



Mr Imran Vanker
Director: Standards
The Independent Regulatory Board for Auditors

Email: standards@irba.co.za

30 November 2023

Dear Mr Vanker

Comment on the Proposed Amendments to the South African Auditing Practice Statement (SAAPS) 3 (Revised) Illustrative Reports

We appreciate the opportunity to comment on the Committee for Auditor Standards' (CFAS) Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised) Illustrative Reports (the "Proposed Amendments"). This response summarises the views of PricewaterhouseCoopers Incorporated.

We have provided our views on the matters on which comments were specifically requested.

If you would like to discuss our comments further, please do not hesitate to contact Natalie Terblanche on (011) 797 5723 or Mohammed Adam on (011) 797 4837.

Yours sincerely,

Natalie Terblanche

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Director

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COMMENTS ON PROPOSED AMENDMENTS

1. Do you agree with the proposed amendments to illustrative report 1 and illustrative report 3 in Part A?

We are in agreement with the proposed amendments to the illustrative reports 1 and 3 in Part A of the Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised) Exposure draft, subject to the additional considerations set out below:

Page number	Illustrative report number	Comments
18	1	<p>We propose the inclusion of the following sentence to the third bullet point in the table to ensure alignment with the EAR Rule:</p> <ul style="list-style-type: none"> Based on the audit evidence obtained, the auditor has concluded that 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. <u>Adequate disclosure of the material uncertainty has been made in the financial statements.</u>
19	1	<p>The last bullet in the table makes reference to illustrative audit report 6 which does not apply to an auditors report on separate financial statements. Should this bullet not refer to illustrative example 5?</p>
19	1	<p>^{N16} includes the Government Gazette Number. We therefore propose that the following amendment be made to refer to the Government Gazette Number:</p> <p><i>In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 475XX dated 15 September 2023XX (EAR Rule) ^[N16], we report:</i></p>
20	1	<p>We propose the following amendment to provide clarity that 'Final materiality' in the context of this illustrative example refers to the final materiality applied to the audit of the consolidated financial statements:</p> <p><i>[Insert the final materiality amount determined by the auditor for the consolidated financial statements as a whole and an explanation of significant judgements made by the auditor in determining this materiality.]</i></p>
20	1	<p>We propose the following amendment to the 'Group Audit Scope' section to provide additional clarity as to the extent of disclosures to be made:</p> <p><i>[Insert a description of the scope of the audit of the group financial statements, as defined in the ISA 600 (Revised) and any significant</i></p>



		<i>judgements applied in this determination.]</i>
20	1	<p>We propose the following amendment to align with the wording used in the EAR Rule:</p> <p><i>In terms of the EAR Rule^[N16], we <u>have evaluated</u> set out below our evaluation of management's assessment of the entity's ability to continue as a going concern <u>as follows</u>:</i></p> <p><i>[Insert a description of how the auditor <u>has</u> evaluated management's assessment of the entity's ability to continue as a going concern].</i></p>
20	1	<p>We propose the following amendments to the 'Key Audit Matters; section:</p> <p>In terms of the EAR Rule^[N16] , we are required to report the outcome of audit procedures or key observations with respect to the Key Audit Matters and these are included below.</p> <p><i>[Insert a dDescription of each key audit matter, how the matter was addressed in accordance with ISA 701 and <u>the outcomes of audit procedures, or key observations as permitted by ISA 701 and required by the EAR Rule^[N16] .]</u></i></p>
23	3	<p>For a number of illustrative reports included in Part A and Part B, we note that the first bullet in the circumstances block states that the report applies to an audit of a company that is not a PIE, in terms of the Companies Act of South Africa. A company's PIE status would be determined with reference to the IRBA Code. We therefore propose that this be amended to refer to 'PIE as defined in the IRBA Code'. Alternatively, consider using the approach adopted in illustrative example 1 and 11.</p> <p>In addition we note that many of the illustrative reports do not make reference to ISA 600 (Revised). This would need to be updated accordingly.</p>



2. Do you agree with the new illustrative report 2 in Part A?

We are in agreement with new illustrative report subject to the following considerations set out below:

Page number	Illustrative report number	Comments
23	2	<p>As it relates to the first bullet, we note that the report applies to an unlisted public company that is a PIE in terms of the Companies Act. A company's PIE status would be determined with reference to the IRBA Code. Therefore we would propose the following amendment to this bullet:</p> <ul style="list-style-type: none"> <p><i>Audit of a complete set of consolidated and separate financial statements of an unlisted public company that is a PIE, in terms of the <u>Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors</u>Companies Act of South Africa, using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies) ^[N13] The consolidated and separate financial statements are presented together in the entity's annual financial statements report (four column format).</i></p>
25	2	<p>As it relates to the disclosure of 'Final Materiality', clarification is needed as to whether this represents the final materiality applied to both the consolidated and separate financial statements. If this was the intention, we then propose the following amendment to provide this clarity:</p> <p><i>[Insert the final materiality amount determined by the auditor for the consolidated and separate financial statements as a whole and an explanation of significant judgements made by the auditor in determining this materiality.]</i></p>

3. Do you support the proposal to delete illustrative report 4, the Auditor-General of South Africa's (AGSA's) Report on a Complete Set of General Purpose Financial Statements, in Part A of extant Updated SAAPS 3 (Revised May 2019)?

We are in agreement with the deletion of illustrative report 4, the Auditor-General of South Africa's (AGSA's) Report on a Complete Set of General Purpose Financial Statements, in Part A of extant Updated SAAPS 3 (Revised).



4. Are the proposed amendments to the Notes in Part A sufficiently clear and comprehensive?

We are in agreement with the proposed amendments to the notes in Part A subject to the following considerations:

<p>Amendments to Note 7</p>	<p>i) We propose the following amendment be made to align with ISA 701 requirements:</p> <p>Law or regulation may require communication of the key audit matters for audits of entities other than listed entities, for example, the EAR Rule [N16] that extends the requirement to communicate key audit matters <i>in audit reports of</i> PIEs.</p> <p>Auditors should remain alert to the possibility of other legal or regulatory requirements to report key audit matters. The auditor may also voluntarily decide to communicate key audit matters for entities other than listed entities and entities for which law and regulation may prescribe the communication of key audit matters and public interest entities.</p> <p>ii) Should Note 7 incorporate the 'Public sector perspective' if the AGSA illustrative report no longer forms part of SAAPS 3?</p>
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5. Do you agree with the approach to only include introductory wording of the enhanced auditor reporting requirements?

We acknowledge that the inclusion of illustrative wording for the enhanced auditor reporting requirements could become prescriptive in practice. However, we do believe that the inclusion of the illustrative wording could provide helpful guidance to registered auditors in achieving the objectives for the EAR Rule. While the non-inclusion of illustrative wording does create flexibility in application, the EAR Rule is a new concept to the South African market and registered auditors would benefit from seeing an illustration of how the application can be adopted.

While the IRBA Staff Practice Alert 9 includes examples of the EAR disclosures from published audit reports issued globally, there is a risk that these examples become the prescriptive disclosures that auditors become accustomed to in applying the EAR Rule.



6. Do you agree with the proposed amendments to the relevant illustrative reports in Part B?

We are in agreement with the proposed amendments to the illustrative reports in Part B, subject to the additional considerations set out below:

Illustrative Report number	Page number	Comments
All		See comment in question 1 above relating to illustrative report 3.
5	50	<p>As it relates to the first bullet in the circumstances block, we note that the report applies to an audit of a complete set of separate financial statements of a listed company that is a PIE in terms of the Companies Act of South Africa. A company's PIE status would be determined with reference to the IRBA Code. Therefore we would propose the following amendment to this bullet:</p> <ul style="list-style-type: none"> <i>Audit of a complete set of separate financial statements of a listed company that is a PIE, in terms of the <u>Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors Companies Act of South Africa</u> and prepared in accordance with a fair presentation framework. The audit of the separate financial statements is not a group audit (i.e. ISA 600 (Revised) does not apply). Consolidated financial statements are prepared separately for the listed entity. The consolidated financial statements are presented in the entity's integrated report. The auditor's reports on both the separate and consolidated financial statements are signed on the same day.</i> <p>Alternatively, align with illustrative 11.</p>
5	50	We note that the 'entity' in the first bullet was replaced with 'company'. We therefore propose that the remaining bullets are updated to ensure consistency.
5	48	<p>^{N16} includes the Government Gazette Number. We therefore propose that the following amendment be made to refer to the Government Gazette Number:</p> <p>In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 475XX dated 15 September 2023XX (EAR Rule) ^[N16], we report:</p>
5	52	We propose the following amendment to provide clarity that 'Final materiality' in the context of this illustrative example refers to the final materiality applied to the audit of the separate financial statements:



		<p><i>[Insert the final materiality amount determined by the auditor for the <u>separate</u> financial statements as a whole and an explanation of significant judgements made by the auditor in determining this materiality.]</i></p>
5	52	<p>We propose the following amendment to align with the wording used in the EAR Rule:</p> <p>In terms of the EAR Rule, we have evaluated set out below our evaluation of management’s assessment of the entity’s ability to continue as a going concern <u>as follows</u>:</p> <p><i>[Insert a description of how the auditor <u>has</u> evaluated management’s assessment of the entity’s ability to continue as a going concern].</i></p>
5	52	<p>We propose the following amendments to the ‘Key Audit Matters; section:</p> <p>In terms of the EAR Rule , we are required to report the outcome of audit procedures or key observations with respect to the Key Audit Matters and these are included below.</p> <p><i>[Insert a dDescription of each key audit matter, how the matter was addressed in accordance with ISA 701 and <u>the outcomes of audit procedures</u>, or key observations as permitted by ISA 701 and required by the EAR Rule.]</i></p>
5	54	<p>^{N16} includes the Government Gazette Number. We therefore propose that the following amendment be made to refer to the Government Gazette Number:</p> <p>In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 475XXdated <u>15 September 2023XX</u> (EAR Rule) ^[N16] , we report:</p>
11	76	<p>We propose the following amendment to provide clarity that ‘Final materiality’ in the context of this illustrative example refers to the final materiality applied to the audit of the consolidated and separate financial statements:</p> <p><i>[Insert the final materiality amount determined by the auditor for the <u>consolidated and separate</u> financial statements as a whole and an explanation of significant judgements made by the auditor in determining this materiality.]</i></p>
11	76	<p>We propose the following amendment to the ‘Group Audit Scope’ section to provide additional clarity as to the extent of disclosures to be</p>



		<p>made:</p> <p><i>[Insert a description of tThe scope of the audit of the group financial statements, as defined in the ISA 600 (Revised) and any significant judgements applied in this determination.]</i></p>
11	77	<p>We propose the following amendments to the ‘Key Audit Matters; section:</p> <p>In terms of the EAR Rule , we are required to report the outcome of audit procedures or key observations with respect to the Key Audit Matters and these are included below.</p> <p><i>[Insert a dDescription of each key audit matter, how the matter was addressed in accordance with ISA 701 and the outcomes of audit procedures, or key observations as permitted by ISA 701 and required by the EAR Rule.]</i></p>
11	79	<p>As it relates to the ‘Report on Other Legal and Regulatory Requirements’ section, we note the following narrative included in illustrative example 5. Should this narrative not be included in illustrative example 11 to ensure consistency?</p> <p><i>[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.]</i></p>



7. Are the illustrations in Parts A and B of the SAAPS complete, or is there a scenario that needs to be added? Please motivate why adding such an illustration will be beneficial.

We note that illustrative report 5 applies to separate financial statements of a listed company where ISA 600 (Revised) does not apply. A suggestion would be to include an illustrative report for a scenario where ISA 600 (Revised) could apply especially in instances where there is an aggregation of financial information in determining the amounts recognised in the separate financial statements.

8. Do you agree with the proposed effective date of SAAPS 3 (Revised)?

We are in agreement with the effective date as it aligns to the effective date of the EAR Rule. It is worth noting that the revisions to the definitions of listed entity and public interest entity in the IRBA Code are effective for audits of financial statements for periods beginning on or after 15 December 2024, with early adoption permitted.

The Proposed Amendments to SAAPS 3 (Revised) do not incorporate these revisions to the IRBA Code (for example, it still includes references to 'listed companies' which should be replaced with 'publicly traded entities'). We would suggest that SAAPS 3 (Revised) incorporate amendments to cater for those entities that will early adopted the revisions to the IRBA Code.