



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

16 May 2013

Dear Ms van Esch

**Subject: Proposed South African Auditing Practice Statement (SAAPS) 6 (Revised)
*External Confirmations from Financial Institutions***

We appreciate the opportunity to provide comments on the Committee for Auditing Standards (CFAS)' Proposed SAAPS 6 (Revised). The document contains useful implementation guidance to auditors regarding their use of external confirmation procedures to obtain audit evidence from financial institutions in accordance with the requirements of International Standard on Auditing 505 *External Confirmations*.

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

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Michiel Engelbrecht (011 797 4421) or Leon Kies (011 797 5370).

Yours sincerely,

Michiel Engelbrecht
michiel.engelbrecht@za.pwc.com
T: +27 (11) 797 4421
F: +27 (11) 209 4421

*PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za*

Africa Senior Partner: S P Kana
Management Committee: H Boegman, T P Blandin de Chalain, B M Deegan, J G Louw, P J Mothibe, N V Mtetwa, T D Shango, S Subramoney, A R Tilakdari, F Tonelli
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Request for specific comments

- 1. Respondents are requested to indicate whether they find the illustrative, alternative audit procedures, in paragraphs 15 to 17, provide useful guidance when evaluating the completeness of accounts maintained by an entity and when obtaining sufficient appropriate audit evidence from various financial institutions? “Yes / No”**

a) If your answer is “Yes”, do you believe that sufficient guidance is provided; or

b) If your answer is “No”, please explain what additional procedures you believe should be included, or whether you believe the guidance in paragraphs 15 to 17 should be removed?

Yes. In our view sufficient guidance has been provided in this regard.

- 2. Do respondents believe sufficient guidance has been provided regarding the electronic external confirmation process? “Yes / No”**

If “No”, please explain what additional guidance is needed.

Yes. In our view sufficient guidance has been provided in this regard.

- 3. The Illustrative external confirmation requests in Appendix A include nine different categories of Form Types relating to a variety of account balances and financial instruments of an entity, that an auditor is most likely to encounter and wish to seek external confirmation about.**

Flexibility is introduced for an auditor to select only those form types relevant to the audit client’s accounts and financial information, for which external confirmation is sought.

Respondents are requested to indicate whether:

a) They find the format and coverage of the nine form types is sufficiently comprehensive and useful? “Yes / No”

b) If “No”, please explain what additional categories you encounter and find useful to add.

Yes. We do however believe that Form Type 9 (Authorised Transactors / Signatory List) will likely be relevant in most instances where it is decided to request external confirmations, and it may be useful for the document to state such.



4. **The external confirmation request forms accommodate both manual and electronic external confirmation requests.**

a) **Respondents are requested to indicate whether they believe the standardisation will facilitate a more efficient and effective means to obtain both manual and electronic confirmation certificates from financial institutions, more promptly. “Yes / No”**

b) **If “No”, please indicate why not.**

Yes.

5. **The financial securities included in the “Securities Form Type” in the external confirmation forms in Appendix A are broadly categorised as follows:**

- **Debt securities (debt securities may be called debentures, bonds, deposits, notes or commercial paper depending on their maturity and certain other characteristics);**
- **Equity securities, e.g. common stocks (“safe custody assets”); and**
- **Hybrid securities e.g. preference shares (combination of the characteristics of both debt and equity securities).**

a) **Do respondents agree with this broad categorisation? “Yes / No”**

b) **If No, please suggest an alternative categorisation.**

Yes.

6. **The Derivatives Form Type includes a Table for FEC information to be populated by the auditor requesting the external confirmation, but an option is provided for a financial institution to attach their systems generated portfolio of trade / open positions of the entity’s FECs?**

a) **Do respondents believe the Table for FEC information is clear and should be retained in the Derivatives Form Type? “Yes / No”**

b) **If “No”, please provide an alternative request format, for example: the financial institution is requested to provide a print-out of the entity’s “portfolio of trade / open positions”.**

Yes.



7. Please indicate category of respondent with an “X” in the table below:

Audit firms:	
• Large;	X
• Medium sized firm;	
• Small firm;	
• Academic;	
Other (insert details below):	



Other comments

Paragraph 3

To give effect thereto that this non-authoritative pronouncement simply provides guidance to registered auditors and does not introduce new requirements, we suggest removing the effective date.

Paragraph 6 and Appendix A – “*Depending on an auditor’s risk assessment, determining whether the external confirmation certificate is needed on additional information such as trade finance transactions and balance (for example letters of credit, bills, etc.)*”

Guidance to assist the auditor in determining what “additional information” may be needed would be useful, particularly with regards to initial audit engagements.

Paragraph 25 – Public sector perspective

The current wording of the paragraph could incorrectly be interpreted as meaning that the guidance in SAAPS 6 (Revised) only applies to external confirmation requests sought in an audit of financial statement in the public sector.

We suggest the following amendment: “...the guidance in this SAAPS also applies to...”.