate for additional disclosures</p>					
<p><b>Auditor's report disclosures arising from prior year misstatements</b></p> <p><i>Refer to section G</i></p>	X				
<p><u>Comments:</u></p> <p>Some of the private entities might be using the financial statements to obtain funding or have debt covenants that are affected by the prior period misstatements. The lenders might want to understand why the auditor considers the opinion expressed in the prior year is still appropriate.</p>					
<p><b>Disclosure of the reporting threshold unadjusted misstatements</b></p> <p><i>Refer to section H</i></p>					X
<p><u>Comments:</u></p> <p>Disclosure of the threshold of unadjusted differences in addition to overall materiality will confuse the users.</p>					
<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>Please see comments provided above</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"/>

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.

Signing of audit report by engagement partner and EQR partner.

### 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 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.

If there is no prescribed standard or rule it is unlikely for the auditors to voluntarily disclose the information.

### 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"/>

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.

No – longer reports are not necessarily better. A better audit and more sceptical mindset is urgently required.