



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

Email: standards@irba.co.za

14 June 2024

Dear Mr Vanker

**Comment 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 appreciate the opportunity to comment on the Committee for Auditor Standards’ (CFAS) Proposed SAAPS 7. This response summarises the views of PricewaterhouseCoopers Incorporated.

We have provided our views on the matters on which comments were specifically requested.

If you would like to discuss our comments further, please do not hesitate to contact Natalie Terblanche on (011) 797 5723 or Mohammed Adam on (011) 797 4837.

Yours sincerely,

Natalie Terblanche

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Director

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za



COMMENTS ON PROPOSED AMENDMENTS

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.

Subject to the additional considerations in question 2 below, we believe that the proposed SAAPS 7 provides firms with sufficient guidance to assist in the preparation and publishing of transparency reports, as required by IRBA Rule 2 of the *IRBA Rules Arising from the International Standards on Quality Management*. This will then support in ensuring that the requirements of ISQM 1 are met as it relates to providing external parties with sufficient information to support their understanding of the audit firm’s system of quality management (“SOQM”).

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 are in agreement that the nature of information to be disclosed in an audit firm’s transparency report focuses on the eight components of a SoQM, as described in paragraph 6 of ISQM 1. We would also like to provide the following comments in relation to the proposed SAAPS 7 as it relates to the guidance provided in relation to the nature of information to be disclosed in a transparency report.

Component	Paragraph in the proposed SAAPS 7	Comments
<p>The Firm’s Risk Assessment Process</p>	<p>28</p>	<p>Paragraphs 23 to 27 of ISQM 1 that deals with requirements pertaining to the firm's risk assessment process, does not make reference to ‘risk assessment methodology’.</p> <p>We therefore propose the following update to paragraph 28 to better align with the requirements of ISQM 1:</p> <p><i>A firm discloses in its transparency report, its approach to designing and implementing its risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address quality risks methodology, taking into consideration the following:</i></p> <ul style="list-style-type: none"> • <i>How the firm’s process for establishing quality objectives;</i> • <i>What factors that the firm considers in determining and identifying its quality risks and the significance thereof;</i> • <i>How the firm’s process for its designings and</i>

		<p><i>implementing</i> responses to its quality risks <u>identified</u>; and</p> <ul style="list-style-type: none"> • The frequency of review of the appropriateness of the identified quality risks.
<p>Governance and Leadership</p>	<p>29</p>	<p>(i) We propose the following editorial changes to this paragraph:</p> <p><i>In respect of its a firm's governance and leadership component of its SOQM, the firm considers disclosing the following in its transparency report:</i></p> <ul style="list-style-type: none"> • <i>Its legal arrangements/structure (including licensing arrangements with regulatory bodies);</i> • <i>Governance structures, their authorities and relationships within the firm;</i> • <i>The process and/or requirements to appoint the firm's leadership;</i> • <i>A description of the financial resources in relation to the firm's investment in maintaining and/or improving its <u>SoQM</u> system of quality management;</i> • <i>Individuals responsible for quality and the <u>firm's</u> SoQM;</i> • <i>The firm's <u>processes</u> for reporting on its performance against its key performance indicators, and for assessing the effectiveness of its the <u>SoQM</u> system of quality management;</i> • <i>Where a firm is a member of a network and/or associations, a description of the network as well as the legal and structural arrangements of the network; and</i> • <i>How the firm ensures a consistent approach to audit quality from all members within its the structure.</i> <p>(ii) We propose removing the following edit to the section below as the resources would not only be limited to financial in nature:</p> <ul style="list-style-type: none"> • <i>A description of the financial resources in relation to the firm's investment in maintaining and/or improving its <u>SoQM</u>.</i>



<p>Relevant Ethical Requirements</p>	<p>30</p>	<p>Clarification is needed as to whether the references to ‘publicly traded entities’ in this paragraph should be to ‘public interest entities’.</p> <p><i>First bullet point:</i></p> <p>Clarification is needed as to whether the reference to ‘applicable to these entities’ should be ‘as applicable to ‘publicly traded entities/public interest entities’.</p> <p><i>Second bullet point</i></p> <p>Suggest the following edits to this bullet point:</p> <ul style="list-style-type: none"> • <i>The firm’s policies <u>policy in respect of</u> concerning the rotation of key audit partners, engagement quality reviewers and, where relevant, other partners or staff;</i> <p><i>Third bullet</i></p> <p>Clarification is required as to whether the reference to ‘publicly traded entities’ should be ‘public interest entities’.</p> <p>Furthermore, we propose the following editorial changes to this paragraph:</p> <ul style="list-style-type: none"> • <i>The firm’s independence practices, including its <u>process for assessing</u> the independence assessment process with respect to providing non-assurance services to publicly traded entities and/or audit clients;</i>
<p>Acceptance and Continuance of Client Relationships and Specific Engagements</p>	<p>31</p>	<p>As it relates to the reference ‘Where applicable’, clarification should be provided when this requirement would not be applicable.</p> <p>We also suggest the following editorial changes to this paragraph:</p> <p><i>Where applicable, a firm considers disclosing its approach to <u>accepting and continuing of client relationships and specific engagements</u> client acceptance and continuance</i></p>

		and engagement acceptance , as well as how the related risks are addressed.
Engagement performance	32	<p>As it relates to the reference 'Where applicable', clarification should be provided when this requirement would not be applicable.</p> <p>We also suggest the following editorial changes to this paragraph:</p> <ul style="list-style-type: none"> • <i>The firm's consultation processes, including technical support;</i>
Information and Communication	34	<p>We suggest the following editorial changes to this paragraph:</p> <ul style="list-style-type: none"> • <i>How personnel and engagement teams communicate information to the firm when performing activities within its SoQMthe system of quality management or engagements.</i>
The Monitoring and Remediation process	35	<p>We suggest the following editorial changes to this paragraph:</p> <p><i>In respect of its monitoring and remediation process, aA firm considers disclosing the following aspects in its transparency report in respect of audits or reviews of financial statements, or other assurance or related services engagements:</i></p> <ul style="list-style-type: none"> • <i>A description of the firm's monitoring and remediation processes in respect of its SoQM;</i> • <i>An overview of the firm's external inspection and monitoring results;</i> • <i>An overview of its internal monitoring results;</i> • <i>The outcome of the firm's root cause analysis process, to address findings arising from internal and external monitoring; and</i> • <i>A description of its remedial actions, to address deficiencies or findings.</i>
	36	Clarification is required as to whether the word 'consider' has been omitted intentionally.



		<p>We also propose the following editorial changes to this paragraph:</p> <p><i>In its transparency report, a firm discloses the <u>outcome of its evaluation of its SoQM</u>the system of quality management per ISQM 1, including how it <u>achieved itsgot to the</u> outcome(s).</i></p>
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3. Do you agree with the proposed effective date of this proposed SAAPS?

We are in agreement with the effective date of the Proposed SAAPS 7.

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

Except for our suggestions in the letter above we have not identified any other aspects to be considered by CFAS in finalising this SAAPS.