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Mr. I Vanker
The Director – Standards
Independent Regulatory Board for Auditors
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Dear Imran

Comments on the proposed South African Auditing Practice Statement Illustrative Reports - SAAPS 3 (Revised)

We are pleased and appreciate the opportunity to comment on the proposed SAAPS 3 (Revised). Below are our responses to the specific comments requested and as well as our general comments:



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

We agree in principle with the proposed amendments to illustrative report 1 and 3 in Part A, however, please refer to the general comments section below for considerations raised that would impact all reports in SAAPs 3 (Revised).

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

We agree in principle with the new illustrative report 2 in Part A.

However would like to highlight the below suggestion:

The report is that of an unlisted public company that is a PIE however, under the “Key Audit Matters” section of the auditor’s report, the following sentence is included:

“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”.

We believe that it would be more appropriate for the above wording to be expanded for this example to say, *“In accordance with the EAR Rule, **we are required to report key audit matters**, and report the outcome of audit procedures or key observations with respect to the Key Audit Matters and these are included below.”*. This is because an unlisted PIE would not typically include Key Audit Matters in accordance with ISA 701, *Communicating Key Audit Matters in the Auditor’s Report* and as a result the inclusion of key audit matters in this example is specifically as a result of the EAR Rule.

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)?

Yes, we support the deletion of illustrative report 4, as it is no longer aligned with the AG reporting prescriptions.

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

Yes, however, we propose that the IRBA should consider updating references to “International Financial Reporting Standards” to IFRS Accounting Standards (taking out “International Financial Reporting Standards as issued by the International Accounting Standards Board”), as a result of IFRS being trademark and the Sustainability standards being released as well.



5. Do you agree with the approach to only include introductory wording of the enhanced auditor reporting requirements?

Yes, we agree with the approach to only include introductory wording of the enhanced auditor reporting requirements.

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

We would like to request that a version with tracked changes be made available so that we are able to see exactly what has changed. We also believe that the examples should be clearly split between those that relate to PIE's and those that relate to non-PIE's.

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.

Yes, we believe the illustrations in Parts A and B of the SAAPS are complete and cover possible scenarios which are not included in the illustrative examples provided by the International Standards on Auditing (ISAs).

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

Yes, we agree with the proposed effective date for audits or independent reviews of financial statements for periods ending on or after 15 December 2024, with early adoption permitted.

General comments:

Listed below are other comments and suggestions that came out of our review of the proposed SAAPS 3 (Revised). These are as follows:

- i) All the examples in the EAR guidance for Materiality includes comparatives. However, the EAR rule states that it's not a requirement to include comparatives. We agree with it not being a requirement as we are only expressing an opinion on the current year amounts. Will it be expected that for materiality disclosures in the auditor's report comparatives are included?



- ii) The EAR rule and SAAPS 3 are effective for the same period as ISA 600 (Revised), however the examples provided for the ISA 600 (Revised) group audit scope are for the currently effective ISA 600 which would not be applicable for the new standard, will new example wording be provided to align to ISA 600 (Revised) that would be more useful to auditors to apply this requirement?
- iii) References to the “Companies Act” should be updated to “Companies Act of South Africa” in SAAPS 3 (Revised).
- iv) A footnote should be included in the Part A illustrative reports, which makes clear that the names of the financial statements in the audit report should be aligned to the titles of those statements included in the actual financial statements of the specific client. For example, the audit report should not call a “statement of financial position” when the financial statements refer to it as a “balance sheet”. We have had debates about this with other audit firms and some of them believe because SAAPS 3 calls these statements as such they cannot diverge. The same applies to the information referred to in the "Other information" paragraph, it must be aligned to the actual names used in the annual financial statements.
- v) We believe that the key audit matter introductory paragraph should be updated to say *“Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters”*. We believe this will provide better context of what key audit matters are.
- vi) The IRBA should consider updating the Basis for Opinion paragraph for the International Auditing and Assurance Standards Board (IAASB)’s enhanced reporting requirement on the International Ethics Standards Board for Accountants (IESBA) code that now requires firms to publicly disclose when a firm has applied the independence requirements for *public interest entities* in an audit of the financial statements of an entity (effective for audits of financial statements for periods beginning on or after December 15, 2024).



- vii) The IRBA should consider updating the Opinion paragraph for the change in IAS 1 paragraph 10(e). IAS 1 paragraph 10(e) reads “notes, comprising material accounting policy information and other explanatory information” and the Opinion paragraph in SAAPS 3 (Revised) currently reads “and notes to the (consolidated) financial statements, including material accounting policy information”.
- viii) In terms of the EAR rule the auditor is now required to report/describe how they evaluated management’s assessment of the entity’s ability to continue as a going concern. We believe that more guidance should be given on how the auditor should document the outcome of their evaluation of management’s assessment of the entity’s ability to continue as a going concern.

In addition, we have also attached a word version of editorial comments on the proposed SAAPs 3 (Revised) which should be considered in the updates.

We would like to take the opportunity to thank the IRBA and the task group members for the proposed SAAPS 3 (Revised).

Please contact Fatima Khan on +27796920587 if you wish to discuss any of the matters raised in this letter.

Yours sincerely,

Fkhan

Fatima Khan
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