

Reference #: 775205

30 November 2023

The Director Standards  
Independent Regulatory Board for Auditors (IRBA)  
PO Box 8237  
Greenstone, 1616  
South Africa

By e-mail: [standards@irba.co.za](mailto:standards@irba.co.za)

Dear Imran,

**Comments on Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised), *Illustrative Reports***

The South African Institute of Chartered Accountants (SAICA) appreciates the opportunity to comment on the proposed SAAPS 3 (Revised).

We solicited comments on the proposed SAAPS 3 (Revised) from members of our Assurance Guidance Committee (AGC), whose responses informed our submission. The AGC approved this comment letter.

We agree with the proposals in the exposure draft. Other than the editorial comments noted, we have no further comments on the proposed SAAPS.

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Thandokuhle Myoli ([thandokuhlem@saica.co.za](mailto:thandokuhlem@saica.co.za)) or Annerie Pretorius ([AnnerieP@saica.co.za](mailto:AnnerieP@saica.co.za)).

Kind regards



Thandokuhle Myoli

Executive: Audit and Assurance  
The South African Institute of Chartered Accountants

## Editorial comment

### Reference to the Government Gazette number in the illustrative reports

1. The illustrative reports in Part A and Part B (where the assumed circumstances indicate that the EAR Rule applies) contain the following:

*“Basis for Opinion*

...

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 XX dated XX (EAR Rule), we report: ”

2. We acknowledge that Note N16 of the *Notes to the Illustrative Reports in Part A* contains the Government Gazette number and publication date of the EAR Rule.
3. However, to facilitate the application of the illustrative reports, we suggest that the Government Gazette details in the illustrative reports should not be tailorable, and should be drafted as follows:

“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 49309 dated 15 September 2023 (EAR Rule), we report:”

### Public Sector Perspective

4. We agree with removing the illustrative Auditor-General of South Africa (AGSA) report from SAAPS 3.
5. We, however, noted that the *Notes to the Illustrative Reports in Part A* still contain explanations that discuss the “Public Sector Perspective”. Our understanding is that these explanations pertain to the application of the AGSA illustrative report. We therefore propose the deletion of the “Public Sector Perspective” paragraphs.

### References to ISA 600 in the circumstances blocks in the Part B reports

6. We noted that the circumstances blocks in the Part B illustrative reports refer to “ISA 600”. We suggest that all such references should be to “ISA 600 (Revised)”.

### Clarifying the materiality amount(s) to be disclosed where consolidated and separate financial statements are prepared

7. Our understanding of the EAR Rule is that the materiality amount should be disclosed for all the financial statements covered by the auditor’s report. If our understanding is correct, materiality for both the consolidated and separate financial statements would need to be disclosed in circumstances where the auditor’s report covers the consolidated and the separate financial statements.

8. In circumstances where an entity prepares consolidated and separate financial statements, but the particular illustrative auditor's report only covers either the separate financial statements or the consolidated financial statements, we suggest that the illustrative reports should clarify the materiality amount that should be disclosed in the particular circumstances.
9. We provide proposed wording for some of the affected illustrative reports:

**Illustrative report A.1** - Auditor's report is issued on consolidated financial statements (only)

"Final Materiality

[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 amount.]"

**Illustrative reports A.2 and B.11**– Auditor's report is issued on consolidated and separate financial statements

"Final Materiality

[Insert the final materiality amounts determined by the auditor for both the consolidated and separate financial statements as a whole and an explanation of significant judgements made by the auditor in determining ~~this~~ these materiality amounts.]"

**Illustrative Report B.5** – Auditor's report is issued on the separate financial statements (only)

"Final Materiality

[Insert the final materiality amount determined by the auditor for the separate financial statements as a whole and an explanation of significant judgements made by the auditor in determining this materiality amount.]"

**Clarification of the assumed circumstances regarding the illustrative reports: PIE as defined in the IRBA Code and public company in terms of the Companies Act**

10. The first bullet in the circumstances blocks of the illustrative reports appear to indicate, amongst others, whether or not i) the company is a PIE as defined in the IRBA Code, ii) the company is a public company in terms of the Companies Act of South Africa and iii) the company is listed. We provide examples of how the articulation of this bullet may be improved. This matter affects all the illustrative auditor's reports.

**Illustrative report A.1:**

"Circumstances include:

- Audit of a complete set of consolidated financial statements of a public company in terms of the Companies Act of South Africa that is a listed company (which is a PIE as defined in the IRBA Code) in terms of the Companies Act of South Africa, using a fair presentation framework. The company is a PIE as defined in the IRBA Code. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies) <sup>[N13]</sup>. The consolidated financial statements are presented in the entity's integrated report. Separate financial statements are also prepared for the listed entity but have not been included in the entity's integrated report. The auditor's reports on both the consolidated and separate financial statements are signed on the same day."

### Illustrative report A.2:

“Circumstances include:

- Audit of a complete set of consolidated and separate financial statements of ~~an unlisted~~ a public company ~~that is a PIE~~, in terms of the Companies Act of South Africa, ~~that is not listed~~, using a fair presentation framework. The company is a PIE as defined in the IRBA Code. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies) <sup>[N13]</sup> The consolidated and separate financial statements are presented together in the entity’s annual financial statements report (four column format).”

### Illustrative report A.3:

“Circumstances include:

- Audit of a complete set of financial statements of a private company ~~that is not a PIE~~ in terms of the Companies Act of South Africa, using a fair presentation framework. The company is not a PIE as defined in the IRBA Code. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply). <sup>[N13]</sup>”

## References to the applicable entity regarding going concern disclosure

11. We suggest the following additional changes to **illustrative report A.1** (the auditor’s report is issued on the consolidated financial statements only) to clarify the application of the EAR Rule:

“Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial statements, which indicates that the group incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the group exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In terms of the EAR Rule<sup>[N16]</sup>, we set out below our evaluation of management’s assessment of the ~~entity’s~~ group’s ability to continue as a going concern:

[Insert a description of how the auditor evaluated management’s assessment of the ~~entity’s~~ group’s ability to continue as a going concern].”

12. We suggest the following additional changes to **illustrative report B.5** (the auditor’s report is issued on the separate financial statements only) regarding going concern disclosure.

“Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial statements, which indicates that the ~~group~~ group company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the ~~group~~ group company exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the ~~group’s~~ group company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In terms of the EAR Rule, we set out below our evaluation of management's assessment of the ~~entity's~~ company's ability to continue as a going concern:

[Insert a description of how the auditor evaluated management's assessment of the ~~entity's~~ company's ability to continue as a going concern].