Proposed SAAPS 3 (Revised 2015)

August 2015

Comments due: 19 October 2015

Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015)

Illustrative Reports

WARNING TO READERS:

The content of this proposed SAAPS 3 (Revised 2015) should under no circumstances be used or relied upon until it is issued as a pronouncement by the IRBA

REQUEST FOR COMMENTS

The Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA) approved this proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015), *Illustrative Reports* (the proposed SAAPS 3 (Revised 2015)) in August 2015 for exposure for a period of 45 days for comment. The proposed SAAPS 3 (Revised 2015) may be modified in light of comments received, before being issued in final form.

This proposed SAAPS 3 (Revised 2015) has been prepared by a CFAS Task Group comprising representatives of the technical staff from auditing firms, public sector and the IRBA.

The IRBA's legislative mandate

The objects of the Auditing Profession Act, 2005 (Act No 26 of 2005) (the Act) 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 of the Act, section 4 of the Act sets out the general functions of the Regulatory Board (the IRBA), including 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 IRBA may *participate in the activities of international bodies whose main purpose it 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 IRBA to:*

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

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

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

The proposed SAAPS 3 (Revised 2015) may be downloaded free-of-charge from the IRBA website at: IRBA Website.

Comments should be submitted by **19 October 2015**.

Respondents are requested to submit their comments electronically in a Word and .pdf format to the Director: Standards, Imran Vanker IVanker@irba.co.za or to standards@irba.co.za. All comments will be considered a matter of public record and will be posted on the IRBA website, IRBA Website.

Should you have any queries, or experience any technical difficulties in downloading the documents, please e-mail the Standards Department at: standards@irba.co.za or contact:

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to and an explanation regarding the proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015): *Illustrative Reports* (the proposed SAAPS 3 (Revised 2015)). The proposed SAAPS 3 (Revised 2015) replaces the previous SAAPS 3 (Revised), *Illustrative Reports* (Revised November 2013).

The proposed SAAPS 3 (Revised 2015) provides 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) and in compliance with South African jurisdictional requirements, mainly the Companies Act and the Public Audit Act.

The Committee for Auditing Standards (CFAS) approved the proposed SAAPS 3 (Revised 2015) in August 2015 for exposure for a period of 45 days.

Conforming amendments to SAAPS 3 (Revised November 2013)

The proposed SAAPS 3 (Revised 2015):

- Contains conforming amendments arising from the revision of the International Standards on Auditing (ISA):
    - ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*;
    - ISA 570 (Revised) *Going Concern*;
    - 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*; and
    - Proposed ISA 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

  These ISAs are effective for audits of financial statements for periods ending on or after 15 December 2016.
- Provides assistance to auditors on how key audit matters are addressed in the auditor's report in accordance with the new ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* which is also effective for audits of financial statements for periods ending on or after 15 December 2016.

- Provides practical assistance to auditors when reporting in terms of ISA 720 (Revised) *The Auditors Responsibilities Relating to Other Information* (ISA 720 (Revised)) which is also effective for audits of financial statements for periods ending on or after 15 December 2016.

Although the International Auditing and Assurance Standards Board (IAASB) has not finalised the revisions made to ISA 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* that was issued on exposure in January 2015, the illustrative ISA 800 reports contained in the proposed SAAPS 3 (Revised 2015) reflect the amendments proposed in proposed ISA 800 (Revised). Proposed SAAPS 3 (Revised 2015) will be updated prior to its issue for any amendments made to proposed ISA 800 (Revised) when the final ISA 800 (Revised) is issued by the IAASB (expected October 2015).

Annual financial statements as defined by the Companies Act of South Africa

The Directors' Report[1], the Audit Committee's Report[2] (when applicable) and the Company Secretary's Certificate[3] (when applicable) (the three reports), form part of the annual financial statements prescribed by the Companies Act that must be audited or reviewed, as and when applicable. The information in the three reports is not in the form of an assertion and the subject matters are not identifiable and capable of consistent evaluation or measurement against identified criteria.[4] Consequently, the opinion expressed on the financial statements does not extend to the information contained in the three reports as the auditor has no basis for concluding that the information is properly stated.

The CFAS discussed this matter at length both during the finalisation of the extant SAAPS 3 (Revised November 2013) and in the finalisation of proposed SAAPS 3 (Revised 2015). In formulating their response, CFAS representatives met with representatives from the Companies and Intellectual Property Commission (CIPC) when SAAPS 3 (Revised November 2013) was prepared in order to explain the practical implications of the Companies Act requirements on the audit of the annual financial statements prescribed by the Companies Act. The CIPC representatives expressed what they believe the intention of the Companies Act to be:

- The three reports, as required, must be bound in with the document containing the audited financial statements of the company or close corporation subject to an audit.

1 Companies Act, 2008, section 30(b)
2 Companies Act, 2008, section 94(7)(f)
3 Companies Act, 2008, section 88(2)(e)
4 Amended International Framework for Assurance Engagements, paragraph 40 (Effective for assurance reports dated on or after December 15, 2015)

- A level of assurance, which could be limited or reasonable, should be provided by the auditor that the three reports do not contain material inconsistencies with the audited financial statements.
- Should material inconsistencies be identified, they expect that the auditor should request the company or CC to rectify the incorrect or misleading information, and if not rectified, the auditor should deal with the material inconsistencies identified by way of a modification of the auditor's report.

The CFAS proposed a solution to the CIPC representatives that auditors apply the requirements and application material in proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* (now the final issued ISA 720 (Revised)) in advance of the final issue of ISA 720 (Revised) to the three reports. The auditor would provide an audit opinion on the audited financial statements and deal with the additional reports required by the Companies Act by way of a separate paragraph in the auditor's report in terms of the then proposed ISA 720 (Revised).

The CIPC representatives agreed with this proposed approach that resulted in the following paragraphs being included in the illustrative auditor's report and independent reviewer's report contained in the extant SAAPS 3 (Revised November 2013) respectively:

- Auditor's Report:

  As part of our audit of the financial statements for the year ended 31 December 20X1, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

- Independent Reviewer's Report:

  As part of our independent review of the financial statements for the year ended 31 December 20X1, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the reviewed financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the reviewed financial statements. However, we have not reviewed the Directors' Report and accordingly do not express a conclusion thereon.

As mentioned above, the proposed SAAPS 3 (Revised 2015) has been updated to provide practical assistance to auditors when reporting in terms of ISA 720 (Revised) and proposes that in South Africa, the three reports be specifically identified as other information in the section of the auditor's report where the auditor reports on other information in terms of ISA 720 (Revised).

Since ISRE 2400 (Revised) does not consider or require reporting on other information (as anticipated by ISA 720 (Revised)), the independent reviewer will continue reporting on the three reports in an "other matter" paragraph but the wording thereof has been updated to align it with the wording used in ISA 720 (Revised) for reporting on "other information".

Report on the three reports required by the Companies Act of South Africa when a disclaimer of opinion has been expressed

ISA 720 (Revised), paragraph A58 states that when the auditor disclaims an opinion on the financial statements, providing further details about the audit, including a section to address "other information" may overshadow the disclaimer of opinion on the financial statements as a whole. Accordingly, in those circumstances, as required by ISA 705 (Revised), the auditor's report does not include a section addressing the reporting requirements under ISA 720 (Revised).

In order to still report on the three reports required by the Companies Act, proposed SAAPS 3 (Revised 2015) contains an "other matter" paragraph to report on the three reports when a disclaimer of opinion has been expressed on the financial statements.

The other matter paragraph proposed to be included in illustrative reports 13 and 14 contained in proposed SAAPS 3 (Revised 2015) reads as follows in the circumstances where an Audit Committee's Report and Company Secretary's Certificate are not required to be presented:

- *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.

  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. 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.

Ethical requirements

The IRBA adopted the International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants (2009)* under copyright permission from the International Federation of Accountants (IFAC[5]) and published it as the *IRBA Code of Professional Conduct for Registered Auditors* with additional requirements for auditors in South Africa underlined and in *italics*.

The CFAS considered the new requirements contained in ISA 700 (Revised), paragraphs 28(c) and A29-A32 and concluded that it is appropriate in South Africa to include the following paragraph in the Basis for Opinion section of the auditor's 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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B).

Key audit matters

The CFAS considered whether it was necessary to develop a separate SAAPS on the reporting of key audit matters (KAM). It was decided that no further practical assistance was needed to be provided to Registered Auditors in South Africa other than the limited practical considerations contained in the proposed SAAPS 3 (Revised 2015). The CFAS concluded that ISA 701 is sufficiently robust and that in the spirit of reporting on KAM that should be tailored to the facts and circumstances of the individual audit engagement and the entity in order to provide relevant and meaningful information to investors and other users of the auditor's report, and that no illustrative KAM would be developed for the South African audit market. It should be noted that the International Auditing and Assurance Standards Board (IAASB) has issued two non-authoritative publications on KAM:

- Auditor Reporting – Key Audit Matters ; and
- Auditor Reporting – Illustrative Key Audit Matters.

5 Copyright © "This Code is based on Parts A and B of the Code of Ethics for Professional Accountants of the International Ethics Standards Board of Accountants (IESBA), published by the International Federation of Accountants (IFAC) in May 2013 and is used with permission of IFAC. Adaptations to Parts A and B are underlined and in italics in this Code.

Other information

ISA 720 (Revised) defines "other information" as *financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report*[6] and an Annual Report as *a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters*[7].

In South Africa, King III[8], the JSE Limited Listings Requirements and the Companies Act require a listed entity to present various reports and information to stakeholders. These reports and information may be bound together with the audited financial statements (as a single document), or they may be presented in a separate document, for example a separate integrated report that accompanies the audited financial statements. For the purpose of the illustrated reports of listed companies in proposed SAAPS 3 (Revised 2015), the CFAS concluded that the company is assumed to have prepared an "Annual Report" that meets the definition of "other information" contained in ISA 720 (Revised)[9]

Directors' responsibility for the oversight of the financial reporting process

ISA 700 (Revised) requires that *Responsibilities of the Directors for the Financial Statements* section of the auditor's report also identify those responsible for the oversight of the financial reporting process when those responsible for the oversight are different from those who fulfil the responsibilities for the preparation of the financial statements. In this case, the heading of this section would also refer to "Those Charged with Governance" (TCWG)[10]. TCWG is defined in ISA 260 (Revised)[11].

Since the company's directors or the public entity's accounting authority are responsible for the oversight of the financial reporting process in addition to their responsibilities for the preparation of the financial statements, the CFAS concluded that

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6 ISA 720 (Revised), paragraph 12(c)
7 ISA 720 (Revised), paragraph 12(a)
8 The King Code of Governance for South Africa, 2009 and the King Report on Governance for South Africa, 2009
9 ISA 720 (Revised), paragraph 12(c)
10 ISA 700 (Revised), paragraph 33, 34 and A44
11 ISA 260 (Revised), paragraph 10(a)

no reference to the oversight responsibilities is required in the auditor's report of a South African company.

The auditor's signature and the name of the engagement partner

In South Africa section 150.6 of the IRBA Code sets out the signing convention for Registered Auditors and requires, in addition to the auditor's signature and date of the auditor's 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."

The CFAS concluded that the requirements of the section 150.6 of the IRBA Code take precedence over the requirements set out in ISA 700 (Revised)[12] and as such, this signing convention applies to all listed entities as well as to entities other than listed entities.

In addition, the CFAS concluded that the sentence included in the illustrative reports contained in ISA 700 (Revised)[13] that illustrates the requirements contained in that standard relating to the inclusion of the name of the engagement partner in the auditor's report is to be included in all auditor's reports issued by Registered Auditors.

Independent reviewer's report in terms of ISRE 2400 (Revised)

The illustrative independent reviewer's report prepared in terms of ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*, contained in Part A and Part B of the proposed SAAPS 3 (Revised 2015) have not been updated to reflect the new reporting format required by ISA 700 (Revised) as the ISREs were not part of the scope of the IAASBs Auditor Reporting project and there are currently no conforming amendments intended or planned for the ISREs. As explained in the section "Annual financial statements as defined by the Companies Act of South Africa" above, the only change made to the independent reviewer's reports has been to align the wording in the "other matter" paragraph with the wording used in ISA 720 (Revised) for reporting on "other information".

Part B: Illustrative reports

12 ISA 700 (Revised), paragraph 45 and A56 to A58
13 ISA 700 (Revised), paragraph 45 and A56 to A58

The following three illustrative reports contained in Part B of proposed SAAPS 3 (Revised 2015) resulted in much debate amongst the SAAPS 3 task group and the CFAS members. It is believed that the circumstances anticipated in each of these illustrative reports may be matters that have already been encountered or may be matters still to be encountered in practice and are therefore relevant to the auditing profession. Please refer to the specific question raised regarding these three illustrative reports under the section “Request for specific comments” and respond thereto.

Illustrative report 11: Reportable irregularity: fair presentation affected – qualified opinion and other reporting responsibilities reported in same section

Paragraphs 42-43 of ISA 700 (Revised) require that if the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibilities under the ISAs, that these other reporting responsibilities shall be addressed in a separate section in the auditor’s report with a heading titled *Report on Other Legal and Regulatory Requirements* or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs in which case the other reporting responsibilities may be presented in the same section as the related report elements required by the ISAs. If other reporting responsibilities are presented in the same section as the related report elements required by the ISAs, the auditor’s report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs.

Illustrative report 11 anticipates circumstances where a company has extended a loan to a fellow subsidiary without complying with the requirements of the Companies Act and the loan-receivable has not been impaired resulting in a qualified audit opinion. This has also been identified and reported as a reportable irregularity in terms of section 45 of the Auditing Profession Act.

CFAS has concluded that the reportable irregularity addresses the same topic as presented under the reporting responsibilities required by the ISAs and as such, the reportable irregularity may be presented in the same section as the related report elements required by the ISAs, being the *Basis for Qualified Opinion* section of the auditor’s report. Illustrative report 11 illustrates the circumstance where the auditor has chosen to exercise this reporting option.

The *Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act (May 2015)* (RI Guide) issued by the IRBA for further guidance on reportable irregularities does not include conforming amendments as a result of the issue of ISA 700 (Revised) that anticipates this alternative reporting option. It is anticipated that the RI Guide will be updated to reflect this option in due course.

Illustrative report 17: Misstatement: non-consolidation of financial statements – adverse opinion

Illustrative report 17 anticipates circumstances where the company is a parent of a major operating subsidiary and has not presented consolidated financial statements. The subsidiary was acquired during the year and the investment therein has been accounted for at cost. 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 (IFRS for SMEs).

The International Financial Reporting Standard for Small and Medium-sized Entities, 2009 (IFRS for SMEs), section 9.2 requires that except as permitted or required by paragraph 9.3, a parent entity shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this IFRS. Consolidated financial statements shall include all subsidiaries of the parent.

Section 9.3 states that a parent need not present consolidated financial statements if:

(a) both of the following conditions are met:

  i. the parent is itself a subsidiary, and

  ii. its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRSs or with this IFRS; or

(b) it has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary:

  i. at fair value with changes in fair value recognised in profit or loss, if the fair value of the shares can be measured reliably, or

  ii. otherwise at cost less impairment (see paragraph 11.14(c)).

Furthermore, paragraph 9.24 of IFRS for SMEs states that paragraph 9.2 requires a parent to present consolidated financial statements. IFRS for SMEs does not require presentation of separate financial statements for the parent entity or for the individual subsidiaries.

IFRS for SMEs, section 3.3 requires that an entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements thereof. Section 3.4 of IFRS for SMEs goes on to state that In the extremely rare circumstances when management concludes that compliance with IFRS for SMEs would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, the entity shall depart from that requirement in the manner set out in paragraph 3.5 unless the relevant regulatory framework prohibits such a departure.

The CFAS has concluded that the company (parent entity) is required to present consolidated financial statements and that the requirements of section 9.3 of IFRS for SMEs does not apply in this situation. The CFAS has also concluded that the requirements of section 3.4 of IFRS for SMEs are also not met and that the parent company cannot depart from IFRS for SMEs.

In addition, the CFAS believe that the presentation of separate financial statements without the consolidated financial statements is not permitted.

As a result, the CFAS believes that the circumstances depicted in illustrative report 17 represents a departure from the financial reporting framework (IFRS for SMEs) that is considered material and pervasive to the consolidated financial statements. This results in an adverse opinion being expressed on the separate financial statements.

This principle is consistent with the adverse conclusion in the independent reviewer's report contained in illustration 27 (illustration 33 in SAAPS 3 (Revised November 2013)).

Illustrative report 21: Misstatements: Companies Act disclosures not made by the directors – qualified opinion

Illustrative report 21 anticipates circumstances where the directors' and prescribed officers' remuneration has been disclosed in aggregate in the financial statements. 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.

The CFAS has concluded that an auditor is required to opine whether the financial statements present fairly, in all material respects in accordance with International Financial Reporting Standards (IFRS) together with the requirements of the Companies Act of South Africa and that the requirements of IFRS and the Companies Act of South Africa cannot be separated. As such illustrative report 21 illustrates that the circumstances described above would result in a qualified opinion in terms of IFRS and the requirements of the Companies Act of South Africa.

Afrikaans reports

The following Afrikaans translations of the English auditor's and independent reviewer reports have been included in proposed SAAPS 3 (Revised 2015):

	Illustrative Report - English	**Illustrative Report - Afrikaans**
1.	Illustrative Report 1 – Consolidated financial statements and separate financial statements presented	Illustrative Report 2 – Gekonsolideerde finansiële state en afsonderlike finansiële state tesame

	Illustrative Report - English	Illustrative Report - Afrikaans
	together (IFRS)	voorgelê (IFRS)
2.	Illustrative Report 3 – Financial statements (IFRS for SMEs)	Illustrative Report 4 – Finansiële State (IFRS for SMEs)
3.	Illustrative Report Part A: 3 – ISRE 2400 (Revised): Independent reviewer's report on a complete set of general purpose financial statements prepared in accordance with a fair presentation framework	Illustrative Report 24 – Onafhanklike oorsig van finansiële jaarstate – redelike voorstelling finansiële verslagdoeningsraamwerk
4.	Illustrative Report 23 – Financial statements (compliance framework and Companies Act)	Illustrative Report 25 – Onafhanklike oorsig van finansiële state (nakomings-finansiële verslagdoeningsraamwerk en Maatskappywet)

As a result of the issue and adoption of the new and revised auditor reporting standards new terms, such as "key audit matters", have been added to the auditor's vocabulary. The CFAS is interested in respondents' views on whether the English auditor's and independent reviewer's reports listed above have been appropriately translated into Afrikaans.

Project timetable

Subject to comments received on exposure of the proposed SAAPS 3 (Revised 2015), the CFAS intends to finalise the SAAPS in the fourth quarter of 2015.

Effective date

Depending on comments received, it is anticipated that the final SAAPS may be approved by the CFAS in November 2015 and issued in December 2015 with such approval and issue being noted at the subsequent meeting of the IRBA Board.

It is expected that the effective date will correspond with the effective date of the new and revised International Standards on Auditing (ISAs) issued by the IAASB, being effective for audits of financial statements for periods ending on or after 15 December 2016. As with early adoption of the new and revised ISAs permitted by the IAASB, early adoption of the proposed SAAPS 3 (Revised 2015) is also permitted.

The CFAS is interested in whether the effective date recommended above would permit sufficient time for implementation of the guidance contained herein, by auditors performing such engagements.

Guide for respondents

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with the proposals in this exposure draft it will be helpful for the CFAS to be made aware of this view.

Request for specific comments

While the CFAS welcomes comments on all matters addressed in the exposure draft, the CFAS is seeking comments on the following specific matters:

1. Whether you agree with the proposed wording for the auditor's statement of independence and fulfilment of other ethical responsibilities contained in the Basis for Opinion section of the auditor's report in South Africa. Agree with inclusion of the auditor's statement of independence and fulfilment of other ethical responsibilities – however the wording needs to be improved to achieve better clarity of meaning.

   If not, please suggest alternative wording to be included in the auditor's report. (See mark-ups for consideration).

2. Whether you agree with the decision that no illustrative KAM are provided in the proposed SAAPS 3 (Revised 2015). Yes.

   If not, please provide details of South African specific matters where illustrative KAM are necessary in order to assist auditors when reporting on financial statements that meet the requirements of the ISA 701.

3. Whether you agree with the conclusions made by the CFAS on how to illustrate an auditor's response in the circumstances anticipated in the three illustrative report examples highlighted in the explanatory memorandum, being illustrative report 11, 17 and 21 contained in Part B of proposed SAAPS 3 (Revised 2015). No. The key principle should be to maintain clarity in the auditor's opinion on the financial statements within the first segment of the report for the audit performed under the ISAs. Other reporting responsibilities of the auditor, including the auditor's reporting responsibilities in relation to reportable irregularities under the APA, should all be addressed in the second segment of the auditor's report. – Refer to Section 2 and Section 3 of the EY Comment Letter.

   If not, please provide details of what you believe an auditor's response should be in those circumstances.

4. Whether, in your view, the illustrative reports contained in the proposed SAAPS 3 (Revised 2015) provide adequate examples of illustrative 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) and in compliance with South African jurisdictional requirements. Yes, subject to due consideration of the proposed changes noted in Section 2 and Section 3 of the EY comment letter.

   If not, please provide details of any illustrative reports you believe should be deleted, amended and / or added to Part B of proposed SAAPS 3 (Revised 2015).

5. Whether you agree that the English auditor's and independent reviewer's reports have been appropriately translated into Afrikaans. Refer to Section 2 and Section 3 of the EY comment letter for proposed changes.

   If not, please provide details of how you believe the Afrikaans auditor's and independent reviewer's reports should be worded.

6. Whether you agree with the proposed effective date for proposed SAAPS 3 (Revised 2015). Yes.

   If not, please suggest an alternative effective date and details of your reason for your suggestion.

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PROPOSED SOUTH AFRICAN AUDITING PRACTICE STATEMENT 3 (REVISED 2015)

ILLUSTRATIVE REPORTS

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South African Practice Statements developed and issued by IRBA fall within the meaning of the term "auditing pronouncements" as set out in section 1 of the Auditing Profession Act, No 26 of 2005 (the Act). The definition states that the term "auditing pronouncements" means those auditing standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board which the auditor must comply with in the performance of an audit.

South African Practice Statements are ~~developed and issued by the IRBA~~ developed in order to provide practical assistance to auditors in ~~the~~ implementing~~ation 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 legal and regulatory requirements. They ~~and~~ also 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 legal and regulatory requirements, as relevant to ~~the~~ audit engagement, a review engagement, and other assurance or related services engagements being performed by the auditor/independent reviewer.

~~The p~~Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015), *Illustrative Reports* provides guidance to registered auditors on the layout and wording of assurance reports addressing various reporting situations in the form of illustrative reports. The guidance contained in this SAAPS is in accordance with the requirements of the IAASB's International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs), and in compliance with relevant South African legal and regulatory ~~jurisdictional~~ requirements, mainly as contained the Companies Act and

Commented [JRH1]: The statement of authority of SAAPS should appear first.

the Public Audit Act.

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~~a particular South African Practice Statement is relevant to an engagement being performed.~~, and if so,~~ Having established the relevance of a particular SAAPS, applying 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 Auditing Profession Act, No 26 of 2005 (the Act), 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.~~

Commented [JRH2]: What is the legal authority of this statement? If it does not have legal authority indirect/direct, then the word "required" should be removed and replaced with an alternative word that communicates the appropriate level of authority.

Commented [JRH3]: This sentence is unclear, and unnecessarily complex. Suggest that the 2 separate thoughts it contains be split into 2 separate sentences, to encourage better clarity of what is being communicated.

For example – should it rather state:
An auditor needs to understand the entire text of every SAAPS to be able to assess whether or not a particular SAAPS is relevant to an engagement being performed, and, where the SAAPS is considered relevant, to be able to apply the requirements of those International or South African Standards to which the SAAPS relates.
OR
An auditor needs to understand the entire text of every SAAPS to enable the auditor to assess whether or not a particular SAAPS is relevant to an engagement being performed. When the auditor establishes the relevance of a particular SAAPS for the engagement being performed, adherence to the guidance contained in the SAAPS will assist the auditor's compliance with the requirements of the particular International or South African Standard(s) who which the SAAPS relates.

"Properly" should be deleted in this sentence as it would seems to imply that the auditor's compliance with an ISA cannot be properly achieved without applying the SAAPS, which is untrue as the ISAs stand on their own – i.e. written so as to be able to be implemented on their own. The IAASB does not draft the ISAs in a manner which that would require additional material/guidance pronouncements to be created for those standards to be able to be implemented "properly".

Introduction

Scope

1. This South African Auditing Practice Statement (SAAPS) provides guidance to Registered Auditors on the layout and wording of assurance reports, which guidance is in accordance with the requirements of the International Standards on Auditing (ISAs) and the International Standards on Review Engagements (ISREs), and in compliance with South African legal and regulatory ~~jurisdictional~~ requirements, mainly 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 the ISAs, the ISREs, the Companies Act and the PAA as relevant to the matters addressed in this SAAPS.
2. The ISAs and ISREs ~~dealt~~addressed ~~with~~ in this SAAPS are:
   - ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*[14];
   - ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*[15];
   - ISA 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*[16];
   - ISA 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter*

14 Effective for audits of financial statements for periods ending on or after 15 December 2016
15 Effective for audits of financial statements for periods ending on or after 15 December 2016
16 Effective for audits of financial statements for periods ending on or after 15 December 2016

Paragraphs in the Independent Auditor's Report[17];

- ISA 720 (Revised) *The Auditors Responsibilities Relating to Other Information*[18];
- Proposed ISA 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*[19];
- ISA 570 (Revised) *Going Concern*[20];
- ISA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*[21]; and
- ISRE 2400 (Revised) *Engagements to Review Historical Financial Statements*[22].

3. The guidance and illustrative reports contained in this SAAPS are ~~do~~ not 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). Further, the guidance and illustrative report 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).~~
- Establish new requirements for the auditor, or imply ~~contain~~ exemptions from the auditor's obligation to comply with the requirements of the relevant ISAs or~~and the~~ ISREs. The guidance and illustrative reports ~~and~~ should be read together with the relevant ISAs and the ISREs that apply in each case~~, as applicable~~.
- Include ~~Provide~~ guidance on applying the requirement contained in the ~~the application of~~ the ISAs ~~and~~ or the ISREs, as relevant to the engagement, for the auditor to ~~in~~ determine~~ing~~ the acceptability of the financial reporting framework applied by management/TCWG of the entity to ~~in the~~ prepare~~ation of~~ of the entity's financial statements. Such guidance is contained in the relevant ISA~~s~~ or~~, the~~ ISREs, and in SAAPS 2 (Revised November 2013) *Financial Reporting Frameworks and the Auditor's Report*.

17 Effective for audits of financial statements for periods ending on or after 15 December 2016

18 Effective for audits of financial statements for periods ending on or after 15 December 2016

19 Expected to be effective for audits of financial statements for periods ending on or after 15 December 2016

20 Effective for audits of financial statements for periods ending on or after 15 December 2016

21 Conforming amendments effective for audits of financial statements for periods ending on or after 15 December 2016

22 Effective for reviews of financial statements for periods ending on or after 31 December 2013

- ~~Provide~~ Include illustrative key audit matters, as addressed in ISA 701 ~~examples~~.
- Include~~Provide~~ guidance on the application of the International Standards on Assurance Engagements (ISAEs) or ~~and on~~ the International Standards on Related Services (ISRSs), which ~~. These~~ standards contain ~~should be referred to for applicable~~ illustrative reports for those types of engagements.

4. The guidance in Part A comprises the following illustrative reports:

- The report for the audit 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 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 ISA 700 (Revised);
- ~~Two illustrative auditor's reports (based on ISA 700 (Revised)) and an independent reviewer's reports (based on ISRE 2400 (Revised)) on a complete set of general purpose financial statements prepared in accordance with a fair presentation framework and the requirements of the Companies Act; 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 of South Africa (AGSA) has opted not to audit, in accordance ISA 700 (Revised). ~~report to be used for public sector entities described in section 4(3) of the PAA that the Auditor-General of South Africa (AGSA) has opted not to audit.~~

5. The guidance also includes notes on the application of paragraphs 20 to 48 of ISA 700 (Revised); paragraphs 21 to 22 of ISA 720 (Revised) and paragraphs 86 to 92 of ISRE 2400 (Revised), and on certain sections of the Companies Act and PAA that are relevant to the auditor's report or the independent reviewer's report.
6. The illustrative reports in Part B include examples of reports for ~~the~~ various circumstances ~~of which are~~ that are not considered in the ISAs, without duplicating ~~and do not repeat~~ the illustrative reports included 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 (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*.
- Proposed ISA 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.
- Proposed ISA 805 (Revised) *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*[23].

7. The illustrative reports in Part B assume that:

   - Unless the explanation of the situation addressed by a particular illustrative report explicitly states otherwise, ~~the circumstances include an assumption that~~ the Registered Auditor has not concluded that a reportable irregularity exists, that would have to ~~it has been~~be reported ~~in terms of~~under the Auditing Profession Act, 2005 (the APA) (including ~~and that a~~ notification ~~has been included~~ in the auditor's report or ~~modified~~modification of the opinion ~~has been expressed~~ on the financial statements, as appropriate in the circumstances). ~~these circumstances do not exist and the auditor's report has not been modified in this regard~~. Refer to the Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act (May 2015) issued by the IRBA for ~~further~~ guidance specific to the auditor's responsibilities in relation to ~~on~~ reportable irregularities.
   - The relevant ethical requirements that apply to the audit comprise the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with other ~~the~~ ethical requirements that apply ~~to~~ ~~relating~~ to an audit in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B).
   - The modifications reported are either material, or material and pervasive, to the financial statements. Other wording may be more appropriate to the in the circumstances of an individual engagement, in which case ~~and~~ the wording in the particular illustrative reports may ~~should~~ 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 *Engagements to*

23 Expected to be effective for audits of financial statements for periods ending on or after 15 December 2016

Report on Summary Financial Statements reports that meet the requirements of the JSE Limited Listings Requirements, are dealt with in the *IRBA Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements (Revised September 2014)*.

9. Revisions to the International Auditing and Assurance Standards Board (IAASB)" Engagement Standards, ~~as well as~~or changes to the relevant South African ~~legislative~~legal and regulatory requirements, from time to time may result in changes to the ~~assurance provider's~~ reporting responsibilities of auditors or independent reviewers. ~~from time to time.~~ The guidance and illustrative reports ~~provided~~contained in this SAAPS will be updated as and when such changes occur.

10. This SAAPS also contains Appendix I: Linking Going Concern Considerations with Auditor and Reviewer Reports.

Part A

Guidance

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

The ~~unmodified~~ illustrative report below is ~~applicable to~~ the unmodified auditor's report on the statutory consolidated annual financial statements of a listed entity and its subsidiaries (the group) prepared to comply with the Companies Act. The financial statements ~~which include~~ comprise the group financial statements and certain other reports required underby the Companies Act (other reports). The group financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation.

This illustrative report ~~incorporates~~ addresses the requirements and guidance ~~set forth~~contained in ISA 600 and ISA 700 (Revised) ~~with respect to~~ concerning the auditor's report on ~~the~~ group financial statements~~,~~ including the additional ~~auditor's~~ responsibilities of the auditor ~~in respect of~~for an audit of group financial statements. It ~~a group audit and draws from~~ addresses the requirements and guidance contained in ISA 720 (Revised) ~~with respect to~~concerning the other reports, and the~~-~~ relevant requirements of the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes.

The c~~C~~ircumstances are~~include~~:

- Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework performed for the purpose of compliance with the Companies Act, 2008, 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 in accordance with ISA 570 (Revised).
- Key audit matters have been communicated in accordance with ISA 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified 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 Limited [N1]

Report on the Audit of the Consolidated Financial Statements[24]

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 the 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 the group 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 in accordance with ~~and~~ the requirements of the Companies Act, 2008 of South Africa.

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)~~, together with the~~and other independence requirements ~~that are relevant~~ applicable to ~~our~~ an audit ~~of the consolidated~~ performed ~~financial statements~~ in South Africa. We have fulfilled our other ethical responsibilities in accordance with ~~these requirements and~~ the IRBA Code and in accordance with other ethical requirements applicable to audits performed in South Africa [N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters [N7]

24 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.

Commented [JRH4]: Verbatim to the ISA Illustrative Reports

Commented [JRH5]: Verbatim to the ISA Illustrative Reports

Commented [JRH6]: More appropriate grammar considering that IFRS and the Companies Act are 2 distinct, separate sources of requirements. The existing wording creates a perception that these two sources are merged requirements.

Commented [JRH7]: This part of the sentence is way too vague, and is confusing. Can the report not simply state what the other ethical requirements are? Refer to Section 3 of the EY Comment Letter for proposed wording.

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 Annual Report ~~which includes~~ , an specifically the Directors' Report, the Audit Committee~~'s~~ Report and the Company Secretary's Certificate required under ~~as required by~~ the Companies Act, 2008 ~~of South Africa~~. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express 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, 2008 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

Commented [JRH8]: The content of the "other information" and the "Annual Report" should be clarified in the South Africa context in SAAPS 3. Refer to General Comments in Section 1 of the EY Comment Letter.

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 [N12]:

- 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 management.
- 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.

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

[*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.*]

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*] **[N13]**.

[*Auditor's Signature*] **[N13]**

[*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. 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 ~~unmodified~~ illustrative report below is the unmodified ~~applicable to~~ auditor's report on the statutory annual financial statements of a private company prepared for the purpose of ~~in terms of~~ the Companies Act. The financial statements ~~which include~~ comprise the financial statements and the directors' report as required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation.

This illustrative report ~~incorporates~~addresses the requirements and ~~the~~ guidance ~~set forth~~contained in ISA 700 (Revised) ~~with respect to~~ concerning the auditor's report on the financial statements. It addresses also the requirements and guidance contained in ~~, and draws from~~ ISA 720 (Revised) ~~with respect to~~concerning the directors' report, and the relevant requirements of 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.

The c~~C~~ircumstances ~~include~~are:

- 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, prepared for the purpose of compliance with the Companies Act 2008, 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 in accordance with ISA 570 (Revised).
- Key audit matters have not been communicated in accordance with ISA 701.
- The company's 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 under ~~in terms of~~ the Companies Act, 2008, of South Africa
- 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 Statements [25]

Opinion

We have audited 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 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 in accordance with the requirements of the Companies Act, 2008, of South Africa.

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)*, ~~together with the~~ and other independence ~~ethical~~ requirements ~~that are relevant~~ applicable to ~~our~~an audit ~~of the financial statements~~performed in South Africa. We have fulfilled our other ethical responsibilities ~~in accordance with these requirements and~~ under the IRBA Code [N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). 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

25 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.

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 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, 2008, 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 management.
- 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.]

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*] **[N13]**.

[*Auditor's Signature*] **[N13]**

[*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. 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 ~~unmodified~~ illustrative report below is ~~applicable to~~to the unmodified auditor's report on the statutory annual financial statements of an entity prepared for the purpose of the Companies Act. The financial statements comprise ~~which include~~ the financial statements and the directors' report as required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation.

This illustrative report ~~incorporates~~ addresses the requirements and guidance ~~set forth~~contained in ISRE 2400 (Revised) concerning ~~with respect to~~ the independent reviewer's report on the financial statements. It also draws on the requirements and guidance contained in ISA 720 (Revised) concerning the directors' report, and the relevant requirements of the Companies Act. ~~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.

Circumstances include:

- Review of a complete set of general purpose financial statements of a company using a fair presentation framework, prepared for the purpose of compliance with the Companies Act 2008, of South Africa
- 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
- The company's Memorandum of Incorporation does not ~~provide for~~require the appointment of an audit committee and a company secretary
- The independent reviewer ~~auditor~~ 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 Statements[26]

26 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

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 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 Entities[27], and the requirements of the Companies Act, 2008, 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) 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

applicable

27 May refer to International Financial Reporting Standards, as applicable

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 [N8]

The annual financial statements include the Directors' Report as required by the Companies Act, 2008, 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, our responsibility is to read the Directors' Report and, in doing so, consider 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 are required to 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.*] [28]

[*Independent Reviewer's signature*] [N13]

[*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*]

28 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. Illustrative Auditor-General of South Africa's report on a complete set of general purpose financial statements.

The ~~unmodified~~ illustrative report below is ~~applicable to~~to 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 illustrative report addresses the requirements ~~It incorporates the~~and guidance ~~set forth~~contained in ISA 700 (Revised) ~~with respect to~~concerning the auditor's report on the financial statements when the AGSA has opted not to perform the audit of a public sector entity under~~in terms of~~ section 4(3) of the PAA.~~,~~ It also draws on the requirements and guidance contained in ~~and draws from~~ ISA 720 (Revised) ~~with respect to~~concerning the other reports, and the relevant requirements of the Public Finance Management Act and the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes.

Independent Auditor's Report

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

Report on the Audit of the [Consolidated and Separate] Financial Statements[29]

Opinion

We have audited the [consolidated and separate] financial statements **[N2]** of the [name of entity] [and its subsidiaries] 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 actual information] for the year then ended, as well as the notes to the 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]

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

[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, 2008, of South Africa].

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), ~~together with the~~and other ethical requirements ~~that are relevant~~ applicable to ~~our~~ an audit ~~of the financial statements~~performed in South Africa. We have fulfilled our other ethical responsibilities in accordance ~~with these requirements and~~ the IRBA Code and in accordance with other ethical requirements applicable to audits performed in South Africa[N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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, and specifically ~~which includes~~ the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate ~~as~~ required

~~by~~under the Companies Act, 2008, of South Africa. The other information does not include the [consolidated and separate] financial statements, the auditor's report and those objectives in the entity's report on its performance against predetermined objectives that have been specifically reported on in the auditor's report.

Our opinion on the [consolidated and separate] financial statements does not cover the other information and we do not express 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 Accounting Authority ***[N9]*** *and Those Charged with Governance 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] **[N10]** and the requirements of the [Public Finance Management Act of South Africa] [and Companies Act of South Africa] **[N11],** 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.

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 [N12]:

- 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 [name 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 management.
- Conclude on the appropriateness of the accounting authority’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 [name of entity] [and its subsidiaries] audit. We remain solely responsible for our audit opinion.]

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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

[The AGSA may prescribe other reporting requirements from time to time and these will be communicated in terms of a published Directive.]

[*Auditor's Signature*] [N13]

[*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*]

Notes

Addressee[30]

N1. The auditor's report (or independent reviewer's report) is addressed as required by the circumstances of the engagement. Law, regulation ~~–~~or ~~regulation~~the terms of the engagement may~~ often~~ specify~~ies~~ to whom the auditor's report is to be addressed. T~~However, t~~he Companies Act, 2008, of South Africa~~ ~~does not specify to whom the assurance provider's report should be addressed.

The auditor's report is normally addressed to those for whom the report is prepared[31]. In the case of a South African company, 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.

When a Memorandum of Incorporation (MOI) for a company that is exempt from audit requires the company~~it~~ 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~~it~~ to appoint an auditor but the company elects ~~and it chooses~~ to ~~be~~ have an audit~~ed~~, the addressee of the auditor's report will depend on whether the ~~requirement~~ appointment of an auditor arose pursuant to ~~for audit was by way of~~ a shareholders' or members' resolution (i.e. the auditor's report would then be addressed to the shareholders or to the members, as appropriate) or a directors' resolution (i.e. the auditor's report would then be addressed to the directors).

Public sector perspective

In the public sector there is~~are~~ a wide range of potential users, including the general public, that would ~~who~~ have access to the published auditor's report. However, it is deemed inappropriate to address the auditor's report to society at large. The auditor's report is thus addressed to parliament or the provincial legislature, ~~to~~ as the body representing the interests of society at large.~~ as the intended users of the auditor's report.~~

The report may 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 the report has been prepared (not the board of directors or 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

30 ISA 700, paragraphs 22 and A16 and ISRE 2400 (Revised), paragraph 86 and A120
31 ISA 700, paragraph A16

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 would then ~~should~~ be addressed to the person(s) that represents the appropriate level of oversight, normally the responsible executive authority.

Financial statements

N2. ~~The financial statements form part of the annual financial statements prescribed by the Companies Act.~~ Under the provisions of the Companies Act 32, t~~T~~he annual financial statements of a company are required to ~~must~~ include an auditor's report if the financial statements are audited.[33]

Commented [JRH9]: This sentence seems redundant.

Page numbers[34]

N3. In South Africa ~~the audited financial statements are included in~~ the annual financial statements that contain the audited financial statements ~~which~~ may ~~contain~~include various other information, such as a detailed statement of profit or loss and other comprehensive income, other reports that are required by law or regulation to be provided as part of the company's annual financial statements or that are otherwise included in the context of implementing ~~the requirements of~~current "best practice". For that reason~~Accordingly~~ the illustrative ~~assurance~~ reports do not refer to the "accompanying" financial statements, but instead identify the accompanying financial statements by ~~the~~ page numbers.

Increasingly law and regulation in South Africa requires other information or reports not required by the applicable financial reporting framework to be included in the annual financial statements of certain types of entities. ~~an entity, that is not a requirement of the applicable financial reporting framework~~, including some types of other information or reports that are not able to be audited or reviewed under applicable auditing or assurance standards (i.e. the ISAs and the ISREs). ~~and / or which may not be auditable (or reviewable)~~. In the event that ~~Where~~ such other information may compromise the fair presentation of the financial statements in accordance with the applicable financial reporting framework, management should be requested to separate such other information from the ~~information dealt with by~~ financial statements prepared in accordance with the applicable financial reporting framework, to avoid undermining the integrity and usefulness of the financial statements. Importantly, other information not audited or reviewed under applicable auditing or assurance standards needs to be clearly separated from the information in

32 Companies Act 2008, Section 30(3)
33 Companies Act, 2008, section 29(3)(a)
34 ISA 700 (Revised), paragraph A18 and ISRE 2400 (Revised), paragraph A121

the financial statements that has been audited or reviewed to reduce scope for readers of the financial statements to misunderstand what information has been audited or reviewed, and what has not. The assurance report of the auditor/independent reviewer can then clearly identify the information that is within the scope of the audit or review performed, by reference in their report to the relevant page numbers of the financial statements that contain the information that has been audited or reviewed. ~~and separating auditable and non-auditable information so that the page numbers referred to in the assurance provider's report clearly identifies the information covered by the assurance provider's report~~.

Commented [JRH10]: Use of this term is avoided under the ISAs – it is considered confusing and misleading as to the nature and purpose of an assurance engagement

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

N4. The ~~introductory paragraph contained in the~~ Opinion section of the auditor's report~~, inter alia, identifies~~ is required to identify the title of each ~~-~~ statement ~~that~~ comprising ~~es the complete set of~~ the financial statements, for the purpose of helping users to identify the financial statements to which the auditor's report relates[35]. The applicable financial reporting framework used to prepare the entity's financial statements ordinarily specifies the complete set of financial statements required for compliance with that framework.~~[36]~~[37].

Commented [JRH11]: Delete – use plain English

Accordingly, the illustrative reports on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the 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.

~~The introductory paragraph contained in the Opinion section of the auditor's report in the illustrative reports does not refer to a statement of financial position as at the beginning of the earliest comparative period~~ W~~w~~hen 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); ~~such an~~the provision of an additional statement of financial position forms part of the comparative information, and accordingly ~~which~~ is not separately identified in the introductory paragraph contained in the Opinion section of the auditor's report.

Commented [JRH12]: Not needed. Sentence that follows explains sufficiently.

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

~~36 ISA 700 (Revised), paragraph 24(c) and A17 and ISRE 2400 (Revised), paragraph 86(c)(i)~~

37 ISA 700 (Revised), paragraph A17

The applicable financial reporting framework used to prepare the financial statements ~~A complete set of financial statements is identified by the applicable financial reporting framework[38] and~~ may also include certain ~~legislative~~legal or ~~and~~ regulatory reporting requirements, particularly when the framework required to be applied by the entity is specified by legislation. For example, t~~T~~he annual financial statements of a company are required to be prepared in accordance with the applicable financial reporting framework and in accordance with the disclosure requirements of the Companies Act.[39] comprise a complete set of financial statements identified ~~in accordance with the applicable financial reporting framework and the disclosure requirements of the Companies Act.[40]~~ A directors' report is not identified as a statement in the financial reporting framework applicable to a complete set of financial statements which must be "standalone", that is, the financial statements fully comply with the disclosure requirements of the applicable financial reporting framework.

Public sector perspective

When the Standards of Generally Recognised Accounting Practice (GRAP) are applicable, a complete set of financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget information with 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" instead of "give a true and fair view of" is used to express the opinion in the reports of the auditor or independent reviewer.

Ethical requirements[41]

N6. In South Africa, Registered Auditors are subject to the relevant ethical requirements of the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* that is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B).

In addition to the above codes, various laws and regulations may also contain independence and ethical requirements. For example, the Companies Act[42]

~~38 ISA 700 (Revised), paragraph A17~~
39 Companies Act, 2008, sections 29(1) and 30(3)(a) and (b)
~~40 Companies Act, 2008, sections 29(1) and 30(3)(a) and (b)~~
41 ISA 700 (Revised), paragraphs 28(c) and A29 to A32
42 Companies Act, 2008, section 90(2) and 92

contains restrictions on the non-audit services which may be provided by the auditor of certain companies, and also contains requirements relating to the rotation of the engagement partner. Directive 6/2008 issued in terms of the Banks Act contains requirements regarding the rotation of the engagement partner(s). 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, together with the ethical requirements relevant to the audit of the financial statements in South Africa.

Key audit matters[43]

N7. Law or regulation may require communication of key audit matters for audits of entities other than listed entities, for example, entities characterised in such law or regulation 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 two non-authoritative publications developed by the Auditor Reporting Implementation Working Group: Auditor Reporting – Key Audit Matters and ~~*Auditor Reporting – Illustrative Key Audit Matters,*~~ Auditor Reporting – Illustrative Key Audit Matters ~~developed by the Auditor Reporting Implementation Working Group~~ that provide~~s~~ a limited number of illustrative key audit matters.

Public sector perspective

The AGSA has determined that the communication of key audit matters in the auditor's report is applicable to all public sector entities.

Other information

N8. It is assumed, f~~F~~or ~~the~~ purposes of the illustrativ~~eed~~ reports of listed companies contained in this SAAPS, that the company ~~is assumed to have~~has prepared an "Annual Report" ~~that meets the~~within the meaning of the definition of "other information" contained in ISA 720 (Revised) .

Commented [JRH13]: This sentence moved up from below.

In South Africa, King III[44], the JSE Limited Listings Requirements and the Companies Act require a listed entity to present various reports and information, in addition to the required statutory financial statements. ~~to stakeholders~~. These

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

44 The King Code of Governance Principles for South Africa, 2009 and the King Report on Governance for South Africa, 2009

other reports and information may be bound together with the audited financial statements (i.e. as a single document), or ~~they~~ may be presented ~~in a~~ as separate documents, for example ~~a separate~~the entity's integrated report prepared to comply with the JSE Listing Rules. ~~that accompanies the audited financial statements~~. In identifying the other information, care should be taken to observe ~~appropriately identify~~ what the directors have named the document that contains or accompanies the audited financial statements (for example, ~~the~~ Annual Report or ~~the~~ Integrated Report or Integrated Annual Report). ISA 720 requires the auditor to determine through discussion with management, which document(s) comprise the annual report, and the entity's planned manner and timing of the issuance of such document(s).45 ~~For the purpose of the illustrated reports of listed companies in this SAAPS, the company is assumed to have prepared an "Annual Report" that meets the definition of "other information" contained in ISA 720 (Revised)[46].~~

Commented [JRH14]: Moved up above –first sentence.

Under section xx of the Companies Act, t~~T~~he Directors' Report[47], the Audit Committee's Report[48] (when applicable) and the Company Secretary's Certificate[49] (when applicable), are statutory reports that are required to form part of the annual financial statements ~~prescribed by the Companies Act~~of the company that must be audited or reviewed, as ~~and when~~ applicable. These reports are not statements required under an applicable financial reporting framework, and ~~T~~the information they contain ~~in these reports~~ is not prepared and presented in the form of ~~an~~ assertions by management or the directors ~~and the subject matters are not identifiable and~~ that is capable of ~~consistent~~ evaluation or measurement against identified suitable and appropriate criteria, on an objective basis.[50] As a consequence, there is no appropriate basis for the auditor appointed to audit the company's financial statements to form an opinion or conclusion on information contained in these other statutory reports. As a ~~C~~consequence~~tly~~, the audit opinion expressed on the company's financial statements does not extend to ~~the information contained in~~ these reports, and the auditor expressly disclaims any opinion on those reports under ISA720. ~~as the auditor has no basis for concluding that the information is properly stated~~.

These statutory reports are considered to fall within the meaning of other information under ISA 720 and the auditor's report on the financial statements addresses these other statutory reports in that context. (i.e., ~~However, the~~

45 ISA 720 (Revised), paragraph 13(a)
~~46 ISA 720 (Revised), paragraph 12(c)~~
47 Companies Act, 2008, section 30(b)
48 Companies Act, 2008, section 94(7)(f)
49 Companies Act, 2008, section 88(2)(e)
50 ~~Amended~~ Revised International Framework for Assurance Engagements, paragraph 40 (Effective for assurance reports dated on or after December 15, 2015)

~~auditor has responsibilities in accordance with ISA 720 (Revised) which requires~~ the auditor is required to read the other information and, in doing so shall consider whether there is a material inconsistency between the other information and the financial statements and between the other information and the auditor's knowledge obtained in the audit[51]. Accordingly, in the illustrative reports ~~We have drawn from~~ ISA 720 (Revised) applies to determine ~~that~~ the auditor's responsibilities in relation to 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)~~[52].

Commented [JRH15]: Unnecessarily vague.

When the auditor has obtained some or all of the other information, or for a listed entity, if the auditor has obtained or expects to obtain the other information, ISA 720 (Revised) requires ~~that~~ the auditor's report to include a separate section with the heading "Other Information."53 ~~that includes an identification of the other information, if any, obtained by the auditor prior to the date of the auditor's report~~[54]~~.~~ In South Africa, the Directors' Report, the Audit Committee's Report (when applicable) and the Company Secretary's Certificate (when applicable) ~~will be~~are ~~specifically~~ identified in this section of the auditor's report on the financial statements as other information, and are reported on in accordance with ISA 720. ~~in that section.~~

In the situation where the auditor disclaims an opinion on the financial statements, ISA 720 55 states that auditor's report does not include a section addressing reporting on other information. Also, ISA 720 does not apply 56 in the situation where an independent review is performed rather than an audit.

Accordingly, in these situations the illustrative independent reviewer's reports position the auditor reports on these other statutory reports ~~We have also drawn from ISA 720 (Revised) in the wording of~~ is done in an Other Matters ~~the~~ paragraph headed "*Other Reports Required by the Companies Act*", ~~contained in independent reviewer's reports~~ , and the auditor similarly disclaims an opinion on those reports. ~~those auditor's reports where a disclaimer of opinion has been expressed~~.

Public sector perspective

In addition to King III, the JSE Listings Requirements and the Companies Act requirements that may be applicable to certain public sector entities, the PFMA

51 ISA 720 (Revised), paragraph 14
52 ISA 720 (Revised), paragraph 12(c)
53 ISA 720 (Revised), par 21
~~54 ISA 720 (Revised), paragraph 20 and 21A(a)(i)~~
55 ISA 720 (Revised) par A58
56 ISA 720 (Revised), par 2

also includes requirements relating to the entity's annual report.

In the public sector, other information ~~consists of~~comprises financial and non-financial information, other than the financial statements, the auditor's report and those objectives in the entity's report on its performance against predetermined objectives, included in the annual report, that have been specifically reported on in the auditor's report.

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. In the public sector the auditor will also determine if there are inconsistencies between the audited performance information and the financial statements.

Directors' responsibility for the financial statements

N9. "Management" is used ~~a~~ generic."ally ~~term~~ in the ISAs and ISREs to describe those with responsib"ility~~le~~ for the preparation ~~(and fair presentation)~~ of an entity's~~the~~ financial statements in accordance with the applicable financial reporting framework.

The Companies Act requires the annual financial statements of a company to be approved by the board and signed by an authorised director[57]. Accordingly, in the case of a South African company, the company's directors have the overall responsibility ~~the assurance provider's report states that the company's directors are responsible for the~~ preparation ~~(and fair presentation)~~ of the financial statements in accordance with the applicable financial framework and the relevant legal and regulatory requirements of the Companies Act. Accordingly, the illustrative auditor's and independent reviewer's reports contain a section that explains the directors' responsibility for the financial statements.

Commented [JRH16]: Delete – do not use this phrase

In the case of the Close Corporations Act, these requirements apply to the authorised member of a Close Corporation. Accordingly the ~~reference~~ independent reviewer's report ~~to~~ ~~the directors' responsibility becomes a reference to~~ references the members' responsibility.

ISA 700 (Revised) requires ~~that~~ this section of the auditor's report to also identify those responsible for ~~the~~ oversight of the financial reporting process when those responsible for the oversight are different from those who have the ~~fulfil the~~ responsibility ~~ies for the~~to prepare ~~ation of~~ the financial statements in accordance with the applicable financial framework. In that~~is~~ case, the heading of this section would also refer to "Those Charged with Governance" (TCWG)[58].

57 Companies Act, 2008, section 30(3)(c)
58 ISA 700 (Revised), paragraph 33, 34 and A44

TCWG is defined in ISA 260 (Revised) *Communication With Those Charged With Governance*[59].

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

It should be noted that there may be other legislation that splits the responsibilities of the preparation of the financial statements and the oversight of the financial reporting process. In this case, reference would be required 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 authority[60].
- 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 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 statements being audited are prepared in accordance with the applicable financial reporting framework and in accordance with ~~–is supplemented by~~ domestic legal or regulatory requirements applicable to the entity's financial statements, the auditor's report must make reference to both the applicable financial reporting framework and the relevant legal and regulatory requirements and the jurisdiction of those requirements~~must be made to the legislation concerned~~[61]. Accordingly, in the case of a South African company, the ~~assurance provider~~auditor or independent reviewer's report must refer~~s~~ to the ~~requirements of~~ the applicable financial reporting framework ~~as~~and ~~well as~~ the requirements of the Companies Act of South Africa.

59 ISA 260 (Revised), paragraph 10(a) and effective for audits of financial statements for periods ending on or after 15 December 2016
60 PFMA, section 55(1)
61 ISA 210, paragraph18 and ISA 700 (Revised), paragraph A24

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 Act.

The General Notice (Directive) issued by the AGSA in terms of the PAA and Directive 5 issued by the Accounting Standards Board provides information and requirements regarding the financial reporting frameworks and bases of accounting applicable to public sector entities.

Internal control

N11. The Companies Act does not ~~directly~~expressly ~~deal with~~address the directors' responsibilitiesy ~~regarding~~in relation to internal control. However, this responsibility is inferred by the requirement for the Board to approve[62] the financial statements. Accordingly the directors' responsibility paragraph in the ~~assurance provider's~~auditor's report or the independent reviewer's 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 error[63].

Commented [JRH17]: Delete this word wherever it appears – leads to expectations gaps and its use is to be avoided, per IAASB consideration.

Public sector perspective

In the public sector the accounting authority is specifically tasked in 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.

Auditor's responsibilities[64]

N12. In South Africa there is no law or regulation that expressly permits the auditor to refer to the description of the auditor's responsibilities located on a website of an appropriate authority. Accordingly, ~~and as such,~~ under ISA 700 the auditor is ~~only~~ permitted to include the description of the auditor's responsibilities either ~~within~~:

- Within t~~T~~he body of the auditor's report; or
- Within a~~A~~n appendix to the auditor's report, in which case the auditor's report is required to ~~shall~~ include a reference to the location of the appendix.

The auditor's signature

62 Companies Act, 2008, section 30(3)(c) and (d)
63 ISA 700 (Revised), paragraphs 33(a) and 39
64 ISA 700 (Revised), paragraphs 40 to 41 and A49 to A52

N13. The illustrative reports assume~~s~~ that both the auditor and the independent reviewer, are ~~is~~ a Registered Auditor under the APA, and that the relevant report is presented on a letterhead. The illustrated signing convention ~~illustrated~~ is set out in section 150.6 of the IRBA Code and requires, in addition to the auditor's signature and date of the auditor's 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."

In South Africa, the requirements of the section 150.6 of the IRBA Code take precedence over the requirements ~~set out~~ for signature of the auditor's report contained in ISA 700 (Revised). Accordingly, ~~and as such,~~ this signing convention applies to ~~all~~both listed and non-listed entities.~~ as well as to entities other than listed entities~~[65].

These report signature requirements have been adapted ~~accordingly~~as appropriate for independent reviewer reports.

In addition, ~~in South Africa,~~ the sentence included in the illustrative reports ~~contained in ISA 700 (Revised)[66] that illustrates~~to comply with the ISA 700 (Revised) requirement~~s contained in that standard relating to the~~ on the inclusion of the name of the engagement partner in the auditor's report [67], is to be ~~included~~used in all auditor's reports issued by Registered Auditors in South Africa.

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

~~66 ISA 700 (Revised), paragraph 45 and A56 to A58~~

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

Part B

Commented [JS18]: Comment on the illustrative reports are contained in Section 3 of the EY Comment Letter. Please refer to Section 3 of the EY Comment Letter.

Illustrative Reports

Contents **Page**

ILLUSTRATIVE REPORTS

Audited Financial Statements

1. Consolidated financial statements and separate financial statements presented together (IFRS)

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. Consolidated financial statements and separate financial statements are presented together (four column format)
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- 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 misstatement of the other information, and expects to obtain other information after the date of the auditor's report

Independent Auditor's Report

To the Shareholders of ABC Limited

Opinion

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

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 in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code),* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 relating to both the consolidated and separate financial statements as applicable.*]

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 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 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.
- 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 management.

- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

2. Gekonsolideerde finansiële state en afsonderlike finansiële state tesame voorgelê (IFRS)

Omstandighede sluit in: • Hierdie verslag is ’n vertaling van voorbeeld 1 van SAAPS 3 (Revised 2015) • 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 die maatskappy en die maatskappy se filiale • Gekonsolideerde finansiële state en afsonderlike finansiële state word tesame voorgelê (vier kolom formaat) • Die ouditeur het tot die gevolgtrekking gekom dat ’n ongemodifiseerde (m.a.w. “skoon”) mening toepaslik is gebaseer op die ouditbewyse wat verkry is • Gebaseer op ouditbewyse verkry het die ouditeur tot die gevolgtrekking gekom dat daar geen wesenlike onsekerheid bestaan wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan 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”) voor die datum van die ouditeur se verslag bekom, het nie ’n wesenlike wanvoorstelling van die ander inligting geïdentifiseer nie, en verwag om ander inligting na die datum van die ouditeur se verslag te bekom

Onafhanklike Ouditeur se Verslag

Aan die Aandeelhouers van ABC Beperk

Mening

Ons het die gekonsolideerde en afsonderlike finansiële state van ABC Beperk (die groep), soos uiteengesit op bladsye ... tot ..., geoudit. Hierdie gekonsolideerde en afsonderlike 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 die aantekeninge tot die 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 kontantvloei 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

Ons het ons oudit ooreenkomstig 'International Standards on Auditing' ('ISAs') uitgevoer. Ons verantwoordelikhede in terme van daardie standaarde word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State* afdeling van ons verslag. Ons is onafhanklik van die groep in ooreenstemming met die 'Independent Regulatory Board for Auditors (IRBA) se *Kode vir Professionele Gedrag vir Geregistreerde Ouditeure (IRBA-kode),* tesame met die etiese vereistes wat van toepassing is op ons oudit van die gekonsolideerde en afsonderlike finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede ooreenkomstig hierdie vereistes en die IRBA-kode vervul. Die IRBA-kode is konsekwent met die 'International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B)'. 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 periode. Hierdie aangeleenthede was aangespreek in die konteks van ons oudit van die gekonsolideerde en afsonderlike finansiële state as 'n geheel, en in die vorming van ons mening daarop, en ons spreek nie 'n afsonderlike mening oor hierdie aangeleenthede uit nie.

[*Beskrywing van elke sleutel-ouditaangeleentheid in ooreenstemming met ISA 701 in verband met beide die gekonsolideerde en afsonderlike finansiële state, soos toepaslik.*]

Ander Inligting

Die direkteure 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 verkry het voor die datum van hierdie verslag, 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 daarop in nie.

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

In verband met ons oudit 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 oudit, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, gebaseer op die werk wat ons uitgevoer het, 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 so te maak nie.

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

Ons doelwitte is om redelike gerusstelling te verkry oor 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 oudit wat ooreenkomstig die ISAs uitgevoer was altyd ’n wesenlike wanvoorstelling sal opspoor wanneer 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 dwarsdeur 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 prosedures 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 entiteit se interne beheer nie.
- Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur bestuur gemaak is.
- Kom tot ’n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende saak grondslag van verslagdoening, 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 ouditmening.

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 verskaf 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 periode, en dus as die sleutel-ouditaangeleenthede geag word. Ons beskryf hierdie aangeleenthede in ons ouditeursverslag tensy wetgewing of regulasie 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 die publieke belangvoordele van sodanige kommunikasie sal oorskry.

Die aanstellingsvennoot ten opsigte van die oudit wat aanleiding gee tot hierdie ouditeursverslag is [*naam van individuele geregistreerde ouditeur*].

[*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*]

3. Financial statements (IFRS for SMEs)

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
- 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
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- 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
- 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 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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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, 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 appendix x of 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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 x

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 management.
- 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.

4. Finansiële State (IFRS for SMEs)

Omstandighede sluit in:

- Hierdie verslag is ’n vertaling van voorbeeld 3 van SAAPS 3 (Revised 2015)
- 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”)
- 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
- Die ouditeur het tot die gevolgtrekking gekom dat ’n ongemodifiseerde (m.a.w. “skoon”) mening toepaslik is gebaseer op die ouditbewyse wat verkry is
- Gebaseer op ouditbewyse verkry het die ouditeur tot die gevolgtrekking gekom dat daar geen wesenlike onsekerheid bestaan wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan 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 is as die Direkteursverslag wat voorberei is in terme van die Maatskappywet van Suid-Afrika nie
- Die ouditeur het besluit om die beskrywing van sy verantwoordelikhede ten opsigte van die oudit van die finansiële state in ’n bylaag tot die ouditeursverslag in te sluit

Onafhanklike Ouditeur se Verslag

Aan die Aandeelhouers 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 die aantekeninge tot die finansiële state, insluitende ’n opsomming van beduidende rekeningkundige beleid.

Na ons mening is die finansiële state, in alle wesenlike 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.

Grondslag vir Mening

Ons het ons oudit ooreenkomstig 'International Standards on Auditing' ('ISAs') uitgevoer. Ons verantwoordelikhede in terme van daardie standaarde word verder beskryf in die *Ouditeur se Verantwoordelikhede vir die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State* afdeling van ons verslag. Ons is onafhanklik van die maatskappy in ooreenstemming met die 'Independent Regulatory Board for Auditors (IRBA) se *Kode vir Professionele Gedrag vir Geregistreerde Ouditeure (IRBA-kode),* tesame met die etiese vereistes wat van toepassing is op ons oudit van die finansiële state in Suid-Afrika. Ons het ons ander etiese verantwoordelikhede ooreenkomstig hierdie vereistes en die IRBA-kode vervul. Die IRBA-kode is konsekwent met die 'International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B)'. Ons glo dat die ouditbewyse wat ons verkry het, toereikend en toepaslik is om 'n grondslag vir ons ouditmening te bied.

Ander Inligting

Die direkteure 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 daarop in nie.

Ons mening oor die finansiële state dek nie die ander inligting nie en ons spreek geen vorm van gerusstelling daaroor uit nie.

In verband met ons oudit 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 oudit, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, gebaseer op die werk wat ons uitgevoer het, 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 Finansiële State

Die maatskappy se direkteure 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 direkteure 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 direkteure 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 direkteure beplan om die maatskappy te likwideer of om bedrywighede te staak, of geen realistiese alternatief het as om so te maak nie.

Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State

Ons doelwitte is om redelike gerusstelling te verkry oor 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 was altyd 'n wesenlike wanvoorstelling sal opspoor wanneer 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 bylaag x tot 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.

Die aanstellingsvennoot ten opsigte van die oudit wat aanleiding gee tot hierdie ouditeursverslag is [*naam van individuele geregistreerde ouditeur*].

[*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 x

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 dwarsdeur 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 prosedures 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 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 bestuur gemaak is.
- Kom tot ’n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende saak grondslag van verslagdoening, 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.

5. Financial statements (entity specific basis of accounting)

Circumstances include:

- Voluntary audit
- 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. The financial statements do not include a statement of changes in equity
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- Proposed 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
- 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

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 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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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

Without modifying our opinion, 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 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 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. 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 company has no assets or liabilities other than the amount due by / to its shareholder
- Financial statements of a company 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
- 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
- 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

7. Supplementary schedules – other information

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 auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 x to x. 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

8. Subsequent Event: re-issue of financial statements – emphasis of matter

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 auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- Deferred tax now raised on the taxable temporary differences and the financial statements 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. Emphasis of matter
- 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Non-compliance with the Companies Act but fair presentation not affected – other matter

Circumstances include:

- Audit of a complete set of financial statements of a public company (not listed) using a fair presentation framework
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- In contravention of the Companies Act, the company has not appointed a social and ethics committee. Adequate disclosure has been made in the directors' report. Other matter
- 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 misstatement of the other information

Independent Auditor's Report

To the Shareholders of ABC Limited

Opinion

We have audited the financial statements of ABC 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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 Matter – Contravention of the Companies Act

The Directors' Report indicates that a social and ethics committee was not appointed as required by Section 72(4) of the Companies Act of South Africa. This matter does not affect our opinion on the fair presentation of the financial statements.

Other Information

The directors are 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. 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 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 management.
- 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Reportable irregularity: fair presentation not affected – report on other legal and regulatory requirements

Circumstances include:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- 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 misstatement of the other information
- 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 and is not considered a key audit matter. Report on other legal and regulatory requirements

Independent Auditor's Report

To the Shareholders of ABC Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABC 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 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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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. The other information does not include the consolidated 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 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 Director 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 management.
- 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.

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 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 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 statements[68].]

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

68 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

11. Reportable irregularity: fair presentation affected – qualified opinion and other reporting responsibilities reported in same section

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
- 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

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.

Basis for Qualified Opinion

Note x to the financial statement indicates that the company has extended a loan to a fellow-subsidiary 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 amount to [*currency and amount*] 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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.

- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Going concern assumption inappropriate – adverse opinion

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 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. In the auditor's judgement it is inappropriate to prepare financial statements on a going concern basis of accounting in such circumstances (i.e., an adverse opinion is appropriate)
- 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

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.

Basis for Adverse Opinion

The company incurred a net loss for the year ended 31 December 20X1 of [*currency and amount*] and, as at that date its total liabilities exceeded its total assets by [*currency and amount*]. 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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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' and Those Charged with Governance 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

13. Going concern: Unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern – disclaimer of opinion

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 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. The matter is considered material and pervasive (i.e., a disclaimer of opinion is appropriate)
- 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

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

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

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.

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.

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. 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.

We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B).

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

14. Unable to obtain required written representations – disclaimer of opinion

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
- Management does not provide the written representations required by paragraphs 10 and 11 of ISA 580. The matter is considered material and pervasive (i.e., a disclaimer of opinion 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

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

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.

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. 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.

We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for*

Professional Accountants (Part A and B).

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Misstatement: requirements of the financial reporting framework not met – adverse opinion

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 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. The possible effects are deemed to be both material and pervasive to the financial statements (i.e., an adverse opinion 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
- 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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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.

A further description of our responsibilities for the audit of the financial statements is included in appendix x of 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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 x

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 management.
- 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.

16. Misstatement: subsidiary financial statements – qualified opinion on consolidated financial statements and unqualified opinion on separate financial statements

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. Consolidated financial statements and separate financial statements are presented together (four column format)
- The auditor has concluded an unmodified (i.e., "clean") opinion on the separate financial statements is appropriate based on the audit evidence obtained
- 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. The misstatement is deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion on the consolidated financial statements 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 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

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 statements of financial position as at 31 December 20X1, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 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 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

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 group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

17. Misstatement: non-consolidation of financial statements – adverse opinion

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 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 auditor 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. This is considered material and pervasive to the financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion 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 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

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 the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa.

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 the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), 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 for SMEs 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 group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with the ethical requirements that are relevant to our audit of the consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 Standards 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, 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

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

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 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. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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*]

19. Inability to obtain sufficient appropriate audit evidence about a single element of the financial statements – qualified opinion

Circumstances include:

- Audit of a complete set of financial statements of an NPC in terms of the Companies Act of South Africa using a fair presentation framework
- 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. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion 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

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.

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 entity in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Misstatement and inability to obtain sufficient appropriate audit evidence: individually immaterial, financial statements as a whole are materially misstated and insufficient audit evidence – qualified opinion

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
- Individually immaterial departures from International Financial Reporting Standards but material in aggregate. Furthermore, the auditor was unable to obtain sufficient appropriate audit evidence to substantiate certain disclosures. The misstatements in aggregate are material (effects) together with the insufficient audit evidence (possible effects) (i.e., a qualified opinion 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Misstatement: Companies Act disclosures not made by the directors – qualified opinion

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 directors' and prescribed officers' remuneration has been disclosed in aggregate and not individually as required by the Companies Act. 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. This is deemed to be material but not pervasive to the financial statements. 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. (i.e., a qualified opinion is appropriate)
- 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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. Misstatement: IFRS disclosures not made by the directors and auditor does not make the required disclosures in the auditor's report as it is impracticable to do so – qualified opinion

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 directors of the company have not made certain disclosures in the financial statements as required by IFRS. This is deemed to be material but not pervasive to the financial statements. 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 (i.e., a qualified opinion 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

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.

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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 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 management.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is [*name of individual registered auditor*].

[*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

23. Financial statements (compliance framework and Companies Act)

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer
- 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
- The auditor has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

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 xx 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) 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 xx and the requirements of the Companies Act of South Africa.

Basis of Accounting

Without modifying our conclusion, we draw attention to note xx 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

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, our responsibility is to read the Directors' Report and, in doing so, consider 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 are required to 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*]

24. Onafhanklike oorsig van finansiële jaarstate – redelike voorstelling finansiële verslagdoeningsraamwerk

Omstandighede sluit in:

- Oorsig van ’n volledige stel van finansiële state
- Hierdie verslag is ’n vertaling van voorbeeld “3” van Deel A van SAAPS 3 (Revised 2015)
- 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 gebaseer op bewyse wat verkry is

Onafhanklike Nasiener se Verslag

Aan die Aandeelhouers van ABC Eiendoms Beperk

Verslag oor die Finansiële State[69]

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 die aantekeninge, wat bestaan uit ’n opsomming van beduidende rekeningkundige beleid en ander verduidelikende inligting, 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*’[70] 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.

69 Die onderopskrif “Verslag oor die Finansiële State” is onnodig waar die tweede onderopskrif “Verslag oor Ander Regs en Regulatoriese Vereistes” nie toepaslik is nie.

70 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’* 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 Vereis word

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteure 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 oorsig van die finansiële state is dit ons verantwoordelikheid om die Direkteursverslag te lees, en sodoende te 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, gebaseer op die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar ’n wesenlike wanvoorstelling van die Direkteursverslag is, word ons vereis om daardie feit te 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.][71]

[*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*]

71 Daar is geen vereiste vir 'n onafhanklike nasiener om in die "Verslag oor Ander Regs en Regulatoriese Vereistes" 'n Rapporteerbare Onreelmatigheid wat aan CIPC ooreenkomstig Regulasie 29(1)(b) en (6) tot (11) tot die Maatskappywet van Suid Afrika, gerapporteer is, in te sluit nie.

25. Onafhanklike oorsig van finansiële state (nakomings-finansiële verslagdoeningsraamwerk en Maatskappywet)

Omstandighede sluit in:

- Hierdie verslag is ’n vertaling van voorbeeld “23” van SAAPS 3 (Revised 2015)
- ’n Maatskappy wat ’n onafhanklike oorsig vereis in terme van die Maatskappywet, 2008. Verslag voorberei in ooreenstemming met ISRE 2400 (Revised). ’n Firma wat ’n Geregistreerde Ouditeur is, is aangestel as onafhanklike nasiener
- 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 aandeelhouers, 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
- Die onafhanklike nasiener het tot die gevolgtrekking gekom dat ’n ongemodifiseerde gevolgtrekking toepaslik is gebaseer op bewyse wat verkry is
- Akte van oprigting maak nie voorsiening vir die aanstelling van ’n ouditkomitee of ’n maatskappysekretaris nie

Onafhanklike Nasiener se Verslag

Aan die Aandeelhouers 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, staat van veranderings in ekwiteit en staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en die 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 xx 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’* 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 xx, en die vereistes van die Maatskappywet van Suid-Afrika nie.

Rekeningkundige Grondslag

Sonder om ons mening te modifiseer, vestig ons die aandag op aantekening xx 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 Vereis word

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteure 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 oorsig van die finansiële state is dit ons verantwoordelikheid om die Direkteursverslag te lees, en sodoende te 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, gebaseer op die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar ’n wesenlike wanvoorstelling van die Direkteursverslag is, word ons vereis om daardie feit te 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*]

26. Misstatement: requirements of the financial reporting framework not met – qualified conclusion

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. 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
- Based on the review, inventories are misstated – the misstatement is material but not pervasive to the financial statements (i.e., a qualified conclusion is appropriate)
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

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 xxx. 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 xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rxxx, and income tax, net income and shareholders' equity would have been reduced by Rxxx, Rxxx and 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

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, our responsibility is to read the Directors' Report and, in doing so, consider 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 are required to 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*]

27. Misstatement: non-consolidation of financial statements – adverse opinion

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. 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
- 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. This is considered material and pervasive to the financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion is appropriate)
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

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

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, our responsibility is to read the Directors' Report and, in doing so, consider 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 are required to 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. Inability to obtain sufficient appropriate evidence – disclaimer of conclusion

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. 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
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary
- 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 (i.e., a disclaimer of conclusion is appropriate)

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 a 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

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 responsibility is to read the Directors' Report and, in doing so, consider 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*]

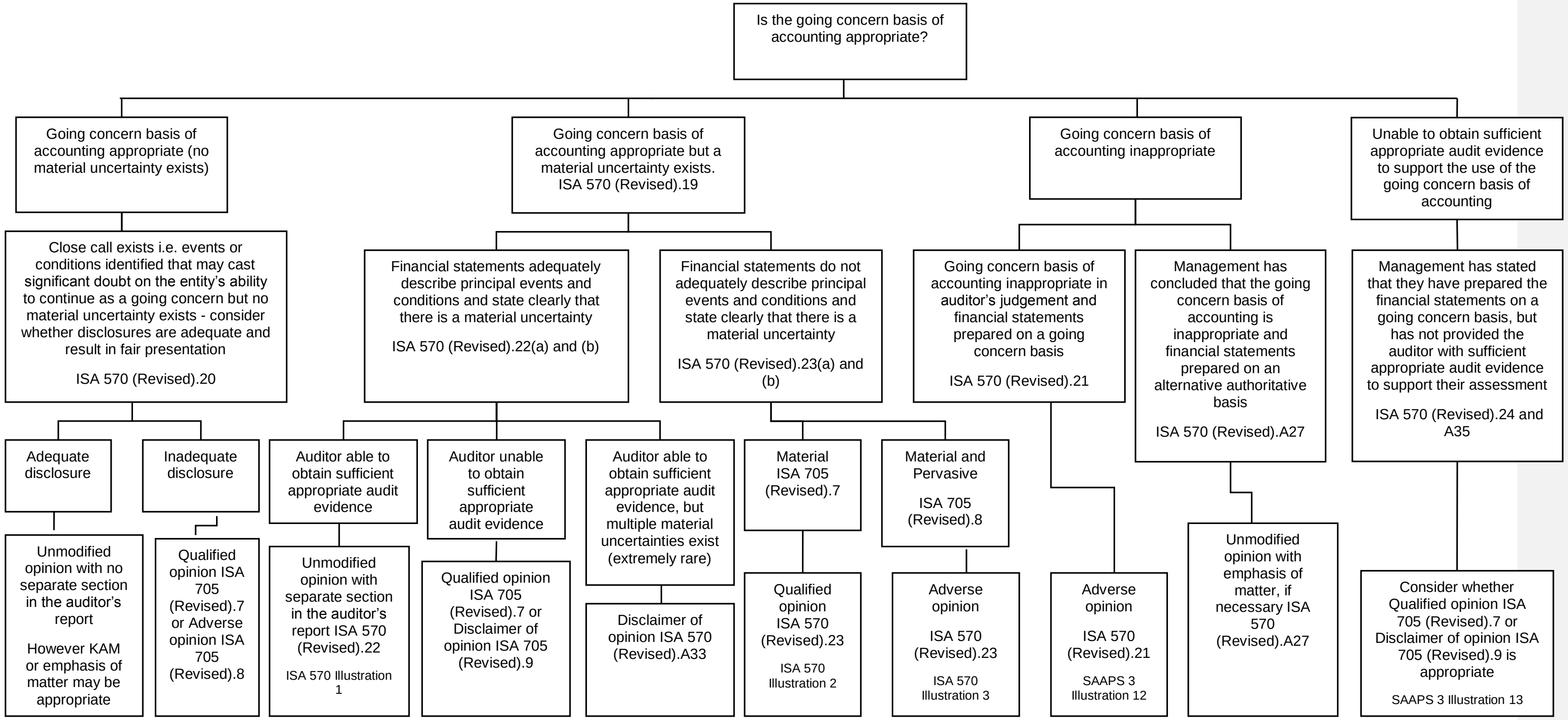
Appendix I

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 to 24.

Appendix I

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.