

Template for Respondents

Respondent Information

Respondent type <i>Please select the capacity in which you are responding.</i>	Firm
Organisation Name <i>If you answered "Individual", please write "Private".</i>	Moore SA
Full Name	Sindy Pretorius
Job Title	National Technical Director
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Question 1

Do you believe that additional disclosures in the auditor's report about the scope of the audit would be useful in enhancing the understanding of the audit that was performed?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Scope of the audit. Refer to section A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<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>					
General					
We generally disagree that this would be useful or that the benefit would outweigh the information overwhelm and technical jargon. There is also a risk that the information reported will become boilerplate due to the technical nature of an audit.					
There is a further risk that this could create threats to the fundamental principles as the professional judgement of the auditors can be influenced or challenged by users that does not fully understand the ISAs and IRBA CPC.					
Significant time will have to be spent on reporting and thus there will be significant cost implications for auditors. Given the pressure auditors are already on relating to fees and scope, this will place even more strain on resources and on audit quality.					
Too much information in the auditor's report risks overwhelm of users who don't understand the technical terms of auditing. In most cases the users aren't interested in this information. We submit that in terms of it being useful, this is likely to be limited to PIEs, not smaller entities and not entities who's AFS users are not public.					
Approach to internal control:					

The approach to internal controls may possibly be useful, but there is a risk of users interpreting the conclusion on internal control testing as a conclusion/limited scope opinion on the reliability of internal controls, which is not what we are providing.

Group audits:

We do submit that information about how the group audit in terms of ISA 600 has been approached could be useful. Users could find it useful to know what was considered in determining whether a component is a significant component or not, what procedures was performed on which components, etc. This should however be mandated for PIE audits only and optional for non-PIE entities.

Question 2

Do you believe that disclosing the materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit in the auditor's report, would be useful in enhancing the understanding of the audit that was performed?

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit. Refer to section A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input 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.

We submit that while it may be somewhat useful to include commentary about the concept of materiality and the fact that both qualitative and quantitative factors are considered in determining whether a misstatement is material, individually or in aggregate, it is not useful to include the actual materiality thresholds used during the audit.

With materiality, performance materiality, specific materiality for certain items, clearly trivial thresholds etc. there are too many levels and concepts and could lead to an information overwhelm.

The disclosure of the materiality thresholds will also again open the auditors up to risk or challenge, threatening the auditor's professional judgement.

Even looking at UK ISA700 which requires more information in the audit report, the actual amounts applied is not required.

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>Please see comments under question 2</p> <p>In addition, we submit that performance materiality is a difficult concept for individuals with an auditing background, al the more so for users with no auditing background.</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 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 any suggestions you may have.</u></p> <p>We generally agree that inclusions in the auditor's report addressing the expectation gap with users by providing better context relating to the scope of the audit and the auditor's responsibilities toward fraud and irregularities, will be useful. However, this should be a standard inclusion in the wording of the auditor's report and not something the auditor must draft for each engagement.</p> <p>There is also a risk relating to possible or actual NOCLAR/fraud disclosures in the audit report and the confidentiality principle.</p> <p>Information about irregularities or non-compliance with laws and regulations are already disclosed in the Report on Other Legal and Regulatory Requirements.</p>					

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.

We agree with this in principle in the following situations:

- There is a material uncertainty; or
- There are going concern risks but the auditor comes to the conclusion that there is no material uncertainty; or
- The entity is not a going concern.

Should this also be required where there is no going concern risks or material uncertainties, conforming amendments to ISA570 should be made, detailing more specific procedures relating to going concern, where management has performed an assessment, it appears reasonable, there are no identified indicators, and therefore the auditor accepts this and doesn't do more work.

We however question why this is necessary and why there is a specific focus on going concern now. Is this a focus area because of the pandemic and the effects? Or is this a long-term focus area? We would recommend changes to reporting only when it is a long-term benefit.

It should also be considered what is the responsibility of management and what is the responsibility of the auditor. Disclosure of the key judgements made by management in assessing the entity's ability to continue as a going concern is the responsibility of management and not of the auditor.

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"/>
<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>The going concern principle is a fundamental accounting principle. In terms of the accounting standards, preparers of financial statements can assume that the users have a basic understanding of the accounting standard and therefor also the fundamental principles.</p> <p>Thus, if an unmodified opinion is expressed on the financial statements prepared on the basis of the accounting standards, the auditor also concludes on the use of the going concern principle by management. Where there are material uncertainties, the auditor is already required to report specifically on it in terms of ISA570 and where the going concern principle is not applicable, the auditor should consider the effect thereof on the audit opinion. In our view, an additional conclusion on going concern specifically is not required.</p> <p>Again, we question why there is a focus on going concern now, is it due to the pandemic, or a long-term need.</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?				
	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 checked="" type="checkbox"/>	<input type="checkbox"/>
<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>This could possibly be useful in the short-term as a response to the pandemic, however, we do not feel that this should be included in the long term.</p> <p>If this is to be included, it should be consistent with what another auditor would have done. Conforming amendments to ISA570 will thus be required should this be a requirement.</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 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.

In the auditor's responsibility for the audit of the financial statements section of the audit report, it is documented that the auditor is responsible to perform procedures on going concern and to report on any material uncertainties in the audit report, should any be identified. If nothing is reported on it, then the users should understand that no material uncertainties were identified.

We do not feel that an additional statement to this affect will make the audit report more useful.

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 to be disclosed in our opinion.

Question 10

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

	Other PIEs	All Entities	No	No particular view
KAMs in auditor's reports other than on listed entities and where law or regulation requires the application of ISA 701. Refer to section D	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><u><i>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.</i></u></p> <p>The current requirement for KAMs to be disclosed in the audit report of listed entities or where required by law or regulation is sufficient.</p> <p>Where a regulatory body or other group of users would find it useful, regulations requiring the disclosure thereof should be issued.</p> <p>In the audits of private companies, in a lot of cases, the users of the financial statements are the owner-managers, who will be aware of all the key audit matters through their involvement in the audit. Reporting on it in the audit report will therefor not add any benefit to them.</p>				

Question 11

In your view, are descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters useful in understanding the KAM?					
	Very useful	Useful	Somewhat useful	Not useful	No particular view
Descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters. Refer to section D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p><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> <p>If the disclosure of KAMs in its current state is done well, this wouldn't be required and perhaps the enhancement here should come from improving the quality of the current disclosures and further guidance, rather than further requirements for more disclosure.</p> <p>Some of the terms used in the consultation paper are vague, for example "key observations". What would qualify as a key observation?</p> <p>In respect to the disclosure of key observations it is our opinion that if the notes in the financial statements relating to the KAMs adequately enable the user to make the same observations it should be sufficient. The users' attention could rather just be directed to the disclosures in the financial statements. Usefulness is a fundamental IFRS principle and therefor where additional key observations must be disclosed in the KAM in order to achieve more useful information the financial</p>					

statements are not understandable and therefore not fairly presented. Thus, the auditor will have to consider modifying the audit opinion in this regard.

Question 12

Do you believe it is beneficial to stakeholders to have visibility of the professional relationships between an audit firm and the audit client for audits of entities that are **not** PIEs?

	Yes	Maybe	No	No particular view
Visibility of the professional relationships between an audit firm and the audit client for audits of entities that are not PIEs. Refer to section E.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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.

We question the benefit this would pose to stakeholders. By properly applying the IRBA CPC, the professional relationship with an audit client should not affect the audit in any way and thus it will not provide the users of the audit report with a better understanding of the audit.

There are regulations which cover the professional relationship between audit firms and audit clients, in terms of when you may and may not perform audit services. In the audit report we state compliance with ISAs, the IRBA Code and laws and regulations.

Is this disclosure being suggested because there is a problem with people not abiding by these laws and regulations, or is there some benefit perceived for independence or transparency.

There is a danger in that IRBA is expecting the users to understand and interpret the Code and be able to apply the same level of understanding and interpretation to when non-assurance services do and do not compromise independence. In our opinion the public will not be able to make that interpretation clearly.

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"/>	<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.

N/A – answered no to previous question

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 checked="" 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.

Including the audit fees into audit reports will place auditors under undue pressure to compete with other auditors. Users will compare the audit fees charged with that of other entities they perceive to be of a similar nature and complexity, without fully understanding the make-up of the fees charged on the audit. Including audit fees in the audit report will also enable low-balling by other audit firms.

This could lead to intimidation threats posed by clients. Fees should not be influenced by anything other than the resources taken to perform an audit in compliance with ISQC 1 (or ISQM standards) and the ISAs, and we fear including this disclosure in the audit report will also lead to users unduly influencing audit fees.

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 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.

We agree that should this disclosure be required, that the audit report is an appropriate mechanism.

We do however question the usefulness of this information to the users. How will the classification as a PIE or not influence their understanding of the audit report or the financial statements as a whole.

A PIE is defined in the IESBA Code and IRBA CPC, thus only those with an accounting or auditing background will be able to interpret what it means if the entity is a PIE or not. In our view this could create confusion with the users between a PIE, Public Company, and Public Interest Score (in terms of the Companies Act), without adding any real benefit to the users.

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

N/A

Question 16

Do you believe that when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the matter should in all cases be described in the auditor's report?

	Yes	Maybe	No	No particular view
Description in the auditor's report when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements. Refer to section G	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

We agree that there is a gap in the ISAs in this regard. There are no specific requirements for addressing a situation where a misstatement has been identified in the prior year financial statements and it has not been retracted. Thus, in our opinion it may provide useful information to the users in such circumstances.

We do however feel that there are situations where the disclosure may be warranted and others where it is not warranted. Where the misstatement would have or will affect the users of the financial statements, it should be addressed in the audit report on the current year's financial statements. However, where the prior period error or restatement is unlikely to affect the users, no disclosure should be required.

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?

No, in our opinion the detailed audit procedures performed should not be included in the disclosures. Further, we refer back to our response on question 11 with regards to key observations.

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 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.

Including such disclosure may cause more questions with the users than answers. There may be instances where the materiality significantly decreased and an unadjusted error that was regarded as not material in the prior year, is now regarded as material, therefor requiring adjustment. This could lead to a perception that audit reports are not credible.

Question 18

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

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Do you believe the disclosure of the threshold of unadjusted misstatements in the auditor’s report would be useful in further enhancing transparency by auditors? Refer to section H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input 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.

As discussed in response to the questions on Section A of the Consultation Paper, audit is very complex. The concept of uncorrected misstatements and the fact that it is not considered qualitatively or quantitatively material may not be fully understood by the users and in order for it to be useful, the users should understand it. This disclosure will cause more questions and less credibility of audit reports issued.

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>				✓	
<u>Comments:</u> In our opinion, the only situation where it would be useful to include information about the scope of an audit is with regards to ISA 600 audits of PIEs. See our response to question 1 in this regard.					
Materiality <i>Refer to section A</i>					✓
<u>Comments:</u> Please see our response to question 2 in this regard.					
Performance materiality <i>Refer to section A</i>					✓
<u>Comments:</u> Please see our response to question 3 in this regard.					
Enhancing the disclosure of the audit effort related to irregularities, including fraud <i>Refer to section B</i>					✓
<u>Comments:</u> Please see our response to question 4 in this regard.					
Enhancing the disclosure of the audit effort related to going concern	✓				
<u>Comments:</u>					

<i>Refer to section C</i>	Please see our responses to questions 5 to 8 in this regard. In our opinion additional disclosure should only be required where there is a material uncertainty, indicators of going concern risk or where the entity is not a going concern. However, this disclosure should be applicable to all entities.				
Auditor's report disclosures arising from prior year misstatements <i>Refer to section G</i>	✓				
	<u>Comments:</u> Please see our response to question 16 in this regard. The situations warranting disclosure could affect any entity and would be equally useful to all users.				
Disclosure of the reporting threshold unadjusted misstatements <i>Refer to section H</i>					✓
	<u>Comments:</u> Please see our response to question 18 in this regard.				
<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> No further comments in this regard.					

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 checked="" type="checkbox"/>	<input type="checkbox"/>
<u>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.</u> No further disclosures deemed to be useful by us.				

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"/>
<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>In order to facilitate consistency in reporting by auditors, prescribed standards should be issued should it be decided that some or all of the disclosures be mandated. Our opinion is that SAAPS 3 should be updated to include the required disclosures. Without illustrative examples of the necessary disclosures deficiencies in audit reporting will increase significantly during regulatory inspections.</p> <p>However, there is a risk that the disclosures will become boilerplate.</p>				

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"/>	✓
<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>				