

BOARD NOTICES • RAADSKENNISGEWINGS

BOARD NOTICE 475 OF 2023



BOARD NOTICE

IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities

In accordance with Section 10 of the Auditing Profession Act No. 26 of 2005, as amended (the Act), the Independent Regulatory Board for Auditors (IRBA) may, by notice in the Government Gazette, prescribe rules with regard to any matter that is required or permitted to be prescribed in terms of the Act. The IRBA hereby prescribes the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities (The EAR Rule).

THE EAR RULE¹

For audits of annual financial statements of public interest entities, as defined in the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023), as amended (IRBA Code), the audit firm shall disclose in the independent auditor's report:

- a. The final materiality amount determined by the auditor for the financial statements as a whole². The auditor shall also disclose an explanation of significant judgements made by the auditor in determining this materiality.
- b. The scope of the audit of group financial statements, as defined in the International Standard on Auditing (ISA) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, and any significant judgements applied in this determination.
- c. A description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern, where the auditor, in accordance with ISA 570 (Revised) *Going Concern*, has concluded that the going concern assumption is appropriate, but a material uncertainty exists related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern and adequate disclosure about the material uncertainty is made in the financial statements.
- d. Key Audit Matters (KAMs), as defined in and in accordance with ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, and the outcome of audit procedures or key observations with respect to the KAMs.
- e. Where the disclosure has not been made by the preparer in the annual financial statements or the annual report, the following fee-related matters³:
 - 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 (e)(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 (e)(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.

Effective Date

This IRBA Rule is effective for audits of financial statements for periods ending on or after 15 December 2024. Early adoption is permitted.

Notes

- ¹ This IRBA Rule should be considered in the context of the ISAs.
- ² Paragraph 10 of ISA 450, *Evaluation of Misstatements Identified During the Audit*, requires the auditor to reassess materiality for the financial statements determined in accordance with ISA 320, to confirm whether it remains appropriate in the context of the entity's actual financial results. The materiality to be disclosed should be the materiality for the financial statements as a whole.
- ³ This IRBA Rule is in alignment with R410.31 of the IRBA Code. The exception in R410.32 will apply, where applicable.

Should you have any queries, kindly direct those to Mr I Vanker, Director Standards by emailing IVanker@irba.co.za. Alternatively, please email standards@irba.co.za.

Mr I Nagy

Chief Executive Officer