

INFORMATION FOR PROJECTS THAT ARE NOT RELATED TO INDUSTRY SPECIFIC GUIDES, REPORTS AND RELATED DOCUMENTS

NOTE: If you would like assistance with discussing/completing this form, please contact Saadiya Adam by emailing her at sadam@irba.co.za.

Name of Project	SAAPS 3, <i>Illustrative Reports</i> , scope expansion
Abbreviated Name	SAAPS 3 scope expansion
Information Completed By	SAICA Standards: Audit and Assurance
Date	1 April 2022

INFORMATION REQUIRED FOR THE PROJECT PROPOSAL

Provide an overview of the project being requested.

Background:

SAAPS 3 provides useful guidance to registered auditors on the application of the reporting ISAs and ISRE 2400. Although the SAAPS' introductory paragraphs and the Notes to the illustrative reports in Part A of the SAAPS provide guidance that may assist registered auditors in drafting an auditor's report on the financial statements of any type of entity, the illustrative reports in Part A and Part B of the SAAPS are based the assumption that the audited entity is a South African company. We acknowledge that the scope of SAAPS 3 was carefully considered and debated at the time of its original development. While the SAAPS has served registered auditors well for many years, we propose that the time may be right to expand the scope of SAAPS 3 for it to include illustrative auditor's reports on the financial statements of entities other than companies.

Brief description of the project requested:

We propose the inclusion of a new section in SAAPS 3, for example "Section C", which is to contain illustrative auditor's reports on financial statements of entities other than companies.

The CFAS may consider developing a framework that will determine when an auditor's report would be included in Section C. **For example** by reference to the number of such entities that are required to be audited.

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We propose that ONE illustrative report should be included in Section C for each of the types of entities that the CFAS deems appropriate. The illustrative reports should reflect an opinion on the financial statements that is “clean” (i.e. not modified in terms of ISA 705).

We propose the inclusion of illustrative auditor’s reports on the financial statements of the following types of entities:

- Sectional Titles
- Close Corporations
- Public Schools

While this project proposal focuses on above three types of entities, we acknowledge that registered auditors may benefit from the inclusion of illustrative auditor’s reports on the financial statements of other types of entities too.

In addition, Section C could also contain references to auditor’s reports on the financial statements of regulated entities that are contained in other IRBA documents such as IRBA guides. We would not recommend duplicating auditor’s reports in SAAPS 3 that are located in e.g. an IRBA guide –a reference to the guide (for example) from Section C in SAAPS 3 would suffice. In this manner, SAAPS 3 could become a reference point for all illustrative auditor’s reports developed by the CFAS.

	Information required	Response
1	Applicable International/South African Standard(s), Practice Statement(s), Guide(s) or Non-authoritative Pronouncement(s).	The ISAs and ISRE listed in paragraph 2 of SAAPS 3; SAAPS 3, Illustrative Reports.
2	Any supportive legislative requirements – (applicable Act,	Sectional Titles Act: Paragraph 26(5) of Annexure 1 (i.e., the Management Rules) issued as part of the Sectional Titles Schemes Management Regulations.

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	regulations or other legislation (including Listings Requirements) relating to the accounting records and financial statements or duties / responsibilities of auditors / assurance providers. Please include section numbers, if possible.	Close Corporations Act: Section 58(2A) South African Schools Act: Section 43
3.	If applicable, details of an existing auditor's/assurance provider's reporting template – who drafted it originally; what type of auditor's/assurance provider's report is it; and, if possible, the level of assurance being provided.	SAICA issued a communication on reporting on Sectional Titles in 2017 that included an illustrative auditor's report on the financial statements. NOTE: SAICA Standards: Audit and Assurance has updated the communication and the illustrative auditor's report and will share this with IRBA Standards, should the project be approved. The SAICA Guide on Close Corporations, issued in May 2015, contains an illustrative auditor's report on the financial statements. NOTE: The guide is in process of being updated. SAICA Standards: Audit and Assurance has updated the illustrative auditor's report that is currently included in the Guide, and will share this with IRBA Standards, should the project be approved.
4.	Additional instructions and guidance that have	SAICA Guide on Close Corporations: https://saicawebprstorage.blob.core.windows.net/uploads/resources/THE_SAICA_GUIDE_ON_CLOSE_CORP_May2015_v2.pdf

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	been provided to auditors/assurance providers or the entity being audited/assured.	<p>SAICA communication on auditor reporting on Sectional Titles: https://saicawebprstorage.blob.core.windows.net/uploads/resources/00SAICA_Auditor_Opinions_Rule.pdf</p> <p>Refer to point 3 above regarding revisions to above documents.</p>
5.	Number of affected entities being audited/assured.	<p>Sectional Titles: To our knowledge, there are currently approximately 70 000 sectional title schemes registered with the Deeds Office, all of which require audit annual financial statements.</p> <p>Close Corporations: To our knowledge, there are 2 627 478 registered CCs of which 300 526 have the status of being “in business”.</p> <p>Public schools: Approximately 23 000 public schools.</p>
6.	Number of auditors/assurance providers involved (and profile in terms of big audit firms, or small and medium-sized audit firms); and, if possible, the names of some of the audit firms/registered auditors that	Registered auditors in small and medium-sized firms and in big firms are affected.

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	perform these engagements.	
7.	Other relevant information relating to the extent and impact of auditor's/assurance provider's engagements (including public interest concerns).	<p>We acknowledge that Sectional Titles, Close Corporations and Public Schools may not necessarily meet the definition of "public interest entity" in the IRBA Code.</p> <p>However, public schools receive funding from government, and are funded by parents / caregivers of learners (with the exception of no-fee schools).</p> <p>Sectional titles are funded by their members.</p> <p>Public funds are thus involved regarding these types of entities.</p>
8.	Description (with examples, where possible) of audit/assurance related issues being experienced.	<p>Public schools: Uncertainty regarding the financial reporting framework to be applied in the preparation of the financial statements, in certain provinces.</p> <p>Sectional Titles: See matters addressed in the following documents: https://saicawebprstorage.blob.core.windows.net/uploads/resources/SectionalTitlesFAQsMarch.pdf https://saicawebprstorage.blob.core.windows.net/uploads/resources/00SAICA_Auditor_Opinions_Rule.pdf</p>
9.	Description (with examples, where possible) of legislative issues that impact the performance of the audit/assurance engagement.	See point eight.

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10	Details of any complaints against auditors lodged with the IRBA (and, if possible, the outcome of such complaints).	<p>To our knowledge, complaints have been lodged about “fake auditors” auditing Public Schools.</p> <p>To our knowledge, complaints have been lodged about lowballing regarding the audit of sectional titles.</p>
11	Any other relevant information.	<p>See point three for the work that SAICA Standards: Audit and Assurance has already done on the illustrative audit reports on a Sectional Title and Close Corporation which we are willing to share with the IRBA.</p> <p>SAICA Standards: Audit and Assurance undertakes to draft the first version of an illustrative auditor’s report on a public school, should this project be approved.</p>
12	Recent developments necessitating a new pronouncement or a revision of an existing pronouncement. Include an explanation of why the need for the project has arisen now, e.g. new standard issued, new legislation, amendments to existing legislation, etc.	We are not aware of relevant recent developments.