

# SAAPS 3 (Revised November 2015)



*South African Auditing Practice Statement*

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## **Illustrative Reports**

Independent Regulatory Board for Auditors  
PO Box 8237, Greenstone, 1616  
Johannesburg

This South African Auditing Practice Statement (SAAPS) 3 (Revised November 2015), *Illustrative Reports* was prepared by the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) and was approved for issue in November 2015.

SAAPS 3 (Revised November 2015) is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No.26 of 2005), the Companies Act, 2008 (Act No.71 of 2008) and the Public Audit Act, 2004 (Act No.25 of 2004).

SAAPS 3 (Revised November 2015) contains conforming amendments arising from the issue of the new and revised auditor reporting and related auditing standards issued by the IAASB that have been approved for adoption, issue and prescription by registered auditors in South Africa. The new and revised auditor reporting and related auditing standards are effective for the audits of financial statements for periods ending 15 December 2016.

This SAAPS also includes guidance contained in the communique, [\*IRBA Strengthens Auditor Independence by Mandating Disclosure of Audit Tenure\*](#), issued by the IRBA on 4 December 2015 and published in the Government Gazette Nr 39475 on 4 December 2015.

A free download of SAAPS 3 (Revised November 2015) is available in both Word and PDF formats from the [IRBA website](#).

The IRBA does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in the IRBA pronouncements, whether such loss is caused by negligence or otherwise.

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**SOUTH AFRICAN AUDITING PRACTICE STATEMENT 3****(REVISED NOVEMBER 2015)****ILLUSTRATIVE REPORTS**

(Effective for the audits of financial statements for periods ending on or after 15 December 2016)

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This South African Auditing Practice Statement (SAAPS) is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No. 26 of 2005) (APA), Companies Act, 2008 (Act No. 71 of 2008) (Companies Act) and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). Reading this SAAPS is not a substitute for reading and applying the ISAs, the ISREs, the APA, Companies Act and the PAA.

South African Practice Statements are developed and issued by the IRBA to provide practical assistance to auditors in the implementation of relevant International or South African *Standards on Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*. South African Practice Statements do not impose requirements on auditors beyond those included in the International or South African Standards or South African regulatory requirements and do not change the auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement.

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.

In terms of section 1 of the Auditing Profession Act, No 26 of 2005 (the Act), a South African Practice Statement is included in the definition of “auditing pronouncements” and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

## Introduction

### Scope

1. This South African Auditing Practice Statement (SAAPS) is aimed at providing practical guidance to registered auditors who report on financial statements, both for compliance with the ISAs (or the ISREs, as applicable) and the legal and regulatory requirements applicable to auditors and auditor reporting in South Africa, as related to the content and format of the auditor's report. For the purpose of this SAAPS, the main legal and regulatory requirements addressed are the Auditing Profession Act, 2005 (No.26 of 2005) (APA), the Rule in terms of Section 9 and 10 and read with sections 1, 2 and 3 of the APA published in the Government Gazette Nr 39475 on 4 December 2015 (Rule), the Companies Act, 2008 (Act No.71 of 2008) (Companies Act) and the Public Audit Act, 2004 (Act No.25 of 2004) (PAA). Reading this SAAPS is not a substitute for reading and applying the ISAs, the ISREs, the APA, Companies Act and the PAA.
2. The ISAs and ISREs dealt with in this SAAPS are:
  - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*<sup>1</sup>;
  - ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*<sup>2</sup>;
  - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*<sup>3</sup>;
  - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*<sup>4</sup>;
  - ISA 720 (Revised), *The Auditors Responsibilities Relating to Other Information*<sup>5</sup>;
  - ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*<sup>6</sup>;
  - ISA 570 (Revised), *Going Concern*<sup>7</sup>;

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| 1 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 2 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 3 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 4 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 5 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 6 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |
| 7 | Effective for audits of financial statements for periods ending on or after 15 December 2016 |

- ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*<sup>8</sup>; and
  - ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*<sup>9</sup>.
3. The guidance as well as the illustrative auditor's reports and independent reviewer's reports (reports) contained in this SAAPS:
- Do not provide a substitute for the auditor's responsibility to form an opinion on the financial statements in accordance with ISA 700 (Revised) or a conclusion in accordance with ISRE 2400 (Revised).
  - Do not establish new requirements or contain exemptions from the requirements of the ISAs and the ISREs; and should be read with the ISAs and the ISREs, as applicable.
  - Do not provide illustrative key audit matter examples.
  - Do not provide guidance on the application of the ISAs and the ISREs in determining the acceptability of the financial reporting framework applied in the preparation of financial statements. Such guidance is contained in the ISAs, the ISREs and SAAPS 2 (Revised November 2013) *Financial Reporting Frameworks and the Auditor's Report*.
  - Do not provide guidance on the application of the International Standards on Assurance Engagements (ISAEs) and on the International Standards on Related Services (ISRSs). These standards should be referred to for applicable illustrative reports.
4. The guidance in Part A comprises the following four illustrative reports:
- The report for the audit of a complete set of general purpose financial statements (consolidated financial statements of a listed entity) prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISA 700 (Revised);
  - The report for the audit of a complete set of general purpose financial statements (private company) prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISA 700 (Revised);
  - The report for the independent review of a complete set of general purpose financial statements prepared in accordance with a fair presentation framework and the requirements of the Companies Act, in accordance with ISRE 2400 (Revised);

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

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

- The report for the audit of a complete set of general purpose financial statements of a public sector entity described in section 4(3) of the PAA that the Auditor-General of South Africa (AGSA) has opted not to audit himself, in accordance ISA 700 (Revised).
5. The guidance in Part A also includes notes on the application of paragraphs 20-48 of ISA 700 (Revised); paragraphs 21-22 of ISA 720 (Revised); paragraphs 86-92 of ISRE 2400 (Revised); and certain sections of the APA, Companies Act and the PAA that are relevant to the reports.
  6. The illustrative reports in Part B include examples of various circumstances not specifically considered in the ISAs, without duplicating the illustrative reports contained in the following ISAs:
    - ISA 510, *Initial Audit Engagements – Opening Balances*.
    - ISA 570 (Revised), *Going Concern*.
    - ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.
    - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*.
    - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*.
    - ISA 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*.
    - ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*.
    - ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.
    - ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*<sup>10</sup>.
  7. The illustrative reports in Part B assume that:
    - Unless the circumstances indicate an assumption that the registered auditor has concluded that a reportable irregularity exists, has been reported in terms of the APA and a notification has been included in the auditor’s report or a modified opinion has been expressed on the financial statements, these circumstances do not exist and the auditor’s report has not been modified in this regard. The auditor’s determination of whether a reportable irregularity exists is based on the careful evaluation of the events and conditions in the particular circumstances of

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

an entity. In instances where the effect of a reportable irregularity on the auditor's report is included in an illustrative report, the auditor has performed such evaluation and has concluded that a reportable irregularity exists. (For guidance on reportable irregularities, refer to the May 2015 *Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act* issued by the IRBA.)

- Unless the circumstances include an assumption that the matter giving rise to a qualified or adverse opinion on the financial statements also affects the other information, this circumstance does not exist.
  - Unless the circumstances include an assumption that part or all of the other information has been received after the date of the auditor's report, this circumstance does not exist.
  - The relevant ethical requirements that apply to the audit comprise the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence and ethical requirements applicable to performing audits of financial statements in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (Parts A and B)*.
  - The auditor or the independent reviewer has concluded that, based on the evidence in the engagement circumstances, the modifications reported are either material or material and pervasive in relation to the financial statements. Other wording may be more appropriate in the circumstances of individual engagements, in which case the wording in the illustrative reports may be adapted accordingly.
8. Illustrative examples of ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and ISA 810, *Engagements to Report on Summary Financial Statements* reports that meet the requirements of the JSE Limited Listings Requirements, are dealt with in the *IRBA Guide for Registered Auditors: Reporting on Financial Information Contained in Interim, Preliminary, Provisional and Abridged Reports Required by the JSE Listings Requirements (Revised September 2014)*.
  9. Revisions to the International Auditing and Assurance Standards Board (IAASB) Engagement Standards, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)* and changes to South African legal and regulatory requirements may result in changes to the engagement partner's reporting responsibilities from time to time. Therefore users of this SAAPS must at all times apply the most up-to-date pronouncements and legislation in their use of this SAAPS.
  10. This SAAPS also contains Appendix I: Linking Going Concern Considerations with



Auditor's Reports.

**Effective date**

11. This SAAPS is effective for periods ending on or after 15 December 2016.
12. If the registered auditor has decided on an early adoption of the new and revised auditor reporting and related auditing standards, then the early adoption of this SAAPS is also required.

## Part A

### Guidance

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

The illustrative report below is the unmodified auditor's report on the statutory consolidated annual financial statements of a listed entity and its subsidiaries (the group) which include the financial statements and other reports required by the Companies Act, 2008 (No. 71 of 2008) (Companies Act). The group financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates application of ISA 600 and ISA 700 (Revised) regarding the auditor's report on the financial statements, including the auditor's additional responsibilities when performing a group audit, and ISA 720 in respect of the directors' report required under the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N14) of Part A.

Circumstances include:

- Audit of a complete set of consolidated financial statements of a listed entity in terms of the Companies Act of South Africa using a fair presentation framework
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have been communicated
- The auditor has obtained 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
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure)

## Independent Auditor's Report

*To the Shareholders of ABC Limited* <sup>[N1]</sup>

### **Report on the Audit of the Consolidated Financial Statements** <sup>11</sup>

#### *Opinion*

We have audited the consolidated financial statements <sup>[N2]</sup> of ABC Limited and its subsidiaries (the group) set out on pages ... to ... <sup>[N3]</sup>, which comprise the consolidated statement of financial position as at 31 December 20X1, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies <sup>[N4]</sup>.

In our opinion, the consolidated financial statements present fairly, in all material respects,<sup>[N5]</sup> the consolidated financial position of the group as at 31 December 20X1, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa <sup>[N6]</sup>. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters* <sup>[N7]</sup>

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the

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11 The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*[Description of each key audit matter in accordance with ISA 701.]*

#### *Other Information* <sup>[N8]</sup>

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors* <sup>[N9]</sup> *for the Consolidated Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa <sup>[N10]</sup>, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error <sup>[N11]</sup>.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also <sup>[N12]</sup>:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for

the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years. <sup>[N13]</sup>

*[The additional form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs where such a difference exists.]*

*[Auditor's Signature]* <sup>[N14]</sup>

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## **2. Auditor's report on a complete set of general purpose financial statements of a private company prepared in accordance with a fair presentation framework**

The illustrative report below is the unmodified auditor's report on the statutory annual financial statements of a private company in terms of the Companies Act, 2008 (No. 71 of 2008) (Companies Act) which include the financial statements and the directors' report required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates the application of ISA 700 (Revised) regarding the auditor's report on the financial statements, and ISA 720 in respect of the directors' report required under the Companies Act. Since this is not a group audit, the additional auditor's responsibilities in respect of a group audit are not illustrated. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N14) of Part A.

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained



## Independent Auditor's Report

*To the Shareholders of ABC Proprietary Limited*<sup>[N1]</sup>

### **Report on the Audit of the Financial Statements**<sup>12</sup>

#### *Opinion*

We have audited the financial statements <sup>[N2]</sup> of ABC Proprietary Limited set out on pages ... to ...<sup>[N3]</sup>, which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies <sup>[N4]</sup>.

In our opinion, the financial statements present fairly, in all material respects,<sup>[N5]</sup> the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa <sup>[N6]</sup>. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information* <sup>[N8]</sup>

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South

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12 The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors <sup>[N9]</sup> for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa <sup>[N10]</sup>, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error <sup>[N11]</sup>.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also <sup>[N12]</sup>:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

*[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly*

*differentiates the other reporting responsibilities from the reporting that is required by the ISAs where such a difference exists.]*

*[Auditor's Signature]* <sup>[N14]</sup>

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of the auditor's report]*

*[Auditor's address]*

### 3. ISRE 2400 (Revised): Independent reviewer’s report on a complete set of general purpose financial statements prepared in accordance with a fair presentation framework

The illustrative report below is the unmodified independent reviewer’s report on the statutory annual financial statements of a company in terms of the Companies Act, 2008 (No. 71 of 2008) (Companies Act) which include the financial statements and the directors’ report required by the Companies Act. The financial statements are prepared in accordance with a general purpose financial reporting framework that achieves fair presentation. This report illustrates the application of ISRE 2400 (Revised) regarding the independent reviewer’s report on the financial statements and draws from ISA 720 (Revised) with respect to the directors’ report, and the requirements of the Companies Act. The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N14) of Part A.

Circumstances include:

- Independent review of a complete set of financial statements
- The financial statements are prepared for a general purpose by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary
- The independent reviewer has concluded an unmodified (i.e., “clean”) conclusion is appropriate based on the evidence obtained

#### Independent Reviewer’s Report

*To the Shareholders of ABC Proprietary Limited* <sup>[N1]</sup>

#### **Report on the Financial Statements**<sup>13</sup>

We have reviewed the financial statements <sup>[N2]</sup> of ABC Proprietary Limited set out on pages ... to ... <sup>[N3]</sup>, which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies <sup>[N4]</sup>.

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13 The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle “Report on Other Legal and Regulatory Requirements” is not applicable

*Directors' Responsibility <sup>[N9]</sup> for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities<sup>14</sup> and the requirements of the Companies Act of South Africa <sup>[N10]</sup>, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. <sup>[N11]</sup>

*Independent Reviewer's Responsibility*

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects <sup>[N8]</sup>, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

*Other Reports Required by the Companies Act <sup>[N8]</sup>*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors'

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14 May refer to International Financial Reporting Standards, as applicable

Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered 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 will report that fact. We have nothing to report in this regard.

### **Report on Other Legal and Regulatory Requirements**

*[Form and content of this section of the independent reviewer's report will vary depending on the nature of the independent reviewer's other reporting responsibilities.]*<sup>15</sup>

*[Independent Reviewer's signature]* <sup>[N14]</sup>

*[Name of individual reviewer]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of the independent reviewer's report]*

*[Independent reviewer's address]*

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15 There is no requirement for an independent reviewer to include in the "Report on Other Legal and Regulatory Requirements" a Reportable Irregularity reported to CIPC in accordance with Companies Regulation 29(1)(b) and (6) to (11).

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

The Auditor-General of South Africa (AGSA) sets the requirements for audit in the public sector through the Public Audit Act, 2004 (No. 25 of 2004) (PAA) and also issues directives in terms of the PAA. The AGSA has advised that this illustrative report may only be used in public sector reporting once the applicable directive has been issued. In the application of this illustration, registered auditors must refer to the most current communications issued by the AGSA. The IRBA has issued jointly with the AGSA a [Guide for Registered Auditors: Guidance on Performing Audits where the AGSA has Opted not to Perform the Audit](#).

The illustrative report below is the unmodified auditor's report on statutory annual financial statements which include the financial statements and other reports required by the Companies Act where applicable. The financial statements are prepared in accordance with the applicable financial reporting framework. This report illustrates the application of ISA 700 (Revised) regarding the auditor's report on the financial statements when the AGSA has opted not to perform the audit of a public sector entity in terms of section 4(3) of the PAA, and ISA 720 in respect of the other reports required under the Public Finance Management Act, 1999 (No. 1 of 1999) (PFMA) and the Companies Act, 2008 (No. 71 of 2008) (Companies Act). The adaptations contained in the illustrative report are referenced to the appropriate notes (N1 – N14) of Part A.

#### Independent Auditor's Report

To [the appropriate addressee]<sup>[N1]</sup> on the [name of entity]

#### Report on the Audit of the [Consolidated and Separate] Financial Statements<sup>16</sup>

##### Opinion

We have audited the [consolidated and separate] financial statements<sup>[N2]</sup> of the [name of entity] [and its subsidiaries] set out on pages ... to ...<sup>[N3]</sup>, which comprise the [consolidated and separate] statement of financial position as at 31 March 201X, the [consolidated and separate] statement of [financial performance / profit or loss and other comprehensive income], statement of changes in [net assets/equity] [,] [and] [cash flow statement/statement of cash flows] [and] [insert title of the statement of comparison of budget information with actual information] for the year then ended, as well as notes to the financial statements, including a

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



summary of significant accounting policies <sup>[N4]</sup>.

In our opinion, the [*consolidated and separate*] financial statements present fairly, in all material respects, <sup>[N5]</sup> 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*]<sup>[N10]</sup> and the requirements of the [*Public Finance Management Act of South Africa*] [*and Companies Act of South Africa*].

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the [Consolidated and Separate] Financial Statements* section of our report. We are independent of the [*type of entity*] 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 the consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa <sup>[N6]</sup>. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters* <sup>[N7]</sup>

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the [*consolidated and separate*] financial statements of the current period. These matters were addressed in the context of our audit of the [*consolidated and separate*] financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA 701.*]

#### *Emphasis of Matter*

We draw attention to the matter(s) below. Our opinion is not modified in respect of these matters. [*Insert matters emphasised*]

#### *Other Matters*

We draw attention to the matter(s) below. Our opinion is not modified in respect of these matters. [*Insert other matters*]

#### *Other Information* <sup>[N8]</sup>

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. The other information does not include the [*consolidated and separate*] financial statements, the auditor's report and those objectives in the entity's report on its performance against predetermined objectives that have been specifically reported on in the auditor's report.

Our opinion on the [*consolidated and separate*] financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the [*consolidated and separate*] financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the [*consolidated and separate*] financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Accounting Authority <sup>[N9]</sup> for the [Consolidated and Separate] Financial Statements*

The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of the [*consolidated and separate*] financial statements in accordance with [*applicable financial reporting framework*] <sup>[N10]</sup> and the requirements of the [*Public Finance Management Act of South Africa*] [*and Companies Act of South Africa*] <sup>[N11]</sup>, and for such internal control as the accounting authority determines is necessary to enable the preparation of the [*consolidated and separate*] financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the [*consolidated and separate*] financial statements, the accounting authority is responsible for assessing the [*name of entity*] [*and its subsidiaries*] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the [*name of entity*] [*and its subsidiaries*] or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the [Consolidated and Separate] Financial Statements*

Our objectives are to obtain reasonable assurance about whether the [*consolidated and separate*] financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these [*consolidated and separate*] financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also <sup>[N12]</sup>:

- Identify and assess the risks of material misstatement of the [*consolidated and separate*] financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [*name of entity*] [*and its subsidiaries*] internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [*name of entity*] [*and its subsidiaries*] ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the [*consolidated and separate*] financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the [*name of entity*] [*and its subsidiaries*] to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the [*consolidated and separate*] financial statements, including the disclosures, and whether the [*consolidated and separate*] financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- *[Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the [name of entity] [and its subsidiaries] to express an opinion on the [consolidated and separate] financial statements. We are responsible for the direction, supervision and performance of the [name of entity] [and its subsidiaries] audit. We remain solely responsible for our audit opinion.]*

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the accounting authority, we determine those matters that were of most significance in the audit of the *[consolidated and separate]* financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

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

*[Auditor's Signature]* <sup>[N14]</sup>

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## Notes to the illustrative reports in Part A (denoted as N1-N13)

### Addressee<sup>17</sup>

N1. The auditor's report or the independent reviewer's report (the report) is addressed as required by the circumstances of the engagement. Law or regulation may specify to whom the report is to be addressed. However, the Companies Act does not specify to whom the report should be addressed.

The report is normally addressed to those for whom it is prepared<sup>18</sup>. In the case of South African companies, 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 or independently reviewed.

When a Memorandum of Incorporation (MOI) for a company that is exempt from audit requires the company to appoint an auditor, the auditor's report is also addressed to the shareholders or members, as appropriate. When an MOI for a company that is exempt from audit does not require the company to appoint an auditor, and the company chooses to be audited, the addressee will depend on whether the requirement for an audit was by way of a shareholders' or members' resolution (in which case the auditor's report would then be addressed to the shareholders or members, as appropriate) or a directors' resolution (in that instance the auditor's report would be addressed to the directors).

#### *Public sector perspective*

In the public sector there is a wide range of potential users of the auditor's report, including the general public in cases where it has access to the report. However, it is not deemed appropriate to address the auditor's report to the general public at large. The auditor's report is thus addressed to parliament or the provincial legislature as the bodies that represent the general public.

The auditor's report may also be addressed to shareholders, trustees or other identified users in addition to parliament or the provincial legislature where there are persons or classes of persons for whom it has been prepared (not the board of directors or the accounting authority that is responsible for preparing the financial statements). If the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended by the Public Finance Management Act No. 29 of 1999 (PFMA) is not applicable to an entity and the financial statements are not required to be tabled in parliament or the provincial legislature, the auditor's report should then be addressed to the appropriate level of oversight, usually the responsible executive authority.

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

18 ISA 700, paragraph A16

## Financial statements

- N2. The financial statements form part of the annual financial statements prescribed by the Companies Act. Under the Companies Act, the annual financial statements of a company must include an auditor's report, if the financial statements are audited.<sup>19</sup>

## Page numbers<sup>20</sup>

- N3. It is important to use page numbers to identify the financial statements. In South Africa the set of documents that comprise the 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 as well as other reports prescribed by law or regulation or "best practice" requirements. As a result, the illustrative reports do not refer to the "accompanying" financial statements but instead identify the financial statements by page numbers.

Law and regulation in South Africa may require other information or reports to be included in the financial statements of certain types of entities so as to supplement the applicable financial reporting framework. In some instances, the required other information, reports or disclosures are not auditable (or reviewable) under applicable auditing or assurance standards. So, such other information, which is not within the scope of the audit or review engagement, should be clearly separated from the audited financial statements. Where such information may compromise the fair presentation of the financial statements, management should be requested to separate the publication of the information from the financial statements. The report can then clearly distinguish the financial statements covered by identifying them through their relevant page numbers.

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

- N4. The introductory paragraph in the Opinion section of the auditor's report identifies each statement that comprises the complete set of financial statements.<sup>21</sup> A complete set of financial statements is identified by the applicable financial reporting framework<sup>22</sup> and may also include legal and regulatory requirements. For instance, the illustrative reports on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Standard for Small and Medium-sized Entities

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19 Companies Act, 2008, Section 29(3)(a)

20 ISA 700 (Revised), paragraph A18 and ISRE 2400 (Revised), paragraph A121

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

22 ISA 700 (Revised), paragraph A17

(IFRS for SMEs) identify the statement of financial position as at the end of the period; statements of profit or loss and other comprehensive income; changes in equity for the period and cash flows for the period; and notes to the financial statements, including a summary of significant accounting policies.

When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements (as required by IFRS, when applicable), the additional statement of financial position provided to address the restatement of information for the comparative period forms part of the comparative information. Therefore, it does not need to be separately identified in the introductory paragraph in the Opinion section of the auditor's report.

The annual financial statements of South African companies comprise a complete set of financial statements identified in accordance with the applicable financial reporting framework and the disclosure requirements of the Companies Act.<sup>23</sup> A directors' report, however, is not identified as forming part of a complete set of financial statements under the disclosure requirements of the applicable financial reporting framework.

The information in Note 4 applies as relevant to the introductory paragraph contained in an independent reviewer's report.

#### *Public sector perspective*

When the Standards of Generally Recognised Accounting Practice (GRAP) are applicable, a complete set of financial statements comprises the statement of financial position; statement of financial performance; statement of changes in net assets; cash flow statement; statement of comparison of budget information to actual information and notes to the financial statements, including a summary of significant accounting policies.

## **Opinion**

- N5. In South Africa, the wording "present fairly, in all material respects" is used instead of "give a true and fair view of" to express the opinion or conclusion in the reports of the auditor or independent reviewer.

## **Ethical requirements<sup>24</sup>**

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

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23 Companies Act, 2008, Sections 29(1) and 30(3)(a) and (b)

24 ISA 700 (Revised), paragraphs 28(c) and A29 to A32

*Professional Accountants (Parts A and B).*

In addition to the above codes, various laws and regulations may also contain independence and ethical requirements. For example, the Companies Act<sup>25</sup> contains restrictions on the non-audit services that may be provided by the auditor to certain companies, and also contains requirements relating to the rotation of the engagement partner. Directive 6/2008 issued in terms of the Banks Act contains requirements regarding the rotation of the engagement partner(s). The auditor should be familiar with all codes, laws and regulations containing ethical requirements that apply to the audit engagement.

As there are numerous codes, laws and regulations that the auditor is required to adhere to, the statement included in the auditor's report on independence and other ethical requirements, in South Africa, makes reference to the IRBA Code, and other independence and ethical requirements applicable to performing audits of financial statements in South Africa.

**Key audit matters<sup>26</sup>**

- N7. Law or regulation may require communication of key audit matters for audits of entities other than listed entities, for example, those characterised as public interest entities. Auditors should remain alert to the possibility of this requirement. The auditor may also voluntarily decide to communicate key audit matters for entities other than listed entities.

The IAASB has issued two non-authoritative publications that provide a limited number of illustrative key audit matters. These publications are [Auditor Reporting: Key Audit Matters](#) and [Auditor Reporting: Illustrative Key Audit Matters](#) developed by the Auditor Reporting Implementation Working Group.

*Public sector perspective*

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

**Other information**

- N8. In South Africa, the corporate governance code, known as King III<sup>27</sup>, the JSE Limited Listings Requirements and the Companies Act require a listed entity to present supplementary reports and information disclosures for various stakeholders. These may be bound together with the audited financial statements (as a single document), or they may be presented in a separate document, for example, as a separate integrated report that accompanies the audited financial

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25 Companies Act, 2008, Sections 90(2) and 92

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

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



statements. In identifying the other information, care should be taken to appropriately identify what the directors have named the document that either contains or accompanies the audited financial statements (for example, it could be the Annual Report, the Annual Integrated Report or the Integrated Report). For the purpose of the illustrated reports of listed companies in this SAAPS, the company is assumed to have prepared an “Annual Report”, which meets the definition of an annual report in ISA 720 (Revised) that may contain “other information”<sup>28</sup>.

The Directors’ Report<sup>29</sup>, the Audit Committee’s Report<sup>30</sup> (when applicable) and the Company Secretary’s Certificate<sup>31</sup> (when applicable), form part of the annual financial statements prescribed by the Companies Act and they must be audited or reviewed, as and when applicable. The information (subject matter) is generally not identifiable and open to consistent evaluation or measurement against identified criteria.<sup>32</sup> Consequently, the opinion expressed on the financial statements does not extend to the information contained in these reports as the auditor has no basis for concluding that the information is properly stated.

However, the auditor, in accordance with ISA 720 (Revised), has a responsibility to read the other information. Then the auditor must consider whether there is any material inconsistency between the other information and the financial statements, on the one hand, and the other information and the auditor’s knowledge obtained in the audit, on the other hand<sup>33</sup>. ISA 720 (Revised) has been used to determine that the Directors’ Report, the Audit Committee’s Report (when applicable) and the Company Secretary’s Certificate (when applicable) meet the definition of “other information” in terms of ISA 720 (Revised)<sup>34</sup>.

ISA 720 (Revised) requires that the auditor’s report must include a separate section that identifies the other information, if any, obtained by the auditor prior to the date of the auditor’s report<sup>35</sup>. In South Africa, the Directors’ Report, the Audit Committee’s Report (when applicable) and the Company Secretary’s Certificate (when applicable) will be specifically identified as other information in that section.

In the paragraph headed “Other Reports Required by the Companies Act” and “Other Matter – Reports Required by the Companies Act”, as contained in the independent reviewer’s report and those auditor’s reports in which a disclaimer

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28 ISA 720 (Revised), paragraph 12(c)  
 29 Companies Act, 2008, Section 30(b)  
 30 Companies Act, 2008, Section 94(7)(f)  
 31 Companies Act, 2008, Section 88(2)(e)  
 32 Amended International Framework for Assurance Engagements, paragraph 40 (Effective for assurance reports dated on or after December 15, 2015)  
 33 ISA 720 (Revised), paragraph 14  
 34 ISA 720 (Revised), paragraph 12(c)  
 35 ISA 720 (Revised), paragraphs 20 and 21A(a)(i)

of opinion has been expressed, respectively, we have used wording drawn from ISA 720 (Revised).

*Public sector perspective*

In addition to King III, the JSE Listings Requirements and the Companies Act requirements that may be applicable to certain public sector entities, the PFMA also includes requirements relating to these entities' annual reports.

In the public sector, other information comprises financial and non-financial information, other than (i) the financial statements; (ii) the auditor's report thereon; and (iii) those objectives in the entity's annual report where its performance against predetermined objectives have been specifically reported on in the auditor's report.

The auditor is required to read the other information and determine if there are inconsistencies between the other information, the financial statements and the report on performance against pre-determined objectives.

**Directors' responsibility for the financial statements**

- N9. "Management" is used generically in the ISAs and the ISREs to describe those responsible for the preparation (and fair presentation) of an entity's financial statements.

The Companies Act requires the annual financial statements to be approved by the board and signed by an authorised director<sup>36</sup>. As such, in the case of a South African company, the report should state that the company's directors are responsible for the preparation (and fair presentation) of the financial statements.

In terms of the Close Corporations Act, these requirements apply to the authorised member(s) of a Close Corporation. As such, the reference to the directors' responsibility becomes a reference to the members' responsibility.

ISA 700 (Revised) also requires that this section of the auditor's report should identify those responsible for the oversight of the financial reporting process, when they are different from those who fulfil the responsibilities for the preparation of the financial statements. In such a case, this section's heading would also refer to "Those Charged with Governance" (TCWG)<sup>37</sup>. TCWG is defined in ISA 260 (Revised), *Communication With Those Charged With Governance*<sup>38</sup>.

Since the company's directors or the public entity's accounting authority are responsible for the oversight of the financial reporting process, as stated above,

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36 Companies Act, 2008, Section 30(3)(c)

37 ISA 700 (Revised), paragraphs 33, 34 and A44

38 ISA 260 (Revised), paragraph 10(a) and effective for audits of financial statements for periods ending on or after 15 December 2016

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

It should be noted that there may be other legislation that splits the responsibilities of the preparation for the financial statements and the oversight of the financial reporting process. In this case, reference would have to be made to those responsible for the oversight of the financial reporting process.

*Public sector perspective*

The auditor's report in the public sector refers to the accounting authority's responsibility, based on the PFMA requirements, as follows:

- Public entities – accounting authority<sup>39</sup>.
- Public entities registered as a company – The board of directors, which constitutes the accounting authority.

If the PFMA is not applicable to an entity, the name of the party responsible for the preparation of the financial statements – in terms of the legislation that governs that entity – should be inserted.

### **Applicable financial reporting framework**

N10. When the financial reporting framework is supplemented by legal or regulatory requirements, reference must be made to the legislation concerned<sup>40</sup>. As such, in the case of a South African company, the report refers to the requirements of the financial reporting framework as well as the additional financial reporting requirements of the Companies Act.

*Public sector perspective*

In the public sector, where applicable, reference would also be made to the PFMA in addition to the applicable financial reporting framework and the Companies Act.

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

### **Internal control**

N11. The directors' responsibility regarding internal control is inferred by the requirement in the Companies Act for the board to approve<sup>41</sup> the financial

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39 PFMA, section 55(1)

40 ISA 210, paragraph 18 and ISA 700 (Revised), paragraph A24

41 Companies Act, 2008, Sections 30(3)(c) and (d)

statements. Accordingly, the directors' responsibility paragraph in the report states that the directors are responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error<sup>42</sup>.

#### *Public sector perspective*

In the public sector the accounting authority is specifically tasked as per Section 51(1)(a)(i) of the PFMA with ensuring that an entity has and maintains an effective, efficient and transparent system of internal control.

### **Auditor's responsibilities<sup>43</sup>**

N12. Though auditors in some countries are allowed to put the description of the auditor's responsibilities on the website of an appropriate authority, in South Africa no law or regulation expressly permits that. As such, auditors are required to include the description of responsibilities in one of the following ways:

- Within the body of the auditor's report; or
- In an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix.

### **Disclosure of audit tenure**

N13. The Regulatory Board, in terms of Section 9 and 10 read with sections 1, 2 and 3 of the Auditing Profession Act, Act 26 of 2005, published a Rule in the Government Gazette Nr 39475 of 4 December 2015 which makes it mandatory that all auditor's reports on Annual Financial Statements shall disclose the number of years which the audit firm / sole practitioner has been the auditor of the entity (audit tenure). A predecessor audit firm in this context refers to an audit firm where there has been mergers/de-mergers or other combinations in the audit firm and an audit firm shall therefore include a predecessor audit firm.

Audit tenure refers to the length of the auditor-client relationship. Thus tenure includes the period that the predecessor audit firms (where there has been mergers/de-mergers or other combinations in the audit firm) issued audit reports on the entity.

This rule applies to audit reports issued on the Annual Financial Statements of all public interest entities, as defined in the Companies Act of 2008 and prescribed by the Regulatory Board from time to time, for periods ending on or after 31 December 2015. This rule was subsequently clarified to mean that the rule applies to audit reports issued on the Annual Financial Statements of all public

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42 ISA 700 (Revised), paragraphs 33(a) and 39

43 ISA 700 (Revised), paragraphs 40 to 41 and A49 to A52

companies – as defined in the Companies Act of 2008 – that meet the definition of a public interest entity as per the IRBA Code of Professional Conduct for Registered Auditors.

The Regulatory Board made the decision to require the mandatory disclosure of audit tenure in the context of strengthening auditor independence which is consistent with measures implemented in other jurisdictions. This disclosure of audit tenure will lead to transparency of association between audit firms and audit clients.

**Additional Guidance:**

- All audit firms and sole practitioners are required to comply with the new disclosure requirement.
- The audit tenure should reflect the number of years the audit firm/sole practitioner continuously served as auditor.
- In the case of audit firm mergers/ de-mergers or change in name, the longest length of tenure should be disclosed.
- Where the client is a company, information on the appointment and changes in auditors can be obtained from the Companies and Intellectual Property Commission (CIPC) or company secretarial records.
- In the case of companies, as the appointment and continuation of auditors is the responsibility of the audit committee, auditors are advised to bring the requirement of this rule to the attention of the audit committee.

**The auditor's signature**

N14. The illustrative report assumes that the auditor or the independent reviewer is a registered auditor and that the relevant report is presented on a letterhead. The signing convention illustrated is set out in Section 150.6 of the IRBA Code and requires the following, in addition to the auditor's or the independent reviewer's signature and date of the report:

- (a) "The individual registered auditor's full name;
- (b) If not a sole practitioner, the capacity in which the auditor is signing, namely as a 'partner' or 'director';
- (c) The designation 'Registered Auditor' underneath their name; and
- (d) If not set out on the firm's letterhead, the name and address of the registered auditor's firm."

These requirements have been adapted accordingly for independent reviewer reports.

In addition, ISA 700 (Revised) requires that the name of the engagement partner be included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities<sup>44</sup>. Although ISA 700 (Revised) does not specify the manner in which this inclusion should be made in the auditor's report, the illustrative reports contained in the appendix to ISA 700 (Revised) do illustrate how the name of the engagement partner can be included. The illustrative wording is as follows: "The engagement partner on the audit resulting in this independent auditor's report is [*name*]".

Since the IRBA Code already requires the name of the engagement partner to be included in the auditor's report as part of the signing convention described above, the illustrative reports contained in this SAAPS do not include the illustrative wording suggested in the illustrative reports contained in the appendix to ISA 700 (Revised). In South Africa, the requirements of the Section 150.6 of the IRBA Code take precedence over the requirements set out in ISA 700 (Revised).

However, registered auditors are not precluded from including the illustrative wording suggested in the illustrative reports contained in the appendix to ISA 700 (Revised) in their auditor's reports, in addition to the signing convention required by the IRBA Code.

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

## Part B

### Illustrative Reports

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## ILLUSTRATIVE REPORTS

### Audited Financial Statements

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

Circumstances include:

- Audit of a complete set of consolidated and separate financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries and of the company. Consolidated financial statements and separate financial statements are presented together (four column format)
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters relating to the consolidated and separate financial statements have been communicated
- The auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report
- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure)

#### Independent Auditor’s Report

*To the Shareholders of ABC Limited*

#### **Report on the Audit of the Consolidated and Separate Financial Statements**

##### *Opinion*

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

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

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

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

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 1 van SAAPS 3 (Revised November 2015)
- Oudit van 'n volledige stel gekonsolideerde en afsonderlike finansiële state van 'n genoteerde entiteit opgestel ooreenkomstig 'n redelike voorstellingsraamwerk ("fair presentation framework"). Die oudit is 'n groepsoudit van 'n entiteit met filiale en van die maatskappy. Gekonsolideerde finansiële state en afsonderlike finansiële state word tesame aangebied (vier-kolom-formaat). Die ouditeur het tot die gevolgtrekking gekom dat 'n ongemodifiseerde (m.a.w. "skoon") mening toepaslik is op grond van die ouditbewyse wat verkry is
- Op grond van die verkreeë ouditbewyse het die ouditeur tot die gevolgtrekking gekom dat daar geen wesentliche onsekerheid bestaan met betrekking tot gebeure of omstandighede wat beduidende twyfel kan wek oor die entiteit se vermoë om as 'n lopende saak voort te bestaan nie
- Sleutel-ouditaangeleenthede ("key audit matters") in verband met die gekonsolideerde en afsonderlike finansiële state was gekommunikeer
- Die ouditeur het 'n deel van die ander inligting ("other information") vóór die datum van die ouditeur se verslag bekom, het nie 'n wesentliche wanvoorstelling van die ander inligting geïdentifiseer nie, en verwag om ander inligting ná die datum van die ouditeur se verslag te bekom
- Die ouditeur het die aantal jare geopenbaar waarvoor die ouditfirma in die hoedanigheid as ouditeur van die genoteerde entiteit aangestel is (ouditampstermyn of "audit tenure")

### Onafhanklike Ouditeur se Verslag

*Aan die Aandeelhouders van ABC Beperk*

#### **Verslag oor die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State**

##### *Mening*

Ons het die gekonsolideerde en afsonderlike finansiële state van ABC Beperk (die groep), soos uiteengesit op bladsye ... tot ..., geudit. Hierdie gekonsolideerde en afsonderlike finansiële state bestaan uit die state van finansiële stand soos op 31 Desember 201X, en die state van wins of verlies en ander omvattende inkomste, die state van veranderings in ekwiteit en die state van kontantvloei vir die jaar wat op

daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitende 'n opsomming van beduidende rekeningkundige beleid.

Na ons mening is die gekonsolideerde en afsonderlike finansiële state, in alle wesentliche opsigte, 'n redelike voorstelling van die gekonsolideerde en afsonderlike finansiële stand van die groep soos op 31 Desember 20X1, en van die groep se gekonsolideerde en afsonderlike finansiële prestasie en gekonsolideerde en afsonderlike kontantvloei vir die jaar wat op daardie datum geëindig het, ooreenkomstig 'International Financial Reporting Standards' en die vereistes van die Maatskappywet van Suid-Afrika.

#### *Grondslag vir Mening*

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

#### *Sleutel-ouditaangeleenthede*

Sleutel-ouditaangeleenthede is daardie aangeleenthede wat volgens ons professionele oordeel van die mees beduidende was in ons oudit van die gekonsolideerde en afsonderlike finansiële state vir die huidige tydperk. Hierdie aangeleenthede is aangespreek in die konteks van ons oudit van die gekonsolideerde en afsonderlike finansiële state as 'n geheel, en in die vorming van ons mening daaroor, en ons spreek nie 'n afsonderlike mening oor hierdie aangeleenthede nie.

[*Beskrywing van elke sleutel-ouditaangeleentheid in ooreenstemming met ISA 701.*]

#### *Ander Inligting*

Die direkteur is verantwoordelik vir die ander inligting. Die ander inligting bestaan uit die Direkteursverslag, die Verslag van die Ouditkomitee en die Sertifikaat van die Maatskappysekretaris soos vereis deur die Maatskappywet van Suid-Afrika, wat ons voor die datum van hierdie verslag verkry het, en die Algemene Jaarverslag, wat ons verwag aan ons beskikbaar gemaak sal word na daardie datum. Ander inligting sluit nie die gekonsolideerde en afsonderlike finansiële state en ons ouditeursverslag daaroor in nie.

Ons mening oor die gekonsolideerde en afsonderlike finansiële state dek nie die ander

inligting nie en ons spreek geen ouditopinie of enige vorm van gerusstelling daarvoor uit nie.

In verband met ons oudit van die gekonsolideerde en afsonderlike finansiële state is dit ons verantwoordelikheid om die ander inligting te lees, en sodoende te oorweeg of die ander inligting weselik teenstrydig is met die gekonsolideerde en afsonderlike finansiële state of kennis verkry gedurende die oudit, of andersins blyk om weselik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het op die ander inligting verkry voor die datum van die ouditeursverslag, tot die gevolgtrekking kom dat daar 'n weselike wanvoorstelling van hierdie ander inligting is, word van ons vereis om daardie feit te rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

*Verantwoordelikhede van die Direkteure vir die Gekonsolideerde en Afsonderlike Finansiële State*

Die maatskappy se direkteure is verantwoordelik vir die opstel en redelike voorstelling van die gekonsolideerde en afsonderlike finansiële state ooreenkomstig 'International Financial Reporting Standards' en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van gekonsolideerde en afsonderlike finansiële state wat vry is van weselike wanvoorstelling, hetsy weens bedrog of foute.

As deel van die opstel van die gekonsolideerde en afsonderlike finansiële state is die direkteure daarvoor verantwoordelik om die groep en die maatskappy se vermoë om as 'n lopende saak voort te bestaan te beoordeel, en soos toepaslik aangeleenthede wat verband hou met lopende saak en die gebruik van die lopende-saak-grondslag van verslagdoening te openbaar, tensy die direkteure beplan om die groep en / of die maatskappy te likwideer of om bedrywighede te staak, of geen realistiese alternatief het as om dit te doen nie.

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

Ons doelwitte is om redelike gerusstelling te verkry of die gekonsolideerde en afsonderlike finansiële state as 'n geheel vry is van weselike wanvoorstelling, hetsy weens bedrog of foute, en om 'n ouditeursverslag uit te reik wat ons mening bevat. Redelike gerusstelling is 'n hoë vlak van gerusstelling, maar is nie 'n waarborg dat 'n oudit wat ooreenkomstig die ISAs uitgevoer is altyd 'n weselike wanvoorstelling sal opspoor indien dit bestaan nie. Wanvoorstellings kan ontstaan as gevolg van bedrog of foute, en word individueel of in totaal weselik geag indien dit redelikerwys verwag kan word dat sodanige wanvoorstellings die ekonomiese besluite van gebruikers wat op grond van hierdie gekonsolideerde en afsonderlike finansiële state geneem word sal beïnvloed.

As deel van 'n oudit ooreenkomstig die ISAs oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme deurlopend deur die oudit. Ons doen ook die volgende:



- Identifiseer en beoordeel die risikos van wesenlike wanvoorstelling van die gekonsolideerde en afsonderlike finansiële state, hetsy weens bedrog of foute, ontwerp en voer ouditprosedures uit na aanleiding van daardie risikos, en verkry ouditbewyse wat voldoende en toepaslik is om 'n grondslag vir ons ouditmening te bied. Die risiko van nie-opsporing van 'n wesenlike wanvoorstelling as gevolg van bedrog is groter as vir 'n wesenlike wanvoorstelling as gevolg van foute, aangesien bedrog samespanning, vervalsing, doelbewuste weglatings, wanvoorstellings, of die omseiling van interne beheer kan behels.
- Verkry 'n begrip van interne beheer relevant tot die oudit ten einde ouditprosedures te ontwerp wat toepaslik is in die omstandighede, maar nie vir die doel om 'n mening uit te spreek oor die effektiwiteit van die groep en die maatskappy se interne beheer nie.
- Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur die direkteure gemaak is.
- Kom tot 'n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende-saak-grondslag van verantwoording, en gebaseer op ouditbewyse verkry, kom tot 'n gevolgtrekking oor die bestaan van 'n wesenlike onsekerheid wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan oor die groep en die maatskappy se vermoë om as 'n lopende saak voort te bestaan. Waar ons tot die gevolgtrekking kom dat 'n wesenlike onsekerheid bestaan word daar van ons vereis om in ons ouditeursverslag aandag te vestig op die toepaslike openbaarmaking in die gekonsolideerde en afsonderlike finansiële state, of, indien sodanige openbaarmaking onvoldoende is, om ons mening te wysig. Ons gevolgtrekkings word gebaseer op ouditbewyse verkry tot en met die datum van ons ouditeursverslag. Toekomstige gebeure en omstandighede mag egter daartoe aanleiding gee dat die groep en / of die maatskappy ophou om as 'n lopende saak voort te bestaan.
- Evalueer die algehele voorstelling, struktuur en inhoud van die gekonsolideerde en afsonderlike finansiële state, insluitende die openbaarmaking, en of die gekonsolideerde en afsonderlike finansiële state die onderliggende transaksies en gebeure op só 'n manier weergee dat redelike voorstelling bereik word.
- Verkry voldoende toepaslike ouditbewyse in verband met die finansiële inligting van die entiteite of besigheidsaktiwiteite binne die groep om 'n mening oor die gekonsolideerde finansiële state uit te spreek. Ons is verantwoordelik vir die leiding, toesig en uitvoering van die groepsoudit. Ons bly uitsluitlik verantwoordelik vir ons ouditmening.

Ons kommunikeer met die direkteure oor, onder andere, die beplande omvang en tydsberekening van die oudit en beduidende ouditbevindinge, insluitende enige beduidende tekortkominge in interne beheer wat ons tydens ons oudit identifiseer.

Ons voorsien ook die direkteure met 'n bevestiging dat ons relevante etiese vereistes rakende onafhanklikheid nagekom het, en ons kommunikeer aan hulle alle verhoudings en ander aangeleenthede wat redelikerwys geag kan word om ons onafhanklikheid te beïnvloed, sowel as voorsorgmaatreëls, waar dit van toepassing is.

Vanuit die aangeleenthede aan die direkteure gekommunikeer bepaal ons daardie aangeleenthede wat die mees beduidende was in ons oudit van die gekonsolideerde en afsonderlike finansiële state van die huidige tydperk, en dus as die sleutel-ouditaangeleenthede geag word. Ons beskryf hierdie aangeleenthede in ons ouditeursverslag tensy wetgewing of regulasies publieke openbaarmaking van die aangeleentheid verbied, of wanneer ons in uiterse seldsame omstandighede bepaal dat die aangeleentheid nie in ons verslag gekommunikeer moet word nie aangesien die negatiewe gevolge na verwagting swaarder sal weeg as die publieke belang-voordele van sodanige kommunikasie.

### **Verslag oor Ander Regs- en Regulatoriese Vereistes**

Ooreenkomstig die 'IRBA'-reël wat in Staatskoerant 39475 van 4 Desember 2015 gepubliseer is, doen ons verslag dat [XX-firma] vir die afgelope [X] jaar die ouditeur van ABC Beperk was.

*[Ouditeur se handtekening]*

*[Naam van individuele geregistreerde ouditeur]*

*[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoof]*

Geregistreerde Ouditeur

*[Datum van ouditeur se verslag]*

*[Ouditeur se adres]*

### 3. Financial statements (IFRS for SMEs) – Auditor’s responsibilities are included in an Appendix

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- Financial statements of a company in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa
- The auditor has decided to include the description of his responsibilities for the audit of the financial statements in an appendix to the auditor’s report

#### Independent Auditor’s Report

*To the Shareholders of ABC Proprietary Limited*

##### *Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at *[indicate page number or other specific reference to the location of the description]*, forms part of our auditor's report.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

**Appendix****Auditor's Responsibilities for the Audit of the Financial Statements**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### 4. Finansiële State (IFRS for SMEs) – Ouditeur se verantwoordelikhede is ingesluit in 'n Bylaag tot die verslag

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld 3 van SAAPS 3 (Revised November 2015)
- Oudit van 'n volledige stel finansiële state van 'n private maatskappy in terme van die Maatskappywet van Suid-Afrika ooreenkomstig 'n redelike voorstellingsraamwerk ("fair presentation framework"). Finansiële state van 'n maatskappy ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika. Die ouditeur het tot die gevolgtrekking gekom dat 'n ongemodifiseerde (m.a.w. "skoon") mening toepaslik is op grond van die ouditbewyse wat verkry is
- Op grond van verkreë ouditbewyse het die ouditeur tot die gevolgtrekking gekom dat daar geen wesenlike onsekerheid bestaan met betrekking tot gebeure of omstandighede wat beduidende twyfel kan wek oor die entiteit se vermoë om as 'n lopende saak voort te bestaan nie
- Sleutel-ouditaangeleenthede ("key audit matters") is nie gekommunikeer nie
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie. Die ouditeur het vasgestel dat daar geen ander inligting is as die Direkteursverslag wat voorberei is in terme van die Maatskappywet van Suid-Afrika nie
- Die ouditeur het besluit om die beskrywing van sy verantwoordelikhede ten opsigte van die oudit van die finansiële state in 'n bylaag tot die ouditeursverslag in te sluit

#### Onafhanklike Ouditeur se Verslag

*Aan die Aandeelhouders van ABC Eiendoms Beperk*

*Mening*

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., geoudit. Hierdie finansiële state bestaan uit die staat van finansiële stand soos op 31 Desember 201X, en die staat van wins of verlies en ander omvattende inkomste, die staat van veranderings in ekwiteit en die staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitende 'n opsomming van beduidende rekeningkundige beleid.

Na ons mening is die finansiële state, in alle wesenlike opsigte, in alle wesenlike opsigte, 'n redelike voorstelling van die finansiële stand van die ABC Eiendoms Beperk soos op

31 Desember 20X1, en van die maatskappy se finansiële prestasie en kontantvloei vir die jaar wat op daardie datum geëindig het, ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika.

#### *Grondslag vir Mening*

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

#### *Ander Inligting*

Die direkteur is verantwoordelik vir die ander inligting. Die ander inligting bestaan uit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika. Ander inligting sluit nie die finansiële state en ons ouditeursverslag daarvoor in nie.

Ons mening oor die finansiële state dek nie die ander inligting nie en ons spreek geen auditopinie of enige vorm van gerusstelling daarvoor uit nie.

In verband met ons oudit van die finansiële state is dit ons verantwoordelikheid om die ander inligting te lees, en sodoende te oorweeg of die ander inligting wesenlik teenstrydig is met die finansiële state of kennis verkry gedurende die oudit, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het op die ander inligting verkry voor die datum van die ouditeursverslag, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van hierdie ander inligting is, word van ons vereis om daardie feit te rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

#### *Verantwoordelikhede van die Direkteur vir die Finansiële State*

Die maatskappy se direkteur is verantwoordelik vir die opstel en redelike voorstelling van die finansiële state ooreenkomstig die 'International Financial Reporting Standard for Small and Medium-sized Entities' en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteur nodig ag vir die opstel van finansiële state wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

As deel van die opstel van die finansiële state is die direkteur daarvoor verantwoordelik om die maatskappy se vermoë om as 'n lopende saak voort te bestaan te beoordeel, en



soos toepaslik aangeleenthede wat verband hou met lopende saak en die gebruik van die lopende-saak-grondslag van verslagdoening te openbaar, tensy die direkteure beplan om die maatskappy te likwideer of om bedrywighede te staak, of geen realistiese alternatief het as om dit te doen nie.

*Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State*

Ons doelwitte is om redelike gerusstelling te verkry of die finansiële state as 'n geheel vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute, en om 'n ouditeursverslag uit te reik wat ons mening bevat. Redelike gerusstelling is 'n hoë vlak van gerusstelling, maar is nie 'n waarborg dat 'n oudit wat ooreenkomstig die ISAs uitgevoer is altyd 'n wesenlike wanvoorstelling sal opspoor indien dit bestaan nie. Wanvoorstellings kan ontstaan as gevolg van bedrog of foute, en word individueel of in totaal wesenlik geag indien dit redelikerwys verwag kan word dat sodanige wanvoorstellings die ekonomiese besluite van gebruikers wat op grond van hierdie finansiële state geneem word sal beïnvloed.

'n Verdere beskrywing van ons verantwoordelikhede ten opsigte van die oudit van die finansiële state is ingesluit in die Bylaag van hierdie ouditeursverslag. Hierdie beskrywing, wat by [*dui bladsynommer of ander spesifieke verwysing na die plasing van die beskrywing aan*] geleë is, vorm deel van ons ouditeursverslag.

[*Ouditeur se handtekening*]

[*Naam van individuele geregistreerde ouditeur*]

[*Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot*]

Geregistreerde Ouditeur

[*Datum van ouditeur se verslag*]

[*Ouditeur se adres*]

**Bylaag**

**Ouditeur se Verantwoordelikhede vir die Oudit van die Finansiële State**

As deel van 'n oudit ooreenkomstig die ISAs oefen ons professionele oordeel uit en handhaaf ons professionele skeptisisme deurlopend deur die oudit. Ons doen ook die volgende:

- Identifiseer en beoordeel die risikos van wesenlike wanvoorstelling van die finansiële state, hetsy weens bedrog of foute, ontwerp en voer ouditprosedures uit na aanleiding van daardie risikos, en verkry ouditbewyse wat voldoende en toepaslik is om 'n grondslag vir ons ouditmening te bied. Die risiko van nie-opsporing van 'n

wesentliche wanvoorstelling as gevolg van bedrog is groter as vir 'n wesentliche wanvoorstelling as gevolg van foute, aangesien bedrog samespanning, vervalsing, doelbewuste weglatings, wanvoorstellings, of die omseiling van interne beheer kan behels.

- Verkry 'n begrip van interne beheer relevant tot die oudit ten einde ouditprosedures te ontwerp wat toepaslik is in die omstandighede, maar nie vir die doel om 'n mening uit te spreek oor die effektiwiteit van die maatskappy se interne beheer nie.
- Evalueer die toepaslikheid van rekeningkundige beleid wat gebruik is en die redelikheid van rekeningkundige ramings en verwante openbaarmaking wat deur die direkteure gemaak is.
- Kom tot 'n gevolgtrekking oor die toepaslikheid van die direkteure se gebruik van die lopende-saak-grondslag van verantwoording, en gebaseer op ouditbewyse verkry, kom tot 'n gevolgtrekking oor die bestaan van 'n wesentliche onsekerheid wat verband hou met gebeure of omstandighede wat beduidende twyfel kan laat bestaan oor die maatskappy se vermoë om as 'n lopende saak voort te bestaan. Waar ons tot die gevolgtrekking kom dat 'n wesentliche onsekerheid bestaan word daar van ons vereis om in ons ouditeursverslag aandag te vestig op die toepaslike openbaarmaking in die finansiële state, of, indien sodanige openbaarmaking onvoldoende is, om ons mening te wysig. Ons gevolgtrekkings word gebaseer op ouditbewyse verkry tot en met die datum van ons ouditeursverslag. Toekomstige gebeure en omstandighede mag egter daartoe aanleiding gee dat die maatskappy ophou om as 'n lopende saak voort te bestaan.
- Evalueer die algehele voorstelling, struktuur en inhoud van die finansiële state, insluitende die openbaarmaking, en of die finansiële state die onderliggende transaksies en gebeure op só 'n manier weergee dat redelike voorstelling bereik word.

Ons kommunikeer met die direkteure oor, onder andere, die beplande omvang en tydsberekening van die oudit en beduidende ouditbevindinge, insluitende enige beduidende tekortkominge in interne beheer wat ons tydens ons oudit identifiseer.

## 5. Financial statements (entity specific basis of accounting)

Circumstances include:

- Voluntary audit undertaken for a private company pursuant to a shareholder resolution. The public interest score is less than 100 and the financial statements are internally compiled. The financial statements are intended for the purpose of providing financial information to the shareholders, considered specific users. (The entity is a private company in terms of the Companies Act of South Africa)
- The financial statements are prepared in accordance with a basis of accounting determined by the directors and include a directors' report, which is a requirement of the Companies Act. The financial statements do not include a statement of changes in equity
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained
- ISA 800 (Revised) applies and the independent auditor has determined that the basis of accounting is acceptable to the intended users of the financial statements. Distribution and use of the auditor's report are restricted
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

### Independent Auditor's Report

*To the Shareholders of ABC Proprietary Limited*

#### *Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of ABC Proprietary Limited for the year ended 31 December 20X1 are prepared, in all material respects, in accordance with the basis

of accounting described in note x to the financial statements and the requirements of the Companies Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to note x to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the company's own accounting policies to satisfy the financial information needs of the company's shareholders. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note x and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies

in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## 6. Non-operating company – Company is dormant

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The company has no assets or liabilities other than the amount due by/to its shareholder
- Financial statements of a company prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. No statement of profit or loss and other comprehensive income, changes in equity and cash flows presented as the company is dormant
- The auditor has concluded an unmodified (i.e., “clean”) opinion on the financial position is appropriate based on the audit evidence obtained. No opinion is expressed on the financial performance and cash flows
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa

### Independent Auditor’s Report

*To the Shareholders of ABC Proprietary Limited*

#### *Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,



and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's Address]*

## 7. Supplementary schedules – Other information

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have not been communicated
- Un-audited supplementary schedules which do not form part of the financial statements are bound in with the financial statements and not clearly distinguished from the financial statements. Matter does not affect the auditor’s opinion.
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa and the supplementary information

### Independent Auditor’s Report

*To the Shareholders of ABC Proprietary Limited*

#### *Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s*

*Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on pages x to x. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

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

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- Deferred tax is raised on the taxable temporary differences after the issue of the financial statements and the financial statements are 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.
- The auditor has concluded that an emphasis of matter is appropriate
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa

### Independent Auditor’s Report

*To the Shareholders of ABC Proprietary Limited*

#### *Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter – Subsequent Event*

We draw attention to Note x to the financial statements which indicates that the previously issued financial statements for the year ended 31 December 20X1, on which we issued an auditor's report dated [date], have been revised and reissued. As explained in Note x, this is to reflect the effects of the correction of the accounting treatment of deferred tax. Our opinion is not modified in respect of this matter.

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters



related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## 9. Reportable irregularity: Fair presentation not affected – report on other legal and regulatory requirements

Circumstances include:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have been communicated
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does not affect the fair presentation of the financial statements and is not considered a key audit matter. Report on other legal and regulatory requirements
- The auditor has disclosed the number of years which the audit firm has been auditor of the listed entity (audit tenure)

### Independent Auditor’s Report

*To the Shareholders of ABC Limited*

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of ABC Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[*Description of each key audit matter in accordance with ISA 701.*]

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Annual Report which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that [XX firm] has been the auditor of ABC Limited for [X] years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements<sup>45</sup>.]

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

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45 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report

## 10. Reportable irregularity: Fair presentation affected – qualified opinion and other reporting responsibilities reported in same section

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- Non-compliance with section 45 of the Companies Act of South Africa and loan-receivable not impaired that has also been reported as a reportable irregularity in terms of section 45 of the APA. Reportable irregularity affects the opinion on the financial statements – material misstatement of financial statements where the effect of the reportable irregularity identified is not so material and pervasive as to require an adverse opinion (i.e., a qualified opinion is appropriate). Other reporting responsibilities clearly differentiated from those under the ISAs and the auditor has chosen to include this within the Basis for Qualified Opinion section of the auditor's report in accordance with paragraphs 42-43 and A55 of ISA 700 (Revised). Adequate disclosure has been made in the notes to the financial statements
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

### Independent Auditor's Report

*To the Shareholders of ABC Proprietary Limited*

*Qualified Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all

material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Qualified Opinion*

Note x to the financial statements indicates that the company has extended a loan to a fellow-subsiidiary without complying with the requirements of the Companies Act. Note x also indicates that the carrying amount of the loan receivable in the financial statements amount to [currency and amount] and gives an explanation as to why no impairment has been performed on the loan receivable even though the fellow subsidiary has been declared insolvent. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no adjustments to the carrying amount of the loan receivable were necessary in these circumstances.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, responsibilities beyond those required under the International Standards on Auditing, we report that we have identified the matters described in the preceding paragraph as a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or



otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## 11. Going concern assumption inappropriate and reportable irregularity – Adverse opinion and report on other legal and regulatory requirements

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The company ceased trading subsequent to year end and it is expected that the assets will not realise their carrying amounts. Financial statements are prepared using the going concern basis of accounting. In the auditor's judgement it is inappropriate to prepare financial statements on a going concern basis of accounting in such circumstances (i.e., an adverse opinion is appropriate)
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does affect the fair presentation of the financial statements. Report on other legal and regulatory requirements

### Independent Auditor's Report

*To the Shareholders of ABC Proprietary Limited*

#### **Report on the Audit of the Financial Statements**

##### *Adverse Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for Adverse Opinion*

The company incurred a net loss for the year ended 31 December 20X1 of [currency and amount] and, as at that date its total liabilities exceeded its total assets by [currency and amount]. Subsequent to year-end, the company has ceased trading and is in the process of realising its assets and settling its liabilities. No arrangement has been made to settle the remaining liabilities of the company in the event that the proceeds of the realised assets are insufficient to meet all liabilities. The financial statements are prepared on the going concern basis which, in our judgement, is inappropriate in these circumstances.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, in our judgement, it is inappropriate to prepare the financial statements on the going concern basis. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by this matter.

### *Responsibilities of the Directors' for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and the

requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements<sup>46</sup>.]

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of the auditor's report]*

*[Auditor's address]*

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46 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report

## **12. Going concern and reportable irregularity: Unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern – disclaimer of opinion and report on other legal and regulatory requirements**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The directors have disclosed that the entity will be able to continue to operate as a going concern. The auditor is unable to obtain sufficient appropriate audit evidence to determine whether the entity will continue as a going concern. The matter is considered material and pervasive (i.e., a disclaimer of opinion is appropriate)
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- Reportable irregularity identified and reported in terms of section 45 of the APA. It has not been determined whether the reportable irregularity affects the fair presentation of the financial statements. Report on other legal and regulatory requirements

### **Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

#### **Report on the Audit of the Financial Statements**

##### *Disclaimer of Opinion*

We were engaged to audit the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of ABC Proprietary Limited. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### *Basis for Disclaimer of Opinion*

As indicated in note x to the financial statements, the company incurred a net loss of Rxxx for the year ended 31 December 20X1 (20X0: Rxxx) and, at that date, its total

liabilities exceeded its total assets by Rxxx (20X0: Rxxx). The note states that the company will continue to receive financial support from the related parties, however, the directors have not provided us with agreements from the related parties committing funding for the foreseeable future. The directors have also not provided us with cash flow forecasts to support the appropriateness of the financial statements being prepared using the going concern basis of accounting. Consequently we were unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern basis of accounting.

#### *Other Matter – Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

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.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements



applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

### **Report on Other Legal and Regulatory Requirements**

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements<sup>47</sup>.]

[*Auditor's signature*]

[*Name of individual registered auditor*]

[*Capacity if not a sole practitioner: e.g. Director or Partner*]

Registered Auditor

[*Date of auditor's report*]

[*Auditor's address*]

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47 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report

### **13. Unable to obtain required written representations and reportable irregularity – Disclaimer of opinion and report on other legal and regulatory requirements**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- Management does not provide the written representations required by paragraphs 10 and 11 of ISA 580. The matter is considered material and pervasive (i.e., a disclaimer of opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary.
- Reportable irregularity identified and reported in terms of section 45 of the APA. It has not been determined whether the reportable irregularity affects the fair presentation of the financial statements. Report on other legal and regulatory requirements

#### **Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

#### **Report on the Audit of the Financial Statements**

##### *Disclaimer of Opinion*

We were engaged to audit the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of ABC Proprietary Limited. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

*Basis for Disclaimer of Opinion*

We were unable to obtain the written representations from the directors that they have fulfilled their responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. We were also unable to obtain written representation from the directors that they have provided us with all relevant information and access as agreed in terms of the audit engagement and that all transactions had been recorded and are reflected in the financial statements. The directors were not prepared to provide us with these representations. We could not determine the effect of the lack of such representations on the financial position of the Company at 31 December 20X1, or the financial performance and cash flows for the year then ended.

*Other Matter – Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

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.

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*.

### **Report on Other Legal and Regulatory Requirements**

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements<sup>48</sup>.]

[*Auditor's signature*]

[*Name of individual registered auditor*]

[*Capacity if not a sole practitioner: e.g. Director or Partner*]

Registered Auditor

[*Date of auditor's report*]

[*Auditor's address*]

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48 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report

#### **14. Misstatement: requirements of the financial reporting framework not met – Adverse opinion and auditor’s responsibilities are included in an Appendix**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The financial statements are materially misstated due to the building of a property company not being depreciated over its useful life. The building comprises over 90% of the company’s assets. The possible effects are deemed to be both material and pervasive to the financial statements (i.e., an adverse opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information
- The auditor has decided to include the description of his responsibilities for the audit of the financial statements in an appendix to the auditor’s report

#### **Independent Auditor’s Report**

*To the Shareholders of ABC Proprietary Limited*

*Adverse Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South

Africa.

#### *Basis for Adverse Opinion*

The company's practice is to use its building for its entire economic life, however, the company did not review the building's residual value and useful life at the reporting date in accordance with International Financial Reporting Standards, IAS 16, *Property, plant and equipment*. The building is depreciated over a period of 20 years with the remaining useful life at 30 June 20x1 assessed as four years. An independent valuer has assessed the remaining economic life of the building at 50 years, consequently, land and buildings, included in note x to the financial statements is understated by Rxxx (20x0: Rxxx), while income tax, net income and shareholders' equity is understated by Rxxx (20x0: Rxxx), Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. These required adjustments are considered material and pervasive to the financial statements as a whole.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the company should have reviewed the building's residual value and useful life at the reporting date. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to review the building's residual value and useful life at the

reporting date.

*Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at [indicate page number or other specific reference to the location of the description], forms part of our auditor's report.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

### **Auditor's Responsibilities for the Audit of the Financial Statements**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## **15. Misstatement: Subsidiary financial statements – qualified opinion on consolidated financial statements and unqualified opinion on separate financial statements**

Circumstances include:

- Audit of a complete set of consolidated and separate financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework. The audit is a group audit of an entity with subsidiaries and of the company. Consolidated financial statements and separate financial statements are presented together (four column format)
- The auditor has concluded an unmodified (i.e., “clean”) opinion on the separate financial statements of the holding company is appropriate based on the audit evidence obtained
- The financial statements of a subsidiary are materially misstated as the subsidiary did not depreciate property, plant and equipment in accordance with the applicable financial reporting framework. The misstatement is deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion on the consolidated financial statements is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the group and the company’s ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors’ Report prepared in terms of the Companies Act of South Africa

### **Independent Auditor’s Report**

*To the Shareholders of ABC Proprietary Limited*

*Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements*

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ABC Proprietary Limited as at 31 December 20X1, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

In our opinion, the separate financial statements present fairly the separate financial position of ABC Limited as at 31 December 20x1, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Basis for Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements*

The financial statements of a subsidiary are materially misstated as the subsidiary did not depreciate property, plant and equipment, as required by International Financial Reporting Standard, IAS 16, *Property, plant and equipment*. The effects on the consolidated financial statements are that had depreciation been provided, depreciation and accumulated depreciation would have increased by Rxxx (20x0 Rxxx), and income tax and net income after tax would have decreased by Rxxx (20x0 Rxxx) and Rxxx (20x0 Rxxx) respectively. There is no effect on the separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the company 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 the consolidated and separate financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements and our opinion on the separate financial statements.

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## **16. Misstatement: Non-consolidation of financial statements – adverse opinion**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The company is a parent of a major operating subsidiary and the company has not presented consolidated financial statements. The directors do not believe that they are required to prepare consolidated financial statements because they are the only users of the financial statements. The directors believe that the financial statements have been prepared in accordance with the financial reporting framework (International Financial Reporting Standards (IFRS)) and the requirements of the Companies Act of South Africa. The auditor concludes that this is a departure from the financial reporting framework (IFRS) and from the requirements of the Companies Act of South Africa as IFRS requires the presentation of consolidated financial statements. This is considered material and pervasive to the financial statements (i.e., an adverse opinion is appropriate). The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa and has determined that the matter giving rise to the adverse opinion on the financial statements also affects the other information

### **Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

*Adverse Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20x1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Adverse Opinion*

As explained in note x to the financial statements, the company has not consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year. This investment is accounted for at cost. Under International Financial Reporting Standard IFRS 10, *Consolidated Financial Statements*, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ Proprietary Limited been consolidated, many elements in the accompanying financial statements would have been materially affected and therefore the departure from the requirements of IFRS 10 are considered to be pervasive. The effects on the consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above,

the company should have consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to consolidate XYZ Proprietary Limited.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## **17. Inability to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls – Qualified opinion**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The auditor was unable to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls and evaluate the possible effects on the financial statements. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

### **Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

*Qualified Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Basis for Qualified Opinion*

Included in accounts payable is an amount of Rxxx. The company did not have adequate

internal controls to maintain records of accounts payable for goods and services received but not yet paid. We were unable to obtain sufficient appropriate audit evidence to substantiate the accruals disclosed in note x to the financial statements. As a consequence, we were unable to determine whether any adjustments were required to the financial statements arising from accounts payable and accruals not brought to account or incorrectly stated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## **18. Inability to obtain sufficient appropriate audit evidence about a Non Profit Company's fundraising income – Qualified opinion**

Circumstances include:

- Audit of a complete set of financial statements of a Non Profit Company (NPC) in terms of the Companies Act of South Africa using a fair presentation framework
- The NPC has no members and the auditor's report is addressed to the directors
- The auditor was unable to obtain sufficient appropriate audit evidence about a single element of the financial statements. That is, the auditor was unable to obtain sufficient appropriate audit evidence about the entity's fundraising income. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

### **Independent Auditor's Report**

*To the Directors of ABC NPC*

#### *Qualified Opinion*

We have audited the financial statements of ABC NPC set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC NPC as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for Qualified Opinion*

Cash donations are a significant source of fundraising revenue for ABC NPC. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations were recorded.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors

either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

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

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- Individually immaterial departures from International Financial Reporting Standards but material in aggregate. Furthermore, the auditor was unable to obtain sufficient appropriate audit evidence to substantiate certain disclosures. The misstatements in aggregate are material (effects) together with the insufficient audit evidence (possible effects) (i.e., a qualified opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

**Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

*Qualified Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and the possible effects of the respective matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for Qualified Opinion*

The financial statements are misstated due to the cumulative effect of the uncorrected misstatements identified during the course of our audit with respect to the following disclosures:

- [List misstated disclosures together with Rand value]

Due to ABC Proprietary Limited's poorly maintained accounting records we were unable to obtain sufficient appropriate audit evidence to substantiate the following disclosures:

- [List disclosures together with Rand value]

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

**20. Misstatement: Companies Act disclosures not made by the directors and reportable irregularity – qualified opinion and report on other legal and regulatory requirements**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The directors' and prescribed officers' remuneration has been disclosed in aggregate and not individually as required by the Companies Act. The auditor has interpreted the Companies Act of South Africa to require disclosure of such remuneration to be per each individual director and / or prescribed officer and has concluded that the misstatement is material but not pervasive to the financial statements in the circumstances (i.e., a qualified opinion is appropriate). 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.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa
- Reportable irregularity identified and reported in terms of section 45 of the APA. Reportable irregularity does affect the fair presentation of the financial statements. Report on other legal and regulatory requirements

**Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

**Report on the Audit of the Financial Statements**

*Qualified Opinion*

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

financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Qualified Opinion*

Directors' and prescribed officers' remuneration has been disclosed in aggregate in the financial statements and not per each individual as required by Section 30(4) of the Companies Act of South Africa. The required disclosure that has been omitted from the financial statements is as follows:

*[Insert omitted disclosures].*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,



to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. [The matter pertaining to the reportable irregularity has been described in note x to the financial statements<sup>49</sup>.]

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

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49 Insert this sentence when disclosure is made in the financial statements. Where the directors have not made adequate and appropriate disclosure and the financial statements are fairly presented, in all material respects, the auditor discloses the information relating to the Reportable Irregularity in the auditor's report

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

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The directors of the company have not made certain disclosures in the financial statements as required by IFRS. This is deemed to be material but not pervasive to the financial statements. The auditor does not identify those non-disclosures in the auditor's report as it is impracticable to do so due to the extent of the disclosures (i.e., a qualified opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

**Independent Auditor's Report**

*To the Shareholders of ABC Proprietary Limited*

*Qualified Opinion*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for Qualified Opinion*

ABC Proprietary Limited is part of a large group of companies and has extensive related party transactions with other companies in the group. Contrary to the requirements of IAS 24, *Related party disclosures*, the directors have not disclosed ABC Proprietary Limited's related party relationships with other group companies, or the transactions and balances with these parties in the accompanying financial statements. We have not included the omitted information in our auditor's report as it was impracticable to do so.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Auditor's Signature]*

*[Name of individual registered auditor]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of auditor's report]*

*[Auditor's address]*

## **22. Disclaimer of opinion in the prior year – Disclaimer of opinion on the financial performance and cash flows and qualified opinion on the financial position due to inability to obtain sufficient appropriate audit evidence in respect of certain opening balances**

Circumstances include:

- Audit of a complete set of financial statements of a private company in terms of the Companies Act of South Africa using a fair presentation framework
- The prior year was the first year that the auditor was engaged to perform the audit, as the company was previously subject to an independent review. In the prior year, the auditor was only appointed after year end and accordingly was unable to observe the counting of the physical inventory at the beginning of the prior year and at the end of the prior year. The auditor was unable to obtain alternative audit evidence. Furthermore, the entity introduced a new computerised accounts receivable system in the prior year which resulted in numerous errors in accounts receivable and the auditor was unable to obtain sufficient appropriate evidence. The possible effects of the inability to obtain sufficient appropriate audit evidence was deemed to be material and pervasive and a disclaimer of opinion was issued on the prior year financial statements
- The matter giving rise to the modification is unresolved. The effects or possible effects of the matter on the current year's figures are material and pervasive to the financial performance and cash flows (i.e., a disclaimer of opinion is appropriate). Furthermore, the unresolved matter has an effect or possible effect on the comparability of the current year's financial position and the corresponding figures (i.e., a qualified opinion is appropriate)
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- Key audit matters have not been communicated
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary. The auditor has determined that there is no other information other than the Directors' Report prepared in terms of the Companies Act of South Africa

## Independent Auditor's Report

*To the Shareholders of ABC Proprietary Limited*

*Disclaimer of Opinion on the Financial Performance and Cash Flows and Qualified Opinion on the Financial Position*

We have audited the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial performance and cash flows of ABC Proprietary Limited for the year ended 31 December 20X1. Because of the significance of the matter described in the Basis for Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance and cash flows.

In our opinion, except for the possible effects of the matter described in the Basis for Opinions section of our report on the comparability of the current year's financial position with that of the prior year, the financial statements present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Basis for Opinions, Including Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows and Qualified Opinion on the Financial Position*

Comparatives presented in these financial statements are those figures reported in the previous year's financial statements. In our report dated xxx, we issued a disclaimer of opinion on those financial statements as we did not observe the counting of physical inventories at 31 December 20X0, and the introduction of a new computerised accounts receivable system in September 20X0 resulted in numerous errors in accounts receivable and the directors were still in the process of rectifying the system deficiencies and correcting the errors at the date of our report. We were unable to obtain sufficient appropriate audit evidence regarding these matters by alternative means.

Since opening inventories and accounts receivable enter into the determination of the financial performance and cash flows for the current year, we were unable to determine whether adjustments might be necessary to the profit for the year ended 31 December 20X1 reported in the statement of comprehensive income and to the net cash flows from operating activities reported in the statement of cash flows. Furthermore, our opinion on the current year's financial position is qualified because of the possible effect of this matter on the comparability of the current year's financial position with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) 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 requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion on the financial position.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

## Independently reviewed financial statements

### 23. Financial statements (compliance framework and Companies Act)

Circumstances include:

- The company's public interest score is less than 100 and the financial statements are internally compiled. The intended users of the financial statements and auditor's report are, as a minimum, the shareholders, the bank and SARS
- The financial statements are prepared in accordance with a basis of accounting determined by the directors. The financial statements do not include a statement of changes in equity. The independent reviewer has determined that the basis of accounting is acceptable
- The independent reviewer has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

#### Independent Reviewer's Report

*To the Shareholders of ABC Proprietary Limited*

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation of these financial statements in accordance with the basis of accounting described in note xx and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

*Independent Reviewer's Responsibility*

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial

statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of ABC Proprietary Limited are not prepared, in all material respects, in accordance with the basis of accounting described in note xx and the requirements of the Companies Act of South Africa.

#### *Basis of Accounting*

Without modifying our conclusion, we draw attention to note xx to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the company's own accounting policies to satisfy the financial information needs of the company's shareholders. As a result, the financial statements may not be suitable for another purpose.

#### *Other Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered 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 will report that fact. We have nothing to report in this regard.

*[Independent Reviewer's signature]*

*[Name of individual reviewer]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of independent reviewer's report]*

*[Independent reviewer's address]*

## 24. Onafhanklike oorsig van finansiële jaarstate – Redelike voorstelling finansiële verslagdoeningsraamwerk

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld “3” van Deel A van SAAPS 3 (Revised November 2015)
- Die finansiële state is vir 'n algemene doel deur bestuur opgestel vir in ooreenstemming met die ‘International Financial Reporting Standard for Small and Medium-sized Entities’
- Die onafhanklike nasiener het tot die gevolgtrekking gekom dat 'n ongemodifiseerde gevolgtrekking toepaslik is grond van die bewyse wat verkry is
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie

### Onafhanklike Nasiener se Verslag

*Aan die Aandeehouers van ABC Eiendoms Beperk*

#### **Verslag oor die Finansiële State**<sup>50</sup>

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., wat bestaan uit die staat van finansiële stand soos op 31 Desember 20X1, en die staat van wins of verlies en ander omvattende inkomste, staat van veranderings in ekwiteit en staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitend 'n opsomming van beduidende rekeningkundige beleid, nagesien.

#### *Direkteure se Verantwoordelikheid vir die Finansiële State*

Die maatskappy se direkteure is verantwoordelik vir die opstel en redelike voorstelling van hierdie finansiële state ooreenkomstig die ‘International Financial Reporting Standard for Small and Medium-sized Entities’<sup>51</sup> en die vereistes van die Maatskappywet van Suid-Afrika, en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van finansiële state, wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

#### *Onafhanklike Nasiener se Verantwoordelikheid*

Dit is ons verantwoordelikheid om 'n gevolgtrekking oor hierdie finansiële state uit te spreek. Ons het ons oorsig ooreenkomstig die ‘International Standard on Review

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50 Die onderopskrif “Verslag oor die Finansiële State” is onnodig waar die tweede onderopskrif “Verslag oor Ander Regs en Regulatoriese Vereistes” nie toepaslik is nie.  
51 Mag verwys na ‘International Financial Reporting Standards’, soos toepaslik

*Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements'* (ISRE 2400 (Revised)) uitgevoer. ISRE 2400 (Revised) vereis van ons om tot 'n gevolgtrekking te kom of enigiets onder ons aandag gekom het wat ons laat glo dat die finansiële state, in geheel gesien, nie in alle wesenlike opsigte opgestel is ooreenkomstig die toepaslike finansiële verslagdoeningsraamwerk nie. Hierdie Standaard vereis ook dat ons aan relevante etiese vereistes voldoen.

'n Oorsig van finansiële state ooreenkomstig ISRE 2400 (Revised) is 'n beperkte gerusstellingsaanstelling. Die onafhanklike nasiener voer prosedures uit wat hoofsaaklik bestaan uit die rig van navrae aan bestuur en ander persone binne die entiteit, soos toepaslik, en die toepassing van analitiese prosedures, en evalueer die bewyse wat verkry is.

Die prosedures wat uitgevoer word tydens 'n oorsig is aansienlik minder as dié wat tydens 'n audit ooreenkomstig '*International Standards on Auditing*' uitgevoer word. Dienooreenkomstig spreek ons nie 'n ouditmening oor hierdie finansiële state uit nie.

#### *Gevolgtrekking*

Gebaseer op ons oorsig, het niks onder ons aandag gekom wat ons laat glo dat die finansiële state nie, in alle wesenlike opsigte, 'n redelike voorstelling is van die finansiële stand van ABC Eiendoms Beperk soos op 31 Desember 20X1 en van die maatskappy se finansiële prestasie en kontantvloei vir die jaar wat op daardie datum geëindig het, ooreenkomstig die '*International Financial Reporting Standard for Small and Medium-sized Entities*' en die vereistes van die Maatskappywet van Suid-Afrika nie.

#### *Ander Verslae wat deur die Maatskappywet Vereis word*

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteur 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 onafhanklike oorsig van die finansiële state het ons die Direkteursverslag geles, en sodoende 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, op grond van die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van die Direkteursverslag is, sal ons daardie feit rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

## **Verslag oor Ander Regs- en Regulatoriese Vereistes**

*[Die struktuur en inhoud van hierdie afdeling van die onafhanklike nasienersverslag sal afhang van die aard van die onafhanklike nasiener se ander rapporteringsverantwoordelikhede.]<sup>52</sup>*

*[Onafhanklike Nasiener se handtekening]*

*[Naam van individuele nasiener]*

*[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoof]*

Geregistreerde Ouditeur

*[Datum van nasiener se verslag]*

*[Onafhanklike nasiener se adres]*

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



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

Omstandighede sluit in:

- Hierdie verslag is 'n vertaling van voorbeeld “23” van SAAPS 3 (Revised November 2015)
- 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
- Die finansiële state is opgestel ooreenkomstig 'n rekeningkundige grondslag wat bepaal is deur die direkteure, en sluit nie 'n staat van veranderings in ekwiteit in nie. Die onafhanklike nasiener het bepaal dat die rekeningkundige grondslag aanvaarbaar is
- Die onafhanklike nasiener het tot die gevolgtrekking gekom dat 'n ongemodifiseerde gevolgtrekking toepaslik is gebaseer op bewyse wat verkry is
- Akte van oprigting maak nie voorsiening vir die aanstelling van 'n ouditkomitee of 'n maatskappysekretaris nie

### **Onafhanklike Nasiener se Verslag**

*Aan die Aandeelhouders van ABC Eiendoms Beperk*

Ons het die finansiële state van ABC Eiendoms Beperk, soos uiteengesit op bladsye ... tot ..., wat bestaan uit die staat van finansiële stand soos op 31 Desember 20X1, en die staat van wins of verlies en ander omvattende inkomste en staat van kontantvloei vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die finansiële state, insluitend 'n opsomming van beduidende rekeningkundige beleid, nagesien.

*Direkteure se Verantwoordelikheid vir die Finansiële State*

Die maatskappy se direkteure is verantwoordelik vir die opstel van hierdie finansiële state ooreenkomstig die rekeningkundige grondslag wat beskryf is in aantekening xx en die vereistes van die Maatskappywet van Suid-Afrika, om te bepaal dat die grondslag van opstelling aanvaarbaar is in die omstandighede en vir sodanige interne beheer as wat die direkteure nodig ag vir die opstel van finansiële state, wat vry is van wesenlike wanvoorstelling, hetsy weens bedrog of foute.

*Onafhanklike Nasiener se Verantwoordelikheid*

Dit is ons verantwoordelikheid om 'n gevolgtrekking oor hierdie finansiële jaarstate uit te spreek. Ons het ons oorsig ooreenkomstig die *'International Standard on Review*

*Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements'* (ISRE 2400 (Revised)) uitgevoer. ISRE 2400 (Revised) vereis van ons om tot 'n gevolgtrekking te kom of enigiets onder ons aandag gekom het wat ons laat glo dat die finansiële state, in geheel gesien, nie in alle wesenlike opsigte opgestel is ooreenkomstig die toepaslike finansiële verslagdoeningsraamwerk nie. Hierdie Standaard vereis ook dat ons aan relevante etiese vereistes voldoen.

'n Oorsig van finansiële state ooreenkomstig ISRE 2400 (Revised) is 'n beperkte gerusstellingsaanstelling. Die onafhanklike nasiener voer prosedures uit wat hoofsaaklik bestaan uit die rig van navrae aan bestuur en ander persone binne die entiteit, soos toepaslik, en die toepassing van analitiese prosedures, en evalueer die bewyse wat verkry is.

Die prosedures wat uitgevoer word tydens 'n oorsig is aansienlik minder as dié wat tydens 'n audit ooreenkomstig '*International Standards on Auditing*' uitgevoer word. Dienooreenkomstig spreek ons nie 'n ouditmening oor hierdie finansiële state uit nie.

#### *Gevolgtrekking*

Gebaseer op ons oorsig, het niks onder ons aandag gekom wat ons laat glo dat die finansiële state van ABC Eiendoms Beperk nie, in alle wesenlike opsigte, opgestel is ooreenkomstig die rekeningkundige grondslag wat beskryf is in aantekening xx, en die vereistes van die Maatskappywet van Suid-Afrika nie.

#### *Rekeningkundige Grondslag*

Sonder om ons mening te modifiseer, vestig ons die aandag op aantekening xx tot die finansiële state wat die rekeningkundige grondslag beskryf. Die finansiële state is ooreenkomstig die maatskappy se eie rekeningkundige beleid opgestel om in die maatskappy se aandeelhouders se behoeftes vir finansiële inligting te voorsien. As gevolg daarvan mag die finansiële state moontlik nie vir 'n ander doel toepaslik wees nie.

#### *Ander Verslae wat deur die Maatskappywet Vereis word*

Die algemene jaarstate sluit die Direkteursverslag soos vereis deur die Maatskappywet van Suid-Afrika in. Die direkteur 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 onafhanklike oorsig van die finansiële state het ons die Direkteursverslag gelees, en sodoende oorweeg of die Direkteursverslag wesenlik teenstrydig is met die finansiële state of ons kennis verkry gedurende die onafhanklike oorsig, of andersins blyk om wesenlik wanvoorgestel te wees. Indien ons, op grond van die werk wat ons uitgevoer het, tot die gevolgtrekking kom dat daar 'n wesenlike wanvoorstelling van die Direkteursverslag is, sal ons daardie feit rapporteer. Ons het niks om in hierdie verband te rapporteer nie.

[Onafhanklike Nasiener se handtekening]

[Naam van individuele nasiener]

[Kapasiteit indien nie 'n alleen-praktisyn bv. Direkteur of Vennoot]

Geregistreerde Ouditeur

[Datum van nasiener se verslag]

[Onafhanklike nasiener se adres]

## **26. Misstatement: Requirements of the financial reporting framework not met – qualified conclusion**

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer. Review of a complete set of financial statements
- The financial statements are prepared for a general purpose by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities
- Based on the review, inventories are misstated – the misstatement is material but not pervasive to the financial statements (i.e., a qualified conclusion is appropriate)
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

### **Independent Reviewer's Report**

*To the Shareholders of ABC Proprietary Limited*

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Independent Reviewer's Responsibility*

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial

reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

#### *Basis for Qualified Conclusion*

The company's inventories are carried in the statement of financial position at xxx. The directors have not stated the inventories at the lower of cost and net realisable value but have stated them solely at cost, which constitutes a departure from the requirements of the International Financial Reporting Standard for Small and Medium-sized Entities. The company's records indicate that, had the directors stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rxxx, and income tax, net income and shareholders' equity would have been reduced by Rxxx, Rxxx and Rxxx respectively.

#### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

#### *Other Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered 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 will report that fact. We have nothing to report in this regard.

*[Independent Reviewer's signature]*

*[Name of individual reviewer]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of independent reviewer's report]*

*[Independent reviewer's address]*

## **27. Misstatement: Non-consolidation of financial statements – adverse conclusion**

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer. Review of a complete set of financial statements
- Consolidated general purpose financial statements of a parent prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act
- The company is a parent of a major operating subsidiary and the company has not presented consolidated financial statements. The directors do not believe that they are required to prepare consolidated financial statements because they are the only users of the financial statements. The directors believe that the financial statements have been prepared in accordance with the financial reporting framework (the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)) and the requirements of the Companies Act of South Africa. The independent reviewer concludes that this is a departure from the financial reporting framework (IFRS for SMEs) and from the requirements of the Companies Act of South Africa as IFRS for SMEs requires the presentation of consolidated financial statements. This is considered material and pervasive to the financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion is appropriate)
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary

### **Independent Reviewer's Report**

*To the Shareholders of ABC Proprietary Limited*

We have reviewed the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial

statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Independent Reviewer's Responsibility*

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

#### *Basis for Adverse Conclusion*

As explained in note x to the financial statements, the company has not consolidated the financial statements of its only subsidiary, XYZ Proprietary Limited, acquired during the year because it has not been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is accounted for on a cost basis in the company's financial statements. Under the International Financial Reporting Standard for Small and Medium-sized Entities, the subsidiary should have been consolidated because it is controlled by the company. Had XYZ Proprietary Limited been consolidated, many elements in the accompanying financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

#### *Adverse Conclusion*

Based on our review, due to the significance of the matter discussed in the Basis for Adverse Conclusion paragraph, we conclude that these financial statements do not present fairly the financial position of ABC Proprietary Limited as at 31 December 20X1, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.



*Other Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors' Report. Our conclusion on the financial statements does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our independent review of the financial statements, we have read the Directors' Report and, in doing so, considered 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 will report that fact. We have nothing to report in this regard.

*[Independent Reviewer's signature]*

*[Name of individual reviewer]*

*[Capacity if not a sole practitioner: e.g. Director or Partner]*

Registered Auditor

*[Date of independent reviewer's report]*

*[Independent reviewer's address]*

## **28. Inability to obtain sufficient appropriate evidence – Disclaimer of conclusion**

Circumstances include:

- A company that requires an independent review in accordance with the Companies Act. Report prepared in accordance with ISRE 2400 (Revised). A firm that is a Registered Auditor is the appointed independent reviewer
- Review of a complete set of financial statements
- Memorandum of Incorporation does not provide for the appointment of an audit committee and a company secretary
- Review of a complete set of general purpose financial statements prepared by management of the entity in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities
- The independent reviewer was unable to obtain sufficient appropriate evidence about multiple elements of the financial statements – the effect of this inability to obtain sufficient appropriate evidence is that the practitioner is unable to complete the review (i.e., a disclaimer of conclusion is appropriate)

### **Independent Reviewer's Report**

*To the Shareholders of ABC Proprietary Limited*

We were engaged to review the financial statements of ABC Proprietary Limited set out on pages ... to ..., which comprise the statement of financial position as at 31 December 20X1 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Independent Reviewer's Responsibility*

Our responsibility is to express a conclusion on these financial statements. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a

conclusion on the financial statements.

*Basis for Disclaimer of Conclusion*

The directors did not conduct a count of physical inventory on hand at the end of the year. We were unable to satisfy ourselves concerning the inventory quantities held at 31 December 20X1, which are stated in the statement of financial position at 31 December 20X1.

In addition, the introduction of a new computerised accounts receivable system in September 20X1 resulted in a numerous errors in accounts receivable and inventory. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows.

*Disclaimer of Conclusion*

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on these financial statements. Accordingly, we do not express a conclusion on these financial statements.

*Other Matter – Reports Required by the Companies Act*

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for Directors' Report.

We have read the Directors' Report and, in doing so, considered whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the independent review, or otherwise appears to be materially misstated. However, due to the disclaimer of conclusion in terms of the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*, we are unable to report further on the Directors' Report.

[Independent Reviewer's signature]

[Name of individual reviewer]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of independent reviewer's report]

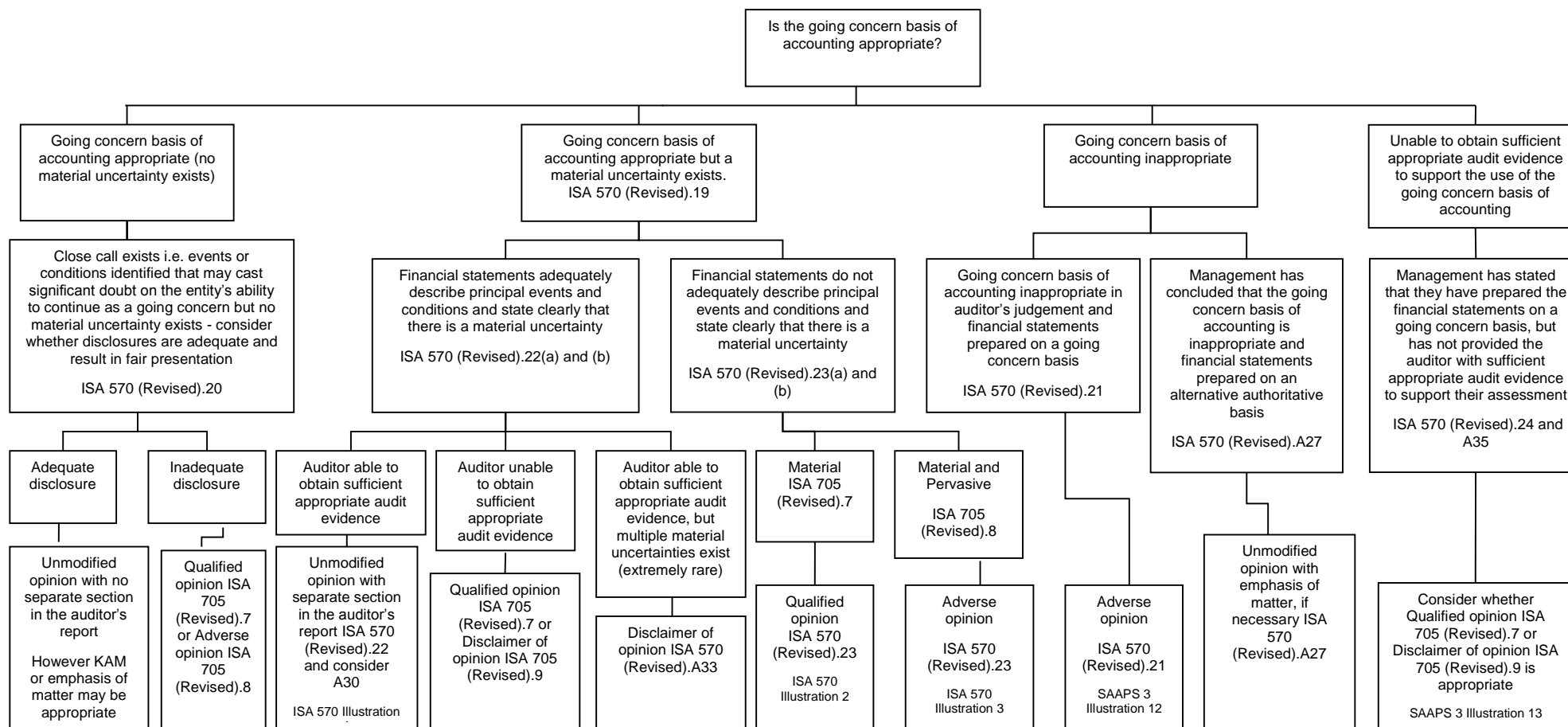
[Independent reviewer's address]

## Appendix I

### ***Linking Going Concern Considerations with Types of Audit Opinions***

The *Going Concern Decision Tree* diagram serves to illustrate the principles and guidance provided in ISA 570 (Revised), *Going Concern*, regarding the audit conclusions and reporting in circumstances concerning the going concern basis of accounting where a material uncertainty exists. Auditors are encouraged to consider this decision tree in light of the guidance provided in ISA 570 (Revised), paragraphs 17 to 24.

Going Concern Decision Tree



**Going concern basis of accounting:** The financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. (ISA 570 (Revised).2).

**Material uncertainty:** Exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements; or (b) In the case of a compliance framework, the financial statements not to be misleading.

