

Respondent



20

Anonymous



**22:54**  
Time to complete



### 1. Select Respondent Type \*

*Please select the capacity in which you are responding.*

Professional Body



### 2. Organisation Name \*

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

Audit and Assurance Division of The South African Institute of Chartered Accountants  
(SAICA)

### 3. Full Name of Respondent \*

Thandokuhle Myoli

### 4. Job Title \*

Project Director: Assurance

### 5. Email Address \*

thandokuhlem@saica.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.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

We believe that disclosures about the scope of the audit could be somewhat useful to users of the auditor's report in the audits of entities where the users of the auditor's report would, without this information, not have insight into how the auditor approached the audit. Such information also provides context for the key audit matters (KAMs) identified by the auditor. We do however have reservations about providing such disclosures in the auditor's report:

- The IAASB's Auditor Reporting Implementation Working Group (ARIWG)'s recommendation, based on their post implementation review (PIR) of the new and revised Auditor Reporting Standards is that a standard-setting response on this topic is not required at this stage and that more time is necessary for practice to evolve.
- We question whether there is demand for the disclosure of this information in South Africa. The IAASB's Auditor Reporting Implementation Working Group's has been conducting a Post Implementation Review (PIR) of the new and revised Auditor Reporting Standards since 2019. The IAASB will discuss the PIR Recommendations at the September 2021 IAASB meeting, (Agenda item 5). The summary of stakeholder feedback and key findings on materiality and the scope of the audit was:
- "Mixed views among different stakeholder constituencies o Investors, regulators, preparers and TCWG found it useful or very useful as it may further enhance their understanding of the audit that was performed. o NSS, PAOs and auditors questioned the demand for, value of and additional challenges and consequences related to such further disclosures, noting that there had been limited or no demand in their jurisdictions for inclusion of such information when not otherwise required." The ARIWG based its analysis on academic research and other literature, jurisdictional developments and the fact that these matters were extensively debated by the IAASB at the time the Auditor Reporting Standards were developed. The ARIWG also note that enhanced transparency and consistency and comparability in auditor reporting globally is in the public interest. As indicated in the consultation paper, one firm in South Africa has voluntarily disclosed information about the group audit scope of the audit in their auditor's reports on listed entities. Our research indicated that this information has been included in some of that firm's auditor's reports since 2016 . It would appear that market forces (i.e. demand from users of the audit report) have not moved other firms to do the same. We are however

interested in the responses from investors, other users of the auditor's report and regulators on this topic. The information gathered by the IRBA Consultation Paper could provide very useful input to the IAASB ARIWG. Our recommendation is that the IRBA should continue to provide input to the IAASB ARIWG to influence the future work plan in this regard. We draw the IRBA task group's attention to the fact that in the territories where the auditor is required to include information about materiality and the scoping of the group audit (UK and the Netherlands), these requirements apply to the audits of entities where the auditor is required to report KAMs (i.e. the scoping and materiality disclosure requirements in these territories do not apply to the audits of all entities). Drawbacks of disclosing this information in the auditor's report:

- Cost implications for the auditor: In order for the information to be useful to users, it would have to be tailored to each specific audit. This would require time investment from senior members on the audit team to draft and review the disclosures. Involvement from support functions within a firm may also be required.
- An increase in the length of the auditor's report which may discourage users thereof from reading it. Caution should be exercised to ensure that the overall length of the auditor's report is still manageable and capable of being digested by the reader.

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.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

We believe that disclosures about the auditor's determination of materiality could be somewhat useful to users of the auditor's report in the audits of entities where the users of the financial statements would, without this information, not have insight into how the auditor approached the audit. Such information also provides context for the key audit

matters (KAMs) identified by the auditor. We do however have reservations about providing such disclosures in the auditor's report: • Consideration should be given to whether the preparer of the financial statements should also be encouraged to disclose its determination of materiality. • The IAASB's Auditor Reporting Implementation Working Group (ARIWG)'s recommendation, based on their post implementation review (PIR) of the new and revised Auditor Reporting Standards is that a standard-setting response on this topic is not required at this stage and that more time is necessary for practice to evolve. • We question whether there is demand for the disclosure of this information in South Africa. In terms of IFRS, for example, the preparer of the financial statements is required to make an assessment of materiality for the purpose of the preparation of the financial statements. The preparer of the financial statements' assessment of materiality determines the presentation and disclosure of information in the financial statements. It is not an IFRS requirement for the preparer of the financial statements to disclose information about their determination of materiality in the financial statements. To mandate the disclosure of the auditor's determination of materiality, without also mandating the disclosure of the preparer's determination of materiality, may create an imbalance of responsibility of the preparer of the financial statements and the auditor. We recommend that the IRBA should consider working with the appropriate accounting standard-setters in South Africa to address the disclosure of materiality from both the auditor's and the preparer's perspectives, in the financial statements and in the auditor's report respectively. Refer to our response to Question 1 with regard to the: • Comments made by the ARIWG based on their PIR review; • The possible lack of demand for this disclosure in South Africa; • The IRBA continuing with providing feedback into the IAASB's future work plan; and • Drawbacks of providing such disclosure in the auditor's report.

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.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

While we believe that the concept of overall materiality is understood reasonably well in the market, we do not believe the same holds true for performance materiality. We caution

against disclosing performance materiality in the auditor's report as part of a "first round" of possible changes to the auditor's report in South Africa. When the disclosure of materiality in auditor's reports was introduced in ISA (UK and Ireland) 700 in 2014, it did not extend to performance materiality. The disclosure of performance materiality was introduced in the UK Standards as part of a revision to ISA (UK) 701 in 2019. If the IRBA should proceed with mandating the inclusion of audit scope and materiality in the auditor's reports in South Africa, we recommend that the concept of performance materiality should first be socialised in the market and should only be considered for inclusion in a subsequent round of changes to the auditor's report. Drawbacks of disclosing this information in the auditor's report – Refer to our comments on question 1.

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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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.*

The consultation paper is not proposing a change to the work effort relating to the detection of irregularities, including fraud, but is exploring views on disclosing an explanation of the extent to which the audit was considered capable of detecting irregularities, including fraud. We have reservations about providing such disclosures in the auditor's report prior to the conclusion of the IAASB's project on Fraud:

- Users of financial statements' needs may not be met by providing such disclosures
- Additional requirements, including disclosures as suggested in the consultation paper, should not be imposed on the auditor before enhanced disclosure requirements are made of the preparers of the financial statements.

Our perception is that users of financial statements are expecting the auditor to do more work and accept more responsibility regarding the detection of irregularities, including fraud. We are therefore concerned that by including the suggested disclosure in

the auditor's report at this time, without a change to the required work effort of the auditor, this might widen the expectation gap, rather than narrowing it. We therefore question whether the proposed disclosure would address the needs of users of the financial statements. As set out in the SAICA comment letter on the IAASB's Discussion Paper: Fraud and going concern in an audit of financial statements [SAICA Comment on Fraud and Going Concern Discussion Paper] "The responsibility for identifying, detecting and preventing fraud sits primarily with management and not necessarily with the auditor. Internal controls over the financial reporting process are not, in themselves, designed to address fraud risks. Management have a responsibility to assess fraud risks and to design appropriate responses and controls to mitigate fraud risks. There is room for enhancements to be made in the financial reporting frameworks to create more transparency on the procedures performed by management in relation to fraud and how they have responded to the fraud risk factors that they have identified.... Therefore, SAICA's view is that the starting point for any enhanced requirements with regard to fraud should first be on the preparers before imposing additional requirements on the auditor." Our view applies similarly to the detection of irregularities. As noted in the consultation paper, the IAASB currently has a Working Group on Fraud, which project is considering possible audit reporting implications. We note the PIR recommendation #8 (see Agenda item 5 in the September 2021 IAASB meeting pack) to "provide support and input to the following IAASB working groups as they progress their work and explore further actions related to going concern matters, the consideration of fraud in an audit of financial statements and implications for the IAASB standards arising from the IESBA project on the definitions of listed entity and PIE, respectively: • Going concern working groups • Fraud Working Group • PIE Working Group" The information gathered by the IRBA Consultation Paper could provide very useful input to the IAASB Fraud Working Group. Our recommendation is that the IRBA should continue to provide input to the IAASB Fraud Working Group to influence the revision of the ISAs, rather than advancing with proposals for disclosure in the auditor's report in South Africa regarding irregularities, including fraud, prior to the conclusion of the IAASB's project. Drawbacks of disclosing this information in the auditor's report: • A possible widening of the expectation gap regarding the work done by the auditor regarding the detection of irregularities, including fraud. • Cost implications for the auditor. : • An increase in the length of the auditor's report which may discourage users thereof from reading it.

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.*

		Somewhat		No particular
Very useful	Useful	useful	Not useful	view

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

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.*

We believe that the information would be somewhat useful, but have reservations about including such disclosures in the audit report prior to the conclusion of the IAASB's project on going concern:

- Challenges regarding the application of extant ISA 570
- Maintaining a balance between the responsibilities of the preparer of the financial statements and the auditor of the financial statements

In the SAICA comment letter on the IAASB's Discussion Paper: Fraud and Going Concern in an audit of financial statements, [SAICA Comment on Fraud and Going Concern Discussion Paper] we noted several challenges with regard to the extant ISA 570. This included that:

- The terms "going concern" and "material uncertainty" are not defined;
- The auditing and accounting standards are not aligned with regard to the existence of a material uncertainty;
- A lack of linkages between going concern disclosures in the auditor's report and the level of disclosures provided in the financial statements on the going concern basis of accounting.

Our comment letter indicated that there needs to be a balanced approach to disclosures in the auditor's report and disclosures made by management in the financial statements and that both parties needed to be transparent. We suggest that the IRBA should consider working with the relevant accounting standard setter in South Africa to ensure that both the auditor's and the preparer's responsibilities regarding going concern are clarified and aligned, so that transparency will be enhanced in the financial statements and the auditor's report. The Consultation Paper cites the disclosures regarding going concern that are made by auditors that apply ISA (UK) 570. It is important to recognise that the requirements in ISA (UK) 570 regarding disclosure about going concern in the auditor's report were not added to the requirements of ISA 570 in isolation. For example, ISA (UK) 570, if compared to ISA 570, includes the following:

- A clarification on the auditor's responsibilities;
- A rephrasing of the objectives of the auditor;
- A definition of material uncertainty related to going concern;
- Requirements regarding the auditor's risk assessment procedures and related activities
- Requirements regarding the auditor's evaluation of management's assessment
- Requirements regarding the auditor's evaluation of the sufficiency and appropriateness of audit evidence obtained.

The differences between ISA (UK) 570 and ISA 570 do thus not only relate to audit reporting matters, but extends to the work effort of the auditor. As noted in the consultation paper,

the IAASB currently has a Working Group on Going Concern, which project is considering possible audit reporting implications. We note the PIR recommendation #2 (see Agenda item 5 in the September 2021 IAASB meeting pack) to "Provide support and input to the Going Concern Working Group as it explores further actions related to going concern matters in the auditor's report as part of its broader focus on ISA 570." The ARIWG note that enhanced transparency and consistency and comparability in auditor reporting globally is in the public interest. The information gathered by the IRBA Consultation Paper could provide very useful input to the IAASB's Going Concern Working Group. Our recommendation is that the IRBA should continue to provide input to the IAASB's Going Concern Working Group to influence the revision of the ISAs, rather than advancing with proposals for disclosure in the auditor's report regarding going concern prior to the conclusion of the IAASB's project. Drawbacks of disclosing this information in the auditor's report –refer to our comments on question 1.

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.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

We believe that the information may be useful, but have reservations about including such disclosures in the audit report prior to the conclusion of the IAASB's project on going concern: • Challenges regarding the application of extant ISA 570 • Maintaining a balance between the responsibilities of the preparer of the financial statements and the auditor of the financial statements Our reasoning is discussed in our response to Question 5. Drawbacks of disclosing this information in the auditor's report –refer to our comments on question 1.



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.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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 believe that the standardised disclosure which is currently required by ISA 570 in instances where the auditor identified a material uncertainty regarding going concern is not helpful in explaining the auditor's response to the matter. We are therefore supportive of a proposal for the auditor to disclose the auditor's specific (i.e. tailored) response regarding an identified material uncertainty related to going concern. We however have reservations about including such disclosures in the audit report prior to the conclusion of the IAASB's project on going concern:

- Challenges regarding the application of extant ISA 570
- Maintaining a balance between the responsibilities of the preparer of the financial statements and the auditor of the financial statements

Our reasoning is set out in our response to Question 5. Drawbacks of disclosing this information in the auditor's report – refer to our comments on question 1.

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.*

We believe that the information would be somewhat useful, but have reservations about including such disclosures in the audit report prior to the conclusion of the IAASB's project on going concern: • Challenges regarding the application of extant ISA 570 • Maintaining a balance between the responsibilities of the preparer of the financial statements and the auditor of the financial statements. Our reasoning is set out in Question 5. Drawbacks of disclosing this information in the auditor's report –refer to our comments on question 1.

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

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

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.*

N/A

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.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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.*

If a regulator (for example, that regulates a PIE), has a particular need/requirement for disclosure of KAMs in the auditor's report, our view is that that regulator should prescribe the application of ISA 701 on such audits. The application of ISA 701 beyond listed entities would then be prescribed by law/regulation. We believe each regulator is best placed to determine whether or not the prescription of the application of ISA 701 should be mandated regarding the specific entity(ies) under its mandate. We highlight to the IRBA Task Group that some entities that meet the definition of a PIE may have KAMs that will be repeated year on year. The usefulness of such disclosure to the reader of the auditor's report should be weighed up with the cost involved in including the information in the auditor's report. Drawbacks of disclosing this information in the auditor's report –refer to our comments on question 1.

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.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

Descriptions of the outcome of audit procedures or key observations with respect to KAMs completes the picture of the KAM that is being described by the auditor – it provides the “so what” with regard to the KAM. However, while we believe this information to be useful to the reader of the auditor's report, we do not believe inclusion thereof should be mandated. This matter has been extensively debated by the IAASB. In our view, the concerns that have been expressed about the possibility of describing outcomes or key observations in such a way to contain or imply discrete opinions on separate elements of the financial statements, are valid. Drawbacks of disclosing this information in the auditor's report: • Cost implications for the auditor. • Inappropriately articulated outcomes/key observations could provide discrete opinions on separate elements of the financial statements which could detract or

confuse the reader of the report with regard to the auditor's opinion on the financial statements as a whole.

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.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

Conceptually, the independence of the auditor is as relevant to a client that is not a PIE as it is to a client that is a PIE.

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
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	Yes	Maybe	No	No particular view	Not Applicable
Disclosure of professional relationships in the auditor's report. Refer to section E.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

We are of the view that the disclosure should be made in the notes to the financial statements or in the audit committee report. We recommend that the IRBA should consider working with the accounting standard-setting bodies in South Africa to enhance disclosure in this regard in the financial statements.

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.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

In our view the auditor's report may be an appropriate mechanism for such disclosure IF such disclosure is not made in the notes to the financial statements or the audit committee report.

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.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

In producing the auditor's report, the objective of the auditor is to form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained and to express clearly that opinion through a written report. For public interest entities, there may be additional requirements imposed by regulators, including the IRBA and the auditors are required to apply enhanced independence requirements as per the IRBA Code of Conduct. Therefore, such additional disclosures on the PIE classification could educate the users of the auditor's report about the additional requirements that auditors have to comply for PIEs. For the disclosure in the auditor's report to be useful to the reader, it should explain the implication of the classification as PIE on the audit. This could assist in narrowing the audit expectation gap. Drawbacks: By placing additional responsibilities on auditors only, public interest is not necessarily served. As it is, auditors are required to provide additional disclosures in the auditor's report for PIEs – e.g. audit tenure being an example of such requirements. Furthermore, the IRBA Code of Professional Conduct already imposes stricter independence requirements for auditors who audit PIEs. Additional responsibilities should also be placed on those charged with governance to report on how they view their responsibilities to the public interest and how they have discharged their public interest obligations and responsibilities. Such responsibilities and obligations may emanate from legislation that the entities are already required to comply with e.g. Companies Act and industry-specific requirements.

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
<p>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.</p>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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 concept of materiality should still apply in dealing with misstatements, including prior year misstatements identified. Constant restatements of prior period amounts could be an indicator of deficiencies in the internal control environment and that management and those responsible for the preparation of the financial statements have not discharged their responsibilities appropriately. The starting point should be for the preparers to explain the reasons for the prior period errors. The auditor should make a determination as to whether the internal control deficiencies in financial reporting resulting in the prior period misstatements is of such significance that it may warrant a key audit matter to be disclosed in accordance with ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report. The JSE has introduced listing requirement 3.84 which requires sign off by the Financial Director and CEO on a prescribed statement on the effectiveness of controls. The impact of this JSE requirement on internal controls still needs to be assessed. IRBA should



consider evaluating the JSE's findings in this regard, once available, to understand the impact of the requirement on prior period restatements prior to introducing new requirements in the auditor's report.

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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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.*

It is our view that the current framework of auditing standards provides sufficient guidance on how prior period misstatements should be addressed. Providing detailed audit procedures in the auditor's report would make the report very lengthy. Therefore, such detailed procedures could be reported to Those Charged with Governance but should not necessarily be included in the auditor's report. IRBA should also consult with the local accounting standard setting bodies to understand whether the current financial reporting standards relating to the treatment of prior period misstatements can be enhanced to better serve public interest.

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.*

It is our view that such disclosure would not add much value to the auditor's report and could result in confusion with materiality and performance materiality. (Please see our response with regard to the disclosure of materiality and performance materiality above). Those Charged with Governance (TCWG), e.g. Audit Committee may be interested in understanding the threshold of unadjusted misstatements, however, it is our view that such information should be included in the auditor's communication with TCWG and not necessarily in the auditor's report. Other drawbacks include: Disclosure of the threshold of unadjusted misstatements in the auditor's report may give the impression that qualitative factors are not taken into consideration. Performing an audit requires the application of professional judgement and while the quantitative threshold of unadjusted misstatements may be one indicator, the auditor may have other qualitative aspects informing his/her decision. The auditor's report is not the suitable mechanism to document all of these considerations.

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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Materiality. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Performance Materiality. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Enhancing the disclosure of the audit effort related to Irregularities, including fraud. Refer to section B.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Enhancing the disclosure of the audit effort related to Going Concern. Refer to section C.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Auditor's report disclosures arising from Prior Year Misstatements. Refer to section G.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Disclosure of the reporting threshold unadjusted misstatements. Refer to section H.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

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.*

Extending the disclosures of the audit scope: Disclosure to be made in the auditor's report where KAMs are reported. Materiality: Disclosure to be made in the auditor's report where KAMs are reported. See however our reservations as discussed in section A. Performance materiality: See however our reservations as discussed in section A. Enhancing the disclosure of the audit report related to irregularities, including fraud: Our reservations on mandating this disclosure prior to the conclusion of the IAASB project on fraud are expressed in section B. IF such disclosure is mandated, however, our view is that it would be relevant to the audit of all entities, not only listed and PIE entities. Enhancing the disclosure of the audit effort related to going concern: Our reservations on providing this disclosure prior to the conclusion of the IAASB project on Going Concern are expressed in section C. IF such disclosure is mandated, our view is that it would be relevant to the audit of all entities, not only listed and PIE entities. Auditor's report disclosures arising from prior year misstatements: This disclosure should be made in accordance with the current ISAs. Disclosure of the reporting threshold unadjusted misstatements: Refer to the comments in Question 18.

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
More matters that can be disclosed by auditors in the auditor's report.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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.*

N/A

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.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

If the IRBA proceeds with some or all of the additional disclosure proposals, a rule would be needed to ensure consistent application. We are of the view that IRBA should use the outcome of this consultation process to influence the standard setting processes at the IAASB. IRBA is an influential regulator and the responses obtained from this consultation process could be invaluable to the IAASB and IESBA, specifically in the work that is currently underway on Fraud, Going Concern, the Post-Implementation Review of the Auditor's Reporting Standards and PIE projects. Only if the public interest needs and requirements of the South African jurisdiction are not met at the global standard-setting level, should South African specific rules be effected.

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.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.*

It would be useful to have such a framework. The framework should take the following into account:

- Balancing the responsibility of the auditor and that of the preparer of the financial statements and Those Charged with Governance.
- The effect of additional requirements regarding the auditor's report on audit quality
- Disclosures in the auditor's report beyond what is required in the ISAs should only be made when it is in the public interest to do so.
- The scope of parallel projects of the IAASB
- The demands / needs of users of the financial statements and auditor's report
- The ability of users of the financial statements and auditor's report to obtain the information through a means other than the auditor's report.
- A proposed process to engage with stakeholders.