

Possible actions to be explored – revising the ISAs

I strongly agree with the following approach:

- Adopting an approach of revising the standards by setting out the basic requirements for all audits, then expanding as needed to address more complex circumstances (the so-called “building-blocks approach”).

I believe there will be great benefit in doing the following:

- Greater focus on more clearly setting out what the auditor needs to do (i.e., focusing on the way the requirements have been articulated using clearer and understandable language), with appropriate application material to support applying the requirements effectively and efficiently.

I believe that if the ISAs are revised, this should be done as one substantial project and not on a rolling or phased basis. Each time there is a change in the ISAs auditors will have to train staff and change templates and educators will need to revise textbooks and exam papers – all of which is very time consuming and expensive. Using a phased approach will result in many changes at great effort and cost for those implementing the changes. Rather make one big change and implement it in one go.

Factors not within control of IAASB but which have a major impact on the audits of LCE’s:

1. It seems that there is no audit software commercially available that is highly effective and efficient, is mapped to the ISAs and which would facilitate compliance with the ISAs and ensure consistency in application of the ISAs. In South Africa, many LCE’s may have their financial statements prepared and audited by the same audit firm however the available audit software that is integrated with financial statement compilation functionality is not user friendly and is far too cumbersome for LCE’s.
2. The South African Companies Act was revised in 2008, removing the audit requirement for entities with a “public interest score” below certain levels. This was a very positive change for LCE’s, however in the subsequent years these levels have not been revised to cater for inflation. With the high inflation rate in South Africa, many LCE’s that should qualify for the lesser assurance options (when viewed in terms of the intention of the introduction of the public interest score) now fall within the audit net as their revenue has grown with inflation whilst the public interest score levels have not increased since the revision of the companies Act in 2008. The public interest score requirements should be revised by the South African DTI on an annual basis to ensure that they are adjusted for inflation

General

I strongly agree with the comments on page 6 of the discussion paper regarding the fact that there is increasing focus on compliance and less focus on using professional judgement, and that there is increased documentation on audit files with no perceived commensurate benefit. We spend so much time ensuring that all the relevant boxes have been ticked that we lose sight of the bigger picture. We need to simplify, refocus on the basics and then build from there - hence my support of the “building-blocks” approach