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Mr. I. Vanker
The Director – Standards
Independent Regulatory Board for Auditors
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Dear Imran

Comment letter: *Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised 2015)* – Illustrative Reports (the “Exposure Draft”)

We welcome the opportunity to comment on the exposure draft. This comment letter deals with responses to the questions posed in the exposure draft and our specific comments on the proposed changes to SAAPS 3. The comments and considerations expressed in this comment letter are based on collated views of Ernst & Young Inc. South Africa and do not represent the collective view of the global EY network of firms.

We support the Committee For Auditing Standards' desire to revise SAAPS 3 in light of adopting the new Reporting Standards which becomes effective for audits of financial statements for periods ending on or after 15 December 2016. Our comments should be read in the context of our support for the achievement of those objectives.

Our comments are set out under the following main headings:

- Section 1 – General comments**
- Section 2 – Responses to questions**
- Section 3 – Comments on specific sections**
- Section 4 – Editorial comments on Part A**

We thank the Independent Regulatory Board for Auditors (IRBA) for an opportunity to comment on the exposure draft. We would be pleased to discuss these comments further with the IRBA if needed (if so please contact Mike Bourne (021 443 0258)).

Yours sincerely

Michael F.J. Bourne
Professional Practice Director

Section 1 - General Comments

Editorial matters: Use of appropriate language and grammar

The proposed SAAPS 3 will need a robust editorial review ahead of finalization of the document. This is essential for the overall integrity of the document, as the existing editorial deficiencies in the document, if not addressed, would compromise the readability of that SAAPS when issued in final form.

In Section 4 of this comment letter we have suggested a number of necessary editorial changes to Part A of the proposed SAAPS 3. These are noted incidental to our technical review of the document, and should not be seen as an exhaustive list of editorial issues.

Terminology

In various places the proposed SAAPS 3 uses the term “assurance provider”. (We note that the same phrase appears in other IRBA pronouncements).

In line with the International Auditing and Assurance Standards Board’s (IAASB) practice, use of this term should be strictly avoided as it is considered likely to exacerbate the audit/assurance expectations gap. This phrase may be perceived as implying that the auditor in fact “provides” assurance to the addressee of the auditor’s report (and potentially to the intended users of the auditor’s report), which is not the intended meaning of the technical term “assurance” under IAASB pronouncements.

Under the International Standards on Auditing (ISAs) the auditor’s responsibility is to provide a report on the audited financial statements (and for assurance engagements to provide a report on the specified subject matter information) containing the auditor’s opinion thereon (or the assurance opinion or conclusion on the specified subject matter information), which is in turn intended to enhance the credibility of the financial statements / other subject matter information for the third parties acknowledged as the intended users of those financial statements. The auditor’s opinion rests on obtaining assurance in relation to the financial statements (reasonable or limited) through performing the risk-based audit process to obtain sufficient appropriate audit evidence to support the auditor’s opinion. The value of the opinion to the user for the financial statements is that it assists the user to use the auditor’s report and audit opinion contained therein to form their own assessment of the audited financial statements for the purposes of the users own decision-making needs (which are typically unspecified/unknown to the auditor reporting on the financial statements).

Use of the term “assurance provider” risks fundamental misunderstanding of the purpose of the audit of financial statements / the assurance engagement for specified subject matter information – which certainly is never to provide assurance on anything to anybody in undertaking the audit/assurance engagement.

Unfortunately use of such loose phraseology is quite prevalent in the proposed SAAPS 3. In the interests of not encouraging the development of expectations gaps in relation to audit / assurance services, we believe this wording should be eliminated wherever it appears in the proposed SAAPS 3.

We also recommend, for the same reason, that it be eliminated from other IRBA pronouncements over time. For noting: this phrase never appears in any of the IAASB or International Ethics Standards Board for Accountants (IESBA) pronouncements, which is intentional.

Our suggested changes to address this in SAAPS 3 are given in Section 4 of this comment letter.

Other information

Matter 1:

The proposed SAAPS 3 recognizes in Note 8 on page 44, that in South Africa, King III, 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, the company is assumed to have prepared an "Annual Report" that meets the definition of "other information" contained in ISA 720 (Revised). This statement in Part A of the proposed SAAPS is confusing and should be clarified as it implies that the Annual Report is "other information".

Furthermore, we encourage CFAS to communicate a clear decision on the application of ISA 720 in relation to the annual integrated reports, as a matter of public interest. Listed Companies in South African typically publish either an integrated annual report, or a separate integrated report that contains financial highlights together with a reference to the audited annual financial statements, under the JSE listing Rules. Should the integrated report be deemed to be within the scope of ISA 720 in consideration of how the ISA 720 definitions of "annual report" and "other information" are to be applied in South Africa?

We recommend that more guidance ought to be given on this matter in proposed SAAPS 3, by further elaborating on this matter in Note 8 on page 44 which deals with other information.

In line with the reality that the South African Integrated Annual Reports of South African listed companies are increasingly viewed as being the primary company report for corporate reporting into the financial markets, in line with King III, EY's view is there is a strong argument to view the Integrated Annual Report as generally falling within the meaning of the definition of "annual report" contained in ISA 720 (Revised). That is notwithstanding that the company's audited statutory financial statements and auditor's report thereon is ordinarily published separate to the Integrated Annual Report.

On a public interest note, and most especially in view of the significant challenges that currently exist in the realm of external assurance for the Integrated Annual Report as a whole, the external auditor's involvement in relation to the company information, including financial information, disclosed in / as part of its "annual report" or as its "annual reporting", is a critical matter – not only in relation to the Integrated Annual Report but also in relation to the audited financial statements.

Maintaining the external auditor's involvement in the financial and non-financial information disclosures contained in a company's Integrated Annual Report is important to avoid the potential situation where the information contained the two reports could diverge, or even contain material inconsistencies / material misstatements which may only be detected by the external auditor applying the ISA 720 standard to the Integrated Annual Report.

As the general practice that seems to be emerging is that most JSE listed companies are publishing their integrated annual report containing only summarized financial information, or more frequently financial highlights drawn from the audited financial statements – with the audited financial statements published separately as an electronic document (and generally located together/on the same electronic page of the company's publications/annual reports website), we question whether Note 8 contained in SAAPS 3 actually intended to convey that if the label "integrated report" is used rather than "integrated annual report" on the Integrated Report publication, the Integrated Report would possibly not be in scope for application of ISA 720? As the guidance in the draft Note 8 would seem to raise that possibility, we query whether that it is the appropriate approach from the public interest perspective.

It would presumably not be in the interests of the user community of integrated reports if the integrated reports of some companies are addressed by the external auditor under ISA 720, while others are not. The scope for inconsistency of treatment of integrated annual reports under ISA 720 would leave scope for – as an extreme example – a corporate entity intending to publish an integrated report containing information that diverges from that contained in the audited statutory financial statements, or that is materially inconsistent with those financial statements, to merely be able to successfully argue that the integrated report does not fall within scope of ISA 720 (e.g. by not using the label Integrated Annual Report), to avoid the external auditor becoming involved in uncovering and reporting on that situation. We recommend that CFAS give further consideration to this area and address the issue more fully in SAAPS 3, in the interests of ensuring there is some clear guidance for auditors on addressing this area. For example, it would be useful to develop a set of FAQs illustrating different situations that would guide the auditor's decisions on when the Integrated Report/Integrated Annual Report would be either in scope or out-of-scope for ISA 720.

Matter 2:

Please refer to our detailed comments and recommended changes to SAAPS 3 concerning Other Information / Other Reports Required by the Companies Act paragraphs with respect to illustrations 13 and 14 of the audit reports and illustrations 23, 27 and 28 of the Independent Review reports, in Section 3 of our comment letter below.

Reports required by the Companies Act

We remind the CFAS to consider whether the Directors' Report, the Audit Committee's Report (when applicable) and the Company Secretary's Certificate (when applicable) (the three reports), should form part of the annual financial statements prescribed by the Companies Act of South Africa that must be audited or reviewed, as and when applicable by the auditor. We agree that the information in these three reports is not presented in the form of assertions on subject matter that is capable of consistent evaluation or measurement against identified / suitable criteria.

In the interest of clarifying this area as much as possible we recommend that the IRBA seek formal advice from senior counsel concerning the decision taken by the secretariat about the approach to be followed by the auditor as set out in proposed SAAPS 3.

Section 2 – Responses to questions

Question 1:

Do 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? If not, please suggest alternative wording to be included in the auditor's report.

Response:

We have suggested changes to the proposed wording to more accurately describe the auditor's statement of independence and the fulfilment of other ethical responsibilities contained in the Basis for Opinion paragraph of the auditor's report. Refer to Section 3 and Section 4 of this comment letter for recommended changes to the wording of page 24 of the proposed SAAPS 3.

Question 2:

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

Response:

We agree with the decision that no illustrative KAMs are provided in the proposed SAAPS 3.

Question 3:

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

Response:

We do not agree with the conclusions made by the CFAS on how to illustrate an auditor's response in the circumstances anticipated in illustrative report 11 contained in Part B of the proposed SAAPS 3. We also recommend changes to illustrative report 21. Please refer to our detailed comments in Section 3 of this comment letter.

Question 4:

In your view, do 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? 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).

Response:

Overall we agree that the illustrative reports contained in the proposed SAAPS 3 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 and the International Standards on Review Engagements and in compliance with South African jurisdictional requirements. However consideration should be given to our detailed comments set out in Section 3 and 4 below.

Question 5:

Do you agree that the English auditor's and independent reviewer's reports have been appropriately translated into Afrikaans? If not, please provide details of how you believe the Afrikaans auditor's and independent reviewer's reports should be worded.

Response:

Please refer to our comments on specific sections – Section 3, of this comment letter below for our proposed amendments to the Afrikaans reports. Changes that are made to the English illustrative reports following our detailed comments in Section 3 of this comment letter should be updated in the corresponding Afrikaans auditors’ and independent reviewer’s reports.

Question 6:

Do you agree with the proposed effective date for proposed SAAPS 3 (Revised 2015)? If not, please suggest an alternative effective date and details of your reason for your suggestion.

Response:

We agree with the proposed effective date for proposed SAAPS 3, to correspond with the effective date of the new and revised International Standards on Auditing issued by the IAASB, being effective for audits of financial statements for periods ending on or after 15 December 2016.

Section 3 – Comments on specific sections

Section reference	Section wording	Comment / recommended change
Page 18	<i>“An auditor is required to have an understanding of the entire text of every South African Practice Statement to enable the auditor to assess whether or not any particular South African Practice Statement is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the South African Practice Statement relates, properly”.</i>	<p>This sentence implies (perhaps unintentionally) that an auditor will not be able to properly comply with/apply the requirements of an International Standard, without applying the SAAPS (where relevant).</p> <p>We propose the following markup changes:</p> <p>“An auditor needs to have an understanding of the entire text of every South African Practice Statement to be able to assess whether or not a particular South African Practice Statement is relevant to an engagement being performed. When the auditor has established the relevance of a particular SAAPS to 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) to which the South African Practice Statement relates.”</p>
Page 24	<i>“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</i>	<p>This sentence in the Basis of Opinion paragraph is possibly unclear and confusing. It also omits the fact that there are other ethical requirements e.g., Companies Act Section 92 and Section 90(2)? And e.g., Banks Act regulations. It would seem that the statement by the auditor is intended to confirm:</p>

	<p><i>accordance with these requirements and the IRBA Code [N6]. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B)."</i></p>	<ol style="list-style-type: none"> 1. the auditor's independence in accordance with the IRBA Code + any other independence requirements that apply to the engagement/audits performed in South Africa; and 2. that the auditor has complied with the auditor's other ethical responsibilities in accordance with the IRBA Code + any other independence requirements that apply to the engagement/audits performed in South Africa. <p>Subject to proper clarification of the wording of this sentence we believe these two statements by the auditor are acceptable, and specifically that the second sentence should be retained.</p> <p>We suggest the following amended wording:</p> <p><i>"We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical <u>requirements</u> applicable to performing audits 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).</i></p>
<p>Page 33</p>	<p><i>"Circumstances include:</i></p> <ul style="list-style-type: none"> • <i>Review of a complete set of financial statements</i> • <i>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</i> • <i>Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary</i> • <i>The auditor has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained"</i> 	<p>We recommend the following changes to the circumstances paragraph:</p> <p><i>"Circumstances include:</i></p> <ul style="list-style-type: none"> • <i><u>Independent</u> Review of a complete set of financial statements</i> • <i>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</i> • <i>Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary</i> • <i>The <u>independent reviewer</u> auditor has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained"</i>

<p>Page 36</p>	<p><i>"In our opinion, the [consolidated and separate] financial statements present fairly, in all material respects, [N5] the financial position of the [name of entity] [and its subsidiaries] as at 31 March 20XX, and [its / their] financial performance and cash flows for the year then ended in accordance with [the applicable financial reporting framework] [N10] and the requirements of the [Public Finance Management Act of South Africa] [and Companies Act of South Africa]."</i></p>	<p>The current wording and guidance only focus on entities where the PFMA and/or Companies Act of South Africa apply.</p> <p>Currently, the audit report of Higher Education Institutions such as Universities and Technical and Vocational Education and Training (TVET) colleges are also required to follow the format and structure of this report.</p> <p>We recommend the following changes:</p> <p><i>"In our opinion, the [consolidated and separate] financial statements present fairly, in all material respects, [N5] the financial position of the [name of entity] [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/Higher Education Act of South Africa] [and Companies Act of South Africa]."</i></p> <p>The rest of the report and guidance should also be updated for this change where applicable.</p>
<p>Page 37</p>	<p>The illustrative report has the following layout:</p> <ul style="list-style-type: none"> - Opinion - Basis for Opinion - Key Audit Matters - Emphasis of Matter - Other Matter - Other information - ... 	<p>We recommend that the emphasis of matter paragraph be moved ahead of the Key Audit Matters paragraph, to align with ISA 706 (Revised), The layout should be:</p> <ul style="list-style-type: none"> - Opinion - Basis for Opinion - <u>Emphasis of Matter</u> - Key Audit Matters - Emphasis of Matter - Other Matter - Other information - ...
<p>Page 37</p>	<p>"Other Information <i>The [name of entity] [and its subsidiaries] accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa"</i></p>	<p>The current illustrative paragraph only includes reports and information required by the Companies Act of South Africa.</p> <p>Treasury Regulation 28.1.1 requires that the annual financial statements must include a report by the accounting authority which must include the disclosure of remuneration in respect of all:</p>

		<p>(a) members of the accounting authority; (b) the chief executive officer or the person in charge of the public entity; (c) the chief financial officer; (d) persons serving on the public entity's senior management; and (e) members or persons in (a) to (d) above serving in other entities under the ownership control of the public entity.</p> <p>We recommend that the paragraph be expanded to also include reports required by other relevant legislation.</p>
Page 38	<p><i>"Responsibilities of the Accounting Authority [N9] and Those Charged with Governance for the [Consolidated and Separate] Financial Statements."</i></p>	<p>The heading includes a reference to "Those charged with Governance (TCWG)". This is not consistent with the report included on page 23.</p> <p>The PFMA assigns the responsibilities for governance to the accounting authority. Any deviation from this should be treated as an exception. This is provided for in N9 on page 46.</p> <p>We recommend the following changes to the heading:</p> <p><i>"Responsibilities of the Accounting Authority N9] for the [Consolidated and Separate Financial Statements]"</i>.</p>
Page 41	<p><i>"...The auditor's report is normally addressed to those for whom the report is prepared. 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 it to appoint an auditor, the auditor's report is also addressed to the shareholders or members, as appropriate..."</i></p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p><i>"...The auditor's report is normally addressed to those for whom the report is prepared. In the case of a South African company, the report is addressed to the shareholders or members (<u>in the case of a Close Corporation (CC)</u>), as applicable, when the Companies Act (including the Companies Act Regulations) requires the company <u>or CC</u> to be audited. When a Memorandum of Incorporation (MOI) for a company that is exempt from audit requires it to appoint an auditor, the auditor's report is also addressed to the shareholders or members (<u>in the case of a CC</u>), as appropriate..."</i></p>
Page 42	<p><i>"N3. In South Africa the audited financial statements are included in the annual financial statements which may contain other information such as a detailed</i></p>	<p>We recommend the following amendment (see the tracked changes below):</p>

	<p>statement of profit or loss and other comprehensive income, other reports required by law or regulation or the requirements of "best practice". Accordingly the illustrative assurance reports do not refer to the "accompanying" financial statements but instead identify the accompanying financial statements by the page numbers..."</p>	<p>"N3. In South Africa the audited financial statements are included in the annual financial statements which may contain other information such as a detailed statement of profit or loss and other comprehensive income, other reports required by law or regulation or the requirements of "best practice". Accordingly the illustrative assurance reports do not refer to the "accompanying" financial statements but instead identify the <u>accompanying</u> financial statements by the page numbers..."</p>
Page 44	<p>"...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...."</p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p>"...Public sector perspective The AGSA has determined that the communication of key audit matters in the auditor's report is applicable to all <u>audits of public sector</u> entities...."</p>
Page 53	<p>"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"</p> <p>"...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..."</p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p>"...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 <u>on the other information obtained prior to the date of this auditor's report</u>, 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..."</p>
Page 57 and 58 and 59 and 60	<p>"<u>Sleutel-ouditaangeleenthede</u> ("key audit matters") in verband met die gekonsolideerde en afsonderlike finansiële state was gekommunikeer"</p> <p>"Die ouditeur het 'n deel van die ander inligting ("other information") voor die datum van die ouditeur se verslag bekom, het nie 'n wesentliche wanvoorstelling van</p>	<p>We recommend the following track changes:</p> <p>"<u>Kern Sleutel-ouditaangeleenthede</u> ("key audit matters") in verband met die gekonsolideerde en afsonderlike finansiële state was gekommunikeer"</p>

<p>die ander inligting geïdentifiseer nie, en verwag om ander inligting na die datum van die ouditeur se verslag te bekom.”</p> <p>“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 veranderinge 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.”</p> <p>“Ons is onafhanklik van die groep in ooreenstemming met die 'Independent Regulatory Board for Auditors (IRBA) se Kode vir Professionele Gedrag vir Geregistreeerde 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.”</p> <p>“<u> Sleutel-ouditaangeleenthede </u> 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.]”</p> <p>“...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</p>	<p>“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 veranderinge in ekwiteit en die staat van kontantvloei <u>staat</u> vir die jaar wat op daardie datum geëindig het, en die aantekeninge tot die finansiële state, insluitende 'n opsomming van beduidende rekeningkundige beleid.”</p> <p>“Ons is onafhanklik van die groep in ooreenstemming met die 'Independent Regulatory Board for Auditors (IRBA) se <u>Code of Professional Conduct for Registered Auditors (IRBA Code) Kode vir Professionele Gedrag vir Geregistreeerde Ouditeure (IRBA-kode)</u>, tesame met die etiese vereistes wat van toepassing is op ons oudit van die gekonsolideerde en afsonderlike finansiële state in Suid-Afrika.” [The IRBA Code is not translated into Afrikaans and the English name should be used].</p> <p>“<u>Kern Sleutel-ouditaangeleenthede</u> Kern 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 Kern Sleutel -ouditaangeleentheid in ooreenstemming met ISA 701 in verband met beide die gekonsolideerde en afsonderlike finansiële state, soos toepaslik.]”</p> <p>“...Indien ons, gebaseer op die werk wat ons uitgevoer het <u>op die ander inligting verkry voor die datum van die outiteurs verslag</u>, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van hierdie ander inligting is,</p>
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<p>verband te rapporteer nie....”</p> <p>“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 likwiedeer of om bedrywighede te staak, of geen realistiese alternatief het as om so te maak nie.”</p> <p>“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.”</p> <p>“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:”</p> <p>“Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur bestuur gemaak is”.</p> <p>“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.”</p>	<p>word van ons vereis om daardie feit te rapporteer. Ons het niks om in hierdie verband te rapporteer nie....”</p> <p>“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 likwiedeer of om bedrywighede te staak, of geen realistiese alternatief het as om so te <u>doen maak</u> nie.”</p> <p>“Ouditeur se Verantwoordelikhede vir die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State Ons <u>doelwitte</u> 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.”</p> <p>“As deel van ’n oudit ooreenkomstig die ISAs, oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme <u>dwarsdeur deurlopend</u> die oudit. Ons doen ook die volgende:”</p> <p>“Evalueer die toepaslikheid van <u>die</u> rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur <u>die direkteure bestuur</u> gemaak is”.</p> <p>“Kom tot ’n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende saak grondslag van verslagdoening, en gebaseer op ouditbewyse verkry, <u>kom</u> tot ’n gevolgtrekking <u>te kom</u> 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.”</p>
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<p>Page 62</p>	<p><i>“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”</i></p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p><i>“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 <u>which was obtained prior to the date of the auditor’s report</u>”</i></p>
<p>Page 66 and 67 and 68 and 69</p>	<p><i>“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.”</i></p> <p><i>“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.”</i></p> <p><i>“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.”</i></p> <p><i>“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:”</i></p> <p><i>“Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur bestuur gemaak is”.</i></p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p><i>“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 staat vir die jaar wat op daardie datum geëindig het, en die aantekeninge tot die finansiële state, insluitende ’n opsomming van beduidende rekeningkundige beleid.”</i></p> <p><i>“Ons is onafhanklik van die groep in ooreenstemming met die ‘Independent Regulatory Board for Auditors (IRBA) se <u>Code of Professional Conduct for Registered Auditors (IRBA Code) Kode vir Professionele Gedrag vir Geregistreerde Ouditeure (IRBA-kode)</u>, tesame met die etiese vereistes wat van toepassing is op ons oudit van die gekonsolideerde en afsonderlike finansiële state in Suid-Afrika.” [The IRBA Code is not translated into Afrikaans and the English name should be used].</i></p> <p><i>“Ouditeur se Verantwoordelikhede vir die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State Ons doelwitte <u>doelwitte</u> 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.”</i></p> <p><i>“As deel van ’n oudit ooreenkomstig die ISAs, oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme <u>dwarsdeur deurlopend</u> die oudit. Ons doen ook die volgende:”</i></p>

	<p><i>"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."</i></p>	<p><i>"Evalueer die toepaslikheid van <u>die</u> rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur <u>die direkteure bestuur</u> gemaak is".</i></p> <p><i>"Kom tot 'n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende saak grondslag van verslagdoening, en gebaseer op ouditbewyse verkry, <u>kom</u> tot 'n gevolgtrekking <u>te kom</u> 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."</i></p>
Page 78	<p><i>"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"</i></p>	<p>We recommend the paragraph be split in bullet points to enhance clarity as follows:</p> <ul style="list-style-type: none"> - <i>"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.</i> - <i>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.</i> - <i>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"</i>
Page 82	<p><i>"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"</i></p>	<p>We recommend the following amendment (see the tracked changes below):</p> <p><i>"Deferred tax <u>now is</u> raised on the taxable temporary differences and the financial statements <u>are</u> 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"</i></p>

<p>Page 86 and 87</p>	<p><i>"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"</i></p>	<p>We question if the contravention of the Companies Act in this circumstance should be reported as an "other matter" or if the contravention should be reported in the Report on Legal and Other Regulatory Requirements Paragraph in the form of a Reportable Irregularity reported to the Board?</p> <p>The illustrative example implies that non-compliance with the Companies Act is treated as an "other matter" and not as a Reportable Irregularity, to be reported in the Report on Legal and Other Regulatory Requirements.</p> <p>We recommend the illustrative report wording be reconsidered in light of the comment above.</p>
<p>Page 90 to 97</p>	<p><i>Report on Legal and Other Regulatory Requirements – Reportable Irregularity & Basis of Qualified Opinion paragraph – refer Illustrative report 10 and 11.</i></p>	<p>In illustrative report #10, the reference to having reported a reportable irregularity is appropriate in the Report on Other Legal and Regulatory Requirements Section of the report. In illustrative report #11, the reference in the Report on the Audit of the Financial Statements to having reported a reportable irregularity in relation to the matters that caused the auditor to qualify the opinion on the financial statements, is inappropriate and should be relocated out of this section of the report.</p> <p><u>Reasons:</u></p> <ol style="list-style-type: none"> 1. The responsibility to report a reportable irregularity is a distinctly different responsibility to the auditor's responsibility to report on the audited financial statements under the ISAs and under the Auditing Profession Act (Section 45) or the Companies Act (Reporting reportable irregularities by the Independent Reviewer in terms of Regulation 29). Given that, it ought to be referenced in the auditor's report only in the separate section, Report on Other Legal and Regulatory Requirements, regardless of the underlying nature of the reportable irregularity, i.e. in the same way as appears in illustrative report #10. 2. Further, the inclusion of reference to the reportable irregularity in the section, Report on the Audit of the Financial Statements, is a duplicative and undermines the relevance of the auditor's opinion on the financial statements under the ISAs.

		<p>The effect of merging the communication of a qualified opinion on the financial statements and a “reportable irregularity” in the section, Report on the Audit of the Financial Statements, will potentially significantly diminish the usefulness of financial statements of South African companies for users, particularly users (and investors) located outside of South Africa who could be misled by the reference to “reportable irregularities” to think that the auditor’s report has signaled that the entity’s financial reporting is unlawful in a context that may not be unlawful outside of South Africa, i.e. it is not universal among other countries, including developed countries, that the issuance of financial statements – including statutory financial statements – that do not comply with the applicable financial reporting framework in all material respects (with a qualified or adverse auditor’s opinion given on those statements) would amount to an unlawful act. The potential for users to misapprehend the implications of the auditor reporting a reportable irregularity when the audit opinion has already been qualified to highlight the area of non-compliance with the applicable financial statements/material misstatement should be carefully considered, including with respect to the various public interest implications. Such reporting of reportable irregularities would potentially undermine the usefulness of financial reporting in an entirely disproportionate (and unnecessary) manner.</p>
<p>Page 102 to 107, 140 to 142 and 152 to 156</p>	<p><i>Other Information / Other Matters – Reports Required by the Companies Act paragraphs, see:</i></p> <p><i>Illustrative report 13 and 14.</i></p> <p><i>Illustrative report 23, 27 and 28.</i></p>	<p>The inclusion of the other statutory reports that comprise annual financial statements under the Companies Act within the meaning of “other information” to be addressed under ISA 720 in relation to engagements to audit financial statements is acceptable.</p> <p>Regarding the illustrative reports #13 and 14 (disclaimed opinions) the Other Matter Paragraph should be amended as follows:</p> <p><i>“Other Matter – Reports Required by the Companies Act.</i></p> <p><i>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.</i></p> <p><i>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</i></p>

		<p><i>obtained in the audit, or otherwise appears to be materially misstated. However, because of 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."</i></p> <p>Reason: The wording should mirror the wording contained in the paragraph titled 'Auditor's Responsibilities for the Audit of the Financial Statements'.</p> <p>Regarding the illustrative reports #23, 27, 28 (review reports): the Other Matter Paragraph that reads:</p> <p><i>"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.</i></p> <p><i>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.</i></p> <p>Should be amended as follows: <i>"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.</i></p> <p><i>In connection with our independent review of the financial statements, we have read the Directors' Report in order to consider whether the Directors' Report is materially inconsistent</i></p>
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		<p><i>with the financial statements, or otherwise appears to be materially misstated, and have nothing to report in that regard.”</i></p> <p><u>Reasons for amendments:</u></p> <ul style="list-style-type: none"> • ISA 720 applies to financial statement audits. ISRE 2400 does not address reporting on other information in the context of performing engagements to review financial statements. • Hence there is no legal basis or authority, or any requirement contained in the relevant ISREs that establishes any responsibility or requirements for the independent reviewer in the context of other information/other reports required by the Companies Act other than the Companies Act itself. <p>In the absence of a clearly defined responsibility and related requirements for the reviewer in relation to such other statutory reports in terms the Standards (which are not able to be audited or reviewed under the ISAs or the ISREs), contained in either the Companies Act or Regulations, or in the relevant review standards it is not possible to state what the reviewer’s responsibility and related requirements are in the independent review report. It is also inappropriate to “impute” the responsibilities and requirements of the auditor performing a financial statement audit to the independent review engagement, as done in the draft proposed SAAPS 3. SAAPS 3 is not the appropriate vehicle for either defining or establishing the responsibilities of the reviewer in relation to other reports required by the Companies Act.</p>
Page 103	<p><i>“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)</i></p>	<p>We recommend the CFAS reword this paragraph as follows:</p> <p><i>“Other Matter – Reports Required by the Companies Act The <u>directors are responsible for the other information. The other information comprise the Director’s 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. annual financial statements include the Directors’ Report as required by the</u></i></p>

	<p>705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information."</p>	<p>Companies Act of South Africa. The directors are responsible for this other information. In connection with our audit of the financial statements, our responsibility is to we have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information."</p>
Page 106	<p>"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."</p>	<p>We recommend the CFAS reword this paragraph as follows:</p> <p>"Other Matter – Reports Required by the Companies Act The <u>directors are responsible for the other information. The other information comprises the Director's 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. annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information. In connection with our audit of the financial statements, our responsibility is to we have 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."</u></p>
Page 124	<p>"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"</p>	<p>We recommend the following track change:</p> <p>"Audit of a complete set of financial statements of an <u>Non Profit Company (NPC)</u> in terms of the Companies Act of South Africa using a fair presentation framework"</p>

<p>Page 132</p>	<p><i>"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)</i></p> <p><i>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></p>	<p>We recommend the deletion of the duplicate wording under the circumstances paragraph:</p> <p><i>"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)</i></p> <p><i>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></p> <p>We recommend that this illustrative report also include under the circumstances that the auditor has reported a reportable irregularity to the IRBA. The illustrative report should include a Report on Legal and Other Regulatory Requirements illustrating that the auditor reported a Reportable Irregularity to the IRBA.</p>
<p>Page 132</p>	<p>Qualified Opinion due to non-compliance with the statutory disclosure requirements of the Companies Act – Illustrative report 21.</p>	<p>For consideration:</p> <p>Illustrative report #21 contains an overall qualified opinion for financial statements of a company that are not compliant with the Companies Act due to failure to include certain statutory disclosures required of the company under the Act.</p> <p>It would seem disproportionate for the auditor's report on the financial statements to be qualified overall, notwithstanding that the financial statements are otherwise in full compliance with the applicable financial reporting framework – i.e. IFRS.</p> <p>IRBA should consider the alternative perspective of viewing the auditor's responsibility as being to report an opinion on:</p> <p>(a) The fair presentation of the financial statements in accordance with the applicable fair presentation framework (IFRS); and</p>

		<p>(b) The presentation of the financial statements, in all material respects, with the additional disclosure requirements of the Companies Act (which is a compliance framework).</p> <p>This practice is followed in many countries internationally.</p> <p>If SAAPS 3 and the illustrative reports were worded this way – which is also in accordance with ISA 700, par42 and 43 – then the auditor would be able to differentiate the opinion on the financial statements between the unqualified opinion on the financial statements presented in accordance with the applicable financial reporting framework – i.e. they are fairly presented in accordance with the applicable framework , and the qualified opinion on the financial statements in accordance with the other reporting requirements of the Companies Act – i.e. except for the (non-disclosure of certain statutory disclosures required under the Companies Act), the financial statements are presented, in all material respects, in accordance with the requirements of the Companies Act.</p> <p>This may be more beneficial for the corporate sector representing the interests of “SA Inc”, incl. being in the development interests of South Africa than the form of opinion that currently appears in SAAPS 3, illustrative report #21. It avoids the prospect that users of South African companies outside South Africa will misapprehend the nature and extent of audit qualification to mean the financial statements are not fairly presented overall, when they may well be fairly presented under IFRS, particularly if the non-disclosure under the Companies Act would not trigger an overall qualification of the auditor’s report under international auditing standards as applied in other countries.</p>
<p>Page 141 and page 150 and page 154</p>	<p><i>“Other Reports Required by the Companies Act</i></p> <p><i>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</i></p>	<p>We recommend that the wording of this paragraph is reconsidered and may be aligned with the wording of the ISA 720 illustrative reports. This wording should be used consistently in each of the Independent Review Reports.</p>

	<p><i>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."</i></p>	
<p>Page 144 and 147</p>	<p><i>"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."</i></p>	<p>We recommend that this paragraph be translated to Afrikaans once the "Other Reports Required by the Companies Act" paragraph on page 141 has been more closely aligned with the wording of the ISA 720 illustrative reports – see comment relating to page 141 above or reworded.</p> <p>The same applies for the "Ander Verslae wat deur die Maatskappywet Vereis word" paragraph on page 147.</p>
<p>Page 146</p>	<p><i>"Die maatskappy se publieke belang-telling is minder as 100 en die finansiële state is intern opgestel. Die beoogde gebruikers van die finansiële state en die onafhanklike nasienersverslag is, as a minimum, die aandeelhouders, die bank en SARS"</i></p>	<p>We recommend the following markup change:</p> <p><i>"Die maatskappy se publieke belang-telling is minder as 100 en die finansiële state is intern opgestel. Die beoogde gebruikers van die finansiële state en die onafhanklike nasienersverslag is, as a minimum, die aandeelhouders, die bank en <u>SARS SAID</u>".</i></p>

<p>Appendix</p>		<p>We recommend the inclusion of an appendix setting out the structure of the audit report as follows:</p> <p>“Structure of Report:</p> <ul style="list-style-type: none"> - Opinion - Basis of opinion - Emphasis of matter - Material uncertainty relating to Going Concern - KAM - Other matter - Other information (ISA 720) - Responsibility of management and those charged with governance - Auditors responsibilities - Report on Legal and Other Regulatory Requirements”
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Section 4 – Editorial Comments

Please refer to the attached appendix which contains editorial track changes to Part A of the Proposed SAAPS 3.