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Mr Imran Vanker

30 November 2023

Director: Standards

Independent Regulatory Board for Auditors

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Per email: standards@irba.co.za

Exposure Draft: Proposed South African Auditing Practice Statement (SAAPS) 3 (Revised)

Dear Mr. Vanker

We welcome the opportunity to offer our comments on the Proposed SAAPS 3 (Revised) Exposure Draft. The comments and considerations expressed in this comment letter are based on collated views of Ernst & Young Inc. South Africa and do not represent the collective view of the global EY network of firms.

Our comments are structured in two parts:

- Part 1: General comments address a short introduction which provides some comments relevant to all the questions you have asked (for avoidance of repetition); and
- Part 2: Conforms to your requested format with our detailed answers to your specific questions.

If you wish to discuss these comments further, please contact Michael Schafer (Michael.Schafer@za.ey.com)

Yours sincerely,

DocuSigned by:



Michael Schafer

Professional Practice - Assurance Technical Leader

PART 1: GENERAL COMMENTS

We commend the IRBA and the CFAS Committee for the efforts in preparing the proposed SAAPS 3 (Revised). We believe the revised SAAPS 3 will be helpful to practitioner's as they apply the new regulatory requirements.

The new enhanced auditor reporting requirements (EAR Rule), in the illustrative reports have been formatted in purple for emphasis however this may be misleading that these are the only proposed amendments. We suggest that there be track changes or similar formatting for all the proposed amendments to be visible to the practitioners. We also recommend that the circumstances in all the illustrative reports where the new EAR Rule applies be updated to include a bullet stating that the EAR Rule applies for this illustrative report for emphasis.

The Staff Audit Practice Alert 9: *IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements* (Staff Alert) provides minimum guidance on actual wording to be included on each of the additional disclosures. We strongly recommend that the proposed SAAPS 3 (Revised) provides practical guidance on the wording to be included for each of the additional disclosures that is specific to the new enhanced auditor reporting requirements in South Africa as the practical examples in the Staff Alert are UK specific. This would result in some consistency and allow evaluations across different firms' methodologies and alignment with the ISAs.

PART 2: RESPONSES TO SPECIFIC QUESTIONS

Respondent type	Firm
Organisation Name	Ernst & Young Inc.
Full Names	<ul style="list-style-type: none"> Michael Schafer
Job Titles	<ul style="list-style-type: none"> Professional Practice - Assurance Technical Leader
Email Address	<ul style="list-style-type: none"> Michael.Schafer@za.ey.com

Question 1

Do you agree with the proposed amendments to illustrative report 1 and illustrative report 3 in Part A?

- Yes, we agree with the proposed amendments in illustrative reports 1 and 3. The proposed amendments make it clear for the users to see changes to the independent auditor's report due to the new IRBA Rule on Enhanced Auditor Reporting (EAR Rule), IAS 1 amendment, and ISA 600 (Revised).

Question 2

Do you agree with the new illustrative report 2 in Part A?

- Yes, we agree with the new illustrative report 2. The new illustrative report is a good example as the scenarios included applies to several entities that meet the new requirements of the EAR Rule.

Question 3

Do you support the proposal to delete illustrative report 4, the Auditor-General of South Africa's (AGSA's) Report on a Complete Set of General-Purpose Financial Statements, in Part A of extant Updated SAAPS 3 (Revised May 2019)?

- Yes, we support with the proposal to delete the illustrative report 4 as the Auditor General's Directive overrides the illustrative report in SAAPS 3.

Question 4

Are the proposed amendments to the Notes in Part A sufficiently clear and comprehensive?

4. Yes, the proposed amendments to the Notes in Part A are clear and comprehensive and the amendments align with the EAR Rule.

Question 5

Do you agree with the approach to only include introductory wording of the enhanced auditor reporting requirements?

5. Overall, we agree with the approach to include introductory wording of the EAR Rule as this aligns with the requirements of paragraphs 43 of ISA 700. However, clarity is required for circumstances where the practitioner of a non-PIE voluntarily adopts the EAR Rule as the proposed introductory wording would not be applicable.

Question 6

Do you agree with the proposed amendments to the relevant illustrative reports in Part B?

6. Our understanding is that private companies that are non-PIEs would not be required to communicate key audit matters unless they voluntarily do so and thus, we suggest that the bullet included in the circumstance table for non-PIEs be deleted or the bullet to be revised as follows “The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701”.
7. We noted that the illustrative reports in Part B refer to ISA 600 instead of ISA 600 (Revised). We recommend that the references be amended so it aligns with the other amendments in the rest of the document.

Question 7

Are the illustrations in Parts A and B of the SAAPS complete, or is there a scenario that needs to be added? Please motivate why adding such an illustration will be beneficial?

8. We appreciate that it is not possible to include all possible scenarios however we recommend that the scenarios below be included as part of the proposed SAAPS 3 (Revised) illustrative reports as these are very common scenarios and would thus make the SAAPS 3 (Revised) complete:
9. In the Staff Alert paragraph 8, it states that auditors of non-PIEs may make voluntary additional disclosures in the independent auditor’s report, as set out in the EAR Rule. It is important to show the introductory wording to be included for that specific circumstance given that the EAR Rule would not be applicable.
10. Paragraph 15 of the Staff Alert sets out the considerations of circumstances are that are appropriate to make the disclosures required by the EAR Rule when a modified opinion is expressed. We suggest that some of the illustrative reports be amended to show the application of the requirements set out in the paragraph.

Question 8

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

11. Yes, the proposed effective date for periods ending on or after 15 December 2024 aligns with the effective date for the new EAR Rule and ISA 600 (Revised).