

Auditor's responsibility on JSE Listing Requirement 3.84(k) - CEO / CFO sign-off on internal financial control

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The JSE Listing Requirement 3.84(k) requires the Chief Executive Officer (CEO) and the financial director (FD) to sign a responsibility statement that they have implemented the necessary internal financial controls to ensure the financial statements are fairly presented and no facts have been omitted or untrue statements made. The auditor has a responsibility to conclude whether this statement is inconsistent with the financial statements or with the auditor's knowledge obtained during the audit.

The CEO and the FD Statement on internal financial controls constitutes "**other information**" as defined in ISA 720 (Revised) as it is required to be included in the annual report. As such, the auditor must comply with the requirements of ISA 720 (Revised) with respect to the Statement.

The auditor should read and consider (based on the audit) whether the information contained in the Statement is:

- materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit, or otherwise appears to be materially misstated.
- whether the auditor has obtained evidence that contradicts the Statement through procedures performed in carrying out the statutory audit engagement on the financial statements.

A deficiency in the internal financial controls in itself is not an indication of a material inconsistency. A deficiency is considered to be significant when, in the auditor's professional judgement, it will be able to influence the users of the financial statements. From a practical point, a deficiency in internal financial controls is likely to be significant when this has resulted or may result in a material misstatement of the financial statements.

The following instances will constitute **non-compliance** with the Listings Requirements:

- If the Statement is not included in the Annual Report and/or;
- The CEO and FD does not use the prescribed wording in the Statement and is not willing to make adjustments

In case of the above, the auditor would need to consider the following:

- Responsibilities of the audit firm as contained in paragraph 22.16 of the Listings Requirements for monitoring compliance with the disclosure requirements as set out in section 8 of the JSE Listings Requirements and responsibility in terms of paragraph 8.64 to report matters of non-compliance directly to the JSE.
- Possible non-compliance with laws and regulations (NOCLAR) as per Section 360 of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (the IRBA Code)
- Possible reportable irregularity to IRBA as per section 45 of the Auditing Profession Act, 26 of 2005.

ISA 720 (Revised) does not require the auditor to report non-compliance with the Listings Requirements in the other information section of the auditor's report, the auditor would report this fact in the section of the auditor's report titled "**Report on Other Legal and Regulatory Requirements**".

