
INDEPENDENT REGULATORY BOARD FOR AUDITORS

Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements

Johannesburg / 07 July 2022

The Independent Regulatory Board for Auditors (IRBA) has approved the release of the [Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements](#) (the proposed IRBA Rule), for public comment. The Proposed IRBA Rule is published with an Explanatory Memorandum.

The proposed IRBA Rule was informed by consultations with internal and external stakeholders as well as the input of the IRBA's Committee for Auditing Standards.

Proposed IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements

1. For all audits of annual financial statements, the audit firm shall disclose in the independent auditor's report:
 - a. The materiality applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit.
 - b. How the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.
 - c. Audit procedures specific to the auditor's response to the material uncertainty related to going concern, where relevant.
 - d. The following matters, where the disclosure has not been made by the preparer in the annual financial statements or the annual report:
 - i. Fees paid or payable to the firm and network firms for the audit of the financial statements on which the firm expresses an opinion.
 - ii. Fees, other than those disclosed under (d)(i), charged to the client for the provision of services by the firm or a network firm during the period covered by the financial statements on which the firm expresses an opinion. For this purpose, such fees shall only include fees charged to the client and its related entities over which the client has direct or indirect control that are consolidated in the financial statements on which the firm will express an opinion.
 - iii. Any fees, other than those disclosed under (d)(i) and (ii), charged to any other related entities over which the audit client has direct or indirect control for the provision of services by the firm or a network firm, when the firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence.
 - iv. If applicable, the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose.

2. For the audit of all Public Interest Entities as defined in the IRBA Code, the audit firm, shall disclose in the independent auditor's report:
 - a. Additional disclosures in the auditor's report about the scope of the audit in the context of group audits.
 - b. The communication of Key Audit Matters, as defined in International Standard on Auditing 701, *Communicating Key Audit Matters in the Independent Auditor's Report* (ISA 701).
3. Where the auditor has communicated Key Audit Matters, as defined in ISA 701, the outcome of audit procedures or key observations with respect to Key Audit Matters shall be disclosed in the independent auditor's report.

Proposed Effective Date

Depending on the comments received, the IRBA recommends that the proposed IRBA Rule be effective at least 12 months (one year) after the IRBA Board's prescription and/or publication of the Rule.

Request for Comments

The IRBA welcomes comments from auditors and other interested parties on all matters addressed in the proposed IRBA Rule. It also seeks responses to the three questions that are set out in the Explanatory Memorandum section.

Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by the 5th of October 2022.

The Exposure Draft is available in a PDF format and may be downloaded from the [IRBA website](#).

Should you have any further queries, please do not hesitate to contact the Standards Department by emailing standards@irba.co.za.

Imran Vanker

Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

