

Dear Sirs,

Comment on the Proposed IRBA rule on enhanced auditor reporting for the audit of financial statements

It is noted that the proposal is for all audits of annual financial statements.

I believe that there needs to be an exemption for less complex small and micro entities.

Our practice attends to the audit of a number of Sectional Title body corporates in terms of the Sectional Titles Schemes Management Act (STSMA).

The entities can be as small as 2 sectional units generating less than R50000 income per annum.

The present recommended audit report covers 3 pages on 2 pages of financial information. In my experience very few sectional title owners even read or let alone understand the details in the report.

This will be made worse with your proposal. Do sectional title owners and non-accountants even understand materiality.

The owners wish us to highlight non-compliance with the STSMA and other matters arising from our audit and not worry about details regarding independence, ethics and audit methodology which should be assumed in the conduct of an audit. The above issues also apply to shareblock companies, Homeowners Associations and Retirement complexes.

When I was studying in the 1970/1980's there was a trend to reduce the size and complexity of the audit report to give bigger impact to stakeholders. It appears that there is now a continual need to expand and complicate the audit report.

There needs to be an endeavor to make the audit report less complex and more user friendly especially for less complex and small micro entities.

In my opinion these proposals will not achieve the objectives for these types of entities.

Yours faithfully

RA Kemp