INSTITUTE OF CHARTERED ACCOUNTANTS OF NAMIBIA CIRCULAR:

2019 / 05: ILLUSTRATIVE AUDIT REPORT AFTER AMENDMENTS TO THE IESBA INTERNATIONAL CODE OF ETHICS

Revised 16 July 2019

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ILLUSTRATIVE AUDIT REPORT AFTER AMENDMENTS TO THE IESBA INTERNATIONAL CODE OF ETHICS


ICAN has adopted the Code. The amendments therefore become applicable to all Namibian Audit reports with the effective date of 15 June 2019.

To assist members as users or preparers of financial statements or as auditors, the Institute has revised the previously issued illustrative audit report for Namibian companies.

NOTE that this circular replaces the below circular previously issued:

- CIRCULAR 2016/4 ILLUSTRATIVE AUDIT REPORT AFTER AMENDMENTS TO ISA 700, 701, 720 UPDATED FOR NAMIBIAN CIRCUMSTANCES

Effective dates for new IESBA code:

- Parts 1 and 3 of the restructured Code will be effective as of 15 June 2019;
- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019; and
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 June 2019; otherwise, it will be effective as of 15 June 2019.

The references in the audit report to the Code are therefore different, not only from those of the extant code of ethics, but also during the transitional period which is the period between audit reports issued on or after 15 June 2019 for financial periods beginning before 15 June 2019 and audit reports issued for financial periods beginning on/after 15 June 2019.

The effective date of this Circular is the date of issue hereof.
ILLUSTRATION OF THE IMPACT OF TRANSITIONAL PERIODS:

<table>
<thead>
<tr>
<th>Wording of “Basis for opinion” paragraph:</th>
<th>Audit reports issued: before 15 June 2019</th>
<th>Audit reports issued: on or after 15 June 2019</th>
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<tbody>
<tr>
<td>In respect of financial periods:</td>
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<td>beginning before 15 June 2019</td>
<td>beginning before 15 June 2019</td>
<td>beginning on or after 15 June 2019</td>
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<td>“...We are independent of the [Group and/or Company] in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).”</td>
<td>“...We are independent of the [Group and/or Company] in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia.”</td>
<td>“...We are independent of the [Group and/or Company] in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia.”</td>
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ILLUSTRATIVE AUDITOR’S REPORT FOR NAMIBIAN COMPANIES

Date Issued/Date of last review: June 2019

Literature: ISA 700 (revised), ISA 701, ISA 720 (Revised) and International Ethics Standards Board for Accountants
International Code of Ethics for Professional Accountants’ (including International Independence Standards)

Effective date of literature: Audit reports issued on/after 15 June 2019

BACKGROUND

This report assumes the following:

- Audit of a complete set of **consolidated and separate** financial statements of a **listed** entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries and of the company. Consolidated and separate financial statements are presented together (four column format)

- The auditor has concluded an unmodified opinion is appropriate based on the audit evidence obtained.

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

- Key Audit Matters relating to the consolidated and separate and separate financial statements have been communicated.

- The auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

- **The audit report is issued on or after 15 June 2019 for an audit of financial statements for a financial period beginning on or after 15 June 2019**

The ISAs allow flexibility on the extent of insights provided with regards to key audit matters and practitioners should refer to ISA 701 “Communicating Key Audit Matters in the Independent Auditor’s Report” for guidance on this matter. Key audit matters should not be boilerplate and therefore these examples should not be used as a “cut and paste” into client’s reports. Key audit matters need to be tailored to address the specific and unique circumstances of the client in relation to the current period being audited. We should avoid boilerplate disclosures that do not provide insight into the audit of the client or relate specifically to the client.
For additional guidance practitioners are referred to:

- ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements;
- ISA 701, Communicating Key Audit Matters in the Independent Auditor’s Report;
- ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Report;
- ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report; and
- SAAPS 3 – The South African Auditing Practice Statement 3 (Revised) – Illustrative Reports
ILLUSTRATIVE AUDITOR’S REPORT INCLUDING REFERENCES TO THE NEW INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS INTERNATIONAL CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS’ (INCLUDING INTERNATIONAL INDEPENDENCE STANDARDS)

INDEPENDENT AUDITOR’S REPORT
To the Shareholders of [company]

Opinion

We have audited the consolidated and separate financial statements of [company] and its subsidiaries (“the Group”) set out on pages XX to XX, which comprise the consolidated and separate statements of financial position as at [year end date], 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 the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors’ report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at [year end date], and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[ ]

1 “Key Audit Matters” section required for listed entities only.
Other Information

The directors are responsible for the other information. The other information comprises the [define subject matter], which we obtained prior to the date of this auditor’s report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group’s and Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

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2 This section may be removed if there is no other information, in addition to the directors report, presented in the financial statements
3 The term “Annual Report” may be changed to “Integrated Report” if this is more appropriate in the circumstances
4 The wording of the section on other matters will require tailoring to the individual circumstances of the entity
Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s or the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Group’s and 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 consolidated and separate 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 Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.5

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.6

[From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.]7

[Firm Name]
Registered Accountants and Auditors Chartered Accountants (Namibia)
Per: [Partner Name]8
Partner
Windhoek
[DATE]9

ISSUED BY: THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NAMIBIA

INSTITUTE OF CHARTERED ACCOUNTANTS OF NAMIBIA CIRCULAR. ISSN: 2026-8335

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5 This paragraph is applicable only in group audit engagements.
6 Required for listed entities only.
7 Only relevant where Key Audit Matters are required.
8 Name of audit partner required for listed entities only.
9 Where the audit opinion is NOT printed on the firm letterhead cognisance should be taken of Circular 2016/05 dealing with the minimum required information to be included in audit reports.