

Comments relating to specific matters

Request for Specific comments

Q1: Do you agree with the recommended effective date?

We agree that the recommended effective date is appropriate, however there was some concern expressed within our firm that the inclusion of the transitional period and reference to the IRBA and IESBA Codes could create confusion and increase the risk of incorrect audit reports being issued.

Currently the revised SAAPS 3 indicates the transitional period applies to financial periods before or on 14 June 2019 and the period going forward applies to financial periods beginning on or after 15 June 2019. We acknowledge that various parts of the Code are effective at different dates, however in consultation with our various offices, the majority felt that this may lead to confusion when referencing the applicable sections of the Codes.

Because of the various references to the different parts of the Code, the suggested basis for opinion paragraph to be used in the transitional period, can become lengthy and create confusion. Our concern is that the length of the basis for opinion paragraph may retract the users of the financial statements, from the importance of the opinion that the auditor expresses on the financial statements.

We believe that this could be simplified by removing the various options for the transitional periods and recommend one effective date with the same references to the IRBA and IESBA Codes, therefore, all reports issued after the effective date, should be in terms of SAAPS 3, irrespective of the year end.

Q2: 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.

We believe that most of the suggested improvements enhance navigation and ease of use. However, we have the following suggestion:

The detailed explanation about the difference between the illustrative reports contained in Part A and Part B, currently included in point 4 and 5 of the Scope, should be repeated at the beginning of Part A and Part B as an introduction to what illustrative reports can be found in the relevant part of SAAPS 3 (Revised).

Q3: Do you agree with the new or amended illustrative auditor's reports included in this proposed SAAPS?

We agree with the new and amended illustrative reports included in this proposed SAAPS 3, however, as mentioned in Q1 above we believe the transitional requirements will result in confusion and increases the risk that incorrect audit reports are issued.

Q4: 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.

Although the examples included in the proposed SAAPS 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), we believe there are additional illustrative auditor's reports that should be included in the Revised SAAPS.

We do however believe the guidance and practical examples should be more relevant and recommend including additional examples for the following scenarios:

- Examples where qualifications are carried forward from the prior year. If there was an adverse or disclaimer of opinion expressed in the prior year and how it affects the financial statements in the current year and the auditor's report thereon. Example of a report where the financial statements were prepared on the liquidation basis.
- Additional examples where split opinions are expressed on the same set of financial statements.
- Additional examples where multiple qualifications are included in the same audit report.

Additionally, we believe the Revised SAAPS should include additional guidance to assist auditors when determining whether a misstatement/s is pervasive to the financial statements as a whole.

Q5: 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 inclusion of Appendix II in the Revised SAAPS provides helpful guidance on determining other information as defined in ISA 720 (Revised) in the South African context. Although Note 8 also provides useful guidance, it does not provide the same amount of detail as the IRBA Staff Practice Alert previously released by the IRBA.

Although Note 8 provides useful guidance The IRBA Staff Practice Alert provides detailed explanations about ISA 720 (Revised) and includes more information to assist auditors when applying ISA 720 (Revised) in the South African context.

For example, the definition of other information is excluded from Note 8 which could assist auditors when determining the other information in their financial statements. Note 8 also includes limited guidance on SENS announcements, whereas the IRBA Staff Practice Alert goes into further detail.

**Q6: 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?**

Based on the comment to Q5 above, we do not believe that the IRBA Staff Practice Alert can be withdrawn by the IRBA when the final SAAPS 3 (Revised 2019) becomes effective.

Q7: Considering the requirements of ISA 720 (Revised), do you believe the practice of the Auditor-General of South Africa is appropriate?

If not, why?

We are not in the position to comment on whether the practice of the AG is appropriate or not.

Q8: 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?

As stated in Q1 above, we believe that providing two options (transitional period and period going forward) will create too much confusion and increase the risk of incorrect audit reports being issued.

We recommend only one option to be included in SAAPS 3 (Revised 2019) to eliminate uncertainty and to ensure the correct audit reports are consistently applied.