

14 June 2024

The Director: Standards Department
Independent Regulatory Board for Auditors (IRBA)
Building 2 Greenstone Hill Office Park
1616
South Africa

Email: standards@irba.co.za

Dear Imran

DELOITTE RESPONSE TO THE REQUEST FOR COMMENTS ON THE PROPOSED SOUTH AFRICA AUDITING PRACTICE STATEMENT (SAAPS) 7 – TRANSPARENCY REPORTS OF FIRMS THAT AUDIT FINANCIAL STATEMENTS OF PUBLICLY TRADED ENTITIES

Deloitte supports the IRBA's mission to protect the financial interests of the investing community by creating and enhancing regulatory tools and principles, and empowering registered auditors to carry out their duties competently, independently, and in good faith. Deloitte therefore welcomes the opportunity to provide comments in response to the SAAPS 7 issued for exposure and comment in March 2024.

Please do not hesitate to contact me should you wish to discuss any of our comments.

Yours sincerely



Steph Ronander
Audit Risk Leader



National Executive: *R Redfearn Chief Executive Officer *GM Berry Chief Operating Officer JW Eshun Managing Director Businesses LN Mahluza Chief People Officer *N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer *NA le Riche Chief Growth Officer *ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Deloitte's response to the request for specific comments

Question number	Question	Deloitte response
Question 1	Do you agree the proposed SAAPS includes sufficient information to support external parties' understanding of the firm's system of quality management? If no, please provide the additional aspects that the SAAPS should cover.	Yes
Question 2	Do you agree with having this proposed SAAPS focus on the eight components of a system of quality management, as per ISQM 1 (and ISQM 2)? If no, please provide an alternative approach, or additional areas.	Yes
Question 3	Do you agree with the proposed effective date of this proposed SAAPS?	Yes
Question 4	Are there any other aspects that should be considered by CFAS in finalising this SAAPS?	<p>Firstly, the IRBA SAAPS requirements are more onerous than the EU transparency report requirements, and any other regulatory requirements that we've encountered, such as the Nigerian Transparency Report requirements. The information required in terms of inspections can be used as an example. The EU Directive 2006/43/EC only requires an indication of when the last quality assurance review took place. In contrast, the SAAPS requires a detailed description of the firm's monitoring and remediation process, an overview of the firm's external inspection and monitoring results, an overview of its internal monitoring results, the outcome of the firm's root cause analysis process to address findings arising from internal and external monitoring, and a description of its remedial actions to address deficiencies or findings.</p> <p>Secondly, the wording of the SAAPS needs to be reconsidered due to the fact that compliance with the SAAPS is mandatory, yet it doesn't read that way. For example, the word "consider" doesn't convey the fact that the disclosure is mandatory. The SAAPS should state the minimum disclosure requirements, and then add additional aspects firms could consider disclosing.</p>

		Lastly, the SAAPS makes several references to the word “control/s”. Shouldn’t this be aligned to ISQM 1 that refers to “response activities”?
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Detailed comments on the proposed SAAPS

Paragraph 16:

“At a minimum, a transparency report addresses the abovementioned eight components of a SoQM and serves the purpose of providing insight into a firm’s:

- *System of quality management and its operating effectiveness*
- *The process for determining its quality risks and response to those risks; and*
- *Other relevant information that will assist external parties to understand the firm’s SoQM.”*

Should this paragraph be read with paragraphs 38 and 39 of the SAAPS? If so, Deloitte proposes that IRBA adds the cross-reference. If this paragraph is not meant to be read with paragraphs 38 and 38, Deloitte proposes that IRBA consider adding guidance on the type of information that could be included.

Paragraph 23:

“A transparency report is not primarily a marketing tool; therefore, its information is presented in a neutral, relevant and factual manner, without exaggeration. Thus, a transparency report should not contain false or misleading information.”

Deloitte proposes that the SAAPS should refer to paragraph 115.2 of the IRBA Code of Professional Conduct for Registered Auditors here because of the subjective nature of this requirement.

Paragraph 27:

“The IRBA is not mandating independent external assurance on the transparency report. IRBA may however review the firm’s transparency report as part of its regulatory work.”

Deloitte proposes that IRBA should consider removing the reference to external assurance since it is not a requirement. It may create confusion. It would be sufficient for IRBA to mention that a firm’s transparency report may be scoped in as part of its regulatory inspections.

Paragraphs 30, 31, 32:

The paragraphs all start with the words “where applicable”. Does this mean that firms can simply leave the disclosure out of their transparency report where the section isn’t applicable, or would a firm need to explain why the disclosure hasn’t been made (i.e. a comply or explain approach)?

Paragraph 33:

There are separate paragraphs on intellectual resources and technical resources. Since these are interrelated, perhaps the two paragraphs should be combined.

Paragraph 43:

“If a firm updates its published transparency report, the firm specifies this and identifies the modified publication as a revised version. The original version remains available on the firm’s website.”

Deloitte proposes that guidance be provided on what would constitute an update for purposes of the transparency report, and when updates would be permissible.