

The Independent Regulatory Board for Auditors
Per email: standards@irba.co.za

03 October 2022

Dear Sirs

Comment: Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements

Thank you for the opportunity to comment on the above Proposed Rule.

Question 1: Do you support the proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements?

Response: No

Comment:

Most of the requirements of the Rule are addressed during the audit engagement. The Rule, in making this disclosure compulsory, seems to imply a lack of trust in the work performed by the auditor.

We understand that the IRBA aims to enhance transparency and we support this. The IRBA plans to achieve this through this reporting, but if the user understands the objective and process of the audit, then this expectation gap is eliminated. We don't believe that the rule is going to address this expectation gap in its entirety. Perhaps a more focused discovery into which are the most significant areas in the expectation gap needs to be performed, for it to be addressed.

There is an additional cost element, in preparing the reporting requirements that needs to be considered.

We are greatly concerned that employees of the audit client could use the information provided, especially in relation to materiality and in those areas of lower audit risk, to perpetrate fraud.

We are also concerned about the onerous length of the audit report. This information, although provided, may be overlooked anyway.

Question 2: Do you believe that there is guidance required in support of the proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statement?

Response: Yes

Comment:

We would like more guidance on requirement 1 a (materiality). What levels of materiality would require disclosure? What significant judgements does the IRBA expect disclosure on and to what extent? Would this include choice of benchmarks and percentages applied?

We would like more guidance on requirement 1 b and c (going concern assessment). Although this is performed in the audit engagement, strict guidance comes from the application of the International Standards on Auditing. If the user understands this requirement, then this expectation gap is reduced, rather than requiring this disclosure in the report.

This is another instance, in relation to our response to question 1, in which we feel that a lack in the competence or trust in the auditor is portrayed. It is implied that rather than rely on the conclusion of the auditor, the auditor should disclose the work performed and the user should decide whether it's acceptable or not.

We would like more guidance on requirement d (fee disclosures). Who are considered to be "related entities"?

Question 3: Do you agree with the effective date for the proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements, as indicated in paragraph 29 of the Explanatory Memorandum?

Response: Yes

Yours faithfully

Colenbrander Inc

Colenbrander Inc