GUIDE FOR REGISTERED AUDITORS

GUIDANCE ON PERFORMING AUDITS ON BEHALF OF THE AGSA
MESSAGE BY THE CHIEF EXECUTIVE OFFICER OF THE IRBA

The mandate of the IRBA is to protect the public interest through issuing high quality auditing standards and guidance to auditors. The public interest is best served when audit quality is achieved in both the private and the public sectors, which in turn enhances confidence in the financial markets, stimulates investment, transformation and employment opportunities in the South African economy.

I am pleased with the continued collaboration between the IRBA and the Auditor-General to develop guidance that supports registered auditors performing audits in the public sector, which will ultimately improve governance and financial management in the public interest.

The IRBA regards the Auditor-General as an important stakeholder in the public sector financial reporting and governance framework, as well as in the auditing profession. We are confident that the co-operation with the Auditor-General on the current and future initiatives will benefit the public, government and our country.

Bernard Peter Agulhas
This Guide for Registered Auditors: *Guidance on Performing Audits on behalf of the AGSA* was prepared by the Public Sector Standing Committee of the Committee for Auditing Standards (CFAS) comprising representatives of large, medium and small audit firms and the Auditor-General of South Africa (AGSA). This Guide was approved by the Independent Regulatory Board for Auditors (IRBA) in June 2015 for issue by way of joint publication with the AGSA for the purpose of improving the understanding of and enhancing the quality of public sector audits by registered auditors in public practice (registered with the IRBA) who are contracted by the AGSA.

Guidance is provided to registered auditors who perform public sector audit engagements on behalf of the AGSA, including the audit of financial statements, predetermined objectives and compliance with legislation, and the additional audit procedures relating to focus areas, in conformance with the AGSA’s specific requirements and the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

This Guide addresses the following matters in these circumstances:

- The roles and responsibilities of the audit firm and the AGSA;
- The auditing standards and ethical requirements to be complied with;
- Communication between the auditor, the AGSA, the auditee, the executive authority and oversight bodies;
- Supervision and review responsibilities;
- Pre-issuance reviews;
- Technical consultations and difference-of-opinion processes; and
- Reporting.

Guide for Registered Auditors: *Guidance on Performing Audits on behalf of the AGSA* may be downloaded free of charge from the IRBA website: [www.irba.co.za](http://www.irba.co.za) and the AGSA website: [www.agsa.co.za](http://www.agsa.co.za).

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This Guide for Registered Auditors: Guidance on Performing Audits on behalf of the AGSA provides guidance for registered auditors who perform public sector audit engagements on behalf of AGSA, including the audit of financial statements, predetermined objectives and compliance with legislation and the additional audit procedures relating to focus areas, in conformance with the AGSA’s specific requirements and the requirements of the Public Audit Act, (Act No 25 of 2004).

Guides are developed and issued by the IRBA to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. Guides do not impose requirements on auditors beyond those included in the International or South African Standard/s or South African regulatory requirements and do not change an auditor’s responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagement.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the Guide relates properly.

In terms of section 1 of the Auditing Profession Act, No 26 of 2005 (the Act), a Guide is included in the definition of “auditing pronouncements” and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.
1. INTRODUCTION

1.1 This Guide provides guidance for registered auditors to perform public sector audit engagements on behalf of the AGSA, including the audit of financial statements, predetermined objectives, compliance with legislation and the additional audit procedures relating to focus areas, in conformance with the AGSA’s specific requirements and the requirements of the PAA. The AGSA retains overall responsibility for these audits and will sign the auditor’s report.

1.2 Auditors are also referred to the *Guidance for auditing in the public sector Volume 1: Auditing in the public sector*.

1.3 The relationship with registered auditors where the AGSA has opted not to perform the audit of a public sector entity is dealt with in the *Guide for registered auditors: Guidance on performing audits where the AGSA has opted not to perform the audit.*

1.4 Engagements where auditors are contracted in, or seconded to, the AGSA are not dealt with in this Guide. The unique requirements of performance audits and investigations performed on behalf of the AGSA are also not dealt with in this Guide.

2. DEFINITIONS

**Audit firm:** A firm of registered auditors engaged in public practice as Registered Auditors that perform audits on behalf of the AGSA. Audit firm has the same meaning as “firm” as defined in the IRBA *Code of Professional Conduct for Registered Auditors.*

**Audit partner:** The partner in the audit firm who shares the responsibility for the engagement and its performance with the AGSA senior manager.

**Senior manager (SM):** The person within the AGSA who is responsible for and has been assigned an engagement by the audit business executive (BE) and has sufficient and appropriate experience and authority to perform the engagement.

**Product champion:** The person in each audit business unit within the AGSA who is responsible for dealing with technical matters within the business unit.

**Public audit manual:** The AGSA audit methodology, including application guidance, working papers and technical guidance memorandums.

**Auditing pronouncements:** The pronouncements prescribed in directives issued by the AGSA, including the auditing pronouncements as defined in the Auditing Profession Act.

**Memorandum of Agreement (MoA):** The agreement between the AGSA and the audit firm regarding their respective responsibilities for the performance of the audit on behalf of the AGSA.

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1 The guide can be downloaded from the IRBA website: [www.irba.co.za](http://www.irba.co.za).
Executive Authority  The Executive Authority as defined by the Public Finance Management Act (PFMA) and the Local Government: Municipal Systems Act.

3. CONTRACTING WITH AUDIT FIRMS

3.1 In terms of section 12(1) of the PAA, the AGSA may authorise a private practitioner (hereafter referred to as the audit firm) to perform audits on its behalf.

3.2 The AGSA follows a stringent tender process to compile an approved list of audit firms to perform audits on its behalf. Work will only be allocated to audit firms that appear on the approved list. Information relating to the tender process is available in the tender principles document published by the AGSA on its website.

3.3 Audit firms contracted to perform audits on behalf of the AGSA are regarded as part of the AGSA’s engagement team. In this context the requirements of chapter 3 of the PAA are applicable to audit firms performing audits on behalf of the AGSA.

3.4 The terms and conditions of the contract are included in a standard MoA entered into between the audit firm and the AGSA.

3.5 A directive is issued by the Auditor-General (hereafter referred to as the AG Directive) in terms of sections 2(b) and 13(3)(b) of the PAA which prescribe and explain certain matters related to public sector audits and are applicable to audit firms performing audits on behalf of the AGSA. The AG Directive\(^2\) is revised from time to time.

4. ROLES AND RESPONSIBILITIES

4.1 The AGSA and the audit firm have different roles and responsibilities in conducting the audits. Appendix 1 provides a diagrammatic explanation of this relationship.

AGSA

4.2 All audits are assigned to SMs in the AGSA. The SM is responsible for ensuring that the engagements are undertaken in compliance with the auditing pronouncements.

4.3 The SM is the AGSA’s representative who engages with the audit partner from the audit firm when audits are performed on behalf of the AGSA. Under these circumstances the SM remains overall responsible for the quality of the audit.

4.4 Each AGSA audit business unit (ABU) has a product champion (PC) who is responsible, inter alia, for dealing with the technical matters that arise during the audits as referred by the SM.

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\(^2\) The AG Directive can be downloaded from the AGSA website www.agsa.co.za.
Audit firm

4.5 Work on behalf of the AGSA is performed in terms of an MoA which sets out the following:

- The scope of the engagement.
- The auditing pronouncements, as prescribed in the AG Directive, and legal and regulatory requirements for the audit, which are the same as those that apply to the AGSA.
- All duties and responsibilities in terms of the agreement and all work will be performed with the highest degree of skill, care and diligence that is reasonably expected from the auditing profession.

4.6 When contracting an audit firm, the AGSA expects that the audit firm would have established and maintains a system of quality control as required by International Standards on Quality control (ISQC) 1 to provide reasonable assurance that:

- The audit firm and its personnel comply with the auditing pronouncements and legislative requirements; and
- Reports prepared are appropriate in the circumstances.

4.7 In consultation with the AGSA, the audit firm identifies the audit partner who will be responsible for the audit and will share responsibility for the quality of the audit.

4.8 The audit partner assigns the audit firm’s audit team and accepts responsibility for the direction, supervision and performance of the audit team in compliance with the auditing pronouncements and legislative requirements. The audit partner is also responsible for ensuring that the draft auditor’s report, as presented to the AGSA, is appropriate in the circumstances.

4.9 Prior to the commencement of the audit, the audit partner ensures that the team has relevant public sector knowledge and competencies to perform the audit. Audit firms that perform audits on behalf of the AGSA for the first time may be requested to attend an induction programme presented by the AGSA prior to commencement of the audit. Audit firms may also be invited to attend relevant training presented by the AGSA from time to time.

4.10 When the audit is performed jointly with another audit firm the allocation of work and responsibilities, including appointing a lead audit firm, will be negotiated and agreed upon between the AGSA’s audit BE and the audit firms prior to commencement of the audit.

5. ETHICAL REQUIREMENTS

Professional codes of ethics

5.1 Registered auditors performing work on behalf of the AGSA are subject to the IRBA Code of Professional Conduct for Registered Auditors. In addition, registered auditors
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Comply with the International Standard of Supreme Audit Institutions (ISSAI) 30, *Code of Ethics* specifically relating to political neutrality.

**Independence**

5.2 The audit firm confirms its independence, taking into consideration any legislative requirements, prior to accepting the audit engagement and remains independent throughout the audit. In this regard the audit firm may not undertake any other engagement with the auditee, unless specific prior written authorisation has been given by the AGSA.

5.3 The audit firm and members of the engagement team sign a declaration for each engagement, thereby undertaking to adhere to the codes of professional conduct as described in paragraph 5.1, which form part of the audit documentation.

**Confidentiality**

5.4 In accordance with section 50 of the PAA, the audit firm maintains absolute confidentiality regarding all the information acquired from whichever source relating to the audit and is not permitted to divulge to any person other than the AGSA any aspect of such information. The information may not, in any way or for any reason whatsoever, be used without the prior written consent of the AGSA, other than for the purposes of the engagement or for purposes of complying with IRBA’s inspection requirements.

5.5 Information that the AGSA supplies to the audit firm vests in the AGSA and the audit firm has no claim to it. All information related to the performance of the audit remains the property of the AGSA. Engagement documentation or extracts from such documentation may therefore only be made available to the auditee with written permission from the SM.

5.6 Section 18(3) of the PAA states that the AGSA, an authorised auditor or an assistant or other person referred to in section 17 of the PAA may not be compelled to disclose information obtained in the course of official duties in any proceedings in which the AGSA is not a party before a court in a civil matter or any other body or institution established in terms of legislation. The audit firm therefore obtains written approval from the Auditor-General before disclosing any information acquired by it during the performance of the audit.

**Values**

5.7 The AGSA strives towards a high-performance culture which is underpinned by the following strategic values:

- We value, respect and recognise our people
- Our accountability is clear and personal

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3 The ISSAI Code of Ethics may be downloaded from: [www.issai.org](http://www.issai.org).
We are performance driven
We value and own our reputation and independence
We work effectively in teams
We are proud to be South African.

5.8 In order to sustain ethical behaviour, all AGSA staff and the audit firms that perform work on its behalf are encouraged to demonstrate these values.

6. AUDITING STANDARDS AND METHODOLOGY

6.1 In terms of section 13(1)(a) of the PAA, the AGSA has determined that the International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants have to be applied in performing the audits conducted by the AGSA.

6.2 In addition, audit firms take into consideration the principles contained in the following which have been incorporated into the AGSA guidance:

- The International Standards of Supreme Audit Institutions (ISSAIs); and
- The INTOSAI Guidance for Good Governance, published by the International Organisation of Supreme Audit Institutions (INTOSAI).

Decision on using the audit firm’s own audit methodology/software and working papers or that of the AGSA

6.3 The audit firm may use its own audit software, methodology and working papers, unless the SM, in consultation with the BE, determines otherwise. The engagement, however, is still performed:

- In accordance with the auditing pronouncements mentioned above and relevant legislative requirements;
- In accordance with the AGSA’s methodology relating to the audit of predetermined objectives, compliance with legislation and the AGSA’s focus areas; and
- Using the reporting formats as prescribed by the AGSA.

6.4 The SM, in consultation with the BE, may request that the AGSA’s methodology, audit software and working papers be used in the engagement after having considered the following:

- The team’s experience in the public sector
- Previous experience with the allocated audit team and partner
- Whether it is a joint audit
- Practical considerations of the AGSA.

6.5 The SM provides the Public audit manual and necessary technical guidance to the audit firm. If the AGSA’s software is used by the audit firm, the Public audit manual
and technical guidance are available therein. In addition, the AGSA’s technical guidance is available on the AGSA website to audit firms providing services to the AGSA.

6.6 The audit firm’s hardware and software used for engagements and their Information and Communication Technology policies and procedures have to comply with the requirements of the MoA.

6.7 The audit firm provides the SM with access to the electronic working papers to enable an electronic review of the audit firm’s working papers. The audit firm is not required to provide the AGSA with the audit software should restrictive rights apply in respect of the software licence of the audit firms.

6.8 The audit firm assembles the engagement file and submits it to the AGSA within 60 days after the date of the auditor’s report. When the AGSA’s audit software is not used, the AGSA is provided with a hard copy of the engagement file or a soft copy in a format that can be accessed without using the audit firm’s proprietary software.

Aspects of AGSA methodology that the audit firm is required to adhere to

Overall

6.9 The audit firm will be provided with the AGSA’s engagement letter confirming the engagement terms as signed by the AGSA’s delegated signatory.

Financial audit

6.10 Audit firms following their own methodology may be required to apply certain specific AGSA guidance or working papers as communicated by the responsible SM.

Audit of predetermined objectives

- In terms of section 20(2)(c) of the PAA, the auditor’s report reflects an opinion or conclusion on the entity’s performance against predetermined objectives. The manner in which this is achieved is contained in the AG Directive. The audit of performance against predetermined objectives is performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The criteria used for the audit of the performance report is developed from the applicable performance management and reporting framework.

6.11 The audit firm follows the AGSA’s methodology in the audit of predetermined objectives.

Compliance with legislation

6.12 In terms of section 20(2)(b) of the PAA, the auditor’s report reflects an opinion or conclusion on the entity’s compliance with any applicable legislation relating to financial matters, financial management and other related matters. The manner in which this is achieved is contained in the AG Directive. The audit of compliance with legislation is performed in accordance with the principles in applicable ISSAIs and ISAE 3000 (Revised).

6.13 The audit firm follows the AGSA’s methodology in the audit of compliance with legislation.
Internal control

6.14 The AGSA identifies and communicates the root cause of internal control deficiencies that resulted in the material audit findings from the audit of the financial statements, predetermined objectives and compliance with legislation. The audit firm follows the AGSA’s guidance in this regard.

AGSA focus areas

6.15 The AGSA from time to time identifies specific focus areas which are based on the AGSA’s annual risk assessment. Audit firms perform audit procedures on these areas, which are an extension of those that form part of the normal annual audit process, to enable the AGSA to report thereon and in this regard the related AGSA methodology is followed.

7. COMMUNICATION

7.1 The engagement team, made up of persons from the AGSA and the audit firm, communicates with the auditee in such a manner that the audit firm and the AGSA are regarded as one team. All formal correspondence to the auditee is issued on behalf of the AGSA and not on the audit firm’s letterhead.

Steering committee meetings

7.2 The engagement team holds regular meetings with the auditee regarding audit progress and problems identified. These meetings are led by the audit firm in the presence of the AGSA SM.

Audit committee meetings

7.3 The audit partner is involved in audit committee meetings on the invitation of the SM. The audit partner may advise the SM of matters to be discussed at the meeting.

Interactions and meetings with the executive authority and oversight bodies

7.4 The AGSA interacts proactively with the Executive Authority and oversight bodies such as Parliamentary Portfolio and Accounts Committees. The aim of these engagements is to promote and encourage clean audit outcomes and enhance effective public governance. The SM initiates these meetings and may invite the audit partner to participate. The audit partner may advise the SM of matters to be discussed at the meeting.

8. SUPERVISION AND REVIEW

8.1 The audit partner is responsible for ensuring that reviews are performed throughout the audit in accordance with the auditing pronouncements and the audit firm’s policies and procedures implemented in accordance with ISQC 1, and that sufficient appropriate audit evidence is obtained to support the draft auditor’s report.
8.2 The SM provides direction on the audit by advising the audit partner of matters such as:

- The objectives of the work to be performed;
- The respective responsibilities of the audit firm and the SM;
- The nature of the auditee’s business;
- Risk-related issues and problems that may arise; and
- AGSA-specific audit and reporting requirements regarding the audit of predetermined objectives, compliance with legislation, and the AGSA’s focus areas.

8.3 The SM continues to perform a supervisory role to review the relevant audit documentation. The nature, timing and extent of the direction, supervision and review are planned at the onset of the engagement and may vary depending on factors, including:

- The engagement risk assessment;
- The complexity of the audit work to be performed;
- The assessed risks of material misstatement (for example, an increase in the assessed risk of material misstatement for a given area of the audit ordinarily requires a corresponding increase in the extent of direction and supervision and a more detailed review); and
- The experience of the audit partner and the individual team members performing the audit work.

8.4 Supervision by the SM entails at a minimum:

- Considering the experience of the audit team, including whether they have sufficient time to carry out their work;
- Tracking the progress of the audit engagement;
- Approval of the audit strategy prior to discussion with the auditee;
- Addressing significant matters arising during the audit engagement, considering their significance and ensuring that the planned approach is appropriately modified;
- Ensuring that all pre-issuance review findings are resolved;
- Identifying matters for consultation; and
- Assisting, where necessary, in resolving differences of opinion.

8.5 Before the date on which the draft auditor’s report is finalised, the SM ensures, through a review of audit documentation and discussions with the audit partner and audit team, that sufficient appropriate audit evidence has been obtained to support the opinion expressed.

8.6 The SM’s review may be less detailed than that of the audit partner as reliance is placed on the review already performed. The knowledge, experience, capability and
results of previous quality control reviews of the audit firm will influence the reliance placed on the reviews conducted.

8.7 The SM’s review focuses on whether appropriate judgements were made in the planning of the audit and whether the correct conclusions were reached based on the information recorded per the audit documentation and knowledge of the auditee.

AGSA assessment of quality on the specific engagement

8.8 An assessment of the quality of the work performed by the audit firm will be conducted after completion of the audit.

8.9 The assessment is completed by the SM who liaises with the audit partner to discuss areas of concern. The assessment is then agreed with the audit partner. The assessment results will be taken into consideration in the future allocation of contract work to the audit firm.

Annual engagement quality control reviews

8.10 The audit firm’s audit files relating to a specific engagement may be subject to review by the AGSA’s quality control unit. The audit partner may be requested to assist the SM with matters relating to such a review. The results of this review will be taken into account when future contract work allocations are considered.

Penalties for non-performance

8.11 In the event that the audit firm fails to meet the quality standards as specified by the AGSA, the AGSA may impose a penalty fee and consider lodging a complaint with the IRBA after discussion with the audit firm involved.

9. PRE-ISSUANCE REVIEWS

9.1 A pre-issuance review is an engagement quality control review as required by ISQC 1 and is designed to provide an objective evaluation of the significant judgements the engagement team made and the conclusions reached in formulating the report before it is issued.

9.2 A pre-issuance review is performed for all significant risk engagements, as determined by the AGSA, including those that are performed on behalf of the AGSA.

9.3 The reviews may be undertaken by AGSA staff or an external reviewer. Where external reviewers are selected they are appointed in accordance with the AGSA’s procurement policies and procedures and may not be appointed by the audit firm. The reviewer may not be an individual from the audit firm that performed the work on behalf of the AGSA and may not make any decisions on behalf of the engagement team.

9.4 The audit partner resolves all findings with the pre-issuance reviewer before finalising the auditor’s report. The SM is responsible for ensuring that all findings are resolved.
9.5 The audit firm may decide at own cost to perform their own engagement quality control review before the file is subjected to a pre-issuance review.

10. TECHNICAL CONSULTATIONS

Process, documentation of, and agreement on technical consultations

10.1 The audit partner follows the audit firm’s process to resolve technical matters with its own technical department and informs the SM that a matter has arisen that requires consultation.

10.2 The technical opinion/ conclusion arising from the audit firm’s technical consultation is documented, discussed and agreed with the SM and PC prior to discussion with the auditee or any other party.

10.3 The audit firm may only approach the AGSA’s technical division through the SM and the relevant PC.

10.4 The technical consultation process is illustrated in Appendices 2 and 3 of this Guide.

11. DIFFERENCES OF OPINION

Technical consultations

11.1 The audit partner follows the audit firm’s internal process to resolve a disagreement between the audit partner and the audit firm’s technical department regarding the technical consultation.

11.2 If the SM does not agree with the opinion/conclusion, it is discussed with the AGSA’s technical division. If the AGSA’s technical division disagrees with the opinion/conclusion, the audit partner is informed and the AGSA’s technical division’s opinion/conclusion prevails. If the audit partner disagrees, the AGSA’s difference-of-opinion process is followed.

Pre-issuance review

11.3 Disagreements between the audit partner or SM and the pre-issuance reviewer are resolved by following the AGSA’s difference-of-opinion process.

11.4 All differences of opinion are resolved prior to signing the auditor’s report.

11.5 The AGSA’s difference-of-opinion resolution process is illustrated in Appendix 4 of this Guide.

12. REPORTING

Timelines

12.1 In order to comply with legislated deadlines the audit is performed, as far as possible, in line with the following timelines unless agreed otherwise with the SM:
• Risk assessment and planned response to be completed by the latest 31 March (PFMA)/ 31 August (MFMA)

• Response to assessed risks to be completed by the latest 30 June (PFMA)/ 30 October (MFMA)

• Final management and draft auditor’s report to be completed by the latest 15 July (PFMA)/ 15 November (MFMA).

Management report

12.2 Audit firms prepare the management report in the format prescribed by the AGSA in its Reporting Guide. The draft management report may only be discussed with the auditee once the AGSA’s delegated signatory has approved it for discussion. The AGSA’s delegated signatory signs the final management report.

Auditor’s report template

12.3 Audit firms prepare the auditor’s report in the format illustrated in the South African Auditing Practice Statement (SAAPS) 3 (Revised November 2013): Illustrative reports and prescribed by the AGSA in its Reporting Guide. The draft auditor’s report may only be discussed with the auditee once the AGSA’s delegated signatory has approved it for discussion.

12.4 The draft report submitted to the AGSA is signed by the audit partner. The final report is signed by the AGSA’s delegated signatory.

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APPENDIX 1: RELATIONSHIP STRUCTURE WHERE AUDITS ARE PERFORMED ON BEHALF OF THE AGSA

The Audit firm’s responsibilities

- In consultation with the AGSA, the audit firm identifies the audit partner responsible for the audit.
- The audit firm enters into a standard contract (MoA) with the AGSA.
- The audit partner assigns team members and accepts responsibility for the direction, supervision and performance of the audit.
- The engagement team performs the audit in terms of the MoA, holds regular steering committee meetings with the auditee and invites the SM.
- The audit partner reviews the audit file to ensure that sufficient appropriate audit evidence has been obtained.
- The audit partner prepares the draft auditor’s report.
- The audit partner resolves any pre-issuance review findings and finalises the audit file and the auditor’s report.
- The audit partner attends the audit committee meeting.
- The audit partner assists the SM with matters relating to the quality control review.

The AGSA’s responsibilities

- The BE assigns an SM with overall responsibility for the quality of the audit.
- The SM provides direction and supervision to the audit partner.
- The SM attends the steering committee meetings.
- SM reviews the audit file after the review of the audit partner at key intervals throughout the audit.
- The BE assigns a pre-issuance reviewer to review the file before the auditor’s report is signed by the delegated report signatory. The SM ensures that all pre-issuance review findings are resolved by the audit partner.
- The auditor’s report is signed by the delegated report signatory.
- The SM communicates with the audit committee and invites the audit partner to attend.
- The SM interacts with the executive authority and oversight bodies and invites the audit partner to attend, where required.
- The audit file may be reviewed by the AGSA’s quality control unit.
APPENDIX 2: CONSULTATION PROCESS OUTSIDE THE AGSA

Matter for consultation arises

Audit partner follows the audit firm’s process and informs the SM of the conclusion.

If the matter cannot be resolved, the audit partner approaches the AGSA’s technical division through the SM and PC.

Refer to annexure 3 for the consultation process of the AGSA's technical division.

If the SM agrees with the conclusion, the audit partner documents and implements the conclusion.

If the SM disagrees with the conclusion, the SM approaches the AGSA’s technical division through the PC.

If the AGSA’s technical division agrees with the audit firm’s technical department, the audit partner documents and implements the conclusion.

If the AGSA’s technical division disagrees with the audit firm’s technical department, the SM informs the audit partner thereof and the AGSA technical division’s opinion/conclusion prevails.

If the partner disagrees, the AGSA’s difference-of-opinion process is followed.
APPENDIX 3: CONSULTATION WITHIN THE AGSA

Matter for consultation arises

The PC submits a completed consultation form to the AGSA’s technical division for consideration.

The AGSA’s technical division conducts research (and consults externally if needed) to conclude on the consultation.

The PC forwards the completed consultation form to the SM.

The SM documents the conclusion and implementation thereof in the audit file.

The SM disagrees with the conclusion and follows the difference-of-opinion process.
APPENDIX 4: DIAGRAM ON THE AGSA’s DIFFERENCE-OF-OPINION PROCESS

Difference of opinion relating to:
- matter of significant judgement
- conclusions reached in formulating the report

Engagement manager resolves the difference:
- by considering reasons
- by conducting research
- by referring to past experience
- by means of mediation

Independent review by DBE/BE/CE

Review and final decision by head of audit, in consultation with DAG/AG where applicable

Document conclusion and implementation thereof

Report may be signed and dated

May include consultations as per consultation

Resolved

Unresolved

Resolved

Document on difference-of-opinion working paper and file in engagement file