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Ref#777266

7 August 2026

The Director Standards
Independent Regulatory Board for Auditors (IRBA)
PO Box 8237
Greenstone, 1616
South Africa

By e-mail: standards@irba.co.za

Dear Saadiya,

Comments on Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised), *Illustrative Reports*, to Reflect the Reporting Requirements Introduced by Revisions to ISA 570 (Revised 2024), ISA 240 (Revised), and the Narrow-scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised)

We appreciate the opportunity to provide comments on Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised). SAAPS 3 is used extensively in practice and we commend the IRBA for keeping the practice statement up to date with amendments made to the International Standards on Auditing and with amendments made to applicable legislation. We found the explanatory memorandum to the exposure draft very informative and useful in providing context to the revision and acknowledge the efforts of the Committee for Auditing Standards (CFAS) in making sure that its processes are transparent.

To inform our submission, we established a task group consisting of members of our Assurance Guidance Committee. The Assurance Guidance Committee has approved this submission.

Our responses to the Requests for Specific Comments are attached.

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Thandokuhle Myoli (thandokuhlem@saica.co.za) or Annerie Pretorius (AnnerieP@saica.co.za).

Kind regards
Thandokuhle Myoli

JMyoli

Head: Audit and Assurance
The South African Institute of Chartered Accountants

Request for Specific Comments

A. Proposed Amendments Arising from Revisions to ISA 570 (Revised 2024)

Question 1

a) Do you agree with the proposed amendments set out in paragraph 20A – Use of Going Concern is Appropriate – No Material Uncertainty Exists, of this Explanatory Memorandum?

1. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 20A – Use of Going Concern is Appropriate – No Material Uncertainty Exists.

b) In addition, do you agree with the proposed amendments set out in paragraph 20B. Use of Going Concern is Appropriate – No Material Uncertainty Exists, of this Explanatory Memorandum?

2. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 20B – Use of Going Concern is Appropriate – No Material Uncertainty Exists.

Question 2

a) Do you agree with the proposed amendments set out in paragraph 20C – Going Concern is Appropriate – Material Uncertainty Exists, or this Explanatory Memorandum?

3. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 20C – Going Concern is Appropriate – No Material Uncertainty Exists.

b) Illustrative Reports 1 and 5 were previously intended to be complementary, for an entity preparing “consolidated and separate” sets of financial statements and the same entity preparing “separate” set of financial statements instead of consolidating. Given that Illustrative Report 5 has now been amended to reflect the circumstances of PIE that is not publicly traded entity, does this give rise to any unintended implications that CFAS may not have considered in the SAAPS 3 ED? If so, how should such implications be addressed?

4. We have not identified unintended implications. We however have suggested edits to illustrative report 5:

5. The PIE track 2 project resulted in the following amendment to ISA 700 (Revised).40(b):

> Auditor's Responsibilities for the Audit of the Financial Statements
>
> ...
>
> 40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A51)
>
> (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
>
> (b) ~~For audits of financial statements of listed entities, s~~State that the auditor provides those charged with governance with a statement that the auditor has:
>
> (i) C~~c~~omplied with relevant ethical requirements regarding independence; and
>
> (ii) For audits of financial statements of publicly traded entities, communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and

6. As stated in the EM, Illustrative Report 5 has been amended to reflect circumstances of a PIE that is not a publicly traded entity. The disclosure in the auditor's report required by ISA 700.40(b)(ii) has however been retained in this illustrative report. We therefore propose the removal of the wording highlighted below from the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section in Illustrative Report 5.

Illustrative Report 5 on page 66:

> We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit, including any:
>
> - Significant deficiencies in internal control;
> - Identified fraud or suspected fraud; and
> - Other matters related to fraud that are, in our judgement, relevant to the responsibilities of the directors.
>
> We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
>
> **Report on Other Legal and Regulatory Requirements**

7. Paragraph 20(C) in the Explanatory Memorandum contains a very useful explanation of the interaction between ISA 570 (Revised 2024) and the EAR Rule regarding material uncertainty related to going concern, specifically regarding the EAR Rule statement "*In terms of the EAR Rule, we have evaluated*

management's assessment of the company's ability to continue as a going concern" and how this was applied in the illustrative reports. We propose that this explanation should be retained in the final version of SAAPS 3. We therefore suggest the following addition to note N16, which draws from the relevant content in paragraph 20(c):

Proposed amendments to note N16:

"…

Material Uncertainty Related to Going Concern

The EAR Rule requires disclosures describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern, in circumstances where the auditor has concluded that the going concern assumption is appropriate, but a material uncertainty exists. This requirement is similar to that introduced by paragraph 35(b) of ISA 570 (Revised 2024), Going Concern, which applies only to publicly traded entities. The requirement specifically applies where the auditor, in accordance with ISA 570 (Revised 2024), has concluded that the going concern assumption is appropriate, but a material uncertainty exists related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern and adequate disclosure about the material uncertainty is made in the financial statements. Appendix 1(b), Going Concern Matters and the EAR Rule, sets out the interaction between the going concern disclosure requirements in ISA 570 (Revised 2024) and the EAR Rule for various types of entities.

To illustrate above with reference to illustrative reports 1 and 5:

Illustrative report 1 reflects circumstances for a PIE that is a publicly traded entity. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. As the requirement in ISA 570 (Revised 2024), paragraph 35(b) is consistent with those set out in the EAR Rule, the statement "In terms of the EAR Rule, we have evaluated management's assessment of the company's ability to continue as a going concern" has not been included in illustrative report 1. In accordance with ISA 700 (Revised), paragraphs 43 and 44, this statement is included only in auditor's reports for PIEs that are not publicly traded entities.

Illustrative report 5 reflects circumstances for a PIE that is not a publicly traded entity. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. In these circumstances, the requirements of ISA 570 (Revised 2024), paragraph 35(b) do not apply. Accordingly, the statement "In terms of the EAR Rule, we have evaluated management's assessment of the company's ability to continue as a going concern" has been included in illustrative report 5 to demonstrate the application of the requirements of ISA 700 (Revised) paragraphs 43 and 44.

…"

8. We also propose the addition of an "N16" cross reference in the relevant paragraph in illustrative report 5.

Question 3

Do you agree with the proposed amendments set out in paragraph 20D – When the Auditor Disclaims an Opinion on the Financial Statements of this Explanatory Memorandum?

9. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 20D – When the Auditor Disclaims an Opinion on the Financial Statements.

10. On consideration that the ISAs do not contain an illustration of a disclaimer of opinion on a publicly traded entity, it would be useful for SAAPS 3 to include an illustration of a disclaimer of opinion on a publicly traded entity or a PIE that is not a publicly traded entity to illustrate the articulation of the Auditor's Responsibilities paragraph as required by ISA 705.28 and ISA 700.40(c):

ISA 700 (Revised):

> ...
>
> Auditor's Responsibilities for the Audit of the Financial Statements
>
> ...
>
> 40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A51)
>
> (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
>
> (b) ~~For audits of financial statements of listed entities, s~~State that the auditor provides those charged with governance with a statement that the auditor has:
>
> (i) C~~c~~omplied with relevant ethical requirements regarding independence; and
>
> (ii) For audits of financial statements of publicly traded entities, communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and
>
> (c) For audits of financial statements of ~~listed~~ publicly traded entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A54)

.

ISA 705 (Revised):

Description of Auditor's Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements

28. When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the description of the auditor's responsibilities required by paragraphs 39–41 of ISA 700 (Revised) to include only the following: (Ref: Para. A25)

    (a) A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with International Standards on Auditing and to issue an auditor's report;

    (b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and

    (c) The statement about auditor independence and other ethical responsibilities required by paragraph 28(c) of ISA 700 (Revised).

Question 4

Do you agree with the proposed amendments set out in paragraph 20E – When the Use of Going Concern Basis of Accounting is Inappropriate, of this Explanatory Memorandum?

11. Yes, we agree with the proposed amendments to illustrative report 14 set out in paragraph 20E – When the Use of Going Concern Basis of Accounting is Inappropriate.

Question 5

a) Have you identified any additional reporting requirement(s) in ISA 570 (Revised 2024) that have not been considered or illustrated in the reports referred to in questions 1- 4?

12. No, we have not identified any additional reporting requirements in ISA 570 (Revised 2024) that have not been considered in the illustrative reports referred to questions 1 – 4.

b) In addition, do you agree that all illustrative reports affected by the requirements considered in questions 1-4 have been appropriately identified and considered?

13. Yes, we agree that all illustrative reports affected by the requirements considered in questions 1-4 have been appropriately identified and considered.

Question 6

a) Do you agree with the inclusion of the proposed Appendix I(b), Going Concern Matters and the EAR Rule, in the proposed SAAPS 3 (Revised XXX 2026)?

14. Yes, we agree with the inclusion of Appendix I(b).

15. We acknowledge that our comments that follow in this paragraph are outside the scope of the project to revise SAAPS 3 but deem these matters to be important future considerations: We encourage the IRBA to consider publishing an updated version of IRBA Staff Practice Alert 9, *Guidance on the IRBA*

Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities. This may assist in addressing observed inconsistencies in disclosure practices among audit firms. Furthermore, we encourage the CFAS to consider conducting a post implementation review of the EAR Rule. We believe reflection on whether the EAR Rule achieved its objective and formal deliberations on the possible alignment of the EAR Rule with ISA 570 (Revised 2024) are necessary.

b) Does this Appendix adequately describe the interaction between the reporting requirements in ISA 570 (Revised 2024) and the IRBA Enhanced Auditor Reporting (EAR) Rule?

16. Yes, Appendix I(b) adequately describes the interaction between the reporting requirements in ISA 570 (Revised 2024) and the IRBA Enhanced Auditors Reporting (EAR) Rule.

Part B: Proposed Amendments Arising from Revisions to ISA 240 (Revised)

Question 7

a) Do you agree with the proposed amendments set out in paragraph 22 of this Explanatory Memorandum to incorporate conforming and consequential amendments to ISA 700 (Revised), as a result of the clarification of the auditor's responsibilities in ISA 240 (Revised)?

17. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 22 of the Explanatory Memorandum to incorporate conforming and consequential amendments to ISA 700 (Revised) as a result of the clarification of the auditor's responsibilities in ISA 240 (Revised).

b) In addition, do you agree that all illustrative reports affected by these requirements have been appropriately identified and considered?

18. Yes, we agree that all illustrative reports affected by requirements have been appropriately identified and considered.

c) Further, have you identified any additional reporting requirement(s) in ISA 240 (Revised 2024) that have not been considered or illustrated in the reports referred to in question 7 (a)?

19. No, we have not identified any additional reporting requirement(s) in ISA 240 (Revised 2024) that have not been considered or illustrated in the reports referred to in question 7 (a).

Question 8

Do you agree with the proposed amendments set out in paragraph 23 of this Explanatory Memorandum to Note 7 in the SAAPS 3 ED regarding communication of fraud related KAMs in the auditor's report?

20. Yes, we agree that the illustrative reports should not contain illustrations of KAMs that relate to fraud and for Note 7 to refer to the relevant paragraphs in the standards. We however have wording suggestions regarding Note 7:

21. ISA 240(Revised).62 states the following:

"In applying ISA 701,[34] in the Key Audit Matters section of the auditor's report, the auditor shall use an appropriate subheading that clearly describes that the matter relates to fraud."

"34 ISA 701 paragraph 11"

ISA 701.11 states:
"The auditor shall describe each key audit matter using an appropriate subheading, in a separate section of the auditor's report under the heading "Key Audit Matters," unless the circumstances in paragraph 14 or 15 apply. …"

22. There is uncertainty in practice whether ISA 240(Revised).62 requires the use of an additional subheading that follows the subheading used to describe the KAM or whether paragraph 62 refers to the subheading that is used to describe the KAM. Our understanding of ISA 240(Revised).62 read with ISA 701.11 is that the auditor is required to indicate in the subheading that describes the KAM that the matter relates to fraud.

23. We suggest the following amendments to Note 7:

"ISA 240 (Revised) ~~requires~~ states that, in applying ISA 701, in the Key Audit Matters section of the auditor's report, the auditor shall use ~~when the auditor communicates KAMs related to fraud,~~ an appropriate subheading ~~must be used~~ that clearly describes that the matter relates to fraud[24]. ISA 701.11 requires the auditor to describe each key audit matter using an appropriate subheading. ISA 240 (Revised).62 read with ISA 701.11 indicates that the subheading that describes the KAM should clearly describe that the matter relates to fraud. ISA 240 (Revised).62 does not require another subheading that follows the subheading that is used to describe the KAM. If a matter related to fraud is determined to be a key audit matter and there are a number of separate, but related, considerations that were of most significance in the audit, the auditor may communicate the matters together in the auditor's report. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition and revenue recognition may also be identified as a risk of material misstatement due to fraud. In such circumstances, the auditor may include in the auditor's report one key audit matter related to revenue recognition with an appropriate subheading that clearly describes the matter, including that it relates to fraud."

24. We furthermore suggest that the last sentence in Note 7 should include a footnote that refers to ISA 240 (Revised). A187.

Part C: Proposed Amendments Arising from the IAASB'S Narrow-Scope Amendments to the ISQMs, ISAs and ISRE 2400 (Revised)

Question 9

a) Do you agree with the proposed amendments set out in paragraph 24 of this Explanatory Memorandum arising from the IAASB's PIE Track 2 Project?

25. Yes, we agree with the proposed amendments to the affected illustrative reports set out in paragraph 24 (parts A to C) of the Explanatory Memorandum arising from the IAASB's PIE Track 2 Project.

b) In addition, do you agree that all illustrative reports affected by these narrow-scope amendments have been appropriately identified and considered?

26. Yes, we agree that all illustrative reports affected by these narrow-scope amendments have been appropriately identified and considered.

c) Further, have you identified any additional reporting requirement(s) arising from the narrow-scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) that have implications for the illustrative reports in SAAPS 3

27. No, we have not identified any additional reporting requirement(s) arising from the narrow-scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) that have implications for the illustrative reports in SAAPS 3.

Part D: Other Matters

Question 10

Specific questions related to Illustrative Report 25

a) Do you agree with the concerns raised by CFAS in paragraphs 25 – 29?

28. Yes, we agree with the concerns raised by CFAS in paragraphs 25–29 of the Explanatory Memorandum.

b) If yes, do you agree with the proposed amendments to Illustrative Report 25?

29. Yes, we generally agree with the update made but have suggestions for enhancement of the illustrative report.

30. The circumstances of the example include the following:

> - Corresponding figures presented in the current year financial statements were subject to an independent review, in terms of the Companies Act of South Africa, and a review conclusion was issued on those figures. The directors did not believe that the retrospective application of additional procedures on the opening balances was warranted, as the level of assurance in the prior year was appropriate in accordance with the Companies Act of South Africa. The auditor was unable to obtain sufficient appropriate audit evidence that the closing balances from the prior year were free of material misstatement, and have been brought forward correctly. The auditor was unable to obtain alternative audit evidence on the opening balances. Since opening balances enter into the determination of the financial performance and cash flows, the auditor was unable to determine whether adjustments might have been necessary in respect of the movements in the statement of comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity.

31. The current articulation of the above paragraph (i.e. the sentences highlighted in blue follow the factual statement that the prior year was subject to an independent review) could create the impression that a modified opinion would be required in all circumstances when a company moves from an independent review in one year to an audit in the next year. We propose that the sentences highlighted in blue should be contained in a separate bullet.

32. The reference to "retrospective application of additional procedures" could create the impression that the ISAs require the auditor to retrospectively perform an audit on the prior year financial statements in order to express an unmodified opinion when a company moves from an independent review in one year to an audit in the next year, which is not the case. To clarify that the circumstances in this example relate to the inability of the auditor to comply with the requirements of ISA 510 on the opening balances, we suggest the following amendments:

    "…

    - The directors ~~did not believe that the retrospective application of additional procedures on the opening balances was warranted, as the level of assurance in the prior year was appropriate in accordance with the Companies Act of South Africa~~ <u>imposed a limitation on the scope with regards to the audit of opening balances which resulted in the auditor being unable to effectively apply ISA 510, *Initial Audit Engagements – Opening Balances* - to obtain sufficient appropriate evidence regarding the opening balances.</u> The auditor was unable to obtain sufficient appropriate audit evidence that the closing balances from the prior year were free of material misstatement and have been brought forward correctly. The auditor was unable to obtain ~~alternative~~ audit evidence <u>through alternative audit procedures</u> on the opening balances. Since opening balances enter into the determination of the financial performance and cash flows, the auditor was unable to determine whether adjustments might have been necessary in respect of the movements in the statement of comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity."

c) If you do not agree with the concerns raised by CFAS in this regard, which considerations does your firm take into account when concluding that a modification of opinion with respect to financial position, arising from lack of comparability between current-period and prior period figures, is appropriate in these circumstances?

33. Not applicable as we agree with the concerns raised by CFAS.

d) Are there any other matters you would like to raise in relation to Illustrative Report 25?

34. The current draft references 'net cash flows from operating activities' in the second paragraph under the 'Basis for Opinion' section.

35. The reference to "operating activities" only may be inappropriate given that accounting policy choices significantly affect how cash flows are classified. Furthermore, non-cash adjustments frequently impact other sections of the Statement of Cash Flows. Consequently, we recommend referencing the 'Statement of Cash Flows' in its entirety.

36. SAAPS 3 currently does not contain any illustrations of Year 2 reporting implications following a Year 1 modification to the opinion. To enhance consistency in practice, we propose including a Year 2 illustrative example for Report 25 in the SAAPS 3. In this example, a Year 3 report would also be useful. In both the Year 2 and Year 3 reports, the circumstances would assume that no further matters that impacted on the auditor's opinion were identified in the audits of the respective years. The Year 2 and Year 3 reports do not have to be full illustrative reports and could contain a narrative description of how the audit reports would be affected (for Year 2 and Year 3) with illustrations of only key sections in the report (i.e. the Opinion and the Basis for Opinion sections) (Year 2).

Question 11

Specific questions related to the proposed Illustrative Report 26

a) Do you agree with the inclusion of the proposed Illustrative Report 26 *Directors Elected to Apply IFRS 19 Subsidiaries without Public Accountability: Disclosures* to SAAPS 3?

37. Yes, we agree with the inclusion of proposed Illustrative Report 26.

b) If so, do you believe that reference to the applicable financial reporting framework in the opinion paragraph should include reference to IFRS 19, *Subsidiaries without Public Accountability: Disclosures* in addition to referring to IFRS Accounting Standards?

38. The opinion paragraph should only refer to IFRS Accounting Standards. IFRS 19 is part of IFRS Accounting Standards.

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Question 12

Do you agree with the additional substantive and editorial amendments set out in paragraphs 34 and 35 of this Explanatory Memorandum?

39. Yes, we agree but we suggest the following edits:

40. The 2025 version of the IFRS for SMEs Accounting Standard will become effective on 1 January 2027. The revised Accounting Standard's reference in paragraph 3.17(e) to a complete set of financial statements that includes "notes, comprising material accounting policy information and other explanatory information" should be reflected in the relevant reports in SAAPS 3.

41. We recommend removing the phrase *'and its subsidiaries'* from illustrative reports 1, 2, 11 and 18, highlighted below. The term *'consolidated'* inherently includes the entity's subsidiaries. Consequently, deleting this phrase eliminates redundancy and ensures alignment with standard reporting terminology.

Illustrative report 1:

Independent Auditor's Report

To the Shareholders of ABC Limited[N1]

Report on the Audit of the Consolidated Financial Statements[4]

Opinion

We have audited the consolidated financial statements[N2] of ABC Limited and its subsidiaries (the group) set out on pages ... to ... [N3], which comprise the consolidated statement of financial position as at 31 December 20XX; and the consolidated statement of profit or loss and other comprehensive income; the consolidated statement of changes in equity; and the consolidated statement of cash flows for the year then ended; and notes to the consolidated financial statements, including material accounting policy information[N4].

Illustrative report 2:

Independent Auditor's Report

To the Shareholders of ABC Limited[N1]

Report on the Audit of the Consolidated and Separate Financial Statements[7]

Opinion

We have audited the consolidated and separate financial statements[N2] of ABC Limited and its subsidiaries (the group and company) set out on pages ... to ... [N3], which comprise the consolidated and separate statements of financial position as at 31 December 20XX; and the consolidated and separate statements of profit or loss and other comprehensive income; the consolidated and separate statements of changes in equity; and the consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including material accounting policy information[N4].

Illustrative report 11:

Independent Auditor's Report

To the Shareholders of ABC Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of ABC Limited and its subsidiaries (the group and company) set out on pages … to …, which comprise the consolidated and separate statements of financial position as at 31 December 20XX; and the consolidated and separate statements of profit or loss and other comprehensive income; the consolidated and separate statements of changes in equity; and the consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including material accounting policy information.

Illustrative report 18:

Independent Auditor's Report

To the Shareholders of ABC Proprietary Limited

Qualified Opinion on Consolidated Financial Statements and Unqualified Opinion on the Separate Financial Statements

We have audited the consolidated and separate financial statements of ABC Proprietary Limited and its subsidiaries (the group and company) set out on pages … to …, which comprise the consolidated and separate statements of financial position as at 31 December 20XX; and the consolidated and separate statements of profit or loss and other comprehensive income; the consolidated and separate statements of changes in equity; and the consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including material accounting policy information.

42. We propose defining “company”, “group” or “group and company”, as applicable in the circumstances, in illustrative reports 6, 7 (“maatskappy” in Afrikaans), 8, 9, 10, 12 (“groep en maatskappy” in Afrikaans), 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 and 25 on consideration that the terms “company”, “group” or “group and company” are used in the body of the illustrative reports. This will also ensure consistency with Illustrative Reports 1, 2, 3, 5, 11 and 26 where “company”, “group” or “group and company” have been defined, as applicable in the circumstances. Please refer to the below to illustrate examples of the differences identified.

Illustrative Report 25 on page 148:

> **Independent Auditor's Report**
>
> *To the Shareholders of ABC Proprietary Limited*
>
> *Opinion*
>
> We have audited the financial statements of ABC Proprietary Limited set out on pages … to …, which comprise the statement of financial position as at 31 December 20XX; and the statement of profit or loss and other comprehensive income; the statement of changes in equity; and the statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

Illustrative Report 5 on page 63:

> **Independent Auditor's Report**
>
> *To the Shareholders of ABC Limited*
>
> **Report on the Audit of the Separate Financial Statements**
>
> *Opinion*
>
> We have audited the separate financial statements of ABC Limited (the company) set out on pages … to …, which comprise the separate statement of financial position as at 31 December 20XX; and the separate statement of profit or loss and other comprehensive income; the separate statement of changes in equity; and the separate statement of cash flows for the year then ended; and notes to the separate financial statements, including material accounting policy information.

43. Illustrative report 14 reflects circumstances where the auditor expressed an adverse opinion because the company prepared financial statements on a going concern basis and the auditor concluded that the going concern basis of accounting was not appropriate. We recommend removing the highlighted text on page 106 of the Exposure Draft (ED) for Illustrative Report 14: *'However, future events or conditions may cause the company to cease to continue as a going concern.'*

44. Referencing potential future cessation to continue as a going concern within this context appears to distort the underlying validity of the auditor's conclusion.

> - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

45. We recommend updating the IFRS naming convention used on page 109 of the Exposure Draft (ED) in Illustrative Report 15. The report refers to *'International Accounting Standards 16, Property, Plant and Equipment.'* The IFRS Foundation Trade Mark Guidelines https://www.ifrs.org/content/dam/ifrs/about-us/legal-and-governance/legal-docs/trade-mark-guidelines.pdf dictate using the acronym 'IAS Standards' for older Standards. Consequently, spelling out 'International Accounting Standards' creates an inconsistency with established IFRS protocols.

Illustrative Report 15 on page 109:

> Furthermore, International Accounting Standard 16, *Property, Plant and Equipment*, requires the depreciable amount of depreciable assets to be allocated on a systemic basis over the assets' useful lives. No depreciation has been recognised in respect of the company's plant and equipment. Consequently, plant and equipment, included in Note X to the financial statements, is overstated by Rxxx (20XX: Rxxx), while income tax, net income and shareholders' equity is overstated by Rxxx (20XX: Rxxx), Rxxx (20XX: Rxxx) and Rxxx (20XX: Rxxx) respectively. These required adjustments are considered material to the financial statements as a whole.

46. Illustrative report 12, which is the Afrikaans translation of illustrative report 11, has small inconsistencies with illustrative report 11:

Illustrative report 12 on page 94:

> **Onafhanklike Ouditeur se Verslag**
>
> *Aan die Aandeelhouers van ABC Beperk*
>
> **Verslag oor die Oudit van die Gekonsolideerde en Afsonderlike Finansiële State**
>
> *Mening*
>
> Ons het die gekonsolideerde en afsonderlike finansiële state van ABC Beperk (die groep), soos uiteengesit op bladsye ... tot ..., geoudit. Hierdie gekonsolideerde en afsonderlike finansiële state bestaan uit die gekonsolideerde en afsonderlike state van finansiële stand soos op 31 Desember 20XX, en die gekonsolideerde en afsonderlike state van wins of verlies en ander omvattende inkomste, die gekonsolideerde en afsonderlike state van veranderings in ekwiteit en die gekonsolideerde en afsonderlike state van kontantvloeie vir die jaar wat op daardie datum geëindig het, en aantekeninge tot die gekonsolideerde en afsonderlike finansiële state, insluitende wesenlike rekeningkundige beleidinligtings.

Illustrative report 11 on page 88:

> **Independent Auditor's Report**
>
> *To the Shareholders of ABC Limited*
>
> **Report on the Audit of the Consolidated and Separate Financial Statements**
>
> *Opinion*
>
> We have audited the consolidated and separate financial statements of ABC Limited and its subsidiaries (the group and company) set out on pages … to …, which comprise the consolidated and separate statements of financial position as at 31 December 20XX; and the consolidated and separate statements of profit or loss and other comprehensive income; the consolidated and separate statements of changes in equity; and the consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including material accounting policy information.

47. Illustrative report 29 is a translation of illustrative report 27 and not of illustrative report 26, as is currently reflected in illustrative report 29:

> **29. Ongemodifiseerde Gevolgtrekking – Onafhanklike Oorsig van Finansiële State: Nakomings-Finansiële Verslagdoeningsraamwerk en Maatskappywet**
>
> Omstandighede sluit in:
>
> - Hierdie verslag is 'n vertaling van voorbeeld 26.

Question 13

Do you agree with the proposed effective date for the final pronouncement of SAAPS 3 (Revised)?

48. Yes, we agree with the proposed effective date.