

30 November 2023

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

**COMMENT LETTER ON THE PROPOSED AMENDMENTS TO THE SOUTH AFRICAN AUDITING PRACTICE STATEMENT (SAAPS) 3**

1. Thank you for the opportunity to share our views on the proposed amendments to SAAPS 3.
2. We have structured our responses to the questions in tabular format below.

Yours faithfully



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Maryke van Deventer

Director

## **Audit. Tax. Advisory.**

## Request for Specific comment

Question	Question	Yes/No	Response
Question 1	Do you agree with the proposed amendments to illustrative report 1 and illustrative report 3 in Part A?	Partially agree	<p><b>Illustrative report 1 – Listed entity</b></p> <p><u>Final Materiality</u></p> <p>We agree that the concept of materiality is fundamental to the audit as this is the basis for the audit opinion. However, we do not agree that it should be included in the audit report.</p> <p>Materiality is a matter to be discussed and communicated between the auditor and TCWG so they understand how the auditor formed their opinion on the financial statements.</p> <p>Including the final materiality in the audit report may also cause confusion where an opinion is modified based on “qualitative” materiality aspects where the amount(s) reported may not exceed the final materiality amount that is included in the audit report.</p> <p><u>Group Audit Scope</u></p> <p>No, disagree to include group audit scoping in the audit reports of listed entities.</p> <p>Group audit scoping can become very complex, especially determining the financial and non-financial significance of components. The way that group audit scoping is done also differs significantly between different auditors, which may confuse the users of the financial statements. The information required to be included in the audit report (scope of the audit and significant judgements applied) can become very cumbersome and also irrelevant, therefore not adding value to the audit report. The excessive information could clutter the audit report which could result in important aspects getting lost or overlooked. In terms of IFRS, the AFS are being decluttered, and whilst transparency in the audit report is important, care should be taken not to reach a point where the audit report is seen as having too much information.</p>

Question	Question	Yes/No	Response
			<p>We do not believe that this information will provide useful information to the primary users of the financial statements.</p> <p><u>Evaluation of management’s assessment of the entity’s ability to continue as a going concern</u></p> <p>Yes, agree to include evaluation of management’s assessment of going concern in the audit reports of listed entities.</p> <p>Most investors would expect a company to grow and make a profit over time, making the going concern assumption an important factor for primary users of the financial statements.</p> <p>Including the steps taken by the auditor to ensure that the going concern concept has been appropriately applied and disclosed would provide useful information to the users of the financial statements.</p> <p><b>Note: The practice statement should clarify whether this information is only required where there is a "material uncertainty related to going concern" paragraph included in the audit report.</b></p> <p><u>Outcome of audit procedures or key observations with respect to the Key Audit Matters</u></p> <p>Yes, agree to include audit outcomes of procedures performed in respect of KAMs.</p> <p>It is already a requirement to report for listed entities on the key audit matters identified during the audit and the steps taken to address these matters. Reporting the outcome of the steps taken by the auditor may provide more context and understanding on the overall conclusion reached by the auditor. This is already done in some instances even though not required.</p> <p><u>Disclosure of fee-related matters</u></p> <p>No, disagree to include fee-related matters in the audit report.</p> <p>Disclosure of information in respect of fee-related matters should be the responsibility of the entity being audited - by disclosing this</p>

Question	Question	Yes/No	Response
			<p>information in the financial information. We do not believe that the audit report is the appropriate document to disclose this information.</p> <p><b>Illustrative report 3</b></p> <p>No amendments were noted in this illustrative report. Therefore, no comments are presented.</p>
Question 2	Do you agree with the new illustrative report 2 in Part A?	Partially agree	<p><b>Illustrative report 2 – Unlisted entity that is a PIE</b></p> <p><u>Final Materiality</u></p> <p>Refer to response presented for final materiality in Question 1 above.</p> <p><u>Group Audit Scope</u></p> <p>Refer to response presented for group audit scope in Question 1 above.</p> <p><u>Key audit matters</u></p> <p>Yes, agree to include key audit matters in audit reports of unlisted PIEs.</p> <p>The reporting of KAMs in the audit reports of listed entities has received support among investors, regulators and other stakeholders. We believe that this has helped to increase the public’s confidence in the audit process and the financial statements being published. By reporting the KAMs and outcomes of the steps taken by the auditor in the reports of unlisted PIEs may assist in providing more context and understanding to the primary users of these financial statements on the overall conclusion reached by the auditor.</p>
Question 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	<p>Yes, we do agree to remove the illustrative report. The Auditor-General communicates an updated report regularly and not feasible to update the SAAPS 3 every time a new report is issued. Differences in reporting between the reports communicated by the AGSA and that</p>

*Request for Comment: Proposed South African Auditing Practice Statement (SAAPS) 3*

Question	Question	Yes/No	Response
			of SAAPS 3 could result in confusion in the profession regarding the appropriate report to use.
Question 4	Are the proposed amendments to the Notes in Part A sufficiently clear and comprehensive?	Yes	Yes, the amendments are clear and comprehensive, no further comments.
Question 5	Do you agree with the approach to only include introductory wording of the enhanced auditor reporting requirements?	Yes, but	<p>We agree with the inclusion of only introductory wording as we do not believe the practice statement should be prescriptive in the way that reporting is done by different auditors.</p> <p>However, it would be useful if the practice statement can include examples of proposed paragraphs (illustrative wording) on the enhanced reporting requirements.</p>
Question 6	Do you agree with the proposed amendments to the relevant illustrative reports in Part B?	Partially agree	Refer to comments presented to Questions 1 and 2 above.
Question 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, but	<p>We agree with the illustrations in Part A and B of the SAAPS, but suggest that the following is considered in addition to the existing illustrations:</p> <ul style="list-style-type: none"> <li>• Illustrative Example 17 – the fact pattern needs to be enhanced to support the adverse opinion. The considerations included could confuse the user. Is it adverse because it is basically a dormant entity with the PPE Building representing 90% of the balance sheet, and accordingly the impact thereof on balance sheet and income statement (depreciation) is pervasive because it covers basically all the line items.</li> <li>• Illustrative example 21 – the fact pattern to be enhanced to speak to lack of controls over <b>cash</b> donations.</li> <li>• Illustrative example to be included for independent review where reportable irregularity is reported to the CIPC. There is a lot of confusion in the profession regarding the wording for reportable irregularity in the independent review report due to insufficient guidance available.</li> </ul>

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			<ul style="list-style-type: none"> <li>Illustrative example to be included where you are issuing a disclaimer of opinion with material uncertainty on going concern. There is confusion in the profession whether a material uncertainty related to going concern can be issued when the overall opinion is a disclaimer of opinion.</li> </ul>
Question 8	Do you agree with the proposed effective date of SAAPS 3 (Revised)?	No	<p>We do not agree with the proposed effective date.</p> <p>We believe it should be in line with the proposed effective date of the proposed amendment to the IRBA code of Professional Conduct revision to the definition of listed entity and public interest entity and the other ISA standards, which states that the proposed effective date is for reports issued for audits and independent reviews of financial statements for <b><i>periods beginning on or after 15 December 2024.</i></b></p>