

29 September 2022

**Independent Regulatory Board for Auditors (IRBA)**

Per email: [standards@irba.co.za](mailto:standards@irba.co.za)

Dear IRBA

**COMMENTS FROM THE PRETORIA DISTRICT ASSOCIATION OF THE NORTHERN DISTRICT OF SAICA, PRACTITIONERS FORUM NUMBER 2 ON THE PROPOSED IRBA RULE ON ENHANCED AUDITOR REPORTING FOR THE AUDIT OF FINANCIAL STATEMENTS**

The members discussed the communication by IRBA dated 07/07/2022 regarding the proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements to provide comments to IRBA.

The following points were raised regarding the proposed disclosure in the independent auditor's report (for all audits of annual financial statements) of:

- a. The materiality applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit
  - The clients might try to manipulate their accounts or influence the report so that possible fraudulent or incorrect transactions below this published level of materiality is put through and allowed in the accounts.
  - The auditor is more at risk of being questioned on how he applied his professional knowledge and scepticism. For example, in a legal matter the focus might shift to specifically that number and how the auditor applied his mind.
  - Determination of materiality is a matter of professional judgement and may vary from one auditor to the next. This requirement might force the auditor to discuss and agree the materiality figure with the client and almost make sure they agree on it to avoid possible unnecessary conflicts and disputes.
  - The client might query the fees if the materiality figure is disclosed, and he assumes that the auditor doesn't look at anything below that level.
  - We get the idea that the profession is being prescribed and dictated by persons who are not actually in the profession or in the practice.
  
- b. 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.
  - Seems the whole audit file might have to be included; this is part of the auditor's evaluation and the auditor should come to a conclusion on it; it will create the idea with clients that there is actually no confidence in an auditor's professional judgement and the conclusion; will result in a tick-box approach which might still not create the desired outcome; might even place more negative focus on auditors via the media.
  - Concerned that the auditors wording in the report will have to be very carefully selected and phrased to avoid further queries and judgements on what the auditor said.
  
- c. Audit procedures specific to the auditor's response to the material uncertainty related to going concern, where relevant.
  - Concerning that we will now be required to disclose actual audit procedures in an audit report.
  
- d. The following matters, where the disclosure has not been made by the preparer in the annual financial statements or the annual report:
  - (i) Fees paid or payable to the firm and network firms for the audit of the financial statements on which the firm expresses an opinion.
    - Need to consider the size of the client; can't see that this would be relevant to medium and small clients;

will have negative impact on the auditor and the client relationship, where fees are already under pressure; need to consider the users of the financial statements who are often, for the majority of our clients, the client himself, SARS and the bank; will make sense for larger listed entities; seems IRBA does not rely on our professional judgement anymore and want to give us a tick-box approach; thus don't actually have a professional opinion anymore, so anyone can do that – just follow the tick-box approach and decision tree!

- Makes sense to have this for listed entities, but not small clients.
- The other points in IRBA's communication were also briefly mentioned but these have less applicability to the forum members and not discussed in detail.

Yours sincerely

### **Members**

Margaretha v Broekhuizen (319563), Albert de Lange (868027), Anri Mare (862844), Christo Erasmus, Clovilde Möller, Coenie Middel (390631), Colin Dredge, Frits Beyer, Hannes Grobler, Henry Windell, Jan Erasmus (274380), JP Tromp, Liesel Malic, Louis Marais, Marius Maritz, Martin de Kock, Nicolette Meintjes, Paula Dredge, Pieter Grobler, Reiniet Maartens-Dorey (881147), Rudi Kühn, Rudolf van Zyl (573647), Ruhan Steyn, Willie Burger, Christoff Viljoen, Gerhard Swart, Japie van der Laan, Ivan Lazarus