



The Director: Standards  
The Independent Regulatory Board for Auditors  
P O Box 8237  
Greenstone  
1616

15 May 2013

Dear Ms van Esch

**Subject: Proposed Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports**

We appreciate the opportunity to provide comments on the Committee for Auditing Standards (CFAS)' Proposed Guide for Registered Auditors: Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports. The Guide provides much needed reporting guidance and we believe it will aid in enhancing consistency in the profession. We have not included commentary in relation to the recently amended Listings Requirements that will become effective on 10 June 2013.

For the purposes of this letter "PwC" or "we" shall mean PricewaterhouseCoopers Inc., a company registered in South Africa, and does not extend to other member firms of PricewaterhouseCoopers International Limited. This response summarises the views of PwC Inc.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Michiel Engelbrecht or Annerie Pretorius (012 429 0299).

Yours sincerely,

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## Request for specific comments

- 1. Respondents are requested to indicate whether or not they agree that the reference to IAS 34 in 8.57(a) of the JSE Listings Requirements for the preparation of interim reports comprises an acceptable financial reporting framework for purposes of paragraph 6(a) of ISA 210 Agreeing the Terms of Audit Engagements when accepting an engagement to audit or review the interim report of an issuer. If “Not” please provide suggestions.**

IAS 34 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

IAS 34 therefore explains to an IFRS reporter how the full IFRS financial reporting framework is to be applied to the particular circumstances of its interim financial statements. We consider IAS 34 to be a complete financial reporting framework even though some elements of this financial reporting framework (i.e. the measurement and recognition requirements of the other International Financial Reporting Standards) are provided by reference. This is the view of PwC Globally. We are therefore of the view that IAS 34 is an acceptable financial reporting framework for purposes of ISA 210.6(a).

In our view it would be misleading to describe a set of interim financial statements as complying with full IFRS (or a permutation thereof, such as “IFRS which includes IAS 34”) when the financial statements have only been prepared in accordance with the minimum requirements of IAS 34. This view corresponds with the disclosure requirements of IAS 34:

*“3. If an entity's interim financial report is described as complying with IFRSs, it must comply with all of the requirements of this Standard. Paragraph 19 requires certain disclosures in that regard.”*

*“19. If an entity's interim financial report is in compliance with this Standard, that fact shall be disclosed. An interim financial report shall not be described as complying with IFRSs unless it complies with all the requirements of IFRSs.”*

If an entity’s interim financial statements are described as complying with “IFRS”, the interim financial statements must comply with all IFRSs, which includes IAS 34 (ref: IAS 34.3). Such a set of interim financial statements cannot however ONLY comply with the minimum disclosure requirements of IAS 34. A set of interim financial statements that only complies with the minimum requirements of IAS 34 are termed “condensed” interim financial statements, and are described as complying with IAS 34 only (ref: IAS 34.19) as opposed to full IFRS.

- 2. Respondents are requested to indicate which of the following descriptions they regard as the most appropriate description of the financial reporting framework as required by paragraph 8.57(a) of the JSE Listings Requirements in an auditor’s review report on an interim report:**



- (a) **“International Financial Reporting Standard, IAS 34 Interim Financial Reporting”;**
- (b) **“International Accounting Standard (IAS) 34 Interim Financial Reporting;”**
- (c) **“International Financial Reporting Standards, which include International Accounting Standard (IAS) 34 Interim Financial Reporting.**

We support (a) or (b) for the reasons set out in our previous answer.

**3. Do respondents believe there are any additional matters that should be addressed in the proposed Guide? If “Yes”, please provide suggestions.**

Yes. The Guide addresses the auditor’s involvement in interim, preliminary, provisional and abridged reports published on SENS. It however does not deal with the auditor’s involvement in interim or annual results when published as “short-form” announcement in the press.

Suggested guidance for inclusion in the Guide:

**“The auditor’s involvement in short-form announcements**

The Listings Requirements impose no obligation on the auditor to issue a report on announcements in the press, irrespective of whether such announcements are made because the issuer is mandated to do so by the Listings Requirements, or does so voluntarily.

The minimum requirements for short-form announcements do not constitute suitable criteria for the auditor to issue either an audit or a review report on the information.

Section 22.6(b) of the Listings Requirements requires the auditor to advise the JSE of any instance where the applicant issuer misrepresents the content of the auditor’s report as it relates to that applicant issuer. An issuer’s auditor is therefore required by the Listings Requirements to consider whether or not the auditor’s association with the information in a short-form announcement is appropriately explained in the announcement.

It would be misleading for an issuer to indicate that a short-form announcement (itself) has been audited or reviewed. Preferably issuers should also not use “audited” or “reviewed” column headings in short-form announcements, but if such headings are used, the short-form announcement should explain the context of such headings. In other words, if such headings are used, the announcement should explain that the information in the short-form announcement has been extracted from the audited/reviewed financial statements and that the short-form announcement itself has not been audited/reviewed.

Example wording for inclusion in a press announcement where “audited” or “reviewed” column headings are used (this is in addition to the requirements of paragraph 3.46(A) of the Listings Requirements):



“The information in this press announcement has been extracted from the [audited/reviewed] information, but the short-form announcement itself has not been [audited/reviewed].”

**4. An increased number of illustrative auditors’ reports are included in Appendix 1 of this proposed Guide by comparison to those provided in the previous SAICA Guide that has been withdrawn.**

- a. Do respondents believe the additional illustrative auditors’ reports are useful? If “Not” please indicate which illustrative reports you believe are unnecessary or could be omitted from the proposed Guide.**

We found all the illustrative reports useful. Even though some of the reports illustrate reports in scenarios where the auditor will no longer be required by the Listings Requirements to report on the summary information published on SENS (from 10 June 2013), the scenario may present itself in practice (i.e. a client may voluntarily elect to engage the auditor to audit the information published on SENS). Such illustrative reports in the Guide would enhance consistency in the profession.

- b. Are there additional illustrative reports that respondents believe should be provided? If “Yes” please provide suggestions and examples.**

We don’t have additional suggested reports.

**5. Do respondents find the summary of the relevant Listings Requirements in Appendix 4 that pertain to issuers’ interim, preliminary, provisional and abridged reports and the related auditors’ reporting responsibilities useful? If you answered “No”, please explain why and either suggest an alternative or indicate whether you believe Appendix 4 should be excluded.**

We find Appendix 4 useful as it collates the Listings Requirements relevant to these types of engagements.

**6. Respondents are requested to comment on whether or not the proposed effective date for implementation of the Guide to be applied to auditor’s reports issued on or after 30 June 2013 will be sufficient to support effective implementation of the guidance. If “Not”, what implementation date do respondents believe will be appropriate?**

The respective auditing and review standards that apply to these engagements are effective and must therefore already be complied with – this is not dependent on the effective date of the Guide, which merely provides implementation guidance on some matters in these Standards. Similarly, the relevant Listings Requirements governing preliminary, provisional, abridged and interim reports are already effective, with the amendments thereto becoming effective on 10 June 2013 - this is also not dependent on the effective date of the Guide. We therefore suggest that the effective date of the Guide should be a date as close as possible to the date that the final version of the Guide is approved. 30 June 2013 would thus be appropriate in our view.



## Other detailed comments

### Paragraph 13 – Basis of preparation note to the financial statements

#### *Issue*

The second paragraph states that “The reference in the audit or review report to the applied criteria ...is summarised as follows...”

This sentence however describes the wording of the basis of preparation note to the financial statements rather than the reference to the financial reporting framework in the audit/review report. Furthermore, the paragraph does not reflect all the requirements of paragraph 8.57(b) and (c) of the Listings Requirements.

#### *Suggested wording changes:*

“13. Preliminary, provisional or abridged reports that contain condensed or summary financial statements, as applicable in the circumstances, do not comply with all the requirements of IFRS. Accordingly the framework is described in the auditor’s report with reference to the relevant requirements of the Listings Requirements, as opposed to “International Financial Reporting Standards”, and the requirements of the Companies Act of South Africa. The full description of the ~~financial reporting framework is given in the notes to the preliminary, provisional or abridged financial statements, which reflect the requirements of paragraph 8.57(b) and (c) of the Listings Requirements~~ is provided in the notes to the preliminary, provisional or abridged financial statements. Paragraph 8.57(b) and (c) require that preliminary, provisional and abridged reports ~~The reference in the audit or review report notes to the preliminary, provisional or abridged report to the applied criteria or financial reporting framework respectively is summarised as follows:~~” being must be prepared in accordance with the ~~conceptual~~ framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, ~~to~~ contain the information required by IAS 34 Interim Financial Reporting. A statement must also be included confirming that the accounting policies are in terms of IFRS and are consistent with those of the previous annual financial statements (or include details of the changes.) The illustrative reports in Appendix 1 contain illustrative wording for the notes on the basis of preparation to the preliminary, provisional and abridged financial statements.”

### Paragraph 15 – Applicability of ISA 810 and ISRE 2410

#### *Extract from the proposed Guide*

“ISA 810 or ISRE 2410 may apply to the financial information contained in an interim, preliminary, provisional, or abridged report whether published in printed media or in electronic format, for example on an issuer’s website, and that same information published on SENS or in the press.”



### *Issue*

The reference to “may” in this sentence could be misunderstood to indicate that there is an option of complying with ISA 810 or ISRE 2410. We understand the intention of this sentence to be: Where an auditor is engaged to audit or review summary or condensed information, the requirements of ISA 810 and ISRE 2410 respectively (here specifically referring to the inclusion of the auditor’s report) apply irrespective of the medium used by the issuer to publish the financial information.

### *Suggested wording changes:*

~~“These requirements ISA 810 or ISRE 2410 may apply to the financial information contained in an interim, preliminary, provisional, or abridged report whether or not audited or reviewed information is published in printed media (for example a booklet) or in electronic format, for example on an issuer’s website, and that same information published on SENS or in the press.”~~

## **Appendix 1 – Illustrative reports**

### **1. Identification of the subject matter in the illustrative reports**

#### *Issue*

In these types of engagements, there is often uncertainty regarding the subject matter that the auditor has been engaged to audit/review. The interim report, preliminary report, provisional report and abridged report often contains commentary that does not form part of the scope of the audit/review. We agree with the manner in which the subject matter of the reports is indicated in the headings and titles to the illustrative reports, i.e. “Illustrative auditor’s reports on financial statements **contained in** interim, preliminary, provisional and abridged reports” (own emphasis).

Furthermore, some of the reports contain minor inconsistencies in how the financial statements are referred to. For example, illustrative example 6 starts by identifying the subject matter as “the preliminary financial statements”, then refers to “the summary consolidated financial statements” in the directors’ and auditors’ responsibility paragraphs, with the opinion paragraph again referring to the “preliminary financial statements.”

#### *Suggested wording changes*

We suggest that the introductory paragraphs to the reports should i) indicate the *type of financial statement*, i.e. “condensed consolidated interim financial statements” in example 1, “condensed consolidated financial statements” in examples 2 and 3 and “summary consolidated financial statements in examples 4 to 11; and ii) indicate the *type of report* that the financial statements are contained in (i.e abridged report, preliminary report, provisional report or interim report). The entire report should then consistently refer to the subject matter as per in the report’s introductory paragraph. We believe this suggestion will more clearly identify the subject matter and will also facilitate consistency in the wording of the reports.



To illustrate this suggestion:

“We have reviewed the ~~accompanying~~ condensed consolidated interim financial statements of ABC Limited, contained in the accompanying interim report, which comprise the condensed consolidated ...”

“We have reviewed the ~~accompanying preliminary~~ condensed consolidated financial statements of ABC Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated ...”

“The ~~accompanying preliminary~~ summary consolidated financial statements of ABC Limited, contained in the accompanying abridged report, which comprise the summary consolidated statement of financial position ...”

## 2. Other comments on the illustrative reports

Report number	Issue	Suggestion
Illustration 1	<ol style="list-style-type: none"> <li data-bbox="504 1218 1015 1637">1. The report deviates from the illustrative report in ISRE 2410 – it follows some of the wording in the ISRE 2400 reports currently contained in SAAPS 3. The ISRE 2400 reports in SAAPS 3 were based on ED ISRE 2400 and as such will have to be amended in due course to be aligned with the wording in the final ISRE 2400 (Revised). For example, the final ISRE 2400 reports do not refer to the reviewer obtaining “sufficient appropriate evidence”.</li> <li data-bbox="504 1666 1015 1944">2. The “Suggested note in the interim financial statements on basis of preparation” does not include a statement confirming that the accounting policies are in terms of IFRS, which is a requirement of paragraph 8.57(c) of the Listings Requirements.</li> </ol>	<ol style="list-style-type: none"> <li data-bbox="1035 1218 1485 1346">1. Relevant changes made to the ISRE 2400 reports currently in SAAPS 3 should similarly be applied to illustration 1.</li> <li data-bbox="1035 1695 1485 1800">2. Add “The accounting policies are in terms of IFRS” to the “Suggested note to the financial statements”.</li> </ol>



Report number	Issue	Suggestion
Illustration 2	The “Suggested note in the financial statements on basis on preparation” is not aligned with paragraphs 8.57 (b) and (c) of the Listings Requirements.	<p>Suggested wording changes:</p> <p>“The condensed consolidated <del>preliminary</del> financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements <del>are for the preliminary financial statements</del> <u>require preliminary reports</u> to be prepared in accordance with the <del>conceptual framework</del> <u>framework concepts</u>, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee <u>and Financial Pronouncements as issued by the Financial Reporting Standards Council</u> and <u>to</u> also, as a minimum, contain the information required by IAS 34 <i>Interim Financial Reporting</i>. The accounting policies applied in the preparation of these <u>condensed consolidated</u> financial statements <u>are in terms of IFRS and</u> are consistent with those applied in the previous <u>consolidated</u> annual financial statements.</p>
Illustration 3	Same comment as for illustration 2	Similar suggested wording changes, with “preliminary” replaced with “provisional”.
Illustrations 4 and 5	Editorial changes are required to align the paragraph with the wording in the	The <del>abridged summary consolidated</del> financial statements are prepared in accordance with the requirements of





Report number	Issue	Suggestion
	Listings Requirements.	<p>the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require <del>the</del> abridged <del>reports financial</del> <del>statements</del> to be prepared in accordance with the <del>conceptual</del> framework <del>concepts</del> and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA <i>Financial Reporting Guides</i> as issued by the Accounting Practices Committee <u>and Financial Pronouncements as issued by the Financial Reporting Standards Council</u>, and to also, as a minimum, <del>to</del> contain the information required by IAS 34 <i>Interim Financial Reporting</i>. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.</p>
Illustrations 6,7, 10 and 11	Editorial changes are required to align the paragraph with the wording in the Listings Requirements.	<p>The <del>preliminary summary consolidated</del> financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements <del>are for the preliminary financial statements</del> require <u>preliminary reports</u> to be</p>



Report number	Issue	Suggestion
		<p>prepared in accordance with the <del>conceptual framework</del> <u>framework</u> <del>concepts, and</del> the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee <del>and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to</del> also, as a minimum, <del>to</del> contain the information required by IAS 34 <i>Interim Financial Reporting</i>. The accounting policies applied in the preparation of the consolidated financial statements from which the summary <del>consolidated</del> financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.</p>
Illustrations 8 and 9	Same comment as on illustrations 6, 7, 10 and 11.	Similar suggestion, replacing “preliminary” with “provisional”.