

ITC: IMPROVING THE AUDITOR'S REPORT – RESPONSE TEMPLATE

2. Responses to specific questions posed in the ITC (ITC: Page 13-15)

Overall Considerations	
1	<i>Overall, do you believe the IAASB's suggested improvements sufficiently enhance the relevance and informational value of the auditor's report, in view of possible impediments (including costs)? Why or why not?</i>
	Response:
	We think some suggested improvements, will be valuable e.g. the audit commentary section where used effectively. We however think this would be better placed as an appendix not in the actual body of the report. To assist with implementation and enforcement of typical disclosure, a framework for use by the auditor would be of necessity on matters to be included in the auditor commentary. The framework will reduce the conflict between TCWG and the auditors on which issues are disclosed and the level of disclosure. We do not think the proposed changes relating to audit strategy are relevant because audit methodologies differ and also audit approach is a matter of judgement based on available information. The auditor's judgement will be exposed to being questioned. We therefore think the suggestion relating to this section would not improve the audit report but can instead bring doubt to whole audit report if the user is not in agreement with auditors approach or strategy. We also don't think the section on the disclosure of other auditors involved in the audit, is also of relevance because the audit opinion is reached based on audit evidence not who gathered the evidence
2	<i>Are there other alternatives to improve the auditor's report, or auditor reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others? Please explain your answer.</i>
	Response:
	Our view is that the accounting standards already require level of disclosure from management in the AFS. The auditor commentary should consider these areas and try to align where possible. e.g. subsequent events, capital management, risk management and critical judgement and estimates , fair value etc.
Auditor Commentary	
3	<i>Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the auditor's report? Why or why not? (See paragraphs 35–64.)</i>
	Response:
	Yes we agree provided it is a separate document provided in addition to audit report. However, our view is that this should not form part of the audit report. We suggest that auditor commentary be included as either an appendix to the audit report or included as a separate document. Include the audit commentary but as an appendix, not part of the audit report. Same status as other information provided by management.
4	<i>Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgment of the auditor, with guidance in the standards to inform the auditor's judgment? Why or why not? If not, what do you believe should be done to further facilitate the auditor's decision-making process in selecting the matters to include in</i>

	<i>Auditor Commentary? (See paragraphs 43–50.)</i>
	Response:
	<p>Yes, we believe guidance on the criteria used for the inclusion of matters in the auditor commentary is required. <i>This will address inconsistencies in reporting by auditors</i>, it would help guide and support the auditor's judgement on disclosure requirements and reduce conflict <i>between</i> auditors and TCWG on what is disclosed and to what extent. The framework should include typical commentary required by the auditor. We further suggest that the matters of inclusion in the auditors commentary be aligned to accounting standards e.g. subsequent events, capital management, risk management and critical judgement and estimates, fair value etc. together with other legislative requirements contextualise per country e.g. PFMA for the public sector in SA.</p> <p><i>We also suggest that the matters to be included in the auditor commentary should seek alignment between matters reported on by management in the management commentary.</i></p>
5	<i>Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary? (See paragraphs 58–61.)</i>
	Response:
	<p><i>Our view is that the issues included raise more questions to the users on why certain issues were included over others. We are also not in agreement with the example on other auditors because this is not in line with ISA 600 which specifies that the group auditor takes responsibility of the direction of the audit. If the disclosure of other auditors is retained. We suggest that the framework on the matters to include in the auditors commentary address the disclosure of audit work distribution in a joint audit. We further suggest consideration of related parties in the framework.</i></p>
6	<i>What are the implications for the financial reporting process of including Auditor Commentary in the auditor's report, including implications for the roles of management and those charged with governance (TCWG), the timing of financial statements, and costs? (See paragraphs 38 and 62–64.)</i>
	Response:
	<p>The implication will be an increase in the audit fee because as audit reporting increases, audit effort will also increase. This also raises questions on management's role on the auditor commentary and how this will be aligned with management commentary. Relationship conflict may arise between auditors & TCWG with regards to what goes into the auditor commentary.</p>
7	<i>Do you agree that providing Auditor Commentary for certain audits (e.g., audits of public interest entities (PIEs)), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided? (See paragraphs 51–56.)</i>
	Response:

	No, we believe that this should be at the discretion of regulators. Consideration should also be given to the fact that PIE's are defined differently in different countries. Here in South Africa, already Public sector requires additional information to be included in the audit report for Public sector entities. The financial services sector regulator is also provided with separate audit report which provides information required by regulator. If left to the auditors, the consistency on which entities provide disclosure would be lost.
Going Concern / Other Information	
8	<i>What are your views on the value and impediments of the suggested auditor statements related to going concern, which address the appropriateness of management's use of the going concern assumption and whether material uncertainties have been identified? Do you believe these statements provide useful information and are appropriate? Why or why not? (See paragraphs 24–34.)</i>
	Response:
	There is value in including auditor comments on going concern. Further guidance is suggested on whether material uncertainties on going concern will result in a qualification being disclosed in the opinion paragraph or the going concern paragraph. Will disclosure of going concern issues noted in this paragraph replace the need to include it as Basis for qualification where the audit report is qualified as a result of going concern matters or how will these disclosures be incorporated in cases where the audit report is qualified or it has emphasis of matter paragraph on going concern. Based on the outcome, ISA 570 might require revision.
9	<i>What are your views on the value and impediments of including additional information in the auditor's report about the auditor's judgments and processes to support the auditor's statement that no material uncertainties have been identified? (See paragraphs 30–31.)</i>
	Response:
	<i>We are not in support of disclosure of such information as it may pose an operational risk to the company when it is not disclosed anywhere else in the financial statements.</i>
10	<i>What are your views on the value and impediments of the suggested auditor statement in relation to other information? (See paragraphs 65–71.)</i>
	Response:
	We are in favour of the use of a separate paragraph reporting on other information. We also agree with the wording used as it makes it clear that other information is not audited but only compared with AFS.
Clarifications and Transparencies	
11	<i>Do you believe the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in the illustrative auditor's report are helpful to users' understanding of the nature and scope of an audit? Why or why not? Do you have suggestions for other improvements to the description of the auditor's responsibilities? (See paragraphs 81–86.)</i>
	Response:

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	<i>We agree with the enhanced descriptions of the responsibilities of management, TCWG, and the auditor as it gives users a clear understanding of what an audit is able to achieve and what it cannot thus narrowing the expectation gap.</i>
12	<i>What are your views on the value and impediments of disclosing the name of the engagement partner? (See paragraphs 72–73.)</i>
	Response:
	<i>We are in support of the approach as it increases accountability on the part of the engagement partner. We however think the signature should incorporate the name of the audit firm.</i>
13	<i>What are your views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary? (See paragraphs 77–80.)</i>
	Response:
	<i>We are of the view that there is no need to mention other auditors if they will not be jointly signing off on the audit report. This may be seen to reduce responsibility on the engagement partner, AFS users might think of this as a joint engagement. This is also in contrast with ISA 600.</i>
14	<i>What are your views on explicitly allowing the standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority, or to an appendix to the auditor's report? (See paragraphs 83–84.)</i>
	Response:
	<i>We think chances of users visiting the website are minimal. Our view is to have a summary of the auditor's responsibility in the report instead of detailed information.</i>
Form and Structure	
15	<i>What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users? (See paragraphs 17–20.)</i>
	Response:
	<i>We are not in agreement with the opinion being in the first paragraph. After reading the opinion, it is unlikely that a user will take time to read the responsibilities of the auditor, management and TCWG in the context of the audit. We think there should be a preamble setting the context of the audit opinion. What an audit can achieve and the limitations thereof.</i>
16	<i>What are your views regarding the need for global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, are used? (See paragraphs 21–23 and 87–90.)</i>
	Response:

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	<i>We think it is important to maintain a level of consistency in the audit report globally to facilitate comparability with an allowance for some flexibility within boundaries for national reporting requirements etc.</i>
17	<i>What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulation require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices? (See paragraph 17 and Appendix 4.)</i>
	Response:
	<i>We agree with a standard order of items in the report for consistency.</i>
18	<i>In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What considerations specific to audits of small- and medium-sized entities (SMEs) and public sector entities should the IAASB further take into account in approaching its standard-setting proposals? (See paragraphs 91–95.)</i>
	Response:
	<i>The audit report appears to be too detailed and technical for small to medium entities. Users may not derive as much benefit as bigger entities, cost implications might also be a problem for SME's in relation to the benefit of the revised audit report.</i>