

IRBA 2019 Public Inspections Report WEBINAR 12 May 2020 Q&A Summary

No	Name	Question	Answer
1.	Alexis	I don't think it is only that auditors are not doing what is required. The IRBA requirements have become almost impossible for the profession even where high standards are followed within the firm and previous IRBA reviews have always been satisfactory. We have just concluded an independent EQCR which highlighted just how onerous IRBA's requirements have become and extend way beyond the statements.	Alexis: I agree wholeheartedly! If only we could find that golden "mid-way" where all parties benefit from regulation and requirements without the current onerous burden that we all feel...
2.	Alexis	During our EQCR, we were told that the summary of misstatements must be compared to performance materiality and not final materiality to determine individual or cumulative materiality. We are not able to agree this to any statement?	Alexis: ISA450 on Evaluation of Misstatements identified during the audit is applicable – refer to paragraphs 10 and 11 I tend to agree with you that you should compare to final materiality, and not performance materiality. <i>Final materiality considerations are documented on file as per ISA 320 paragraph 12</i> Refer to ISA 450, par 11, and A15.
3.	Patrick	It is appropriate to conclude that if the following factors are applicable, you may conclude that the component will not be tested (just test for it when you perform overall final analytical procedures for the AFS). When the following factors are applicable: 1. Below performance materiality; 2. No risk identified; 3. Not considered to be a qualitatively material component	Patrick: In broad terms, you are correct, but it is an aggressive audit approach. Remember that items below performance materiality should still be considered (excluding those amounts that are clearly trivial) as they may accumulate and exceed materiality. Analytical procedures may be enough in your scenario, yes.
4.	Patrick	Is it not appropriate for SAICA to also not have auditors practicing in public practice in their governing structure?	Patrick: SAICA do not regulate auditors. They regulate CAs.
5.	Tariq	Many owner managed business do not review their residual values and useful life's annually as required as they find it time consuming or they do not understand IFRS requirements. What should our approach as auditors in this instance be?	Tariq: It remains the responsibility of owner-managed businesses to review their residual values and useful lives – even though it does not happen formally. Documentation of discussions may be sufficient. I would advise that this be emphasized in the engagement letter.
6.	Marthinus	When is management reviews necessary? For the audit file.	Marthinus: This must happen annually. It might be a good idea to create a document with "standing information" that will be applicable and can be updated easily on an annual basis.
7.	Patrick	Just to confirm, is it inappropriate to address the EQCR Checklist with yes/no and hyperlinks	Patrick: It should be acceptable. I would advise some explanations or recommendations be formulated and provided to expand on the issue at hand.