

To whom it may concern

IAASB

By email

12 October 2012

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King Committee Comment Letter on IAASB paper: Improving the Auditor's Report

Please find herewith the response of the King Committee on Corporate Governance in South Africa ("the King Committee) on the invitation by the IAASB to comment on the exposure draft on "Improving the Auditor's Report".

Background information on the King Committee

The King Committee was convened by the IoDSA in 1992 under the chairmanship of Prof Mervyn King. It has since been responsible for the issuing of three codes on corporate governance for South Africa in 1994, 2002 and 2009. The work of the King Committee is widely recognised as constituting the official standard for corporate governance in South Africa and has the support of the Johannesburg Stock Exchange which has incorporated the King Committee's recommendations as part of its listings rules on an apply or explain basis.

In view of the nature and role of the King Committee we have decided to provide overall comment rather than to respond to each question. We trust that our comments will be helpful in addressing the principle and implication of the proposed changes.

Comment on whether proposed changes will enhance relevance

We agree that, within the scope of the project, namely an audit performed in accordance with the existing International Standards on Auditing (ISA), the proposed improvements will enhance the relevance of the auditor's report.

The current regimented approach provides for a pass or fail opinion as to whether the financial statements are a fair presentation of events, or not. This limits the scope for disclosure of matters that in the auditor's judgement are likely to be important to the users' understanding of the financial statements or the audit. To require more disclosure from the auditor in the company report will add value to the audit process for the users of the report and in addition would foster auditor independence, both in fact and perception.

Comment on the concept of auditor commentary

We support the concept of auditor commentary and hence for the auditor to highlight entity specific information that should be brought to the attention of the user of the financial statements and auditor's report. Whilst examples of the wording are useful, we consider it important that its availability be properly contextualised so as not to constrain the exercise of judgement.

The auditor's judgements, insights and conclusions that are material and would contribute to users' understanding of the performance of the company (in the wider sense within the triple context of economical, environmental and societal performance) and considerations around its going-concern status should be the focus of such enhanced disclosure.

General comment

We wish to add the following general comments to the above: The King Report on Governance, 2009 recommends that the focus shifts from financial reporting to a more holistic approach where historic financial information, non-financial considerations and forward- looking information are all connected in an integrated report. We do believe that broadening the current scope of the audit is required within the near future. The contribution that it will make to the auditor's understanding of the company, its strategy and overall performance (i.e. financial and non-financial) will better enable the auditor to provide a single audit opinion on the integrated report, which extends beyond the traditional financial reporting only.

The further related consideration that we wish to raise is that there should be guarded against considering investors as the only users of the report. A wider range of stakeholders is increasingly holding the company accountable for its actions, its impacts and even that of its supply chain. This trend strengthens our view that company reporting and the auditing thereof should be assessed on a wider basis than simply financial reporting.

In conclusion we thank you for the opportunity to contribute to this process and we wish you the best with your work in future.



Ansie Ramalho

Chief Executive

Secretariat on behalf of the King Committee

