

Proposed SAAPS 3 (Revised 2019)

November 2018

Comments due: 28 February 2019



South African Auditing Practice Statement

Illustrative Reports

WARNING TO READERS:

The content of this proposed SAAPS 3 (Revised 2019) should under no circumstances be used or relied upon until it is issued as a pronouncement by the IRBA

REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved this proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), *Illustrative Reports* (proposed SAAPS) in November 2018 for exposure for a period of 90 days for comment. This proposed SAAPS may be modified in light of comments received before being issued in its final form.

The proposed SAAPS has been prepared by a CFAS Task Group comprising technical staff representatives from auditing firms, the public sector and the South African Institute of Chartered Accountants.

The IRBA's legislative mandate

The objects of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (APA), are set out in Section 2 and include, inter alia:

(c) *"to approve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic; and*

(d) *to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession".*

To give effect to the objects, Section 4 of the APA sets out the general functions of the Regulatory Board (the IRBA), that *"the Regulatory Board must, in addition to its other functions provided for in this Act"* take steps to meet certain specific requirements. These include Section 4(1), which specifies that the IRBA must:

(c) *"prescribe standards of professional competence, ethics and conduct of registered auditors"; and*

(e) *"prescribe auditing standards".*

To enable the IRBA to meet these requirements, Section 4(2)(a) states that *"the Regulatory Board may participate in the activities of international bodies whose main purpose is to develop and set auditing standards and to promote the auditing profession".*

Statutory responsibility of the CFAS

The statutory responsibility of the CFAS is set out in Section 22(2), which requires that *"the CFAS must assist the Regulatory Board:*

(a) *to develop, maintain, adopt, issue or prescribe auditing pronouncements;*

(b) *to consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and*

(c) *to promote and ensure the relevance of auditing pronouncements".*

This proposed SAAPS may be downloaded for free from the [IRBA website](#).

Comments should be submitted by 28 February 2019.

Respondents are requested to submit their comments electronically in Word and PDF formats to standards@irba.co.za. All comments will be considered as a matter of public record and will be posted on the [IRBA website](#).

Should you have any queries, or experience any technical difficulties in downloading the document, please email the Standards Department at standards@irba.co.za.

REQUEST FOR COMMENTS

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THE CONTENTS PAGE

CONTENTS	PAGE
<hr/>	
Explanatory Memorandum	
Section 1: Introduction	5
Section 2: Guide for Respondents	6
Section 3: Significant Matters	6
Section 4: Request for Specific Comments	15
 Exposure Draft	
Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2019), <i>Illustrative Reports</i>	17

SECTION 1: INTRODUCTION

This memorandum provides background to and an explanation regarding the proposed South African Auditing Practice Statement (SAAPS) 3, *Illustrative Reports* (Revised 2019) (proposed SAAPS).

The proposed SAAPS provides practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report (or the independent reviewer's report, as applicable). For the purpose of this proposed SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No. 26 of 2005) (APA); the Rule in terms of Sections 9 and 10, read with sections 1, 2 and 3 of the APA, published in the Government Gazette Nr 39475 on 4 December 2015 (Rule); the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act); and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

The Committee for Auditing Standards (CFAS) approved this proposed SAAPS in November 2018 for exposure for a period of 60 days.

Background

SAAPS 3 (Revised November 2015) was approved for issue by the CFAS in November 2015, issued in February 2016 and is effective for audits (or reviews) of financial statements for periods ending on or after 15 December 2016, with early adoption permissible. SAAPS 3 (Revised November 2015) was updated to address the changes in reporting requirements as a result of the issue of the new and revised auditor reporting and related standards issued by the International Auditing and Assurance Standards Board that were approved by the IRBA Board for adoption, issue and prescription by registered auditors in South Africa.

Project timetable

Subject to comments received on exposure of this proposed SAAPS, the CFAS intends to finalise this SAAPS in the second quarter of 2019.

Effective date

Depending on the comments received, the expectation is that the final SAAPS may be approved and issued by the CFAS in June 2019, with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that this proposed SAAPS will be effective immediately for audits (or reviews) of financial statements.

1. Do you agree with the recommended effective date?
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SECTION 2: GUIDE FOR RESPONDENTS

The CFAS welcomes comments on all matters addressed in this exposure draft, especially those identified in the Request for Specific Comments section (Section 4) below. Comments are most helpful when they refer to specific paragraphs, include the reason for the comments and, where appropriate, make specific suggestions for any proposed changes to the wording. When a respondent agrees with the proposals in the exposure draft, it will be helpful for the CFAS to be made aware of this view as this cannot always be inferred when not stated.

SECTION 3: SIGNIFICANT MATTERS

The following matters have been deliberated by the CFAS and specific comments are requested from respondents on these matters. For ease of reference, the questions contained under each of the significant matters set out below have been repeated under the heading “Section 4: Request for Specific Comments”.

New format of this proposed SAAPS

This proposed SAAPS has been presented in a new format that should enhance navigation and ease of use. Enhancements include the following:

- The contents page, which contains the list of illustrative auditor’s and independent reviewer’s reports, has been relocated from Part B to the front of this proposed SAAPS.
- The titles of the illustrative auditor’s and independent reviewer’s reports have been amended to make them more understandable. This includes starting each title of the illustrative auditor’s and independent reviewer’s reports with a description of its modification.
- The circumstances blocks for the illustrative auditor’s and independent reviewer’s reports have been amended to make them consistent with each other.

2. Do you believe that the new format of this proposed SAAPS enhances navigation and ease of use?

If not, why? Please suggest an alternative approach.

New or significantly amended illustrative auditor’s or independent reviewer’s reports included in this proposed SAAPS

No new illustrative auditor’s or independent reviewer’s reports are included in this proposed SAAPS.

The following significantly amended illustrative auditor’s reports have been included in this proposed SAAPS:

EXPLANATORY MEMORANDUM

Amended illustrative auditor's report	Reason
<p>Amended – Illustrative auditor's report 1 and 5</p> <p><i>Unmodified opinion – Auditor's report on a complete set of consolidated financial statements of a listed entity prepared in accordance with a fair presentation framework and Unmodified opinion – Auditor's report on a complete set of separate financial statements of a listed entity prepared in accordance with a fair presentation framework</i></p> <p>Illustrative auditor's report 1 depicts the audit of a complete set of consolidated financial statements of a listed entity in terms of the Companies Act of South Africa using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 applies). The consolidated financial statements are presented in the entity's integrated report. Separate financial statements are also prepared for the listed entity but have not been included in the entity's integrated report. The auditor's reports on both the consolidated and separate financial statements are signed on the same day. The entity's annual report, as defined in ISA 720 (Revised)¹, is the entity's integrated report and the separate financial statements.</p> <p>Illustrative report 5 depicts the auditor's report on the audit of a complete set of separate financial statements of a listed entity using a fair presentation framework. Consolidated financial statements are prepared separately for the listed entity. The consolidated financial statements are presented in the entity's integrated report. The auditor's reports on both the separate and consolidated financial statements are signed on the same day.</p> <p>The entity's annual report, as defined in ISA 720</p>	<p>To illustrate the effect of these circumstances in the other information sections of the auditor's reports.</p>

¹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*.

EXPLANATORY MEMORANDUM

Amended illustrative auditor's report	Reason
(Revised), is the entity's integrated report and the separate financial statements.	
<p>Amended – Illustrative auditor's report 16</p> <p><i>Disclaimer of opinion and report on other legal and regulatory requirements – Going concern and reportable irregularity: Unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern</i></p> <p>The auditor is unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern and the company has not recognised depreciation in respect of its plant and equipment, which is deemed to be material.</p>	<p>To illustrate the application of paragraph 27 and A24 of ISA 705 (Revised)² where even if the auditor has expressed an adverse opinion or disclaimer of opinion on the financial statements, the auditor shall describe in the Basis for Opinion section the reason for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.</p>
<p>Amended – Illustrative auditor's report 26</p> <p><i>Disclaimer of opinion on the financial performance and cash flows and qualified opinion on the financial position – Inability to obtain sufficient appropriate audit evidence in respect of opening balances</i></p> <p>During the prior year, the company's financial statements were subject to an independent review in terms of the Companies Act of South Africa. During the current year, the directors of the company requested an audit of the financial statements.</p>	<p>To illustrate the application of ISA 510³ when the company's financial statements were subject to an independent review in the prior year.</p>

3. Do you agree with the amended illustrative auditor's reports included in this proposed SAAPS?
4. Do the illustrative auditor's and independent reviewer's reports contained in this proposed SAAPS provide adequate examples of illustrative auditor's and independent reviewer's reports that provide practical assistance to auditors when reporting on financial statements in accordance with the requirements of

2 ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*.

3 ISA 510, *Initial Audit Engagements – Opening Balances*.

EXPLANATORY MEMORANDUM

the International Standards on Auditing (ISAs) and the International Standards on Review Engagements (ISREs) in compliance with South African jurisdictional requirements?

If not, why? Please provide details of any further illustrative auditor's and independent reviewer's reports you believe should be deleted, amended and/or added to Part B of this proposed SAAPS.

Other information – new guidance

Note 8 to Part A of this proposed SAAPS has been updated to incorporate the guidance contained in the [IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 \(Revised\) in the South African Context](#). In addition, Annexure 1 to the IRBA Staff Audit Practice Alert has been incorporated into this proposed SAAPS as Appendix II, *Examples of reports, documents and information that may be determined to be other information*. As a result, the IRBA Staff Audit Practice Alert will be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective.

5. Do you believe that the guidance provided in Note 8 to Part A of this proposed SAAPS provides helpful guidance on determining other information as defined in ISA 720 (Revised) in the South African context?

If not, why? Please suggest what further guidance is necessary in the South African context.

6. Do you agree that the IRBA Staff Practice Alert can be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective?

If not, why?

Other information – public sector perspective

Illustrative auditor's report 4, *Unmodified opinion – Illustrative Auditor-General of South Africa's report on a complete set of general purpose financial statements*, to Part A of this proposed SAAPS illustrates the application of ISA 700 (Revised) regarding the auditor's report on the financial statements when the AGSA has opted not to perform the audit of a public sector entity in terms of section 4(3) of the PAA, and ISA 720 (Revised) in respect of the other reports required under the Public Finance Management Act, 1999 (No. 1 of 1999) and the Companies Act, 2008 (No. 71 of 2008).

In terms of section 28(1)(c) of the PAA, the report of an auditor appointed in terms of section 25(1)(b) of the PAA (i.e. section 4(3) registered auditors), must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on –

(c) the reported information relating to the performance of the auditee against predetermined objectives.

EXPLANATORY MEMORANDUM

As such, since the legislated auditor reporting requirements in the public sector extend to reporting on performance information as part of the annual audit process, other information excludes those objectives in the entity's annual report where its performance against predetermined objectives has been specifically audited and reported on in the auditor's report.

An extract from the other information section of this illustrative auditor's report states:

"...The other information does not include the [consolidated and separate] financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically audited and reported on in the auditor's report..."

As a result, the public sector perspective section of Note 8 to Part A of this proposed SAAPS has been updated to reflect that which is set out above.

7. Considering the requirements of ISA 720 (Revised), do you believe the practice of the Auditor-General of South Africa is appropriate?

If not, why?

Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors

The International Ethics Standards Board for Accountants (IESBA) has been working on the amendments to the IESBA *Code of Ethics for Professional Accountants* and its related projects for the past three years. The Committee for Auditor Ethics (CFAE), the IRBA statutory committee responsible for setting standards for auditor ethics, has followed this project closely, commented on all proposed amendments and considered final amendments to the IESBA *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) for possible amendments to the extant IRBA *Code of Professional Conduct for Registered Auditors*. The CFAE has incorporated recently approved amendments to the IESBA Code in the IRBA *Code of Professional Conduct for Registered Auditors* (IRBA Code).

The CFAE approved the issuing of the IRBA Code, in August 2018 with the IRBA Board approving the IRBA Code for adoption in November 2018, which will be gazetted and released by the IRBA in November 2018.

Since the effective dates for the IRBA Code and the IESBA Code are:

- Parts 1 and 3 of the restructured Code will be effective as of 15 June 2019
- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after

EXPLANATORY MEMORANDUM

15 June 2019; otherwise, it will be effective as of 15 June 2019

and this proposed SAAPS is expected to be approved by the CFAS in June 2019 and issued shortly after 15 June 2019, this proposed SAAPS makes reference to the IRBA Code and the IESBA Code in the illustrative auditor's reports. However, because of the different effective dates of the parts in both the IRBA Code and IESBA Code, this SAAPS makes provision for two options in the illustrative auditor's reports where references are made to the Codes and clearly distinguishes between the two options, as follows:

- *Transitional period:* Registered auditors who sign off auditor's reports issued on or after 15 June 2019 in respect of the audits for financial periods beginning before or on 14 June 2019; and
- *Periods going forward:* Registered auditors who sign off auditor's reports for audits of financial statements for periods beginning on or after 15 June 2019.

Transitional Period

Since Part 4A and 4B of the IRBA Code and the IESBA Code (relating to independence for audits and reviews and assurance engagements) are effective for audits and reviews of financial statements and assurance engagements for periods beginning on or after 15 June 2019, there will be a period where the extant IRBA and IESBA Codes (sections 290 and 291 of the extant Codes) will be effective during the transitional period.

As such, registered auditors who sign off auditor's reports issued on or after 15 June 2019 in respect of the audits for financial periods beginning before or on 14 June 2019, will be required to comply with:

- Sections 290 and 291 of the extant Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* is consistent with the sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*; and
- Parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* is consistent with Parts 1 and 3 of the IESBA *International Code of Ethics for Professional Accountants' (including International Independence Standards)*.

The wording that has been included in this proposed SAAPS as it relates to the transitional period is as follows (extracted from illustrative report 1 of this proposed SAAPS):

EXPLANATORY MEMORANDUM

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Periods going forward

Extant SAAPS 3 makes reference to the extant IRBA Code being consistent with parts A and B of the extant IESBA Code. Parts 1, 3, 4A and 4B of the IESBA Code equates to parts A and B of the extant IESBA Code.

As such registered auditors who sign off auditor's reports for audits of financial statements for periods beginning on or after 15 June 2019, will be required to comply with:

- Parts 1, 3, 4A and 4B of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* is consistent with Part 1, 3, 4A and 4B of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The wording that has been included in this proposed SAAPS as it relates to the period going forward (extracted from illustrative report 1 of this proposed SAAPS) is as follows:

EXPLANATORY MEMORANDUM

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

8. Because of the different effective dates of the parts in both the IRBA Code and IESBA Code, do you agree with the conclusion reached by the CFAS to provide for two options (transitional period and period going forward) for the wording to be included in this proposed SAAPS?
9. Do you agree with the wording used to describe the periods to which each of the options relate, as follows:
 - *Transitional period*: For auditor's reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019; and
 - *Period going forward*: For audits of financial statements for financial periods beginning on or after 15 June 2019?
10. Do you agree with the wordings and the descriptions of the parts of both the extant IRBA and IESBA Codes and the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* used in the Basis for Opinion section of the illustrative auditor's reports?

EXPLANATORY MEMORANDUM

Financial Reporting Pronouncements issued by the Financial Reporting Standards Council

The Financial Reporting Standards Council (FRSC) issued the following Financial Reporting Pronouncements (FRP) that are effective for annual periods beginning on or after 1 January 2018:

- FRP 1 - Substantively Enacted Tax Rates and Tax Laws Under International Financial Reporting Standards and International Financial Reporting Standards for Small and Medium Enterprises;
- FRP 2 - Accounting for Black Economic Empowerment (BEE) Transactions Under International Financial Reporting Standards (IFRS);
- FRP 3 - Accounting for Black Economic Empowerment (BEE) Transactions Under International Financial Reporting Standards (IFRS) for Small and Medium Enterprises; and
- FRP 4 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Under International Financial Reporting Standards (IFRS) in the South African Pension Fund Environment.

The CFAS deliberated whether a reference to the FRPs, in addition to the current references being made to the applicable financial reporting framework in the auditor's and independent reviewer's reports, is needed. In doing so the CFAS had a robust discussion on this matter considering the provisions of the Companies Act and the FRSC's Rules of Procedure:

- Section 204(a) of the Companies Act states: "The Financial Reporting Standards Council must receive and consider any relevant information relating to the reliability of, and compliance with, financial reporting standards and adapt international reporting standards for local circumstances and consider information from the Commission as contemplated in section 187(3)(b)" (emphasis added).
- Section 29(5)(b) of the Companies Act states: "Any regulations contemplated in subsection (4) in the case of financial reporting standards for public companies, must be in accordance with the International Financial Reporting Standards of the International Accounting Standards Board or its successor body" (emphasis added).
- The FRSC's Rules of Procedure state: "The adaptations contemplated by Section 204(a) could comprise local authoritative interpretations of the financial reporting frameworks prescribed in Regulation 27 for specific aspects, transactions or other issues that only occur in a South African context and are not specifically or clearly addressed in those financial reporting frameworks. Such local authoritative interpretations would be issued after consultation with the Minister and would take

EXPLANATORY MEMORANDUM

the form of Financial Reporting Pronouncements (FRPs)..." and "These FRPs may not contradict IFRS or IFRS for SMEs" (emphasis added).

The CFAS concluded that since the FRPs support (i.e. provide guidance for local circumstances) and are not an extension of IFRS or IFRS for Small and Medium Enterprises they cannot be considered as separate financial reporting frameworks and should therefore not be referenced as such in the auditor's and independent reviewer's report in addition to IFRS or IFRS for Small and Medium Enterprises.

11. Do you agree with the conclusion reached by CFAS on not requiring a reference to the FRPs in the auditor's and independent reviewer's reports?
- If not, please provide your views, including your reasons for disagreement.

SECTION 4: REQUEST FOR SPECIFIC COMMENTS

Respondents are asked to comment on the clarity, understandability and practicality of the application of the guidance in the exposure draft. In this regard, comments will be most helpful if they are identified with specific aspects of the exposure draft and include reasons for any concern about clarity, understandability and practicality of application, along with suggested improvements.

The CFAS is seeking comments on the following specific matters:

1.	Do you agree with the recommended effective date?
2.	Do you believe that the new format of this proposed SAAPS enhances navigation and ease of use? If not, why? Please suggest an alternative approach.
3.	Do you agree with the new or amended illustrative auditor's reports included in this proposed SAAPS?
4.	Do the illustrative auditor's and independent reviewer's reports contained in this proposed SAAPS provide adequate examples of illustrative auditor's and independent reviewer's reports that provide practical assistance to auditors when reporting on financial statements in accordance with the requirements of the International Standards on Auditing (ISAs) and the International Standards on Review Engagements (ISREs) in compliance with South African jurisdictional requirements? If not, why? Please provide details of any further illustrative auditor's and independent reviewer's reports you believe should be deleted, amended and/or added to Part B of this proposed SAAPS.
5.	Do you believe that the guidance provided in Note 8 to Part A of this proposed SAAPS provides helpful guidance on determining other information as defined in ISA 720 (Revised) in the South African context?

EXPLANATORY MEMORANDUM

	If not, why? Please suggest what further guidance is necessary in the South African context.
6.	Do you agree that the IRBA Staff Practice Alert can be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective? If not, why?
7.	Considering the requirements of ISA 720 (Revised), do you believe the practice of the Auditor-General of South Africa is appropriate? If not, why?
8.	Because of the different effective dates of the parts in both the IRBA Code and IESBA Code, do you agree with the conclusion reached by the CFAS to provide for two options (transitional period and period going forward) for the wording to be included in this proposed SAAPS?
9.	Do you agree with the wording used to describe the periods to which each of the options relate, as follows: <ul style="list-style-type: none"> • <i>Transitional period:</i> For auditor's reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019; and • <i>Period going forward:</i> For audits of financial statements for financial periods beginning on or after 15 June 2019?
10.	Do you agree with the wordings and the descriptions of the parts of both the extant IRBA and IESBA Codes and the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors and the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> used in the Basis for Opinion section of the illustrative auditor's reports?
11.	Do you agree with the conclusion reached by CFAS on not requiring a reference to the FRPs in the auditor's and independent reviewer's reports? If not, please provide your views, including your reasons for disagreement.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

(Effective immediately for the audits (or reviews) of financial statements)

CONTENTS	PAGE
Introduction	21
Scope.....	21
Effective date	24
PART A – Guidance and Notes	25
Illustrative reports.....	25
1. Unmodified opinion – Auditor’s report on a complete set of consolidated financial statements of a listed entity prepared in accordance with a fair presentation framework.....	25
2. Unmodified opinion – Auditor’s report on a complete set of general purpose financial statements of a private company prepared in accordance with a fair presentation framework.....	32
3. Unmodified conclusion – ISRE 2400 (Revised): Independent reviewer’s report on a complete set of general purpose financial statements prepared in accordance with a fair presentation framework.....	37
4. Unmodified opinion – Illustrative Auditor-General of South Africa’s report on a complete set of general purpose financial statements.....	40
Notes to the illustrative reports in Part A (denoted as N1-N15).....	47
Addressee	47
Financial statements	48
Page numbers	48
Identification of the title of each statement that comprises the financial statements.....	48
Opinion.....	49
Ethical requirements.....	49
Key audit matters	52
Other information.....	53
Responsibilities of the directors for the financial statements	58
Applicable financial reporting framework	59
Internal control.....	60
Description of the auditor’s responsibilities for the audit of the financial statements.....	60
Auditor’s responsibilities for the audit of the financial statements – group audit.....	60
Disclosure of audit tenure	61
The auditor’s signature	62

PART B – Illustrative Reports.....	64
Audited Financial Statements.....	64
5. Unmodified opinion – Separate financial statements	64
6. Unmodified opinion – Financial statements (IFRS for SMEs): Auditor's responsibilities are included in an Appendix.....	70
7. Ongemodifiseerde mening – Finansiële State (IFRS for SMEs): Ouditeur se verantwoordelikhede is ingesluit in 'n Bylaag tot die verslag	75
8. Unmodified opinion – Financial statements (entity specific basis of accounting).....	80
9. Unmodified opinion – Non-operating company: Company is dormant	85
10. Unmodified opinion – Other information: Supplementary schedules.....	89
11. Emphasis of matter – Subsequent Event: Re-issue of financial statements.....	93
12. Unmodified opinion and report on other legal and regulatory requirements – Consolidated financial statements and separate financial statements presented together (IFRS) and reportable irregularity: Fair presentation not affected.....	98
13. Ongemodifiseerde mening en verslag oor ander regs- en regulatoriese vereistes – Gekonsolideerde finansiële state en afsonderlike finansiële state tesame voorgelê (IFRS) en rapporteerbare onreëlmatigheid: Redelike voorstellings nie beïnvloed nie	104
14. Qualified opinion – Reportable irregularity: Non-compliance with section 45 of the Companies Act and valuation of a loan receivable	111
15. Adverse opinion and report on other legal and regulatory requirements – Going concern assumption inappropriate and reportable irregularity	117
16. Disclaimer of opinion and report on other legal and regulatory requirements – Going concern and reportable irregularity: Unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern.....	122
17. Disclaimer of opinion and report on other legal and regulatory requirements – Unable to obtain required written representations and reportable irregularity	126
18. Adverse opinion and auditor's responsibilities are included in an Appendix – Misstatement: No depreciation recognised	130
19. Qualified opinion on consolidated financial statements and unqualified opinion on separate financial statements – Misstatement: Subsidiary did not recognise depreciation.....	136
20. Adverse opinion – Misstatement: Non-consolidation of financial statements ..	142
21. Qualified opinion – Inability to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls.....	147
22. Qualified opinion – Inability to obtain sufficient appropriate audit evidence about a Non Profit Company's fundraising income	152
23. Qualified opinion – Misstatement and inability to obtain sufficient appropriate audit evidence: Individually immaterial, financial statements as a whole are materially misstated and insufficient audit evidence	157
24. Qualified opinion and report on other legal and regulatory requirements – Misstatement: Disclosure of directors' and prescribed officers' remuneration not presented and reportable irregularity	162
25. Qualified opinion – Misstatement: Disclosures of related party relationships, transactions and balances not presented.....	167

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

26. Disclaimer of opinion on the financial performance and cash flows and qualified opinion on the financial position – Inability to obtain sufficient appropriate audit evidence in respect of opening balances	172
Independently reviewed financial statements	178
27. Unmodified conclusion – Financial statements: Compliance framework and Companies Act of South Africa	178
28. Ongemodifiseerde gevolgtrekking – Onafhanklike oorsig van finansiële jaarstate: Redelike voorstelling finansiële verslagdoeningsraamwerk.....	181
29. Ongemodifiseerde gevolgtrekking – Onafhanklike oorsig van finansiële state: Nakomings-finansiële verslagdoeningsraamwerk en Maatskappywet	184
30. Qualified conclusion – Misstatement: Incorrect valuation of inventory	187
31. Adverse conclusion – Misstatement: Non-consolidation of financial statements.....	190
32. Disclaimer of conclusion – No inventory count and ongoing process to rectify errors in accounts receivable and inventory caused by implementation of new computer system	193
Appendix I	196
Linking Going Concern Considerations with Types of Audit Opinions	196
Appendix II	198
Examples of reports, documents and information that may be determined to be other information	198

This South African Auditing Practice Statement (SAAPS) is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No. 26 of 2005) (APA); the Rule in terms of Sections 9 and 10, read with sections 1, 2 and 3 of the APA, published in the Government Gazette Nr 39475 on 4 December 2015 (Rule); the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act); and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). Reading this SAAPS is not a substitute for reading and applying the ISAs, the ISREs, the APA, the Companies Act and the PAA.

South African Practice Statements are developed and issued by the IRBA to provide practical assistance to auditors in the implementation of relevant International or South African *Standards on Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*. South African Practice Statements do not impose requirements on auditors beyond those included in the International or South African Standards or South African regulatory requirements and do not change the auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement.

An auditor is required to have an understanding of the entire text of every South African Practice Statement to enable the auditor to assess whether or not any particular South African Practice Statement is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the South African Practice Statement relates, properly.

In terms of section 1 of the APA, a South African Practice Statement is included in the definition of "auditing pronouncements" and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

Introduction

Scope

1. This South African Auditing Practice Statement (SAAPS) is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No. 26 of 2005) (APA); the Rule in terms of Sections 9 and 10, read with sections 1, 2 and 3 of the APA, published in the Government Gazette Nr 39475 on 4 December 2015 (Rule); the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act); and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). Reading this SAAPS is not a substitute for reading and applying the ISAs, the ISREs, the APA, the Companies Act and the PAA.
2. The ISAs and ISREs dealt with in this SAAPS are:
 - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*;
 - ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*;
 - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*;
 - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*;
 - ISA 720 (Revised), *The Auditors Responsibilities Relating to Other Information*;
 - ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*;
 - ISA 570 (Revised), *Going Concern*;
 - ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*; and
 - ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*.
3. The guidance as well as the illustrative auditor's reports and independent reviewer's reports (reports) contained in this SAAPS:
 - Do not provide a substitute for the auditor's responsibility to form an opinion on the financial statements in accordance with ISA 700 (Revised), or a conclusion in accordance with ISRE 2400 (Revised).
 - Do not establish new requirements or contain exemptions from the requirements of the ISAs and the ISREs; and should be read with the ISAs and the ISREs, as

applicable.

- Do not provide illustrative key audit matter examples.
 - Do not provide guidance on the application of the ISAs and the ISREs in determining the acceptability of the financial reporting framework applied in the preparation of financial statements. Such guidance is contained in the ISAs, the ISREs and SAAPS 2 (Revised 2018), *Financial Reporting Frameworks and the Auditor's Report*.
 - Do not provide guidance on the application of the International Standards on Assurance Engagements (ISAEs) and on the International Standards on Related Services (ISRSs). These standards should be referred to for applicable illustrative reports.
4. The guidance in Part A comprises the following four illustrative reports:
- The report for the audit of a complete set of general purpose financial statements (consolidated financial statements of a listed entity) prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISA 700 (Revised);
 - The report for the audit of a complete set of general purpose financial statements (private company) prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISA 700 (Revised);
 - The report for the independent review of a complete set of general purpose financial statements prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISRE 2400 (Revised); and
 - The report for the audit of a complete set of general purpose financial statements of a public sector entity described in section 4(3) of the PAA that the Auditor-General South Africa (AGSA) has opted not to audit in accordance with ISA 700 (Revised).
5. The guidance in Part A also includes notes on the application of paragraphs 20-48 of ISA 700 (Revised); paragraphs 21-23 of ISA 720 (Revised); paragraphs 86-91 of ISRE 2400 (Revised); and certain sections of the APA, the Companies Act and the PAA that are relevant to the reports.
6. The illustrative reports in Part B include examples of various circumstances not specifically considered in the ISAs, without duplicating the illustrative reports contained in the following ISAs:
- ISA 510, *Initial Audit Engagements – Opening Balances*.
 - ISA 570 (Revised), *Going Concern*.
 - ISA 600, *Special Considerations – Audits of Group Financial Statements*

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

(Including the Work of Component Auditors).

- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report.*
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.*
- ISA 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements.*
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information.*
- ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.*
- ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.*

7. The illustrative reports in Part B assume that:

- Unless the circumstances indicate an assumption that the registered auditor has concluded that a reportable irregularity exists, has been reported in terms of the APA and a notification has been included in the auditor's report or a modified opinion has been expressed on the financial statements, these circumstances do not exist and the auditor's report has not been modified in this regard. The auditor's determination of whether a reportable irregularity exists is based on the careful evaluation of the events and conditions in the particular circumstances of an entity. In instances where the effect of a reportable irregularity on the auditor's report is included in an illustrative report, the auditor has performed such evaluation and has concluded that a reportable irregularity exists. (For guidance on reportable irregularities, refer to the May 2015 [*Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act*](#) issued by the IRBA).
- Unless the circumstances include an assumption that the matter giving rise to a qualified or adverse opinion on the financial statements also affects the other information, this circumstance does not exist.
- Unless the circumstances include an assumption that part or all of the other information has been received after the date of the auditor's report, this circumstance does not exist.
- The relevant ethical requirements applicable to an audit engagement comprise those that are set out in Note 6 to Part A.
- The auditor or the independent reviewer has concluded that, based on the evidence in the engagement circumstances, the modifications reported are either material or material and pervasive in relation to the financial statements. Other

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

wording may be more appropriate in the circumstances of individual engagements, in which case the wording in the illustrative reports may be adapted accordingly.

8. Illustrative examples of ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*, reports that meet the requirements of the JSE Limited Listings Requirements are dealt with in the [Revised Guide for Registered Auditors: Reporting on Financial Information Contained in Interim, Preliminary, Provisional and Abridged Reports Required by the JSE Listings Requirements \(Revised March 2017\)](#).
9. Revisions to the International Auditing and Assurance Standards Board (IAASB) Engagement Standards, the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B) and changes to South African legal and regulatory requirements may result in changes to the engagement partner's reporting responsibilities from time to time. Therefore users of this SAAPS must at all times apply the most up-to-date pronouncements and legislation in their use of this SAAPS.
10. This SAAPS also contains the following appendices:
 - Appendix I: Linking Going Concern Considerations with types of Audit Opinions.
 - Appendix II: Examples of Reports, Documents and Information that may be Determined to be Other Information.

Effective date

11. This SAAPS is effective immediately for audits (or reviews) of financial statements.

PART A – Guidance and Notes

Illustrative reports

1. Unmodified opinion – Auditor’s report on a complete set of consolidated financial statements of a listed entity prepared in accordance with a fair presentation framework

The illustrative report below is the unmodified auditor’s report on the statutory consolidated annual financial statements of a listed entity and its subsidiaries (the group) which include the financial statements and other reports required by the Companies Act, 2008 (No. 71 of 2008) (Companies Act). The group financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates application of ISA 600 and ISA 700 (Revised) regarding the auditor’s report on the financial statements, including the auditor’s additional responsibilities when performing a group audit, and ISA 720 (Revised) in respect of the directors’ report required under the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N15) of Part A.

Circumstances include:

- Audit of a complete set of consolidated financial statements of a listed entity in terms of the Companies Act of South Africa using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 applies) ^[N13]. The consolidated financial statements are presented in the entity’s integrated report. Separate financial statements are also prepared for the listed entity but have not been included in the entity’s integrated report. The auditor’s reports on both the consolidated and separate financial statements are signed on the same day.
- The entity’s annual report, as defined in ISA 720 (Revised), is the entity’s integrated report and the separate financial statements.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.
- Key audit matters have been communicated.
- The auditor has obtained all of the other information prior to the date of the auditor’s reports and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor’s knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is

appropriate based on the audit evidence obtained.

- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure).
- An illustration of an auditor's report on the separate financial statements in these circumstances is provided in illustrative auditor's report 5.

Independent Auditor's Report

To the Shareholders of ABC Limited ^[N1]

Report on the Audit of the Consolidated Financial Statements⁴

Opinion

We have audited the consolidated financial statements ^[N2] of ABC Limited and its subsidiaries (the group) set out on pages ... to ... ^[N3], which comprise the consolidated statement of financial position as at 31 December 20X1, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ^[N4].

In our opinion, the consolidated financial statements present fairly, in all material respects, ^[N5] the consolidated financial position of ABC Limited and its subsidiaries as at 31 December 20X1, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory

4 The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ^[N6]. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters ^[N7]

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Other Information ^[N8]

The directors are responsible for the other information. The other information comprises the information included in the Integrated Report and the Separate Financial Statements, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors ^[N9] *for the Consolidated Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa ^[N10], and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error ^[N11].

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also ^{IN12]}:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion ^[N13].

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years. ^[N14]

[The additional form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs where such a difference exists.]

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Auditor's Signature] ^[N15]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

2. Unmodified opinion – Auditor’s report on a complete set of general purpose financial statements of a private company prepared in accordance with a fair presentation framework

The illustrative report below is the unmodified auditor’s report on the statutory annual financial statements of a private company in terms of the Companies Act, 2008 (No. 71 of 2008) (Companies Act) which include the financial statements and the directors’ report required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates the application of ISA 700 (Revised) regarding the auditor’s report on the financial statements, and ISA 720 (Revised) in respect of the directors’ report required under the Companies Act. Since this is not a group audit, the additional auditor’s responsibilities in respect of a group audit are not illustrated. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N15) of Part A.

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
[N13]
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor’s knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited^[N1]

Report on the Audit of the Financial Statements⁵

Opinion

We have audited the financial statements ^[N2] of ABC Proprietary Limited (the company) set out on pages ... to ...^[N3], which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies ^[N4].

In our opinion, the financial statements present fairly, in all material respects, ^[N5] the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections

5 The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ^[N6]. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information ^[N8]

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We

have nothing to report in this regard.

Responsibilities of the Directors ^[N9] for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa ^[N10], and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error ^[N11].

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also ^[N12]:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs where such a difference exists.]

[Auditor's Signature] ^[N15]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of the auditor's report]

[Auditor's address]

3. Unmodified conclusion – ISRE 2400 (Revised): Independent reviewer’s report on a complete set of general purpose financial statements prepared in accordance with a fair presentation framework

The illustrative report below is the unmodified independent reviewer’s report on the statutory annual financial statements of a company in terms of the Companies Act, 2008 (No. 71 of 2008) (Companies Act) which include the financial statements and the directors’ report required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates the application of ISRE 2400 (Revised) regarding the independent reviewer’s report on the financial statements and draws from ISA 720 (Revised) with respect to the directors’ report, and the requirements of the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N15) of Part A.

Circumstances include:

- Independent review of a complete set of financial statements.
- The financial statements are prepared for a general purpose by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The independent reviewer has concluded an unmodified (i.e., “clean”) conclusion is appropriate based on the evidence obtained.

Independent Reviewer’s Report

To the Shareholders of ABC Proprietary Limited ^[N1]

Report on the Financial Statements⁶

We have reviewed the financial statements ^[N2] of ABC Proprietary Limited set out on pages ... to ... ^[N3], which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year

6 The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle “Report on Other Legal and Regulatory Requirements” is not applicable.

then ended, and notes to the financial statements, including a summary of significant accounting policies ^[N4].

Directors' Responsibility ^[N9] for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities⁷ and the requirements of the Companies Act of South Africa ^[N10], and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. ^[N11]

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects ^[N8], the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

7 May refer to International Financial Reporting Standards, as applicable.

Other Reports Required by the Companies Act ^[N8]

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we will report that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the independent reviewer's report will vary depending on the nature of the independent reviewer's other reporting responsibilities.] ⁸

[Independent Reviewer's signature] ^[N15]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of the independent reviewer's report]

[Independent reviewer's address]

8 There is no requirement for an independent reviewer to include in the "Report on Other Legal and Regulatory Requirements" a Reportable Irregularity reported to CIPC in accordance with Companies Regulation 29(1)(b) and (6) to (11).

4. Unmodified opinion – Illustrative Auditor-General of South Africa’s report on a complete set of general purpose financial statements

The Auditor-General of South Africa (AGSA) sets the requirements for audit in the public sector through the Public Audit Act, 2004 (No. 25 of 2004) (PAA) and also issues directives in terms of the PAA. The AGSA has advised that this illustrative report may only be used in public sector reporting once the applicable directive has been issued. In the application of this illustration, registered auditors must refer to the most current communications issued by the AGSA. The IRBA has issued jointly with the AGSA a [Guide for Registered Auditors: Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit](#).

The illustrative report below is the unmodified auditor’s report on statutory annual financial statements which include the financial statements and other reports required by the Companies Act where applicable. The financial statements are prepared in accordance with the applicable financial reporting framework. This report illustrates the application of ISA 700 (Revised) regarding the auditor’s report on the financial statements when the AGSA has opted not to perform the audit of a public sector entity in terms of section 4(3) of the PAA, and ISA 720 (Revised) in respect of the other reports required under the Public Finance Management Act, 1999 (No. 1 of 1999) (PFMA) and the Companies Act, 2008 (No. 71 of 2008) (Companies Act). The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N15) of Part A.

Independent Auditor’s Report

To [the appropriate addressee]^[N1] on the [name of entity]

Report on the Audit of the [Consolidated and Separate] Financial Statements⁹

Opinion

We have audited the [consolidated and separate] financial statements ^[N2] of the [name of entity] [and its subsidiaries (the group)] set out on pages ... to ...^[N3], which comprise the [consolidated and separate] statement of financial position as at 31 March 201X, the [consolidated and separate] statement of [financial performance / profit or loss and other comprehensive income], statement of changes in [net assets/equity] [,] [and] [cash flow statement/statement of cash flows] [and] [insert title of the statement of comparison of budget information with

9 This heading will be necessary as the report will contain information on other reporting requirements of the PAA.

actual information^{10]} for the year then ended, as well as notes to the [*consolidated and separate*] financial statements, including a summary of significant accounting policies ^[N4].

In our opinion, the [*consolidated and separate*] financial statements present fairly, in all material respects, ^[N5] the financial position of the [*name of entity*]/ group [*and its subsidiaries*] as at 31 March 20XX, and [*its/their*] financial performance and cash flows for the year then ended in accordance with [*the applicable financial reporting framework*] ^[N10] and the requirements of the [*Public Finance Management Act of South Africa*] [*and Companies Act of South Africa*].

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the [Consolidated and Separate] Financial Statements* section of our report. We are independent of the [*type of entity*] in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ^[N6]. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

10 The 'statement of comparison of budget information with actual information' should be excluded as a title of one of the statements comprising the financial statements if International Financial Reporting Standards is the applicable financial reporting framework used by the entity.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the [Consolidated and Separate] Financial Statements* section of our report. We are independent of the [type of entity] in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa ^[N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters ^[N7]

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the [consolidated and separate] financial statements of the current period. These matters were addressed in the context of our audit of the [consolidated and separate] financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Emphasis of Matter

We draw attention to the matter(s) below. Our opinion is not modified in respect of these matters. [Insert matters emphasised]

Other Matters

We draw attention to the matter(s) below. Our opinion is not modified in respect of these matters. [Insert other matters]

Other Information ^[N8]

The [name of entity] [and its subsidiaries] accounting authority is responsible for the other information. The other information comprises the information included

in the Annual Report [which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa] *[and] [insert title of the statement of comparison of budget information with actual information¹¹]*. The other information does not include the *[consolidated and separate]* financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically audited and reported on in the auditor's report.

Our opinion and findings do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the *[consolidated and separate]* financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the *[consolidated and separate]* financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Accounting Authority ^{IN9} for the [Consolidated and Separate] Financial Statements

The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of the *[consolidated and separate]* financial statements in accordance with *[applicable financial reporting framework]* ^{IN10} and the requirements of the *[Public Finance Management Act of South Africa]* *[and Companies Act of South Africa]* ^{IN11}, and for such internal control as the accounting authority determines is necessary to enable the preparation of the *[consolidated and separate]* financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the *[consolidated and separate]* financial statements, the accounting authority is responsible for assessing the *[name of entity]* *[and its subsidiaries]* ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the *[name of entity]* *[and its subsidiaries]* or to cease operations, or has no realistic alternative but to do so.

11 If a 'statement of comparison of budget information with actual information' forms part of an entity's Annual Report and International Financial Reporting Standards is the applicable financial reporting framework used by the entity, it should be included as part of the description of other information.

Auditor's Responsibilities for the Audit of the [Consolidated and Separate] Financial Statements

Our objectives are to obtain reasonable assurance about whether the [consolidated and separate] financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these [consolidated and separate] financial statements.

A further description of our responsibilities for the audit of the [consolidated and separate] financial statements is included in the annexure to the auditor's report.

Report on Other Legal and Regulatory Requirements

[The AGSA prescribes other reporting requirements from time to time and these are communicated in terms of a published AG Directive and other supporting technical guidance.]

[Auditor's Signature] ^[N15]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

Annexure – Auditor’s responsibility for the audit

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the [consolidated and separate] financial statements, and the procedures performed on reported performance information for the selected objectives and on the [type of entity]’s compliance with respect to selected subject matters/focus areas ^[N12]:

Financial Statements

In addition to our responsibility for the audit of the [consolidated and separate] financial statements as described in the auditor’s report, we also:

- Identify and assess the risks of material misstatement of the [*consolidated and separate*] financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [*type of entity*] [*and its subsidiaries*] internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the [accounting authority /directors].
- Conclude on the appropriateness of the [accounting authority / director]’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [*name of entity*] [*and its subsidiaries*] ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the [*consolidated and separate*] financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the [*name of entity*] [*and its subsidiaries*] to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the [*consolidated and separate*] financial statements, including the disclosures, and whether the [*consolidated and separate*] financial statements represent the

underlying transactions and events in a manner that achieves fair presentation.

- *[Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the [name of entity] [and its subsidiaries] to express an opinion on the [consolidated and separate] financial statements. We are responsible for the direction, supervision and performance of the [[group audit] [name of entity] [and its subsidiaries]] audit. We remain solely responsible for our audit opinion. ^[N13].]*

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the accounting authority, we determine those matters that were of most significance in the audit of the *[consolidated and separate]* financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Notes to the illustrative reports in Part A (denoted as N1-N15)

Addressee¹²

- N1. The auditor's report or the independent reviewer's report (the report) is addressed as required by the circumstances of the engagement. Law or regulation may specify to whom the report is to be addressed. However, the Companies Act does not specify to whom the report should be addressed.

The report is normally addressed to those for whom it is prepared¹³. In the case of South African companies, the report is addressed to the shareholders or members, as applicable, when the Companies Act (including the Companies Act Regulations) requires the company to be audited or independently reviewed.

When a Memorandum of Incorporation (MOI) for a company that is exempt from audit requires the company to appoint an auditor, the auditor's report is also addressed to the shareholders or members, as appropriate. When an MOI for a company that is exempt from audit does not require the company to appoint an auditor, and the company chooses to be audited, the addressee will depend on whether the requirement for an audit was by way of a shareholders' or members' resolution (in which case the auditor's report would then be addressed to the shareholders or members, as appropriate) or a directors' resolution (in that instance, the auditor's report would be addressed to the directors).

Public sector perspective

In the public sector there is a wide range of potential users of the auditor's report, including the general public. However, it is not deemed appropriate to address the auditor's report to the general public at large. The auditor's report is thus addressed to parliament or the provincial legislature as the bodies that represent the general public.

The auditor's report may also be addressed to shareholders, trustees or other identified users in addition to parliament or the provincial legislature where there are persons or classes of persons for whom it has been prepared (not the board of directors or the accounting authority that is responsible for preparing the financial statements). If the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended by the Public Finance Management Act No. 29 of 1999 (PFMA), is not applicable to an entity and the financial statements are not required to be tabled in parliament or the provincial legislature, the auditor's report should then be addressed to the appropriate level of oversight, usually the responsible executive authority.

12 ISA 700, paragraphs 22 and A16 and ISRE 2400 (Revised), paragraph 86 and A120.

13 ISA 700, paragraph A16.

Financial statements

- N2. The financial statements form part of the annual financial statements prescribed by the Companies Act. Under the Companies Act, the annual financial statements of a company must include an auditor's report, if the financial statements are audited.¹⁴

Page numbers¹⁵

- N3. It is important to use page numbers to identify the financial statements. In South Africa the set of documents that comprise the financial statements are included in the annual financial statements, which may contain other information, such as a detailed statement of profit or loss and other comprehensive income as well as other reports prescribed by law or regulation or "best practice" requirements. As a result, the illustrative reports do not refer to the "accompanying" financial statements but instead identify the financial statements by page numbers.

Law and regulation in South Africa may require other information or reports to be included in the financial statements of certain types of entities so as to supplement the applicable financial reporting framework. In some instances, the required other information, reports or disclosures are not auditable (or reviewable) under applicable auditing or assurance standards. So, such other information, which is not within the scope of the audit or review engagement, should be clearly separated from the audited financial statements. Where such information may compromise the fair presentation of the financial statements, management should be requested to separate the publication of the information from the financial statements. The report can then clearly distinguish the financial statements covered by identifying them through their relevant page numbers.

Identification of the title of each statement that comprises the financial statements

- N4. The introductory paragraph in the Opinion section of the auditor's report identifies each statement that comprises the complete set of financial statements.¹⁶ A complete set of financial statements is identified by the applicable financial reporting framework¹⁷ and may also include legal and regulatory requirements. For instance, the illustrative reports on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the

14 Companies Act, 2008, Section 29(3)(a).

15 ISA 700 (Revised), paragraph A18 and ISRE 2400 (Revised), paragraph A121.

16 ISA 700 (Revised), paragraph 24(c) and A17 and ISRE 2400 (Revised), paragraph 86(c)(i).

17 ISA 700 (Revised), paragraph A17.

International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) identify the statement of financial position as at the end of the period; statements of profit or loss and other comprehensive income; changes in equity for the period and cash flows for the period; and notes to the financial statements, including a summary of significant accounting policies.

When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements (as required by IFRS, when applicable), the additional statement of financial position provided to address the restatement of information for the comparative period forms part of the comparative information. Therefore, it does not need to be separately identified in the introductory paragraph in the Opinion section of the auditor's report.

The annual financial statements of South African companies comprise a complete set of financial statements identified in accordance with the applicable financial reporting framework and the disclosure requirements of the Companies Act.¹⁸ A directors' report, however, is not identified as forming part of a complete set of financial statements under the disclosure requirements of the applicable financial reporting framework.

The information in Note 4 applies as relevant to the introductory paragraph contained in an independent reviewer's report.

Public sector perspective

When the Standards of Generally Recognised Accounting Practice (GRAP) are applicable, a complete set of financial statements comprises the statement of financial position; the statement of financial performance; the statement of changes in net assets; the cash flow statement; as well as the statement of comparison of budget information to actual information and notes to the financial statements, including a summary of significant accounting policies.

Opinion

- N5. In South Africa, the wording "present fairly, in all material respects" is used instead of "give a true and fair view of" to express the opinion or conclusion in the reports of the auditor or independent reviewer.

Ethical requirements¹⁹

- N6. The International Ethics Standards Board for Accountants (IESBA) has recently completed a project to amend its *Code of Ethics for Professional Accountants*

18 Companies Act, 2008, Sections 29(1) and 30(3)(a) and (b).

19 ISA 700 (Revised), paragraphs 28(c) and A29 to A32.

that has been renamed the *International Code of Ethics for Professional Accountants (including International Independence Standards)* and consists of Parts 1-4. Parts 1, 3, 4A, 4B and certain sections of Part 2 are applicable to Professional Accountants in Public Practice (PAPP). The IRBA has updated its extant IRBA *Code of Professional Conduct for Registered Auditors* to reflect those changes made to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* as they pertain to PAPP and as a result, to registered auditors.

The effective dates for the IRBA *Code of Professional Conduct for Registered Auditors* (IRBA Code)²⁰ and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) are as follows:

- Parts 1 and 3 of the restructured Code will be effective as of 15 June 2019.
- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019.
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 June 2019; otherwise, it will be effective as of 15 June 2019.

Since there are different effective dates for the parts in both the IRBA Code and IESBA Code, this SAAPS makes provision for two options in the illustrative auditor's reports where references are made to the Codes and clearly distinguishes between the two options, as follows:

- *Transitional period:* Registered auditors who sign off auditor's reports issued on or after 15 June 2019 in respect of the audits for financial periods beginning before or on 14 June 2019; and
- *Periods going forward:* Registered auditors who sign off auditor's reports for audits of financial statements for periods beginning on or after 15 June 2019.

Transitional Period

Since Part 4A and 4B of the IRBA Code and the IESBA Code (relating to independence for audits and reviews and assurance engagements) are effective for audits and reviews and assurance engagements of financial statements for periods beginning on or after 15 June 2019, there will be a period where the extant IRBA and IESBA Codes (sections 290 and 291 of the extant Codes) will

20 The IRBA Board approved the IRBA Code for adoption in November 2018 and will be gazetted in November 2018.

be effective during the transitional period.

As such, registered auditors who sign off auditor's reports issued on or after 15 June 2019 in respect of the audits for financial periods beginning before or on 14 June 2019, will be required to comply with:

- Sections 290 and 291 of the extant Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* is consistent with the sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*; and
- Parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* is consistent with Parts 1 and 3 of the IESBA *International Code of Ethics for Professional Accountants' (including International Independence Standards)*.

Periods going forward

Extant SAAPS 3 makes reference to the extant IRBA Code being consistent with parts A and B of the extant IESBA Code. Parts 1, 3, 4A and 4B of the IESBA Code equates to parts A and B of the extant IESBA Code.

As such registered auditors who sign off auditor's reports for audits of financial statements for periods beginning on or after 15 June 2019, will be required to comply with:

- Parts 1, 3, 4A and 4B of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* and will describe that the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* is consistent with Part 1, 3, 4A and 4B of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

In addition to the above codes, various laws and regulations may also contain independence and ethical requirements. For example:

- The Companies Act²¹ contains restrictions on the non-audit services that may be provided by the auditor to certain companies, and also contains requirements relating to the rotation of the engagement partner.

21 Companies Act, 2008, Sections 90(2) and 92.

- Directive 6/2008, issued in terms of the Banks Act contains requirements regarding the rotation of the engagement partner(s).
- In compliance with section 10(1)(a) of the APA, the IRBA has published a [Rule on Mandatory Audit Firm Rotation](#) that requires that an audit firm, including a network firm as defined in the IRBA Code, shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years; and thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. Therefore, if the audit firm has served as the appointed auditor for a public interest entity for 10 or more consecutive years before the financial year commencing on or after 1 April 2023, then the audit firm shall not accept re-appointment and will be required to rotate.

The auditor should be familiar with all codes, laws and regulations containing ethical requirements that apply to the audit engagement.

As there are numerous codes, laws and regulations that the auditor is required to adhere to, the statement included in the auditor's report on independence and other ethical requirements, in South Africa, makes reference to the IRBA Code and other independence and ethical requirements applicable to performing audits of financial statements in South Africa.

Key audit matters²²

- N7. Law or regulation may require communication of the key audit matters for audits of entities other than listed entities, for example, those characterised as public interest entities. Auditors should remain alert to the possibility of this requirement. The auditor may also voluntarily decide to communicate key audit matters for entities other than listed entities.

The IAASB has issued four non-authoritative publications that deal with key audit matters:

- [Audit Reporting: Key Audit Matters](#) – This publication has been developed to assist investors, preparers of financial statements, those charged with governance and others interested in understanding key aspects of KAM as set out in ISA 701.
- [Auditor Reporting: Illustrative Key Audit Matters](#) – This publication has been developed to illustrate how the concept of KAM may be applied in practice in accordance with ISA 701.
- [Determining and Communicating Key Audit Matters](#) – This diagram

22 ISA 701 and ISA 700 (Revised), paragraphs 30 to 31 and A35 to A38.

depicts the process an auditor follows in order to determine the KAM to be communicated.

- [Auditor Reporting: Frequently Asked Questions](#) – This publication addresses commonly asked questions on the new and revised auditor reporting standards, including questions on key audit matters, and other information.

Public sector perspective

The AGSA has determined that the communication of key audit matters in the auditor's report will be applicable to all audits of public sector entities. This will be phased in as determined by the AGSA, except for those listed entities where the inclusion of KAM is mandatory.

Other information

- N8. In South Africa, the corporate governance code, known as King IV²³, the JSE Limited Listings Requirements (Listings Requirements) and the Companies Act require a listed entity to present supplementary reports and information disclosures for various stakeholders.

The Companies Act, 2008, does not require or address the preparation of an annual report and therefore does not define the annual report.

The Listings Requirements prescribe certain disclosures that should be included in a listed entity's annual report, but also do not define the annual report. The JSE Limited (JSE) prescribes the manner and form in which listed entities are required to announce their financial results to the market, either through the Stock Exchange News Service (SENS) and/or in the press, as is appropriate. Listed entities often voluntarily present information regarding their financial results, in addition to the reporting required by the JSE, in results booklets or analyst presentations. Such documents may or may not contain more detail, if compared to the information published through SENS and/or in the press.

Reporting practices in South Africa, especially among listed entities, are diverse. For example:

- Some entities title their reports "integrated reports", while others refer to "integrated annual reports" or "annual reports".
- Some entities include the full annual financial statements in their integrated or annual reports, while others only present summaries of those annual financial statements.

23 The King IV Code on Corporate Governance for South Africa, 2016 and the King IV Report on Governance for South Africa, 2016.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

- Some entities issue their integrated or annual reports at the same time as their results announcements, while other entities' integrated or annual reports only follow later on.
- Some entities issue a single document (i.e. bound together with the audited financial statements), while others issue two or more documents comprising the entities' annual reporting to stakeholders.

Registered auditors are therefore required to consider client specific facts and circumstances when determining the document(s) that comprise their client's annual report.

For a South African company whose financial statements are audited, the annual report, for purposes of ISA 720 (Revised), includes:

- Annual financial statements;
- The integrated report (if prepared); and
- Any other documents that are described within the company's annual financial statements or its integrated report as forming part of the company's annual financial statements or its integrated report.

Furthermore, in South Africa an entity's integrated report will be its annual report for purposes of ISA 720 (Revised), irrespective of the following:

- Its title (for example "Integrated report"; "Integrated annual report" or "Annual report"); and
- Whether the annual financial statements and the auditor's report thereon are contained therein.

ISA 720 (Revised) does not expand on the meaning of "accompanies" in the definition of an annual report. The Standard does not, for example, indicate that a document would "accompany" the financial statements only if it is issued at the same time or in close proximity to the issuance of the financial statements. The IRBA's reading of the Standard is that a document could meet the definition of an annual report even if there was a significant time delay between the issue date of the financial statements and that of the entity's annual report.

The application material to ISA 720 (Revised) explains that an annual report is different in nature, purpose and content from other reports, such as a report prepared to meet the information needs of a specific stakeholder group or a report prepared to comply with a specific regulatory reporting objective (even when such a report is required to be publicly available). It lists, among others, separate regulatory reports and sustainability reports²⁴ as examples of reports that, when

24 The Global Reporting Initiative (GRI) defines a sustainability report as "a report published

issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom) and that, therefore, are not other information within the scope of the Standard²⁵. The IRBA is thus of the view that regulatory reports and sustainability reports that are issued as standalone documents, without, for example, being described as forming part of the entity's annual report, are not part of the combination of documents that comprise an entity's annual report.

ISA 720 (Revised) refers to a scope exclusion of "preliminary announcements of financial information", but does not define this term²⁶. In context of entities listed on the JSE, this scope exclusion from ISA 720 (Revised) applies to announcements of information that has been reviewed in accordance with the International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and that results announcements on SENS and/or in the press that relate to information that has been audited or reviewed do not form part of the combination of documents that comprise an annual report, and are, therefore, not other information within the scope of ISA 720 (Revised).

Information that a listed entity may prepare on a voluntary basis for a specific stakeholder grouping, such as analysts, has a different purpose from that of an annual report. Such information, where presented separately from the annual report, does not form part of the combination of documents that comprise an annual report. Therefore, it is not other information within the scope of ISA 720 (Revised).

If a report is an entity's annual report for the purpose of ISA 720 (Revised), all information contained therein, other than the financial statements and the auditor's report thereon, constitute other information. An entity's annual report may include information that has been the subject matter of an assurance engagement other than the audit of the financial statements. ISA 720 (Revised) does not contain a scope exemption for such information and it is therefore other information within the scope of ISA 720 (Revised).

For the purpose of the illustrated reports of listed companies in this SAAPS, the company is assumed to have prepared an "Annual Report", which meets the definition of an annual report in ISA 720 (Revised), that may contain "other

by a company or organisation about the economic, environmental, and social impacts caused by its everyday activities".

25 ISA 720 (Revised), paragraph A5.

26 ISA 720 (Revised), paragraph 7(a).

information”²⁷.

The Directors’ Report²⁸, the Audit Committee’s Report²⁹ (when applicable) and the Company Secretary’s Certificate³⁰ (when applicable) form part of the annual financial statements prescribed by the Companies Act and they must be audited or reviewed, as and when applicable. The information (subject matter) is generally not identifiable and open to consistent evaluation or measurement against identified criteria.³¹ Consequently, the opinion expressed on the financial statements does not extend to the information contained in these reports as the auditor has no basis for concluding that the information is properly stated.

However, the auditor, in accordance with ISA 720 (Revised), has a responsibility to read the other information. Then the auditor must consider whether there is any material inconsistency between the other information and the financial statements, on the one hand, and the other information and the auditor’s knowledge obtained in the audit, on the other hand³². ISA 720 (Revised) has been used to determine that the Directors’ Report, the Audit Committee’s Report (when applicable) and the Company Secretary’s Certificate (when applicable) meet the definition of “other information” in terms of ISA 720 (Revised)³³.

ISA 720 (Revised) requires that the auditor’s report must include a separate section that identifies the other information, if any, obtained by the auditor prior to the date of the auditor’s report³⁴. In South Africa, the Directors’ Report, the Audit Committee’s Report (when applicable) and the Company Secretary’s Certificate (when applicable) will be specifically identified as other information in that section.

In the paragraph headed “Other Reports Required by the Companies Act” and “Other Matter – Reports Required by the Companies Act”, as contained in the independent reviewer’s report and those auditor’s reports in which a disclaimer of opinion has been expressed, respectively, we have used wording drawn from ISA 720 (Revised).

27 ISA 720 (Revised), paragraph 12(c).

28 Companies Act, 2008, Section 30(b).

29 Companies Act, 2008, Section 94(7)(f).

30 Companies Act, 2008, Section 88(2)(e).

31 Amended International Framework for Assurance Engagements, paragraph 40. (Effective for assurance reports dated on or after December 15, 2015).

32 ISA 720 (Revised), paragraph 14.

33 ISA 720 (Revised), paragraph 12(c).

34 ISA 720 (Revised), paragraphs 20 and 21A(a)(i).

The IAASB has issued a non-authoritative publication developed by the Auditor Reporting Implementation Working Group that deals, in part, with other information in terms of ISA 720 (Revised):

- [Auditor Reporting: Frequently Asked Questions](#) – This publication addresses commonly asked questions on the new and revised auditor reporting standards, including questions on key audit matters, and other information.

Appendix II, Examples of reports, documents and information that may be determined to be other information, provides further guidance on the identification of other information in terms of ISA 720 (Revised) in the South Africa context.

Public sector perspective

The Directors' Report³⁵, the Audit Committee's Report³⁶ (when applicable) and the Company Secretary's Certificate³⁷ (when applicable) form part of the annual financial statements prescribed by the Companies Act. Where the entity is not a company, reference to these documents should be omitted.

In addition to King IV, the Listings Requirements and the Companies Act requirements that may be applicable to certain public sector entities, the PFMA also includes requirements relating to these entities' annual reports.

In the public sector, other information comprises financial and non-financial information, other than (i) the financial statements; (ii) the auditor's report thereon; and (iii) those objectives in the entity's annual report where its performance against predetermined objectives have been specifically audited and reported on in the auditor's report.

In terms of section 28(1)(c) of the PAA, the report of an auditor appointed in terms of section 25(1)(b) of the PAA (i.e. section 4(3) registered auditors), must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on –

(c) the reported information relating to the performance of the auditee against predetermined objectives.

As such, since the legislated auditor reporting requirements in the public sector extend to reporting on performance information as part of the annual audit process, other information excludes those objectives in the entity's annual report where its performance against predetermined objectives has been specifically

35 Companies Act, 2008, Section 30(b).

36 Companies Act, 2008, Section 94(7)(f).

37 Companies Act, 2008, Section 88(2)(e).

audited and reported on in the auditor's report.

Note: The public sector interpretation of other information is only applicable to the public sector and should not be extended to other audit or review engagements.

The auditor is required to read the other information and determine if there are inconsistencies between the other information, the financial statements and the report on performance against pre-determined objectives.

The section on other information is placed in the auditor's report after the reporting on the audit of the financial statements, audit of the reported performance information and audit of compliance with legislation.

Responsibilities of the directors for the financial statements

N9. "Management" is used generically in the ISAs and the ISREs to describe those responsible for the preparation (and fair presentation) of an entity's financial statements.

The Companies Act requires the annual financial statements to be approved by the board and signed by an authorised director³⁸. As such, in the case of a South African company, the report should state that the company's directors are responsible for the preparation (and fair presentation) of the financial statements.

In terms of the Close Corporations Act, these requirements apply to the authorised member(s) of a Close Corporation. As such, the reference to the directors' responsibility becomes a reference to the members' responsibility.

ISA 700 (Revised) also requires that this section of the auditor's report should identify those responsible for the oversight of the financial reporting process, when they are different from those who fulfil the responsibilities for the preparation of the financial statements. In such a case, this section's heading would also refer to "Those Charged with Governance" (TCWG)³⁹. TCWG is defined in ISA 260 (Revised), *Communication With Those Charged With Governance*⁴⁰.

Since the company's directors or the public entity's accounting authority are responsible for the oversight of the financial reporting process, as stated above, no reference to oversight responsibilities is required in the auditor's report of a South African company.

It should be noted that there may be other legislation that splits the responsibilities of the preparation for the financial statements and the oversight of the financial

38 Companies Act, 2008, Section 30(3)(c).

39 ISA 700 (Revised), paragraphs 33, 34 and A44.

40 ISA 260 (Revised), paragraph 10(a) and effective for audits of financial statements for periods ending on or after 15 December 2016.

reporting process. In this case, reference would have to be made to those responsible for the oversight of the financial reporting process.

Public sector perspective

The auditor's report in the public sector refers to the accounting authority's responsibility, based on the PFMA requirements, as follows:

- Public entities – accounting authority⁴¹.
- Public entities registered as a company – The board of directors, which constitutes the accounting authority.

If the PFMA is not applicable to an entity, the name of the party responsible for the preparation of the financial statements – in terms of the legislation that governs that entity – should be inserted.

Applicable financial reporting framework

N10. When the financial reporting framework is supplemented by legal or regulatory requirements, reference must be made to the legislation concerned⁴². As such, in the case of a South African company, the report refers to the requirements of the financial reporting framework as well as the additional financial reporting requirements of the Companies Act.

The Financial Reporting Standards Council (FRSC) must, among other responsibilities, adapt international reporting standards for local circumstances⁴³ that may be issued from time to time in the form of Financial Reporting Pronouncements (FRP).

Since the FRPs support, and are not an extension of IFRS or IFRS for Small and Medium Enterprises they are not considered to be separate financial reporting frameworks and are not referenced as such in the auditor's and independent reviewer's report in addition to IFRS or IFRS for Small and Medium Enterprises.

However, the auditor considers evaluating the implications for the audit or the auditor's opinion on the financial statements in accordance with ISA 705 (Revised) if the preparer of the financial statements has not applied the relevant FRPs in the preparation of the financial statements.

Public sector perspective

In the public sector, where applicable, reference would also be made to the PFMA in addition to the applicable financial reporting framework and the Companies

41 PFMA, section 55(1).

42 ISA 210, paragraph 18 and ISA 700 (Revised), paragraph A24.

43 Companies Act, 2008, Section 204(a).

Act.

The General Notice (Directive), issued by the AGSA in terms of the PAA, and the Accounting Standards Board's Directive provide information and requirements regarding the financial reporting frameworks as well as bases of accounting applicable to public sector entities.

Internal control

N11. The directors' responsibility regarding internal control is inferred by the requirement in the Companies Act for the board to approve⁴⁴ the financial statements. Accordingly, the directors' responsibility paragraph in the report states that the directors are responsible for such internal control, as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error⁴⁵.

Public sector perspective

In the public sector the accounting authority is specifically tasked as per Section 51(1)(a)(i) of the PFMA, with ensuring that an entity has and maintains an effective, efficient and transparent system of internal control.

Description of the auditor's responsibilities for the audit of the financial statements⁴⁶

N12. Though auditors in some countries are allowed to put the description of the auditor's responsibilities on the website of an appropriate authority, in South Africa no law or regulation expressly permits that. As such, auditors are required to include the description of responsibilities in one of the following ways:

- Within the body of the auditor's report; or
- In an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix.

Public sector perspective

The second option of including an annexure has been adopted by the AGSA.

Auditor's responsibilities for the audit of the financial statements – group audit

N13. ISA 700 (Revised) requires that when ISA 600 applies, the auditor's responsibilities for the audit of the financial statements section of the auditor's

44 Companies Act, 2008, Sections 30(3)(c) and (d).

45 ISA 700 (Revised), paragraphs 33(a) and 39.

46 ISA 700 (Revised), paragraphs 40 to 41 and A49 to A52.

report shall further describe the auditor's responsibilities in a group audit engagement by stating that:

- The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements;
- The auditor is responsible for the direction, supervision and performance of the group audit; and
- The auditor remains solely responsible for the auditor's opinion.⁴⁷

This circumstance, i.e., when ISA 600 does or does not apply, has been described in the circumstances block for each illustrative auditor's report.

Disclosure of audit tenure

N14. The Regulatory Board, in terms of Section 9 and 10 read with sections 1, 2 and 3 of the Auditing Profession Act, Act 26 of 2005, published a Rule in the Government Gazette Nr 39475 of 4 December 2015 which makes it mandatory that all auditor's reports on Annual Financial Statements shall disclose the number of years which the audit firm/sole practitioner has been the auditor of the entity (audit tenure). A predecessor audit firm in this context refers to an audit firm where there has been mergers/de-mergers or other combinations in the audit firm, and an audit firm shall therefore include a predecessor audit firm.

Audit tenure refers to the length of the auditor-client relationship. Thus, tenure includes the period that the predecessor audit firms (where there has been mergers/de-mergers or other combinations in the audit firm) issued audit reports on the entity.

This rule applies to audit reports issued on the Annual Financial Statements of all public interest entities, as defined in the Companies Act of 2008 and prescribed by the Regulatory Board from time to time, for periods ending on or after 31 December 2015. This rule was subsequently clarified to mean that it applies to audit reports issued on the Annual Financial Statements of all public companies – as defined in the Companies Act of 2008 – that meet the definition of a public interest entity, as per the IRBA Code of Professional Conduct for Registered Auditors.

The Regulatory Board made the decision to require the mandatory disclosure of audit tenure in the context of strengthening auditor independence, which is consistent with measures implemented in other jurisdictions. This disclosure of audit tenure will lead to transparency of association between audit firms and audit

47 ISA 700 (Revised), paragraph 39(c).

clients.

Additional Guidance

- All audit firms and sole practitioners are required to comply with the new disclosure requirement.
- The audit tenure should reflect the number of years the audit firm/sole practitioner continuously served as auditor.
- In the case of audit firm mergers/de-mergers or change in name, the longest length of tenure should be disclosed.
- Where the client is a company, information on the appointment and changes in auditors can be obtained from the Companies and Intellectual Property Commission or company secretarial records.
- In the case of companies, as the appointment and continuation of auditors is the responsibility of the audit committee, auditors are advised to bring the requirement of this rule to the attention of the audit committee.

The auditor's signature

N15. The illustrative report assumes that the auditor or the independent reviewer is a registered auditor and that the relevant report is presented on a letterhead.

The signing convention illustrated is set out in Section 150.6 of the IRBA Code and requires the following, in addition to the auditor's or the independent reviewer's signature and date of the report:

- (a) "The individual registered auditor's full name;
- (b) If not a sole practitioner, the capacity in which the auditor is signing, namely as a 'partner' or 'director';
- (c) The designation 'Registered Auditor' underneath their name; and
- (d) If not set out on the firm's letterhead, the name and address of the registered auditor's firm."

These requirements have been adapted accordingly for independent reviewer reports.

In addition, ISA 700 (Revised) requires that the name of the engagement partner be included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities⁴⁸. Although ISA 700 (Revised) does not specify the manner in which this inclusion should be made in the auditor's report, the illustrative reports contained in the appendix to ISA 700 (Revised) do illustrate

48 ISA 700 (Revised), paragraph 45 and A56 to A58.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

how the name of the engagement partner can be included. The illustrative wording is as follows: “The engagement partner on the audit resulting in this independent auditor’s report is [*name*]”.

Since the IRBA Code already requires the name of the engagement partner to be included in the auditor’s report as part of the signing convention described above, the illustrative reports contained in this SAAPS do not include the illustrative wording suggested in the illustrative reports contained in the appendix to ISA 700 (Revised). In South Africa, the requirements of Section 150.6 of the IRBA Code take precedence over the requirements set out in ISA 700 (Revised).

However, registered auditors are not precluded from including the illustrative wording suggested in the illustrative reports contained in the appendix to ISA 700 (Revised) in their auditor’s reports, in addition to the signing convention required by the IRBA Code.

PART B – Illustrative Reports

Audited Financial Statements

5. Unmodified opinion – Separate financial statements

Circumstances include:

- Audit of a complete set of separate financial statements of a listed entity prepared in accordance with a fair presentation framework. The audit of the separate financial statements is not a group audit (i.e., ISA 600 does not apply). Consolidated financial statements are prepared separately for the listed entity. The consolidated financial statements are presented in the entity's integrated report. The auditor's reports on both the separate and consolidated financial statements are signed on the same day.
- The entity's annual report, as defined in ISA 720 (Revised), is the entity's integrated report and the separate financial statements.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have been communicated.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure).
- An illustration of an auditor's report on the consolidated financial statements in these circumstances is provided in illustrative auditor's report 1.

Independent Auditor's Report

To the Shareholders of ABC Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of ABC Limited (the company) set out on pages ... to ..., which comprise the separate statement of financial position as at 31 December 20X1, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of ABC Limited as at 31 December 20X1, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including*

International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Other Information

The directors are responsible for the other information. The other information comprises the information included in the financial statements and the Integrated Report, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

**6. Unmodified opinion – Financial statements (IFRS for SMEs):
Auditor’s responsibilities are included in an Appendix**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Financial statements of a company in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor’s knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has decided to include the description of his responsibilities for the audit of the financial statements in an appendix to the auditor’s report.

Independent Auditor’s Report

To the Shareholders of ABC Proprietary Limited

Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements

applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at *[indicate page number or other specific reference to the location of the description]*, forms part of our auditor's report.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

Appendix

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**7. Ongemodifiseerde mening – Finansiële State (IFRS for SMEs):
Ouditeur se verantwoordelikhede is ingesluit in 'n Bylaag tot die verslag**

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 6 van SAAPS 3 (Revised 2019).
- Oudit van 'n volledige stel finansiële state van 'n private maatskappy in terme van die Maatskappywet van Suid-Afrika ooreenkomstig 'n redelike voorstellingsraamwerk ("fair presentation framework"). The audit is not a group audit (m.a.w., ISA 600 is nie van toepassing nie). Finansiële state van 'n maatskappy ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika.
- Op grond van verkreeë ouditbewyse het die ouditeur tot die gevolgtrekking gekom dat daar geen wesenlike onsekerheid bestaan met betrekking tot gebeure of omstandighede wat beduidende twyfel kan wek oor die entiteit se vermoë om as 'n lopende saak voort te bestaan nie.
- Sleutel-ouditaangeleenthede ("key audit matters") is nie gekommunikeer nie.
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie. Die ouditeur het vasgestel dat daar geen ander inligting ("other information") is buiten die Direkteursverslag wat ooreenkomstig die Maatskappywet van Suid-Afrika voorberei is nie. Die ouditeur het nie 'n wesenlike teenstrydigheid tussen die ander inligting en die finansiële state, of tussen die ander inligting en die ouditeur se kennis wat tydens die audit bekom is, geïdentifiseer nie. Die ouditeur het ook nie 'n wesenlike wanvoorstelling van die ander inligting geïdentifiseer nie.
- Die ouditeur het tot die gevolgtrekking gekom dat 'n ongemodifiseerde (m.a.w. "skoon") mening toepaslik is op grond van die ouditbewyse wat verkry is.
- Die ouditeur het besluit om die beskrywing van sy verantwoordelikhede ten opsigte van die audit van die finansiële state in 'n bylaag tot die ouditeursverslag in te sluit.

Onafhanklike Ouditeur se Verslag

Aan die Aandeelhouders van ABC Eiendoms Beperk

Mening

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., geoudit. Hierdie finansiële state bestaan uit die staat van finansiële stand soos op 31 Desember 201X, en die staat van wins of verlies en ander omvattende inkomste, die

staat van veranderings in ekwiteit en die staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitende 'n opsomming van beduidende rekeningkundige beleid.

Na ons mening is die finansiële state, in alle weselike opsigte, in alle weselike opsigte, 'n redelike voorstelling van die finansiële stand van die ABC Eiendoms Beperk soos op 31 Desember 20X1, en van die maatskappy se finansiële prestasie en kontantvloei vir die jaar wat op daardie datum geëindig het, ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika.

[Vir auditverslae wat op of na 15 Junie 2019 uitgereik word, in verband met audits van finansiële state vir finansiële periodes wat voor of op 14 Junie 2019 begin] [Verwyder blok indien nie van toepassing nie]

Grondslag vir Mening

Ons het ons audit ooreenkomstig 'International Standards on Auditing' ('ISAs') uitgevoer. Ons verantwoordelikhede ingevolge daardie standaard word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Audit van die Finansiële State*-afdeling van ons verslag. Ons is onafhanklik van die maatskappy in ooreenstemming met artikels 290 and 291 van die 'Independent Regulatory Board for Auditors (IRBA)' se 'Code of Professional Conduct for Registered Auditors (Revised January 2018)' (IRBA Code (Revised January 2018)), afdelings 1 and 3 van die 'Independent Regulatory Board for Auditors' se 'Code of Professional Conduct for Registered Auditors (Revised November 2018)' (IRBA Code (Revised November 2018)) en ander onafhanklikheidsvereistes wat van toepassing is op audits van finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede, soos van toepassing, ooreenkomstig die 'IRBA Code (Revised November 2018)' en ooreenkomstig ander etiese vereistes wat van toepassing is op audits in Suid-Afrika vervul. Artikels 290 and 291 van die 'IRBA Code (Revised January 2018)' is konsekwent met artikels 290 and 291 van die 'International Ethics Standards Board for Accountants' se 'Code of Ethics for Professional Accountants'. Afdelings 1 and 3 van die 'IRBA Code (Revised November 2018)' is konsekwent met afdelings 1 and 3 van die 'International Ethics Standards Board for Accountants' se 'International Code of Ethics for Professional Accountants (including International Independence Standards)'. Ons glo dat die auditbewyse wat ons verkry het, toereikend en toepaslik is om 'n grondslag vir ons auditmening te bied.

[Vir audits van finansiële state ten opsigte van finansiële periodes wat op of na 15 Junie 2019 begin] [Verwyder blok indien nie van toepassing nie]

Grondslag vir Mening

Ons het ons audit ooreenkomstig 'International Standards on Auditing' ('ISAs')

uitgevoer. Ons verantwoordelikhede ingevolge daardie standaard word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State*-afdeling van ons verslag. Ons is onafhanklik van die maatskappy in ooreenstemming met die 'Independent Regulatory Board for Auditors' se 'Code of Professional Conduct for Registered Auditors (IRBA Code)' en ander onafhanklikheidsvereistes wat van toepassing is op oudits van finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede ooreenkomstig die 'IRBA Code' en ooreenkomstig ander etiese vereistes wat van toepassing is op oudits in Suid-Afrika vervul. Die 'IRBA Code' is konsekwent met die 'International Ethics Standards Board for Accountants' se 'International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3, 4A and 4B)'. Ons glo dat die auditbewyse wat ons verkry het, toereikend en toepaslik is om 'n grondslag vir ons auditmening te bied.

Ander Inligting

Die direkteur is verantwoordelik vir die ander inligting. Die ander inligting bestaan uit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika. Ander inligting sluit nie die finansiële state en ons ouditeursverslag daarvoor in nie.

Ons mening oor die finansiële state dek nie die ander inligting nie en ons spreek geen auditopinie of enige vorm van gerusstelling daarvoor uit nie.

In verband met ons audit van die finansiële state is dit ons verantwoordelikheid om die ander inligting te lees, en sodoende te oorweeg of die ander inligting wesenlik teenstrydig is met die finansiële state of kennis verkry gedurende die audit, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het op die ander inligting verkry voor die datum van die ouditeursverslag, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van hierdie ander inligting is, word van ons vereis om daardie feit te rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

Verantwoordelikhede van die Direkteur vir die Finansiële State

Die maatskappy se direkteur is verantwoordelik vir die opstel en redelike voorstelling van die finansiële state ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteur nodig ag vir die opstel van finansiële state wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

As deel van die opstel van die finansiële state is die direkteur daarvoor verantwoordelik om die maatskappy se vermoë om as 'n lopende saak voort te bestaan te beoordeel, en soos toepaslik aangeleenthede wat verband hou met lopende saak en die gebruik van die lopende-saak-grondslag van verslagdoening te openbaar, tensy die direkteur beplan om die maatskappy te likwideer of om bedrywighede te staak, of geen realistiese alternatief het as om dit te doen nie.

Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State

Ons doelwitte is om redelike gerusstelling te verkry of die finansiële state as 'n geheel vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute, en om 'n ouditeursverslag uit te reik wat ons mening bevat. Redelike gerusstelling is 'n hoë vlak van gerusstelling, maar is nie 'n waarborg dat 'n oudit wat ooreenkomstig die ISAs uitgevoer is altyd 'n wesenlike wanvoorstelling sal opspoor indien dit bestaan nie. Wanvoorstellings kan ontstaan as gevolg van bedrog of foute, en word individueel of in totaal wesenlik geag indien dit redelikerwys verwag kan word dat sodanige wanvoorstellings die ekonomiese besluite van gebruikers wat op grond van hierdie finansiële state geneem word sal beïnvloed.

'n Verdere beskrywing van ons verantwoordelikhede ten opsigte van die oudit van die finansiële state is ingesluit in die Bylaag van hierdie ouditeursverslag. Hierdie beskrywing, wat by *[dui bladsynommer of ander spesifieke verwysing na die plasing van die beskrywing aan]* geleë is, vorm deel van ons ouditeursverslag.

[Ouditeur se handtekening]

[Naam van individuele geregistreerde ouditeur]

[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot]

Geregistreerde Ouditeur

[Datum van ouditeur se verslag]

[Ouditeur se adres]

Bylaag

Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State

As deel van 'n oudit ooreenkomstig die ISAs oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme deurlopend deur die oudit. Ons doen ook die volgende:

- Identifiseer en beoordeel die risikos van wesenlike wanvoorstelling van die finansiële state, hetsy weens bedrog of foute, ontwerp en voer ouditprosedures uit na aanleiding van daardie risikos, en verkry ouditbewyse wat voldoende en toepaslik is om 'n grondslag vir ons ouditmening te bied. Die risiko van nie-opsporing van 'n wesenlike wanvoorstelling as gevolg van bedrog is groter as vir 'n wesenlike wanvoorstelling as gevolg van foute, aangesien bedrog samespanning, vervalsing, doelbewuste weglatings, wanvoorstellings, of die omseiling van interne beheer kan behels.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

- Verkry 'n begrip van interne beheer relevant tot die oudit ten einde ouditprosedures te ontwerp wat toepaslik is in die omstandighede, maar nie vir die doel om 'n mening uit te spreek oor die effektiwiteit van die maatskappy se interne beheer nie.
- Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur die direkteure gemaak is.
- Kom tot 'n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende-saak-grondslag van verantwoording, en gebaseer op ouditbewyse verkry, kom tot 'n gevolgtrekking oor die bestaan van 'n wesenlike onsekerheid wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan oor die maatskappy se vermoë om as 'n lopende saak voort te bestaan. Waar ons tot die gevolgtrekking kom dat 'n wesenlike onsekerheid bestaan word daar van ons vereis om in ons ouditeursverslag aandag te vestig op die toepaslike openbaarmaking in die finansiële state, of, indien sodanige openbaarmaking onvoldoende is, om ons mening te wysig. Ons gevolgtrekkings word gebaseer op ouditbewyse verkry tot en met die datum van ons ouditeursverslag. Toekomstige gebeure en omstandighede mag egter daartoe aanleiding gee dat die maatskappy ophou om as 'n lopende saak voort te bestaan.
- Evalueer die algehele voorstelling, struktuur en inhoud van die finansiële state, insluitende die openbaarmaking, en of die finansiële state die onderliggende transaksies en gebeure op só 'n manier weergee dat redelike voorstelling bereik word.

Ons kommunikeer met die direkteure oor, onder andere, die beplande omvang en tydsberekening van die oudit en beduidende ouditbevindinge, insluitende enige beduidende tekortkominge in interne beheer wat ons tydens ons oudit identifiseer.

8. Unmodified opinion – Financial statements (entity specific basis of accounting)

Circumstances include:

- Voluntary audit undertaken for a private company pursuant to a shareholder resolution. The public interest score is less than 100 and the financial statements are internally compiled. The financial statements are intended for the purpose of providing financial information to the shareholders, considered specific users. (The entity is a private company in terms of the Companies Act of South Africa).
- The financial statements are prepared in accordance with a basis of accounting determined by the directors and include a directors' report, which is a requirement of the Companies Act of South Africa. The audit is not a group audit (i.e., ISA 600 does not apply). The financial statements do not include a statement of changes in equity.
- ISA 800 (Revised) applies and the independent auditor has determined that the basis of accounting is acceptable to the intended users of the financial statements. Distribution and use of the auditor's report are restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1,

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

and the statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of ABC Proprietary Limited for the year ended 31 December 20X1 are prepared, in all material respects, in accordance with the basis of accounting described in note x to the financial statements and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board

for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to note x to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the company's own accounting policies to satisfy the financial information needs of the company's shareholders. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note x and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

9. Unmodified opinion – Non-operating company: Company is dormant

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The company has no assets or liabilities other than the amount due by/to its shareholder.
- Financial statements of a company prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. No statement of profit or loss and other comprehensive income, changes in equity and cash flows presented as the company is dormant.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information or a ma.
- The auditor has concluded an unmodified (i.e., "clean") opinion on the financial position is appropriate based on the audit evidence obtained. No opinion is expressed on the financial performance and cash flows.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1 in accordance with

International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the

International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's Address]

10. Unmodified opinion – Other information: Supplementary schedules

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Un-audited supplementary schedules which do not form part of the financial statements are bound in with the financial statements and not clearly distinguished from the financial statements. Matter does not affect the auditor's opinion.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and the supplementary information and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South

Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for*

Professional Accountants (including International Independence Standards) (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on pages ... to The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

11.Emphasis of matter – Subsequent Event: Re-issue of financial statements

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Deferred tax is raised on the taxable temporary differences after the issue of the financial statements and the financial statements are amended. Previously issued financial statements and auditor's report revised and reissued. Matter does not affect the auditor's opinion. Adequate disclosure has been made in the notes to the financial statements. The auditor has concluded that an emphasis of matter is appropriate.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in

accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Subsequent Event

We draw attention to Note x to the financial statements which indicates that the previously issued financial statements for the year ended 31 December 20X1, on which we issued an auditor's report dated [date], have been revised and reissued. As explained in Note x, this is to reflect the effects of the correction of the accounting treatment of deferred tax. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

12. Unmodified opinion and report on other legal and regulatory requirements - Consolidated financial statements and separate financial statements presented together (IFRS) and reportable irregularity: Fair presentation not affected

Circumstances include:

- Audit of a complete set of consolidated and separate financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries and of the company (i.e., ISA 600 applies). Consolidated financial statements and separate financial statements are presented together (four column format).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters relating to the consolidated and separate financial statements have been communicated.
- The auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does not affect the fair presentation of the consolidated and separate financial statements and is not considered a key audit matter. Report on other legal and regulatory requirements.
- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure).

Independent Auditor's Report

To the Shareholders of ABC Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of ABC Limited set out on pages ... to ..., which comprise the consolidated and separate statements of financial position as at 31 December 20X1, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of ABC Limited as at 31 December 20X1, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards

Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such

communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the consolidated and separate financial statements⁴⁹.]

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

49 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report.

13. Ongemodifiseerde mening en verslag oor ander regs- en regulatoriese vereistes – Gekonsolideerde finansiële state en afsonderlike finansiële state tesame voorgelê (IFRS) en rapporteerbare onreëlmatigheid: Redelike voorstellings nie beïnvloed nie

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 12 van SAAPS 3 (Revised 2019).
- Oudit van 'n volledige stel gekonsolideerde en afsonderlike finansiële state van 'n genoteerde entiteit opgestel ooreenkomstig 'n redelike voorstellingsraamwerk ("fair presentation framework"). Die oudit is 'n groepsoudit van 'n entiteit met filiale en van die maatskappy (m.a.w., ISA 600 is van toepassing). Gekonsolideerde finansiële state en afsonderlike finansiële state word tesame aangebied (vier-kolom-formaat).
- Op grond van die verkreë ouditbewyse het die ouditeur tot die gevolgtrekking gekom dat daar geen wesenlike onsekerheid bestaan met betrekking tot gebeure of omstandighede wat beduidende twyfel kan wek oor die entiteit se vermoë om as 'n lopende saak voort te bestaan nie.
- Sleutel-ouditaangeleenthede ("key audit matters") in verband met die gekonsolideerde en afsonderlike finansiële state was gekommunikeer.
- Die ouditeur het 'n deel van die ander inligting ("other information") vóór die datum van die ouditeur se verslag bekom, het nie 'n wesenlike teenstrydigheid tussen die ander inligting en die finansiële state, of tussen die ander inligting en die ouditeur se kennis wat tydens die oudit bekom is, geïdentifiseer nie. Die ouditeur het ook nie 'n wesenlike wanvoorstelling van die ander inligting geïdentifiseer nie. Die ouditeur verwag om ander inligting ná die datum van die ouditeur se verslag te bekom.
- Die ouditeur het tot die gevolgtrekking gekom dat 'n ongemodifiseerde (m.a.w. "skoon") mening toepaslik is op grond van die ouditbewyse wat verkry is.
- Rapporteerbare onreëlmatigheid geïdentifiseer en gerapporteer ooreenkomstig artikel 45 van die Ouditprofessiewet. Rapporteerbare onreëlmatigheid beïnvloed nie die redelike voorstelling van die gekonsolideerde en afsonderlike finansiële state nie en word nie 'n sleutel-ouditaangeleentheid geag nie. Verslag oor ander regs- en regulatoriese vereistes.
- Die ouditeur het die aantal jare geopenbaar waarvoor die ouditfirma in die hoedanigheid as ouditeur van die genoteerde entiteit aangestel is (ouditampstermyn of "audit tenure").

Onafhanklike Ouditeur se Verslag

Aan die Aandeelhouders van ABC Beperk

Verslag oor die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State

Mening

Ons het die gekonsolideerde en afsonderlike finansiële state van ABC Beperk (die groep), soos uiteengesit op bladsye ... tot ..., geaudit. Hierdie gekonsolideerde en afsonderlike finansiële state bestaan uit die gekonsolideerde en afsonderlike state van finansiële stand soos op 31 Desember 201X, en die gekonsolideerde en afsonderlike state van wins of verlies en ander omvattende inkomste, die gekonsolideerde en afsonderlike state van veranderings in ekwiteit en die gekonsolideerde en afsonderlike state van kontantvloeie vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die gekonsolideerde en afsonderlike finansiële state, insluitende 'n opsomming van beduidende rekeningkundige beleid.

Na ons mening is die gekonsolideerde en afsonderlike finansiële state, in alle wesenlike opsigte, 'n redelike voorstelling van die gekonsolideerde en afsonderlike finansiële stand van die groep soos op 31 Desember 20X1, en van die groep se gekonsolideerde en afsonderlike finansiële prestasie en gekonsolideerde en afsonderlike kontantvloeie vir die jaar wat op daardie datum geëindig het, ooreenkomstig 'International Financial Reporting Standards' en die vereistes van die Maatskappywet van Suid-Afrika.

Grondslag vir Mening

[Vir auditverslae wat op of na 15 Junie 2019 uitgereik word, in verband met audits van finansiële state vir finansiële periodes wat voor of op 14 Junie 2019 begin] [Verwyder blok indien nie van toepassing nie]

Grondslag vir Mening

Ons het ons audit ooreenkomstig 'International Standards on Auditing' ('ISAs') uitgevoer. Ons verantwoordelikhede ingevolge daardie standaard word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State*-afdeling van ons verslag. Ons is onafhanklik van die maatskappy in ooreenstemming met artikels 290 and 291 van die 'Independent Regulatory Board for Auditors (IRBA)' se 'Code of Professional Conduct for Registered Auditors (Revised January 2018)' (IRBA Code (Revised January 2018)), afdelings 1 and 3 van die 'Independent Regulatory Board for Auditors' se 'Code of Professional Conduct for Registered Auditors (Revised November 2018)' (IRBA Code (Revised November 2018)) en ander onafhanklikheidsvereistes wat van toepassing is op audits van finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede, soos van toepassing, ooreenkomstig die 'IRBA Code (Revised November 2018)' en ooreenkomstig ander etiese vereistes wat van toepassing is op audits in Suid-Afrika vervul. Artikels 290 and

291 van die 'IRBA Code (Revised January 2018)' is konsekwent met artikels 290 and 291 van die 'International Ethics Standards Board for Accountants' se '*Code of Ethics for Professional Accountants*'. Afdelings 1 and 3 van die 'IRBA Code (Revised November 2018)' is konsekwent met afdelings 1 and 3 van die 'International Ethics Standards Board for Accountants' se '*International Code of Ethics for Professional Accountants (including International Independence Standards)*'. Ons glo dat die ouditbewyse wat ons verkry het, toereikend en toepaslik is om 'n grondslag vir ons ouditmening te bied.

[Vir oudits van finansiële state ten opsigte van finansiële periodes wat op of na 15 Junie 2019 begin] [Verwyder blok indien nie van toepassing nie]

Grondslag vir Mening

Ons het ons oudit ooreenkomstig 'International Standards on Auditing' ('ISAs') uitgevoer. Ons verantwoordelikhede ingevolge daardie standaard word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State*-afdeling van ons verslag. Ons is onafhanklik van die maatskappy in ooreenstemming met die 'Independent Regulatory Board for Auditors' se '*Code of Professional Conduct for Registered Auditors* (IRBA Code)' en ander onafhanklikheidsvereistes wat van toepassing is op oudits van finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede ooreenkomstig die 'IRBA Code' en ooreenkomstig ander etiese vereistes wat van toepassing is op oudits in Suid-Afrika vervul. Die 'IRBA Code' is konsekwent met die 'International Ethics Standards Board for Accountants' se '*International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B)'. Ons glo dat die ouditbewyse wat ons verkry het, toereikend en toepaslik is om 'n grondslag vir ons ouditmening te bied.

Sleutel-ouditaangeleenthede

Sleutel-ouditaangeleenthede is daardie aangeleenthede wat volgens ons professionele oordeel van die mees beduidende was in ons oudit van die gekonsolideerde en afsonderlike finansiële state vir die huidige tydperk. Hierdie aangeleenthede is aangespreek in die konteks van ons oudit van die gekonsolideerde en afsonderlike finansiële state as 'n geheel, en in die vorming van ons mening daaroor, en ons spreek nie 'n afsonderlike mening oor hierdie aangeleenthede nie.

[Beskrywing van elke sleutel-ouditaangeleentheid in ooreenstemming met ISA 701.]

Ander Inligting

Die direkteur is verantwoordelik vir die ander inligting. Die ander inligting bestaan uit die Direkteursverslag, die Verslag van die Ouditkomitee en die Sertifikaat van die Maatskappysekretaris soos vereis deur die Maatskappywet van Suid-Afrika, wat ons

voor die datum van hierdie verslag verkry het, en die Algemene Jaarverslag, wat ons verwag aan ons beskikbaar gemaak sal word na daardie datum. Ander inligting sluit nie die gekonsolideerde en afsonderlike finansiële state en ons ouditeursverslag daarvoor in nie.

Ons mening oor die gekonsolideerde en afsonderlike finansiële state dek nie die ander inligting nie en ons spreek geen auditopinie of enige vorm van gerusstelling daarvoor uit nie.

In verband met ons audit van die gekonsolideerde en afsonderlike finansiële state is dit ons verantwoordelikheid om die ander inligting te lees, en sodoende te oorweeg of die ander inligting wesenlik teenstrydig is met die gekonsolideerde en afsonderlike finansiële state of kennis verkry gedurende die audit, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het op die ander inligting verkry voor die datum van die ouditeursverslag, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van hierdie ander inligting is, word van ons vereis om daardie feit te rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

Verantwoordelikhede van die Direkteure vir die Gekonsolideerde en Afsonderlike Finansiële State

Die maatskappy se direkteure is verantwoordelik vir die opstel en redelike voorstelling van die gekonsolideerde en afsonderlike finansiële state ooreenkomstig 'International Financial Reporting Standards' en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van gekonsolideerde en afsonderlike finansiële state wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

As deel van die opstel van die gekonsolideerde en afsonderlike finansiële state is die direkteure daarvoor verantwoordelik om die groep en die maatskappy se vermoë om as 'n lopende saak voort te bestaan te beoordeel, en soos toepaslik aangeleenthede wat verband hou met lopende saak en die gebruik van die lopende-saak-grondslag van verslagdoening te openbaar, tensy die direkteure beplan om die groep en / of die maatskappy te likwideer of om bedrywighede te staak, of geen realistiese alternatief het as om dit te doen nie.

Ouditeur se Verantwoordelikhede vir die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State

Ons doelwitte is om redelike gerusstelling te verkry of die gekonsolideerde en afsonderlike finansiële state as 'n geheel vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute, en om 'n ouditeursverslag uit te reik wat ons mening bevat. Redelike gerusstelling is 'n hoë vlak van gerusstelling, maar is nie 'n waarborg dat 'n audit wat ooreenkomstig die ISAs uitgevoer is altyd 'n wesenlike wanvoorstelling sal opspoor indien dit bestaan nie. Wanvoorstellings kan ontstaan as gevolg van bedrog of foute, en word individueel of in totaal wesenlik geag indien dit redelikerwys verwag kan word dat sodanige wanvoorstellings die ekonomiese besluite van gebruikers wat op

grond van hierdie gekonsolideerde en afsonderlike finansiële state geneem word sal beïnvloed.

As deel van 'n oudit ooreenkomstig die ISAs oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme deurlopend deur die oudit. Ons doen ook die volgende:

- Identifiseer en beoordeel die risikos van wesenlike wanvoorstelling van die gekonsolideerde en afsonderlike finansiële state, hetsy weens bedrog of foute, ontwerp en voer ouditprosedures uit na aanleiding van daardie risikos, en verkry ouditbewyse wat voldoende en toepaslik is om 'n grondslag vir ons ouditmening te bied. Die risiko van nie-opsporing van 'n wesenlike wanvoorstelling as gevolg van bedrog is groter as vir 'n wesenlike wanvoorstelling as gevolg van foute, aangesien bedrog samespanning, vervalsing, doelbewuste weglatings, wanvoorstellings, of die omseiling van interne beheer kan behels.
- Verkry 'n begrip van interne beheer relevant tot die oudit ten einde ouditprosedures te ontwerp wat toepaslik is in die omstandighede, maar nie vir die doel om 'n mening uit te spreek oor die effektiwiteit van die groep en die maatskappy se interne beheer nie.
- Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur die direkteure gemaak is.
- Kom tot 'n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende-saak-grondslag van verantwoording, en gebaseer op ouditbewyse verkry, kom tot 'n gevolgtrekking oor die bestaan van 'n wesenlike onsekerheid wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan oor die groep en die maatskappy se vermoë om as 'n lopende saak voort te bestaan. Waar ons tot die gevolgtrekking kom dat 'n wesenlike onsekerheid bestaan word daar van ons vereis om in ons ouditeursverslag aandag te vestig op die toepaslike openbaarmaking in die gekonsolideerde en afsonderlike finansiële state, of, indien sodanige openbaarmaking onvoldoende is, om ons mening te wysig. Ons gevolgtrekkings word gebaseer op ouditbewyse verkry tot en met die datum van ons ouditeursverslag. Toekomstige gebeure en omstandighede mag egter daartoe aanleiding gee dat die groep en / of die maatskappy ophou om as 'n lopende saak voort te bestaan.
- Evalueer die algehele voorstelling, struktuur en inhoud van die gekonsolideerde en afsonderlike finansiële state, insluitende die openbaarmaking, en of die gekonsolideerde en afsonderlike finansiële state die onderliggende transaksies en gebeure op só 'n manier weergee dat redelike voorstelling bereik word.
- Verkry voldoende toepaslike ouditbewyse in verband met die finansiële inligting van die entiteite of besigheidsaktiwiteite binne die groep om 'n mening oor die

gekonsolideerde finansiële state uit te spreek. Ons is verantwoordelik vir die leiding, toesig en uitvoering van die groepsoudit. Ons bly uitsluitlik verantwoordelik vir ons auditmening.

Ons kommunikeer met die direkteure oor, onder andere, die beplande omvang en tydsberekening van die oudit en beduidende ouditbevindinge, insluitende enige beduidende tekortkominge in interne beheer wat ons tydens ons oudit identifiseer.

Ons voorsien ook die direkteure met 'n bevestiging dat ons relevante etiese vereistes rakende onafhanklikheid nagekom het, en ons kommunikeer aan hulle alle verhoudings en ander aangeleenthede wat redelikerwys geag kan word om ons onafhanklikheid te beïnvloed, sowel as voorsorgmaatreëls, waar dit van toepassing is.

Vanuit die aangeleenthede aan die direkteure gekommunikeer bepaal ons daardie aangeleenthede wat die mees beduidende was in ons oudit van die gekonsolideerde en afsonderlike finansiële state van die huidige tydperk, en dus as die sleutel-ouditaangeleenthede geag word. Ons beskryf hierdie aangeleenthede in ons ouditeursverslag tensy wetgewing of regulasies publieke openbaarmaking van die aangeleentheid verbied, of wanneer ons in uiterse seldsame omstandighede bepaal dat die aangeleentheid nie in ons verslag gekommunikeer moet word nie aangesien die negatiewe gevolge na verwagting swaarder sal weeg as die publieke belang-voordele van sodanige kommunikasie.

Verslag oor Ander Regs- en Regulatoriese Vereistes

Ooreenkomstig die 'IRBA'-reël wat in Staatskoerant 39475 van 4 Desember 2015 gepubliseer is, doen ons verslag dat [XX-firma] vir die afgelope [X] jaar die ouditeur van ABC Beperk was.

In ooreenstemming met ons verantwoordelikhede ingevolge artikels 44(2) en 44(3) van die Ouditprofessiewet lewer ons verslag dat ons 'n rapporteerbare onreëlmatigheid ooreenkomstig met die Ouditprofessiewet geïdentifiseer het. Ons het die aangeleentheid aan die 'Independent Regulatory Board for Auditors' gerapporteer. [Die aangeleentheid in verband met die rapporteerbare onreëlmatigheid word beskryf in aantekening x tot die gekonsolideerde en afsonderlike finansiële state.⁵⁰]

50 Sluit hierdie sin in waar openbaarmaking in die finansiële state aangebied word. In gevalle waar die direkteure nie voldoende toepaslike openbaarmaking aangebied het nie en die finansiële state in alle wesenlike opsigte 'n redelike voorstelling bied, openbaar die ouditeur die inligting in verband met die Rapporteerbare Onreëlmatigheid in die ouditeurse verslag.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Ouditeur se handtekening]

[Naam van individuele geregistreerde ouditeur]

[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot]

Geregistreerde Ouditeur

[Datum van ouditeur se verslag]

[Ouditeur se adres]

14. Qualified opinion – Reportable irregularity: Non-compliance with section 45 of the Companies Act and valuation of a loan receivable

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Non-compliance with section 45 of the Companies Act of South Africa and loan-receivable not impaired that has also been reported as a reportable irregularity in terms of section 45 of the APA. Reportable irregularity affects the opinion on the financial statements – material misstatement of financial statements where the effect of the reportable irregularity identified is not so material and pervasive as to require an adverse opinion (i.e., a qualified opinion is appropriate). Other reporting responsibilities clearly differentiated from those under the ISAs and the auditor has chosen to include this within the Basis for Qualified Opinion section of the auditor's report in accordance with paragraphs 42-43 and A55 of ISA 700 (Revised). Adequate disclosure has been made in the notes to the financial statements.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded that the matter above is material but not pervasive to the financial statements and a modified (i.e., "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

Note x to the financial statements indicates that the company has extended a loan to a fellow-subsiary without complying with the requirements of the Companies Act. Note x also indicates that the carrying amount of the loan receivable in the financial statements amounts to Rxxx for the year ended 31 December 20X1 (20X0: Rxxx) and gives an explanation as to why no impairment has been performed on the loan receivable even though the fellow subsidiary has been declared insolvent. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no adjustments to the carrying amount of the loan receivable were necessary in these circumstances.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, responsibilities beyond those required under the International Standards on Auditing, we report that we have identified the matters described in the preceding paragraph as a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for*

Registered Auditors (Revised January 2018) (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

Note x to the financial statements indicates that the company has extended a loan to a fellow-subsiary without complying with the requirements of the Companies Act. Note x also indicates that the carrying amount of the loan receivable in the financial statements amounts to Rxxx for the year ended 31 December 20X1 (20X0: Rxxx) and gives an explanation as to why no impairment has been performed on the loan receivable even though the fellow subsidiary has been declared insolvent. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no adjustments to the carrying amount of the loan receivable were necessary in these circumstances.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, responsibilities beyond those required under the International Standards on Auditing, we report that we have identified the matters described in the preceding paragraph as a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in

accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

15. Adverse opinion and report on other legal and regulatory requirements – Going concern assumption inappropriate and reportable irregularity

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The company ceased trading subsequent to year end and it is expected that the assets will not realise their carrying amounts. Financial statements are prepared using the going concern basis of accounting.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information.
- The auditor has concluded that it is inappropriate to prepare financial statements on a going concern basis of accounting and, as such, the matter above is material and pervasive to the financial statements and a modified (i.e., "adverse") opinion is appropriate based on the audit evidence obtained.
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does not affect the fair presentation of the financial statements. Report on other legal and regulatory requirements.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the

financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Adverse Opinion

The company incurred a net loss for the year ended 31 December 20X1 of Rxxx (20X0: Rxxx) and, as at that date its total liabilities exceeded its total assets by Rxxx (20X0: Rxxx). Subsequent to year-end, the company has ceased trading and is in the process of realising its assets and settling its liabilities. No arrangement has been made to settle the remaining liabilities of the company in the event that the proceeds of the realised assets are insufficient to meet all liabilities. The financial statements are prepared on the going concern basis which, in our judgement, is inappropriate in these circumstances.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Adverse Opinion

The company incurred a net loss for the year ended 31 December 20X1 of Rxxx (20X0: Rxxx) and, as at that date its total liabilities exceeded its total assets by Rxxx (20X0: Rxxx). Subsequent to year-end, the company has ceased trading and is in the process of realising its assets and settling its liabilities. No arrangement has been made to settle the remaining liabilities of the company in the event that the proceeds of the realised assets are insufficient to meet all liabilities. The financial statements are prepared on the going concern basis which, in our judgement, is inappropriate in these circumstances.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, in our judgement, it is inappropriate to prepare the financial statements on the going concern basis. We have concluded that the other information is materially misstated for

the same reason with respect to the amounts or other items in the Directors' Report affected by this matter.

Responsibilities of the Directors' for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements⁵¹.]

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of the auditor's report]

[Auditor's address]

51 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report.

16.Disclaimer of opinion and report on other legal and regulatory requirements – Going concern and reportable irregularity: Unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The directors have disclosed that the entity will be able to continue to operate as a going concern. The auditor is unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern.
- Furthermore, the company has not recognised depreciation in respect of its plant and equipment and is deemed to be material.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The auditor has concluded that the going concern matter above is material and pervasive to the financial statements and the non-recognition of depreciation is material but not pervasive to the financial statements. A modified (i.e., “disclaimer”) opinion is appropriate based on the audit evidence obtained.
- Reportable irregularity identified and reported in terms of section 45 of the APA. It has not been determined whether the reportable irregularity affects the fair presentation of the financial statements. Report on other legal and regulatory requirements.

Independent Auditor’s Report

To the Shareholders of ABC Proprietary Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of ABC Proprietary Limited. Because of the significance of the matters described in the Basis for Disclaimer of

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

As indicated in note x to the financial statements, the company incurred a net loss of Rxxx for the year ended 31 December 20X1 (20X0: Rxxx) and, at that date, its total liabilities exceeded its total assets by Rxxx (20X0: Rxxx). The note states that the company will continue to receive financial support from the related parties, however, the directors have not provided us with agreements from the related parties committing funding for the foreseeable future. The directors have also not provided us with cash flow forecasts to support the appropriateness of the financial statements being prepared using the going concern basis of accounting. Consequently we were unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern basis of accounting.

Furthermore, International Accounting Standard 16, *Property, Plant and Equipment*, requires the depreciable amount of depreciable assets to be allocated on a systemic basis over the assets' useful lives. No depreciation has been recognised in respect of the company's plant and equipment. Consequently, plant and equipment, included in note x to the financial statements is overstated by Rxxx (20X0: Rxxx), while income tax, net income and shareholders' equity is overstated by Rxxx (20X0: Rxxx), Rxxx (20X0: Rxxx) and Rxxx (20X0: Rxxx) respectively. These required adjustments are considered material to the financial statements as a whole.

Other Matter – Reports Required by the Companies Act

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and

appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements⁵².]

[Auditor's signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

52 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report.

17.Disclaimer of opinion and report on other legal and regulatory requirements – Unable to obtain required written representations and reportable irregularity

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Management does not provide the written representations required by paragraphs 10 and 11 of ISA 580.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The auditor has concluded the matter above is considered material and pervasive to the financial statements and a modified (i.e., "disclaimer") opinion is appropriate based on the audit evidence obtained.
- Reportable irregularity identified and reported in terms of section 45 of the APA. It has not been determined whether the reportable irregularity affects the fair presentation of the financial statements. Report on other legal and regulatory requirements.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of ABC Proprietary Limited. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We were unable to obtain the written representations from the directors that they have fulfilled their responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. We were also unable to obtain written representation from the directors that they have provided us with all relevant information and access as agreed in terms of the audit engagement and that all transactions had been recorded and are reflected in the financial statements. The directors were not prepared to provide us with these representations. We could not determine the effect of the lack of such representations on the financial position of the Company at 31 December 20X1, or the financial performance and cash flows for the year then ended.

Other Matter – Reports Required by the Companies Act

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has

PROPOSED SAAPS 3 (REVISED 2019) ILLUSTRATIVE REPORTS

been described in note x to the financial statements⁵³.]

[Auditor's signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

53 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report.

18. Adverse opinion and auditor's responsibilities are included in an Appendix – Misstatement: No depreciation recognised

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are materially misstated due to the building of a property company not being depreciated over its useful life. The building comprises over 90% of the company's assets.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information.
- The auditor has concluded that the possible effects of the matter above is material and pervasive to the financial statements and a modified (i.e., "adverse") opinion is appropriate based on the audit evidence obtained.
- The auditor has decided to include the description of his responsibilities for the audit of the financial statements in an appendix to the auditor's report.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Adverse Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial

performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Adverse Opinion

The company's practice is to use its building for its entire economic life, however, the company did not review the building's residual value and useful life at the reporting date in accordance with International Financial Reporting Standards, IAS 16, *Property, plant and equipment*. The building is depreciated over a period of 20 years with the remaining useful life at 30 June 20x1 assessed as four years. An independent valuer has assessed the remaining economic life of the building at 50 years, consequently, land and buildings, included in note x to the financial statements is understated by Rxxx (20x0: Rxxx), while income tax, net income and shareholders' equity is understated by Rxxx (20x0: Rxxx), Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. These required adjustments are considered material and pervasive to the financial statements as a whole.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Adverse Opinion

The company's practice is to use its building for its entire economic life, however, the company did not review the building's residual value and useful life at the reporting date in accordance with International Financial Reporting Standards, IAS 16, *Property, plant and equipment*. The building is depreciated over a period of 20 years with the remaining useful life at 30 June 20x1 assessed as four years. An independent valuer has assessed the remaining economic life of the building at 50 years, consequently, land and buildings, included in note x to the financial statements is understated by Rxxx (20x0: Rxxx), while income tax, net income and shareholders' equity is understated by Rxxx (20x0: Rxxx), Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. These required adjustments are considered material and pervasive to the financial statements as a whole.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the company should have reviewed the building's residual value and useful life at the reporting date. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to review the building's residual value and useful life at the reporting date.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at [indicate page number or other specific reference to the location of the description], forms part of our auditor's report.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

Appendix

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

19. Qualified opinion on consolidated financial statements and unqualified opinion on separate financial statements – Misstatement: Subsidiary did not recognise depreciation

Circumstances include:

- Audit of a complete set of consolidated and separate financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is a group audit of an entity with subsidiaries and of the company (i.e., ISA 600 applies). Consolidated financial statements and separate financial statements are presented together (four column format).
- The financial statements of a subsidiary are materially misstated as the subsidiary did not depreciate property, plant and equipment in accordance with the applicable financial reporting framework.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded the misstatement above is material but not pervasive to the consolidated financial statements and a modified (i.e., "qualified") opinion on the consolidated financial statements is appropriate based on the audit evidence obtained.
- The auditor has concluded an unmodified (i.e., "clean") opinion on the separate financial statements of the holding company is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements

We have audited the consolidated and separate financial statements of ABC Proprietary Limited (the group) set out on pages ... to ..., which comprise the consolidated and separate statements of financial position as at 31 December 20X1, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ABC Proprietary Limited as at 31 December 20X1, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of ABC Limited as at 31 December 20x1, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements

The financial statements of a subsidiary are materially misstated as the subsidiary did not depreciate property, plant and equipment, as required by International Financial Reporting Standard, IAS 16, *Property, plant and equipment*. The effects on the consolidated financial statements are that had depreciation been provided, depreciation and accumulated depreciation would have increased by Rxxx (20x0 Rxxx), and income tax and net income after tax would have decreased by Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. There is no effect on the separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements and our opinion on the separate financial statements.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements

The financial statements of a subsidiary are materially misstated as the subsidiary did not depreciate property, plant and equipment, as required by International Financial Reporting Standard, IAS 16, *Property, plant and equipment*. The effects on the consolidated financial statements are that had depreciation been provided, depreciation and accumulated depreciation would have increased by Rxxx (20x0 Rxxx), and income tax and net income after tax would have decreased by Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. There is no effect on the separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for*

Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements and our opinion on the separate financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the

consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

20. Adverse opinion – Misstatement: Non-consolidation of financial statements

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The company is a parent of a major operating subsidiary and the company has not presented consolidated financial statements. The directors do not believe that they are required to prepare consolidated financial statements because they are the only users of the financial statements. The directors believe that the financial statements have been prepared in accordance with the financial reporting framework (International Financial Reporting Standards (IFRS)) and the requirements of the Companies Act of South Africa. The auditor concludes that this is a departure from the financial reporting framework (IFRS) and from the requirements of the Companies Act of South Africa as IFRS requires the presentation of consolidated financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information.
- The auditor has concluded that the matter above is material and pervasive to the financial statements and a modified (i.e., "adverse") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Adverse Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1,

and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20x1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Adverse Opinion

As explained in note x to the financial statements, the company has not consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year. This investment is accounted for at cost. Under International Financial Reporting Standard IFRS 10, *Consolidated Financial Statements*, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ Proprietary Limited been consolidated, many elements in the accompanying financial statements would have been materially affected and therefore the departure from the requirements of IFRS 10 are considered to be pervasive. The effects on the consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including*

International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Adverse Opinion

As explained in note x to the financial statements, the company has not consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year. This investment is accounted for at cost. Under International Financial Reporting Standard IFRS 10, *Consolidated Financial Statements*, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ Proprietary Limited been consolidated, many elements in the accompanying financial statements would have been materially affected and therefore the departure from the requirements of IFRS 10 are considered to be pervasive. The effects on the consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or

otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the company should have consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to consolidate XYZ Proprietary Limited.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

21. Qualified opinion – Inability to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The auditor was unable to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls and evaluate the possible effects on the financial statements.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded the possible effects of the inability to obtain sufficient appropriate audit evidence is material but not pervasive to the financial statements and a modified (i.e., "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all

material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

Included in accounts payable is an amount of Rxxx. The company did not have adequate internal controls to maintain records of accounts payable for goods and services received but not yet paid. We were unable to obtain sufficient appropriate audit evidence to substantiate the accruals disclosed in note x to the financial statements. As a consequence, we were unable to determine whether any adjustments were required to the financial statements arising from accounts payable and accruals not brought to account or incorrectly stated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

Included in accounts payable is an amount of Rxxx. The company did not have adequate internal controls to maintain records of accounts payable for goods and services received but not yet paid. We were unable to obtain sufficient appropriate audit evidence to substantiate the accruals disclosed in note x to the financial statements. As a consequence, we were unable to determine whether any adjustments were required to the financial statements arising from accounts payable and accruals not brought to account or incorrectly stated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial

statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

22. Qualified opinion – Inability to obtain sufficient appropriate audit evidence about a Non Profit Company's fundraising income

Circumstances include:

- Audit of a complete set of financial statements of a Non Profit Company (NPC) in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The NPC has no members and the auditor's report is addressed to the directors.
- The auditor was unable to obtain sufficient appropriate audit evidence about a single element of the financial statements. That is, the auditor was unable to obtain sufficient appropriate audit evidence about the entity's fundraising income.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and the matter giving rise to the qualified opinion on the financial statements also affects the other information.
- The auditor has concluded the possible effects of the inability to obtain sufficient appropriate audit evidence is material but not pervasive to the financial statements and a modified (i.e., "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Directors of ABC NPC

Qualified Opinion

We have audited the financial statements of ABC NPC set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC NPC as at 31 December 20X1, and its

financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

Cash donations are a significant source of fundraising revenue for ABC NPC. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations were recorded.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

Cash donations are a significant source of fundraising revenue for ABC NPC. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations were recorded.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about whether all cash donations were recorded. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors

either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

23. Qualified opinion – Misstatement and inability to obtain sufficient appropriate audit evidence: Individually immaterial, financial statements as a whole are materially misstated and insufficient audit evidence

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- Individually immaterial departures from International Financial Reporting Standards but material in aggregate (effects). Furthermore, the auditor was unable to obtain sufficient appropriate audit evidence to substantiate certain disclosures (possible effects).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded the matter above is material but not pervasive to the financial statements and a modified (i.e., "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and the possible effects of the respective matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

The financial statements are misstated due to the cumulative effect of the uncorrected misstatements identified during the course of our audit with respect to the following disclosures:

- [List misstated disclosures together with Rand value]

Due to ABC Proprietary Limited's poorly maintained accounting records we were unable to obtain sufficient appropriate audit evidence to substantiate the following disclosures:

- [List disclosures together with Rand value]

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

The financial statements are misstated due to the cumulative effect of the uncorrected misstatements identified during the course of our audit with respect to the following disclosures:

- [List misstated disclosures together with Rand value]

Due to ABC Proprietary Limited's poorly maintained accounting records we were unable to obtain sufficient appropriate audit evidence to substantiate the following disclosures:

- [List disclosures together with Rand value]

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

24. Qualified opinion and report on other legal and regulatory requirements – Misstatement: Disclosure of directors’ and prescribed officers’ remuneration not presented and reportable irregularity

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The directors’ and prescribed officers’ remuneration has been disclosed in aggregate and not individually as required by the Companies Act of South Africa. The auditor has interpreted the Companies Act of South Africa to require disclosure of such remuneration to be per each individual director and / or prescribed officer. The auditor has determined that it is practical to include the omitted disclosures in the auditor’s report and the auditor has obtained sufficient appropriate audit evidence in this regard.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor’s knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded that the matter above is material but not pervasive to the financial statements and a modified (i.e., “qualified”) opinion is appropriate based on the audit evidence obtained.
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does affect the fair presentation of the financial statements. Report on other legal and regulatory requirements.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

Directors' and prescribed officers' remuneration has been disclosed in aggregate in the financial statements and not per each individual as required by Section 30(4) of the Companies Act of South Africa. The required disclosure that has been omitted from the financial statements is as follows:

[Insert omitted disclosures].

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of

the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

Directors' and prescribed officers' remuneration has been disclosed in aggregate in the financial statements and not per each individual as required by Section 30(4) of the Companies Act of South Africa. The required disclosure that has been omitted from the financial statements is as follows:

[Insert omitted disclosures].

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements⁵⁴.]

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

54 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report.

25. Qualified opinion – Misstatement: Disclosures of related party relationships, transactions and balances not presented

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The directors of the company have not made certain disclosures in the financial statements as required by IFRS. The auditor does not identify those non-disclosures in the auditor's report as it is impracticable to do so due to the extent of the disclosures.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.
- The auditor has concluded the matter above is material but not pervasive to the financial statements and a modified (i.e. "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material

respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Qualified Opinion

ABC Proprietary Limited is part of a large group of companies and has extensive related party transactions with other companies in the group. Contrary to the requirements of IAS 24, *Related party disclosures*, the directors have not disclosed ABC Proprietary Limited's related party relationships with other group companies, or the transactions and balances with these parties in the accompanying financial statements. We have not included the omitted information in our auditor's report as it was impracticable to do so.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Qualified Opinion

ABC Proprietary Limited is part of a large group of companies and has extensive related party transactions with other companies in the group. Contrary to the requirements of IAS 24, *Related party disclosures*, the directors have not disclosed ABC Proprietary Limited's related party relationships with other group companies, or the transactions and balances with these parties in the accompanying financial statements. We have not included the omitted information in our auditor's report as it was impracticable to do so.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

26.Disclaimer of opinion on the financial performance and cash flows and qualified opinion on the financial position – Inability to obtain sufficient appropriate audit evidence in respect of opening balances

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- During the prior year, the company's financial statements were subject to an independent review in terms of the Companies Act of South Africa. During the current year, the directors of the company requested an audit of the financial statements.
- Corresponding figures presented in the current year financial statements were subject to an independent review in terms of the Companies Act of South Africa and a review conclusion was issued on those figures. The directors did not believe that the retrospective application of additional procedures on the opening balances was warranted as the level of assurance in the prior year was appropriate in accordance with the Companies Act of South Africa. The auditor was unable to obtain sufficient appropriate audit evidence that the closing balances from the prior year were free of material misstatement, and have been brought forward correctly. The auditor was unable to obtain alternative audit evidence on the opening balances. Since opening balances enter into the determination of the financial performance and cash flows, the auditor was unable to determine whether adjustments might have been necessary in respect of the movements in the statement of comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity.
- In addition, the auditor's opinion on the current year's financial position is modified because of the possible effects of this matter on the comparability of the current year's financial position with that of the prior year.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Key audit matters have not been communicated.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has not identified a material inconsistency between the other information and the financial statements or between the other

information and the auditor's knowledge obtained in the audit or a material misstatement of the other information.

- The auditor has concluded the effects or possible effects of the matter above on the current year's figures are material and pervasive to the financial performance and cash flows and a modified (i.e., "disclaimer") opinion is appropriate based on the audit evidence obtained. Furthermore, the possible effects of the matter above on the comparability of the current year's financial position with that of the prior year is material but not pervasive to the financial statements and a modified (i.e., "qualified") opinion is appropriate based on the audit evidence obtained.

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Disclaimer of Opinion on the Financial Performance and Cash Flows and Qualified Opinion on the Financial Position

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial performance and cash flows of ABC Proprietary Limited for the year ended 31 December 20X1. Because of the significance of the matter described in the Basis for Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance and cash flows.

In our opinion, except for the possible effects of the matter described in the Basis for Opinions section of our report on the comparability of the current year's financial position with that of the prior year, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019]

[Delete block if not applicable]

Basis for Opinions, Including Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows and Qualified Opinion on the Financial Position

Corresponding figures presented in these financial statements were subject to an independent review in terms of the Companies Act of South Africa for the year ended

31 December 20X0 and a review conclusion was issued on those figures. In the current year the directors requested an audit to be performed as the Companies Act of South Africa required one. However, the directors did not believe that the retrospective application of additional procedures on the opening balances was warranted as the level of assurance in the prior year was appropriate in accordance with the Companies Act of South Africa. We therefore only have limited assurance on the opening balances.

Due to the matter above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 20X0 were free of material misstatement, and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the statement of comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity.

Furthermore, our opinion on the current year's financial position is qualified because of the possible effects of this matter on the comparability of the current year's financial position with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion on the financial position.

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinions, Including Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows and Qualified Opinion on the Financial Position

Corresponding figures presented in these financial statements were subject to an independent review in terms of the Companies Act of South Africa for the year ended 31 December 20X0 and a review conclusion was issued on those figures. In the current year the directors requested an audit to be performed as the Companies Act of South Africa required one. However, the directors did not believe that the retrospective application of additional procedures on the opening balances was warranted as the level of assurance in the prior year was appropriate in accordance with the Companies Act of South Africa. We therefore only have limited assurance on the opening balances.

Due to the matter above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 20X0 were free of material misstatement, and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the statement of comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity.

Furthermore, our opinion on the current year's financial position is qualified because of the possible effects of this matter on the comparability of the current year's financial position with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion on the financial position.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

Independently reviewed financial statements

27. Unmodified conclusion – Financial statements: Compliance framework and Companies Act of South Africa

Circumstances include:

- The company's public interest score is less than 100 and the financial statements are internally compiled. The intended users of the financial statements and auditor's report are, as a minimum, the shareholders, the bank and SARS.
- The financial statements are prepared in accordance with a basis of accounting determined by the directors. The financial statements do not include a statement of changes in equity. The independent reviewer has determined that the basis of accounting is acceptable.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The independent reviewer has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained.

Independent Reviewer's Report

To the Shareholders of ABC Proprietary Limited

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with the basis of accounting described in note x and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)). ISRE 2400 (Revised) requires us to conclude

whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of ABC Proprietary Limited are not prepared, in all material respects, in accordance with the basis of accounting described in note x and the requirements of the Companies Act of South Africa.

Basis of Accounting

Without modifying our conclusion, we draw attention to note x to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the company's own accounting policies to satisfy the financial information needs of the company's shareholders. As a result, the financial statements may not be suitable for another purpose.

Other Reports Required by the Companies Act of South Africa

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for the Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we will report that fact. We have nothing to report in this regard.

[Independent Reviewer's signature]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of independent reviewer's report]

[Independent reviewer's address]

28. Ongemodifiseerde gevolgtrekking – Onafhanklike oorsig van finansiële jaarstate: Redelike voorstelling finansiële verslagdoeningsraamwerk

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 3 van Deel A van SAAPS 3 (Revised 2019).
- Die finansiële state is vir 'n algemene doel deur bestuur opgestel vir in ooreenstemming met die 'International Financial Reporting Standard for Small and Medium-sized Entities'.
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie.
- Die onafhanklike nasiener het tot die gevolgtrekking gekom dat 'n ongemodifiseerde gevolgtrekking toepaslik is op grond van die bewyse wat verkry is.

Onafhanklike Nasiener se Verslag

Aan die Aandeelhouders van ABC Eiendoms Beperk

Verslag oor die Finansiële State⁵⁵

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., wat bestaan uit die staat van finansiële stand soos op 31 Desember 20X1, en die staat van wins of verlies en ander omvattende inkomste, staat van veranderings in ekwiteit en staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitend 'n opsomming van beduidende rekeningkundige beleid, nagesien.

Direkteure se Verantwoordelikheid vir die Finansiële State

Die maatskappy se direkteure is verantwoordelik vir die opstel en redelike voorstelling van hierdie finansiële state ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities'⁵⁶ en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van finansiële state, wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

55 Die onderopskrif "Verslag oor die Finansiële State" is onnodig waar die tweede onderopskrif "Verslag oor Ander Regs en Regulatoriese Vereistes" nie toepaslik is nie.
56 Mag verwys na 'International Financial Reporting Standards', soos toepaslik

Onafhanklike Nasiener se Verantwoordelikheid

Dit is ons verantwoordelikheid om 'n gevolgtrekking oor hierdie finansiële state uit te spreek. Ons het ons oorsig ooreenkomstig die '*International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements*' (ISRE 2400 (Revised)) uitgevoer. ISRE 2400 (Revised) vereis van ons om tot 'n gevolgtrekking te kom of enigiets onder ons aandag gekom het wat ons laat glo dat die finansiële state, in geheel gesien, nie in alle wesenlike opsigte opgestel is ooreenkomstig die toepaslike finansiële verslagdoeningsraamwerk nie. Hierdie Standaard vereis ook dat ons aan relevante etiese vereistes voldoen.

'n Oorsig van finansiële state ooreenkomstig ISRE 2400 (Revised) is 'n beperkte gerusstellingsaanstelling. Die onafhanklike nasiener voer prosedures uit wat hoofsaaklik bestaan uit die rig van navrae aan bestuur en ander persone binne die entiteit, soos toepaslik, en die toepassing van analitiese prosedures, en evalueer die bewyse wat verkry is.

Die prosedures wat uitgevoer word tydens 'n oorsig is aansienlik minder as dié wat tydens 'n oudit ooreenkomstig '*International Standards on Auditing*' uitgevoer word. Dienooreenkomstig spreek ons nie 'n ouditmening oor hierdie finansiële state uit nie.

Gevolgtrekking

Gebaseer op ons oorsig, het niks onder ons aandag gekom wat ons laat glo dat die finansiële state nie, in alle wesenlike opsigte, 'n redelike voorstelling is van die finansiële stand van ABC Eiendoms Beperk soos op 31 Desember 20X1 en van die maatskappy se finansiële prestasie en kontantvloei vir die jaar wat op daardie datum geëindig het, ooreenkomstig die '*International Financial Reporting Standard for Small and Medium-sized Entities*' en die vereistes van die Maatskappywet van Suid-Afrika nie.

Ander Verslae wat deur die Maatskappywet van Suid-Afrika Vereis word

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteur is verantwoordelik vir die Direkteursverslag. Ons gevolgtrekking oor die finansiële state dek nie die Direkteursverslag nie en ons spreek geen vorm van gerusstelling daaroor uit nie.

In verband met ons onafhanklike oorsig van die finansiële state het ons die Direkteursverslag gelees, en sodoende oorweeg of die Direkteursverslag wesenlik teenstrydig is met die finansiële state of ons kennis verkry gedurende die oorsig, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van die Direkteursverslag is, sal ons daardie feit rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

Verslag oor Ander Regs- en Regulatoriese Vereistes

*[Die struktuur en inhoud van hierdie afdeling van die onafhanklike nasienersverslag sal afhang van die aard van die onafhanklike nasiener se ander rapporteringsverantwoordelikhede.]*⁵⁷

[Onafhanklike Nasiener se handtekening]

[Naam van individuele nasiener]

[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot]

Geregistreerde Ouditeur

[Datum van nasiener se verslag]

[Onafhanklike nasiener se adres]

57 Daar is geen vereiste vir 'n onafhanklike nasiener om in die "Verslag oor Ander Regs en Regulatoriese Vereistes" 'n Rapporteerbare Onreëlmatigheid wat aan CIPC ooreenkomstig Regulasie 29(1)(b) en (6) tot (11) tot die Maatskappywet van Suid Afrika, gerapporteer is, in te sluit nie.

29. Ongemodifiseerde gevolgtrekking – Onafhanklike oorsig van finansiële state: Nakomings-finansiële verslagdoeningsraamwerk en Maatskappywet

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 27 van SAAPS 3 (Revised 2019).
- Die maatskappy se publieke belang-telling is minder as 100 en die finansiële state is intern opgestel. Die beoogde gebruikers van die finansiële state en die onafhanklike nasienersverslag is, as a minimum, die aandeelhouders, die bank en SARS.
- Die finansiële state is opgestel ooreenkomstig 'n rekeningkundige grondslag wat bepaal is deur die direkteure, en sluit nie 'n staat van veranderings in ekwiteit in nie. Die onafhanklike nasiener het bepaal dat die rekeningkundige grondslag aanvaarbaar is.
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie.
- Die onafhanklike nasiener het tot die gevolgtrekking gekom dat 'n ongemodifiseerde gevolgtrekking toepaslik is op grond van die bewyse wat verkry is.

Onafhanklike Nasiener se Verslag

Aan die Aandeelhouders van ABC Eiendoms Beperk

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., wat bestaan uit die staat van finansiële stand soos op 31 Desember 20X1, en die staat van wins of verlies en ander omvattende inkomste en staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitend 'n opsomming van beduidende rekeningkundige beleid, nagesien.

Direkteure se Verantwoordelikheid vir die Finansiële State

Die maatskappy se direkteure is verantwoordelik vir die opstel van hierdie finansiële state ooreenkomstig die rekeningkundige grondslag wat beskryf is in aantekening x en die vereistes van die Maatskappywet van Suid-Afrika, om te bepaal dat die grondslag van opstelling aanvaarbaar is in die omstandighede en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van finansiële state, wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

Onafhanklike Nasiener se Verantwoordelikheid

Dit is ons verantwoordelikheid om 'n gevolgtrekking oor hierdie finansiële jaarstate uit te

spreek. Ons het ons oorsig ooreenkomstig die 'International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*' (ISRE 2400 (Revised)) uitgevoer. ISRE 2400 (Revised) vereis van ons om tot 'n gevolgtrekking te kom of enigiets onder ons aandag gekom het wat ons laat glo dat die finansiële state, in geheel gesien, nie in alle wesenlike opsigte opgestel is ooreenkomstig die toepaslike finansiële verslagdoeningsraamwerk nie. Hierdie Standaard vereis ook dat ons aan relevante etiese vereistes voldoen.

'n Oorsig van finansiële state ooreenkomstig ISRE 2400 (Revised) is 'n beperkte gerusstellingsaanstelling. Die onafhanklike nasiener voer prosedures uit wat hoofsaaklik bestaan uit die rig van navrae aan bestuur en ander persone binne die entiteit, soos toepaslik, en die toepassing van analitiese prosedures, en evalueer die bewyse wat verkry is.

Die prosedures wat uitgevoer word tydens 'n oorsig is aansienlik minder as dié wat tydens 'n oudit ooreenkomstig 'International Standards on Auditing' uitgevoer word. Dienooreenkomstig spreek ons nie 'n ouditmening oor hierdie finansiële state uit nie.

Gevolgtrekking

Gebaseer op ons oorsig, het niks onder ons aandag gekom wat ons laat glo dat die finansiële state van ABC Eiendoms Beperk nie, in alle wesenlike opsigte, opgestel is ooreenkomstig die rekeningkundige grondslag wat beskryf is in aantekening x, en die vereistes van die Maatskappywet van Suid-Afrika nie.

Rekeningkundige Grondslag

Sonder om ons mening te modifiseer, vestig ons die aandag op aantekening x tot die finansiële state wat die rekeningkundige grondslag beskryf. Die finansiële state is ooreenkomstig die maatskappy se eie rekeningkundige beleid opgestel om in die maatskappy se aandeelhouers se behoeftes vir finansiële inligting te voorsien. As gevolg daarvan mag die finansiële state moontlik nie vir 'n ander doel toepaslik wees nie.

Ander Verslae wat deur die Maatskappywet van Suid-Afrika Vereis word

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteur is verantwoordelik vir die Direkteursverslag. Ons gevolgtrekking oor die finansiële state dek nie die Direkteursverslag nie en ons spreek geen vorm van gerusstelling daaroor uit nie.

In verband met ons onafhanklike oorsig van die finansiële state het ons die Direkteursverslag gelees, en sodoende oorweeg of die Direkteursverslag wesenlik teenstrydig is met die finansiële state of ons kennis verkry gedurende die onafhanklike oorsig, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van die Direkteursverslag is, sal ons daardie feit rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

[*Onafhanklike Nasiener se handtekening*]

[*Naam van individuele nasiener*]

[*Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot*]

Geregistreerde Ouditeur

[*Datum van nasiener se verslag*]

[*Onafhanklike nasiener se adres*]

30. Qualified conclusion – Misstatement: Incorrect valuation of inventory

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act of South Africa. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer. Review of a complete set of financial statements.
- The financial statements are prepared for a general purpose by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.
- Inventories are materially misstated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The independent reviewer has concluded the matter above is material but not pervasive to the financial statements and a modified (i.e., “qualified”) conclusion is appropriate based on the evidence obtained.

Independent Reviewer’s Report

To the Shareholders of ABC Proprietary Limited

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Directors’ Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewer’s Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come

to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

The company's inventories are carried in the statement of financial position at Rxxx (20X0: Rxxx). The directors have not stated the inventories at the lower of cost and net realisable value but have stated them solely at cost, which constitutes a departure from the requirements of the International Financial Reporting Standard for Small and Medium-sized Entities. The company's records indicate that, had the directors stated the inventories at the lower of cost and net realisable value, an amount of Rxxx (20X0: Rxxx) would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rxxx (20X0: Rxxx), and income tax, net income and shareholders' equity would have been reduced by Rxxx (20X0: Rxxx), Rxxx (20X0: Rxxx) and Rxxx (20X0: Rxxx) respectively.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act of South Africa

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for the Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. If, based on the work we have

performed, we conclude that there is a material misstatement of the Directors' Report, we will report that fact. We have nothing to report in this regard.

[Independent Reviewer's signature]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of independent reviewer's report]

[Independent reviewer's address]

31. Adverse conclusion – Misstatement: Non-consolidation of financial statements

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act of South Africa. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer. Review of a complete set of financial statements.
- Consolidated general purpose financial statements of a parent prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.
- The company is a parent of a major operating subsidiary and the company has not presented consolidated financial statements. The directors do not believe that they are required to prepare consolidated financial statements because they are the only users of the financial statements. The directors believe that the financial statements have been prepared in accordance with the financial reporting framework (the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)) and the requirements of the Companies Act of South Africa. The independent reviewer concludes that this is a departure from the financial reporting framework (IFRS for SMEs) and from the requirements of the Companies Act of South Africa as IFRS for SMEs requires the presentation of consolidated financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The independent reviewer has concluded that the matter above is material and pervasive to the financial statements and a modified (i.e., “adverse”) opinion is appropriate based on the evidence obtained.

Independent Reviewer’s Report

To the Shareholders of ABC Proprietary Limited

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Adverse Conclusion

As explained in note x to the financial statements, the company has not consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year because it has not been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is accounted for on a cost basis in the company's financial statements. Under the International Financial Reporting Standard for Small and Medium-sized Entities, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ Proprietary Limited been consolidated, many elements in the accompanying financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

Adverse Conclusion

Based on our review, due to the significance of the matter discussed in the Basis for Adverse Conclusion paragraph, we conclude that these financial statements do not present fairly the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with

the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act of South Africa

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for the Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we will report that fact. We have nothing to report in this regard.

[Independent Reviewer's signature]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of independent reviewer's report]

[Independent reviewer's address]

32.Disclaimer of conclusion – No inventory count and ongoing process to rectify errors in accounts receivable and inventory caused by implementation of new computer system

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act of South Africa. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer.
- Review of a complete set of general purpose financial statements prepared by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.
- The independent reviewer was unable to obtain sufficient appropriate evidence about multiple elements of the financial statements – the effect of this inability to obtain sufficient appropriate evidence is that the practitioner is unable to complete the review.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- The independent reviewer has concluded the matter above is material and pervasive to the financial statements and a modified (i.e., “disclaimer”) conclusion is appropriate based on the evidence obtained.

Independent Reviewer's Report

To the Shareholders of ABC Proprietary Limited

We were engaged to review the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on these financial statements. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the financial statements.

Basis for Disclaimer of Conclusion

The directors did not conduct a count of physical inventory on hand at the end of the year. We were unable to satisfy ourselves concerning the inventory quantities held at 31 December 20X1, which are stated in the statement of financial position at 31 December 20X1.

In addition, the introduction of a new computerised accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable and inventory. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on these financial statements. Accordingly, we do not express a conclusion on these financial statements.

Other Matter – Reports Required by the Companies Act of South Africa

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for the Directors' Report.

We have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. However, due to the disclaimer of conclusion in terms of the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*, we are unable to report further on the Directors' Report.

[Independent Reviewer's signature]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of independent reviewer's report]

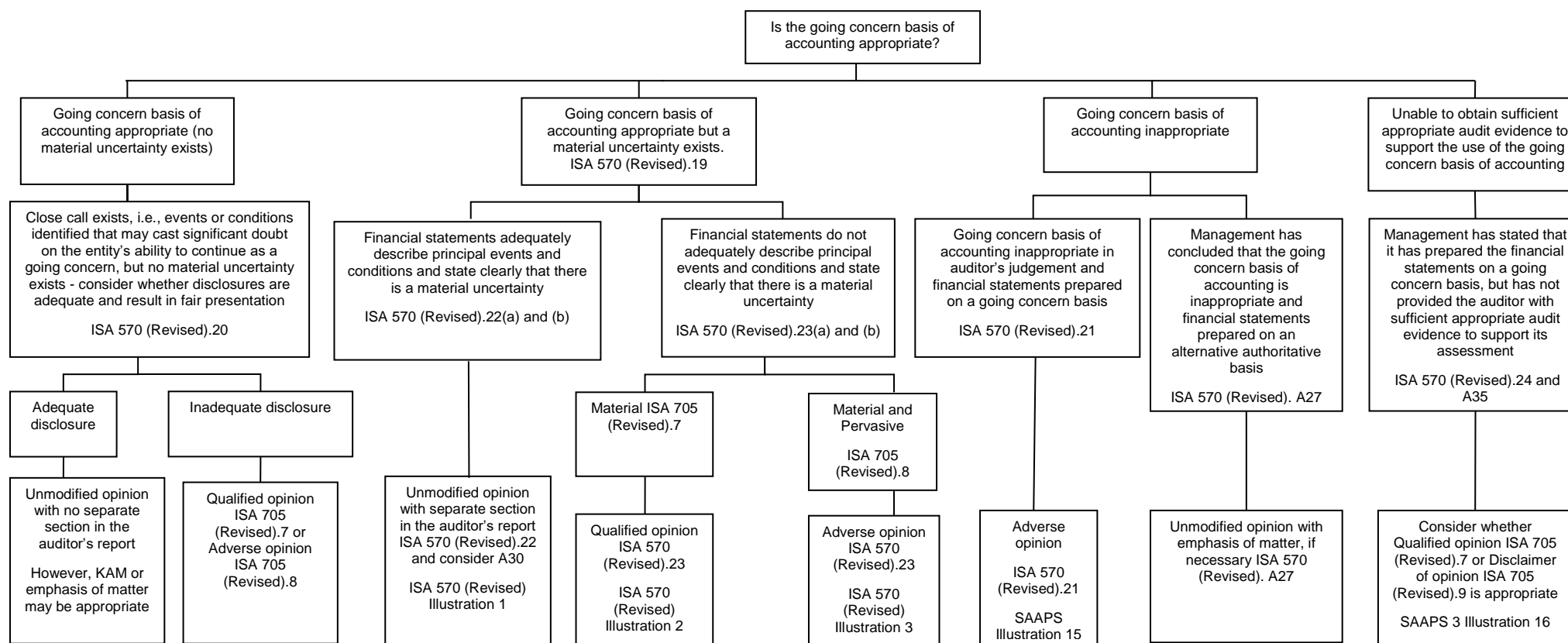
[Independent reviewer's address]

Appendix I

Linking Going Concern Considerations with Types of Audit Opinions

The *Going Concern Decision Tree* diagram serves to illustrate the principles and guidance provided in ISA 570 (Revised), *Going Concern*, regarding the audit conclusions and reporting in circumstances concerning the going concern basis of accounting where a material uncertainty exists. Auditors are encouraged to consider this decision tree in light of the guidance provided in ISA 570 (Revised), paragraphs 17-24.

Going Concern Decision Tree



Going concern basis of accounting: The financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. (ISA 570 (Revised).2).

Material uncertainty: Exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements; or (b) In the case of a compliance framework, the financial statements not to be misleading.

Multiple uncertainties: Paragraph 10 of ISA 705 (Revised) states that the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements. Paragraph A33 of ISA 570 (Revised) states that in situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate in extremely rare cases to express a disclaimer of opinion instead of including the statements required by paragraph 22 of ISA 570 (Revised).

Appendix II

Examples of reports, documents and information that may be determined to be other information

These examples may be useful to registered auditors when determining what constitutes other information for **private sector entities** in the South African context. They are, however, not an exhaustive list of considerations and should not take away from the auditor the requirement to apply ISA 720 (Revised) and consider its application material.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
1	As part of the year-end financial reporting process, a company prepares a document that contains its annual financial statements (the directors’ report, audit committee report, company secretary certificate, audited financial statements and the auditor’s report thereon) and a detailed income statement as supplemental information. The document ⁵⁸ is distributed to the company’s shareholders for purposes of the company’s annual general meeting.	Yes.	All information in the document, other than the audited financial statements and the auditor’s report thereon. Other information includes the directors’ report, audit committee report, company secretary certificate and the detailed income statement.
2	A non-listed entity prepares its annual report as defined in ISA 720 (Revised) 10 months after the auditor’s report signing date. This contains the financial statements, the auditor’s report thereon and a chairman’s report.	Yes.	All information in the annual report, other than the financial statements and the auditor’s report thereon. Other information includes the chairman’s report.

58 In South Africa this is commonly referred to as the glossy annual report.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
3	A listed entity prepares its annual report as defined in ISA 720 (Revised). This contains the financial statements, the auditor’s report thereon and a remuneration report.	Yes.	All information in the annual report, other than the financial statements and the auditor’s report thereon. Other information includes the remuneration report.
4	A listed entity prepares its annual report as defined in ISA 720 (Revised). This contains the financial statements, the auditor’s report thereon and a remuneration report. The remuneration report is included in the financial statements as it includes disclosures required to be audited in terms of the Companies Act of South Africa.	Yes.	All information in the annual report, other than the financial statements and the auditor’s report thereon. Other information includes those sections of the remuneration report that have not been audited.
5	The directors of a non-profit company decide to prepare a report that will be used in a presentation to potential donors. It will contain the company’s most recent financial statements and the auditor’s report thereon. This report will be prepared in addition to the company’s annual financial statements.	No.	Not applicable.
6	Regulatory returns (standalone documents) that are submitted to regulators by entities within regulated industries, for example, banks and medical schemes. The returns do not include the financial statements or the	No.	Not applicable ⁵⁹ .

59 The auditor may have other responsibilities through regulatory requirements.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
	auditor’s report thereon.		
7	A retirement fund submits to the Financial Services Board its “Annual Financial Statements in terms of Section 15 of the Pension Funds Act No. 24, 1956 as amended (Pension Funds Act)” after the end of its financial year. The return includes the financial statements and the auditor’s report thereon (i.e. not a standalone regulatory return).	Yes.	All information in the regulatory return, other than the financial statements and the auditor’s report thereon ^{60;61} .
8	A company prepares an integrated report that includes the company’s annual financial statements and the auditor’s report thereon.	Yes.	All information in the integrated report, other than the financial statements and the auditor’s report thereon.
9	A company prepares an integrated report that does not include the company’s annual financial statements, the auditor’s report thereon or a summary of the annual financial statements.	Yes.	All information in the integrated report.
10	A company prepares an integrated report that does not include the company’s annual financial statements or auditor’s report thereon but includes a summary of the annual financial statements. The summary financial statements were not audited.	Yes.	All information in the integrated report, including the summary financial statements.

60 The auditor may have other responsibilities through regulatory requirements.

61 Refer to ISA 800 (Revised), paragraph A17 for application material regarding reports containing or accompanying special purpose financial statements. Furthermore, a retirement fund’s annual report, as defined in ISA 720 (Revised), could include documents and/or reports that are distributed by the fund to its members, in addition to the regulatory return referred to in example 5. Client specific facts and circumstances should be considered.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
11	A company prepares an integrated report that does not include the company’s annual financial statements or auditor’s report thereon but includes a summary of the annual financial statements and the auditor’s ISA 810 (Revised) report on the summary financial statements.	Yes.	All information in the integrated report, including the auditor’s ISA 810 (Revised) audit report. <i>Additional note:</i> From an ISA 810 (Revised) perspective, the information in the integrated report (including the summary financial statements and the ISA 810 (Revised) report thereon) will be “information included in a document containing the summary financial statements and the auditor’s report thereon”, which ISA 810 (Revised) requires the auditor to read ⁶² .
12	A listed entity prepares a sustainability report that is published as a standalone document completely separate from the entity’s integrated report.	No.	Not applicable ⁶³ .
13	An entity prepares an integrated report. The index page to the integrated report states that the entity’s sustainability report forms part of the entity’s integrated report. The sustainability report is presented in a separate document.	Yes.	All information in the integrated report and the sustainability report, other than the financial statements and the auditor’s report thereon.

62 ISA 810 (Revised), paragraph 14.

63 The auditor may have other responsibilities through regulatory requirements.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
14	An analyst presentation is presented by a listed entity at the time of the release of its audited financial results for the year and gets published on the entity’s website.	No.	Not applicable.
15	A listed entity’s annual financial results are communicated through SENS. The summary consolidated financial statements included in the SENS announcement are derived from audited financial statements.	No.	Not applicable ⁶⁴ .
16	A listed entity publishes reviewed annual results on SENS.	No.	Not applicable. <i>Additional note:</i> The requirements of ISRE 2410, paragraphs 36 and 37, to read the other information that accompanies the financial information to consider whether any such information is materially inconsistent with the financial information remains relevant, even though this is not other information for purposes of ISA 720 (Revised).
17	An entity prepares an integrated report that includes a website reference to its King IV ⁶⁵ “apply and explain”	Yes.	All information in the integrated report, including the King IV “apply and

64 The auditor may have other responsibilities through regulatory requirements.

65 King IV Report on Corporate Governance in South Africa, 2016.

	<u>Scenario</u>	<u>Does the report/document meet the definition of an annual report in terms of ISA 720 (Revised)?</u>	<u>If “yes”, determine the other information in the scenario</u>
	disclosures.		explain” disclosures, other than the financial statements and the auditor’s report thereon.
18	An entity prepares an integrated report that contains its consolidated financial statements and the auditor’s report thereon. The entity presents its standalone financial statements and the auditor’s report thereon in a separate document that includes a detailed income statement.	Yes.	All information in the integrated report and the document that contains the standalone financial statements document, other than the financial statements and the auditor’s reports thereon.