



KPMG Inc.
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Internet kpmg.co.za

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Mr. I Vanker
The Director – Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein

standards@irba.co.za

Dear Imran

Comments on the proposed South African Auditing Practice Statement Illustrative Reports – SAAPS 3 (Revised 2019)

We are pleased and appreciate the opportunity to comment on the proposed South African Auditing Practice Statement Illustrative Reports (SAAPS) 3 (Revised 2019).

Below are our responses to the specific comments requested and as well as our general comments:

1. Do you agree with the recommended effective date?

We agree with the recommended effective date, however from a practical implementation date, it would be better if a specific date is added to define immediately. It has to be as soon as approved and available to the market.

2. Do you believe that the new format of this proposed SAAPS enhances navigation and ease of use? If not, why? Please suggest an alternative approach.

The new format enhances navigation and ease of use. Having the notes of Part A on the contents page and having the list of illustrative reports in the contents page will make it easier for users to identify and navigate to the reports they require.

3. Do you agree with the new or amended illustrative reports included in this proposed SAAPS?

We agree with the amended illustrative reports 1, 16 and 26 included in the proposed SAAPS 3.

Illustrative report 5

Currently users misunderstand what the difference is between a separate set of financial statements and a set of financial statement for a company with no subsidiaries. This stems from the fact that the audit opinion paragraph in both examples are the same. We suggest the opinion paragraph for the separate financial statements be amended to read as follows:

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc. is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

Executive Chairman: Prof Wiseman Nkuhlu

Directors: Full list on website

The company's principal place of business is at KPMG Crescent,

85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

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

4. **Do the illustrative auditor’s and independent reviewer’s reports contained in this proposed SAAPS provide adequate examples of illustrative auditor’s and independent reviewer’s reports that provide practical assistance to auditors when reporting on financial statements in accordance with the requirements of the International Standards on Auditing (ISAs) and the International Standards on Review Engagements (ISREs) in compliance with South African jurisdictional requirements?**

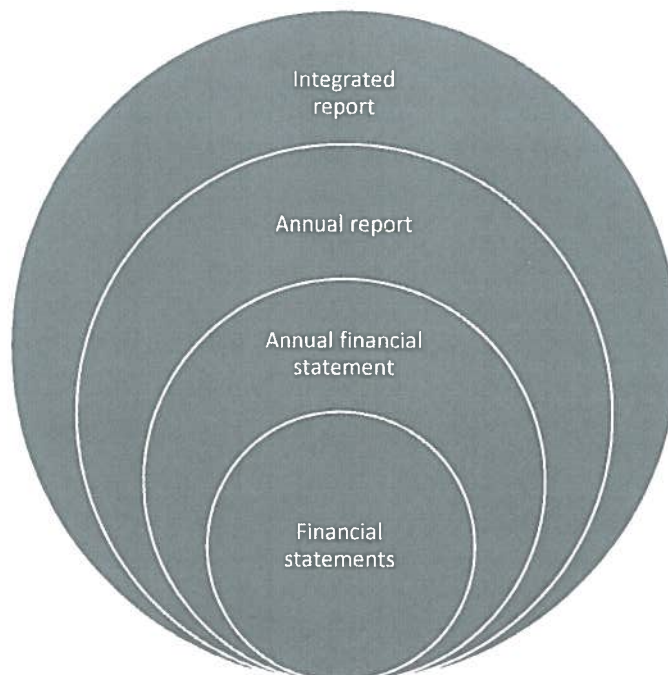
If not, why? Please provide details of any further illustrative auditor’s and independent reviewer’s reports you believe should be deleted, amended and/or added to Part B of this proposed SAAPS.

The illustrative auditor’s and independent reviewer’s reports provide adequate examples of reports that will provide practical assistance to auditors when carrying out their audits in terms of International Standards on Auditing (ISAs) and the International Standards on Review Engagements (ISREs) in compliance with South African jurisdictional requirements.

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

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

We believe that the guidance provided in Note 8 to Part A of the proposed SAAPS 3 is useful. It may however be more easily explained by an illustration, such as the following:



6. Do you agree that the IRBA Staff Practice Alert can be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective? If not, why?

The IRBA Staff Practice Alert can be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective as it would reduce the number of documents that would need to be maintained and would eliminate possible inconsistencies.

However, prior to the withdrawal of the Staff Practice Alert, IRBA needs to inform users that the Staff Practice Alert is included in SAAPS.

7. Considering the requirements of ISA 720 (Revised), do you believe the practice of the Auditor-General of South Africa is appropriate? If not, why?

The practice of the Auditor-General of South Africa is understandable as this is a requirement of the Public Audit Act. As the performance information is specifically audited, it is appropriate not to include it as part of other information.

IRBA, however, needs to consider whether it is appropriate to include the Auditor-General of South Africa's practices in this guide as they annually issue their own reporting guides and the SAAPS is not updated annually.

8. Because of the different effective dates of the parts in both the IRBA Code and IESBA Code, do you agree with the conclusion reached by the CFAS to provide for two options (transitional period and period going forward) for the wording to be included in this proposed SAAPS?

The use of the two options of the transitional period and the period going forward as a result of the different effective dates of the parts in both the IRBA Code and IESBA Code will help the users of this SAAPS.

9. Do you agree with the wording used to describe the periods to which each of the options relate, as follows:

- **Transitional period: For auditor's reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019; and**
- **Period going forward: For audits of financial statements for financial periods beginning on or after 15 June 2019?**

We agree with the wording used.

10. Do you agree with the wordings and the descriptions of the parts of both the extant IRBA and IESBA Codes and the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) used in the Basis for Opinion section of the illustrative auditor's reports?

We agree with the wording applied.

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

We agree with the conclusion reached by CFAS on not requiring a reference to the FRPs in the auditor's and independent reviewer's reports because these are not financial reporting frameworks, but instead only provide guidance should the Companies Act section 204(a) and 29(5)(b) and as the FRSC' rules of procedures in the future change, this may need to be reconsidered.

General comments:

Listed below are other comments and suggestions that came out of our review of the proposed SAAPS 3. These are as follows:

i. Illustrative reports 1, 7 and 9

We noted an inconsistency between these reports in the Other Information paragraph. The last sentence of the first paragraph of illustration 1 states that "*Other information does not include....*" and illustrations 7 and 9 state that "*The other information does not include....*"

We propose that the wording be applied consistently throughout all the reports to either read "*Other information does not include....*" or "*The other information does not include....*"

ii. Illustrative report 7

The circumstances box refers to the other information being only the Directors' Report and no additional information is expected after the date of the audit report. However, in the report, the last paragraph of the Other Information section includes wording that refers to other information obtained prior to the date of the auditor's report that is also inconsistent with illustrative report 6.

We propose that either the following wording be removed, "*verkry voor die datum van die ouditeursverslag*".

The opinion paragraph in the report has also duplicated the following wording, "*in alle wesenslike opsigte*". We propose that the duplication be corrected.

iii. Illustrative report 8

The circumstances block specifies that the distribution and use of the auditor's report are restricted, however, the audit report itself does not include any restriction on distribution or use. The restriction of distribution and use has to be included in the report in line with illustration 1 of ISA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.

We propose the following:

- The Emphasis of Matter paragraph heading be amended to "*Emphasis of Matter – Basis of Accounting and Restriction on Use and Distribution*".
- The Emphasis of Matter paragraph should include the following sentence at the end of the paragraph: "*Our report is intended solely for the shareholders and should not*



be used by or distributed to parties other than the shareholders. Our opinion is not modified in respect of this matter.”

We would like to take the opportunity to thank the IRBA and the task group members for the proposed SAAPS 3.

Please contact Shaaheen Tar-Mahomed at +2760 674 9138 if you wish to discuss any of the matters raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Shaaheen', written over a horizontal line.

Shaaheen Tar-Mahomed
Department of Professional Practice – Audit & Assurance