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Mr I Vanker
The Director: Standards
Independent Regulatory Board for Auditors

standards@irba.co.za

Dear Imran

Comments on the Proposed South African Auditing Practice Statement (SAAPS) 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities

We appreciate the opportunity to provide comments on the Proposed South African Auditing Practice Statement (SAAPS) 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities (“the Proposed SAAPS 7”).

We are supportive of the view that the proposed SAAPS 7 was drafted considering the eight components of a system of quality management (SoQM) as the main principles to be included in a transparency report. However, we have included some additional aspects to be considered for inclusion as outlined in the comments below.

We have provided our views on each question included in the Exposure Draft, as well as some overall comments in response to Question 4. In providing our views, we considered the content included in the Proposed SAAPS 7 as well as the IRBA Staff Audit Practice Alert 7: Content of a Transparency Report (“Practice Alert 7”) and the IRBA Rule 2.



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.

We are of the view that the Proposed SAAPS 7 includes valuable information that audit firms should consider when drafting Transparency Reports, however there are additional aspects that could be considered for inclusion:

Extent of details to be disclosed in each component of the firm's SoQM.

The Proposed SAAPS 7 includes various aspects of the eight components of a firm's SoQM for inclusion in the firm's Transparency report covered under the section "Nature of the information to be disclosed in a Transparency Report". Whilst the section covers all the components of a firm's SoQM, the Proposed SAAPS 7 does not provide clarity on the extent of details to be disclosed in each component for the firm to meet the minimum transparency requirements in ISQM 1. To avoid inconsistencies in practice on the extent of details to be disclosed in each component, we suggest the task group consider including additional guidance on whether audit firms should disclose every aspect of their SoQM or only those that are considered "material" to the Transparency Report and users of the report. This would require "professional judgement" which has not been covered in the Proposed SAAPS 7.

For example, paragraph 31 of the proposed SAAPS 7 states "*Where applicable, a firm considers disclosing its approach to client acceptance and continuance and engagement acceptance, as well as how the related risks are addressed.*"

There are various factors considered by firms when performing this process. For this reason, firms may be confused about the extent of detail required to be disclosed in this section, while the disclosure in the Transparency Report of some firms may be extensive, other firms disclosure may be briefer or cover only certain aspects of a particular principle.

Reference to where such clarity may be needed.

— Paragraph 33, Human Resources, Bullet 2 "*The firm's approach to training and goals for Continuing Professional Development*".

There is no further clarity on what should be disclosed - is this training policies, monitoring training attendance, number of hours per individual?

— Paragraph 33, Human Resources, Bullet 4 "*The firm's transformation policies and statistics, including its Broad-based Black Economic Empowerment scorecard; the policy on partner*



promotions; the number of female partners and/or directors, as a percentage of the firm's total partners and/or directors; and the number of African, Coloured and Indian partners and/or directors, as a percentage of the firm's total partners and/or directors."

This paragraph only applies to partners and/or directors. However, external parties may also be interested in knowing the above demographics for the firm as a whole.

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.

We agree that using the eight components of a SoQM as a foundation for the Transparency Report provides a valuable basis for the focus of the SAAPS.

3. Do you agree with the proposed effective date of this proposed SAAPS?

All the information required to be disclosed in a firm's Transparency Report (As per the proposed SAAPS 7) should be already available, as firms had to comply with the requirements of ISQM 1 when it became effective.

IRBA Rule 2 requires audit firms to prepare and publish Transparency Reports for audits of financial statements for periods beginning on or after 15 December 2025. Early adoption is permitted.

The Proposed SAAPS 7 will be effective for Transparency Reports prepared and published on or after 15 December 2025.

Considering the effective date of the auditing pronouncements above, we suggest the effective date of the proposed SAAPS 7 be extended to be applicable to Transparency Reports prepared and published on or after 15 December 2026. This effective date would align the effective dates for the IRBA Rule 2 and the Proposed SAAPS 7.

4. Are there any other aspects that should be considered by CFAS in finalising this SAAPS?

- The purpose of this Proposed SAAPS 7 is to provide external parties with information on the audit firms implementation of their SoQM. It would be beneficial for these users if there was no excessive audit jargon and terminology used so that this information is understandable to the users. A statement should be included in the Proposed SAAPS 7 to ensure that audit firms use language that is simple and easy to understand. Audit firms should also not use boilerplate disclosures from ISQM1 itself, as this would not fulfil the purpose of this Proposed SAAPS 7 and the IRBA Rule 2 on being "transparent." This is one of the main purposes of a Transparency Report, which should be reiterated in this SAAPS.
- The Proposed SAAPS 7 does not mention specifically that the Transparency Report should disclose the period/ financial year it covers. This could be included in the section "*Timing of the Transparency Report.*"



Comments on the Proposed South African Auditing Practice Statement 7, Transparency Reports of Firms that Audit Financial Statements of Publicly Traded Entities

- Paragraph 18 “A firm issues its transparency report as soon as possible after the date of concluding the abovementioned ISQM 1 evaluation, but no later than four months after the date covered by the evaluation, to ensure that the firm communicates relevant information to external parties”.

Given that there are practical challenges by some audit firms which may need to also comply with global requirements and templates, we propose a six-month time frame after the date covered by the evaluation. This may take a considerable amount of time, which could lead to firms not meeting the four-month deadline. We believe the additional two months (six month after evaluation) would still lead to relevant information being communicated to external parties but will assist audit firms in meeting IRBA Rule 2 and also ensuring that they adequately fulfil any global requirements placed on them by their global network.

- The information covered in the Proposed SAAPS 7 under the sections titled “Timing of the Transparency Report” and “Publication of the Transparency Report” should be considered to be included under one heading or sub-section. The information under the two sub-sections link to each other specifically Paragraphs 20 and 43 which discusses information subsequent to evaluation date and the modification of the Transparency Report subsequent to publication date. This would make it easier to understand the requirements and flow of the SAAPS.
- The Transparency Report may also be used to meet the communication requirements in ISQM 1.34(e)(i) which require firms to communicate to Those Charged with Governance about the firm’s SoQM. It may be useful to provide clarity on how this proposed SAAPS 7 can be applied in the context of a joint audit arrangement to ensure that all the joint auditors meet the requirements of ISQM 1.34(e)(i).

We would like to take the opportunity to thank the IRBA and the task group members for the Proposed SAAPS 7.

If you would like to discuss our comments further, you may contact Fatima Khan (Fatima.khan@kpmg.co.za) or Taskeen Cassim (Taskeen.cassim@kpmg.co.za).

Yours faithfully

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Fatima Khan
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