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IMPORTANT NOTICE

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GENERAL NOTICE

NOTICE 839 OF 2011

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DIRECTIVE ISSUED IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)

1. Under the powers vested in me by section 2(b), read with section 13(3)(b) of the Public Audit Act, 2004 (Act No. 25 of 2004) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa (hereafter referred to as the AGSA), hereby determine the following:

A. AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**a. Evaluation of public financial and performance management**

2. The success of transformation in public sector financial and performance management is evaluated as part of the outcomes of the annual audit process. Accordingly, the auditor's report reflects views on:
 - financial information, through the auditor's opinion on the financial statements
 - performance against predetermined objectives, reflected as findings under the *Predetermined objectives* heading in the *Report on other legal and regulatory requirements* section in the auditor's report
 - compliance with applicable laws and regulations relating to financial matters, financial management and other related matters, reflected as findings under the *Compliance with laws and regulations* heading in the *Report on other legal and regulatory requirements* section in the auditor's report
 - internal control, as indicated by the deficiencies in internal control that resulted in:
 - qualifications of the opinion on the financial statements
 - findings on the report on predetermined objectives
 - findings on compliance with laws and regulationsThe view on internal control is reflected under the *Report on other legal and regulatory requirements* section in the auditor's report.

b. Auditing standards – section 13(1)(a) of the PAA

3. In terms of section 13(1)(a) of the PAA, the International Standards on Auditing and Assurance Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC)¹ are applied in the annual audits.
4. In addition, relevant principles contained in the following:
 - the International Standards of Supreme Audit Institutions (ISSAIs)
 - the INTOSAI Guidance for Good Governance (INTOSAI GOVs), published by the International Organisation of Supreme Audit Institutions (INTOSAI)², have been incorporated into the AGSA's audit methodology.

c. Auditing of performance against predetermined objectives – sections 20(2)(c) and 28(1)(c) of the PAA

5. In terms of sections 20(2)(c) and 28(1)(c) of the PAA, the auditor's report must reflect an opinion or conclusion on the entity's performance against predetermined objectives. Until such time as the environment shows a state of readiness to provide reasonable assurance in the form of an audit conclusion in the auditor's report, the conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

¹ <http://www.ifac.org/IAASB>

² <http://www.intosai.org> and <http://www.issai.org>

6. The audit of performance against predetermined objectives is performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information against the Performance management and reporting framework*, consisting of the following:
 - applicable laws and regulations
 - the *Framework for the managing of programme performance information*, issued by the National Treasury
 - circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives.
- d. **Auditing of compliance with applicable legislation relating to financial matters, financial management and other related matters – sections 20(2)(b) and 28(1)(b) of the PAA**
7. In terms of sections 20(2)(b) and 28(1)(b) of the PAA, the auditor's report must reflect an opinion or conclusion on the entity's compliance with any applicable legislation relating to financial matters, financial management and other related matters. Until such time as the environment shows a state of readiness to provide reasonable assurance in the form of an audit conclusion in the auditor's report, the auditor's report only reflects material findings that come to the attention of the auditor under the *Compliance with laws and regulations* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.
8. The audit of compliance with legislation is performed in accordance with ISAE 3000 *Assurance engagements other than audits or reviews of historical financial information*, as well as relevant principles of ISSAI 4000 *Introduction to the compliance audit guidelines* and ISSAI 4200 *Compliance audit related to the audit of financial statements*.
9. The auditor's report reflects material findings on non-compliance with relevant laws and regulations in respect of the following subject matters, as applicable:
 - Strategic planning and performance management
 - Budgets
 - Financial statements, performance and annual reports
 - Audit committees
 - Internal audit
 - Procurement and contract management
 - Human resource management and compensation
 - Expenditure management
 - Transfer of funds and/or conditional grants
 - Revenue management
 - Asset and liability management
 - Financial misconduct
 - Service delivery – Education, Health, Public works, Human Settlements and Social Development
10. The criteria used to evaluate the above subject matters are developed from the applicable laws and regulations, with specific focus on the following:
 - Public Finance Management Act, 1999 (Act No. 1 of 1999) (hereafter referred to as the PFMA) and regulations and instructions issued in terms of the act
 - Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as the MFMA) and regulations issued in terms of the act
 - Division of Revenue Act
 - Appropriation Act
 - Municipal Structures Act, 1998 (Act No. 117 of 1998) and regulations and instructions issued in terms of the act
 - Municipal Systems Act, 2000 (Act No. 32 of 2000) and regulations and instructions issued in terms of the act
 - Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and regulations and instructions issued in terms of the act

- Companies Act, 2008 (Act No. 71 of 2008) and regulations and instructions issued in terms of the act
 - Public Service Act, 1994 (Act No. 103 of 1994) and regulations issued in terms of the act
 - Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations and instructions issued in terms of the act
 - Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and regulations issued in terms of the act
 - State Information Technology Agency Act, 1998 (Act No. 88 of 1998) and regulations issued in terms of the act
 - Entity-specific enabling legislation
11. Other subject matters which, in the auditor's professional judgement, are of sufficient importance to merit inclusion in the auditor's report for communication to those charged with governance may also be included.
- e. Internal control, as indicated by the reference to financial management in sections 4(1) and (3) of the PAA**
12. In terms of sections 4(1) and (3) of the PAA, financial management must be audited and reported on. This is currently achieved by reporting on deficiencies in internal control that resulted in qualifications to the opinion on the financial statements, findings on the report on predetermined objectives and on compliance with laws and regulations. The deficiencies are reported under the *Report on other legal and regulatory requirements* section in the auditor's report under the following three fundamentals of internal control:
- Leadership
 - Financial and performance management
 - Governance
13. The criteria used to evaluate the three fundamentals of internal control are set out in addendum A.
- f. Other legislative functions**
14. In terms of the PAA, the AGSA also performs other audit functions, including performance audits, investigations, special audits and related services. In addition to International Standard on Quality Control (ISQC) 1 *Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements*, the standards that guide these audits are as follows:
- Performance audits – section 20(3) of the PAA
In terms of section 13(1)(a) of the PAA, these audits are conducted in accordance with ISSAI 3000 *Implementation guidelines for performance auditing* and ISSAI 3100 *Performance audit guidelines: key principles*.
 - Investigations – section 5(1)(d) of the PAA
In terms of section 13(1)(a) of the PAA, the AGSA has developed *Standards and guidelines: investigations* for conducting investigations.
 - Special audits – section 5(1)(d) of the PAA
In terms of section 13(1)(a) of the PAA, these audits are conducted in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information* issued by the IAASB.
 - Audit-related services – section 5(1)(a) of the PAA
In terms of section 13(1)(a) of the PAA, these audits are conducted in accordance with ISRS 4400 *Engagements to Perform agreed-upon procedures regarding financial information* issued by the IAASB and *Audit-related services: policy and guideline* developed by the AGSA.

- Donor funding

In terms of section 13(1)(a) of the PAA, reports on donor funds are issued in accordance with the following, as appropriate:

- *ISA 800 Special Considerations – Audits of financial statements prepared in accordance with special purpose frameworks*
- *ISA 805 Special considerations – Audits of single financial statements and specific elements, accounts or items of a financial statement*
- *ISRS 4400 Engagements to perform agreed-upon procedures regarding financial information*
- Specific requirements of the donor organisations

g. Complaints against the AGSA

- The AGSA's *Policy for the handling of complaints and allegations against the AGSA*, in terms of section 13(1)(c) of the PAA, accommodates complaints pertaining to the following:
 - The exercising of powers, the performance of duties and the administration of the AGSA as referred to in the PAA when performing audits in terms of section 11 of the PAA.
 - Work performed during an audit by the AGSA, authorised auditors and other personnel where it is alleged that the work performed during such an audit failed to comply with professional standards and regulatory and legal requirements.
 - Allegations of non-compliance by the AGSA, authorised auditors and other personnel with the AGSA's internal system of quality control.
- Complaints against the AGSA should be addressed in writing to:
The Complaints Manager, Auditor-General of South Africa
Physical address: 300 Middel Street, New Muckleneuk, Pretoria
Postal address: PO Box 446, Pretoria, 0001

B. AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA – SECTION 4(3) OF THE PAA

a. Audits that the Auditor-General has opted not to perform – section 25(1)(a) of the PAA

- In terms of section 4(3)(b) of the PAA, I may audit and report on the accounts, financial statements and financial management of any public entity listed in the PFMA and any other institution not mentioned in section 4(1) of the PAA and which is:
 - funded from the National Revenue Fund or a provincial revenue fund or by a municipality
 - authorised in terms of any legislation to receive money for a public purpose.
- In terms of section 25(1)(a) of the PAA, I opt not to perform the audits of any entities referred to in section 4(3) of the PAA, which are not already being audited by me, for the 2012-13 and following financial years, unless advised otherwise by me prior to the start of the entity's financial year.

b. Appointment of auditors in public practice – section 25(1)(b), (2), (3) and (4) of the PAA

- An entity must proceed to appoint an auditor in public practice as stipulated by section 25(1)(b), read with section 25(4) of the PAA, if not advised before the start of the financial year that the AGSA will perform the audit.
- Before appointing the auditor an entity must notify the AGSA business executive responsible for the audit of the portfolio of the relevant executive authority of the suggested appointment. In this regard, the document *Consultation of the Auditor-General on the appointment of an auditor in public practice*, attached as addendum B, should be completed in full as indicated. If the AGSA, within 14 days of receiving the notice, or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must recommence the process to appoint another person as its auditor.

21. If the AGSA has opted to perform the audit of an entity, such entity shall not seek to or appoint alternative auditors.

c. Responsibilities of auditors in public practice – part 2 of chapter 3 of the PAA

22. When auditing in the public sector, the auditor in public practice must do so in accordance with the requirements, duties and responsibilities as legislated and assigned to them in part 2 of chapter 3 of the PAA.
23. The auditor in public practice must take cognisance of the content of the PAA, and must adhere to the following requirements when auditing entities where the AGSA has opted not to perform the audit:
- Appointment of auditors – section 25 of the PAA
 - Discharge of auditors – section 26 of the PAA
 - Duties and powers of auditors – section 27 of the PAA
 - The format and content of the auditor's report, as set out in the AGSA's *Public Audit Manual on Reporting* – section 28(1) of the PAA
 - Submission of the auditor's report to the AGSA – section 28(3)(c) of the PAA
 - The requirements of this notice, as applicable.
24. Compliance with the provisions of the PAA and this notice in conducting an audit in terms of section 25(1)(b) of the PAA is monitored by the AGSA. In this regard, the appointed auditor must complete the *Monitoring checklist for audits not conducted by the AGSA*, attached as addendum C.
25. In terms of the requirements of section 28(3)(c) of the PAA, the appointed auditor must furnish the responsible audit business unit (ABU) in the AGSA, either in hard copy or on CD, with the following as soon as the annual report has been finalised but not later than five months after the financial year-end:
- a copy of the auditor's report, together with a copy of the audited financial statements,
 - three copies of the annual report
 - the completed monitoring checklist,
- in order for the outcomes of the audits performed by auditors in public practice to be included in the AGSA's general reports.
26. To assist auditors in public practice in conducting audits in the public sector, reference may be made to the following documents made available by the Independent Regulatory Board for Auditors (IRBA)³, which provide a perspective on auditing in the public sector:
- *A Guide for Registered Auditors: Auditing in the Public Sector*
 - *A Guide for Registered Auditors: Audit of Predetermined Objectives*
 - *South African Auditing Practice Statement (SAAPS) 2: Financial Reporting Frameworks and the Auditor's Report*
- Reference may also be made to the AGSA's website⁴ for additional information, as well as the contact details of the nearest AGSA office in the event of queries regarding the responsibilities of the auditor in public practice in terms of the PAA and this notice.
27. Should an auditor in public practice appointed in terms of section 25(1)(b) of the PAA be found to be in contravention of the requirements in this notice or any provision of the PAA, the Auditing Profession Act, 2005 (Act No. 26 of 2005) (hereafter referred to as the APA) or any act with which it is his/her duty to comply in his/her capacity as an auditor in public practice, a complaint or charge of improper conduct may be lodged with IRBA's investigating committee against auditors in public practice.
28. In addition, a complaint or a charge of improper conduct may be lodged with IRBA's investigating committee against an auditor in public practice appointed in terms of section 25(1)(b) of the PAA if it comes to the attention of the AGSA that the auditor in public practice

³ <http://www.irba.co.za>

⁴ <http://www.agsa.co.za>

has conducted him/herself in a manner that is improper, discreditable, unprofessional, dishonourable or unworthy of an auditor in public practice or which brings the accounting profession into disrepute.

C. ENTITIES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS – SECTION 14(2)(b) OF THE PAA

29. In terms of section 14(2)(b) of the PAA, the financial statements of an entity which is not subject to the PFMA, MFMA or any other legislation that is prescriptive in respect of the financial statements, must:
- be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB)⁵
 - comply with the PFMA requirements applicable to public entities or the MFMA requirements applicable to municipal entities, as appropriate, as they pertain to the information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted for audit.

D. TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES – SECTION 15(2)(b) OF THE PAA

30. In terms of section 15(2)(b) of the PAA, and in order to comply with applicable legislated auditing and tabling deadlines in the PFMA and MFMA, as well as to allow adequate time for conducting the audit in accordance with the International Standards on Auditing and Assurance Pronouncements, entities must adhere to the following:
- The annual performance reports should be submitted for auditing within two months after the end of the financial year.
 - All other information to be included in the annual report must be submitted concurrently with the financial statements.
 - Withdrawal and re-submission of financial statements and performance reports submitted for auditing, are not permitted; the financial statements and performance reports may only be adjusted for matters identified during the audit.
 - All documentation and information in support of the financial statements and performance report must be available on request.

E. ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR – SECTION 20(2)(a) OF THE PAA

31. The applicable financial reporting framework provides the criteria against which the auditor audits the financial statements. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework applied in preparing the financial statements is acceptable and to assess whether it is a general purpose or compliance framework. This is done by considering the requirements of the ISAs and the guidance set out in *South African Auditing Practice Statement (SAAPS) 2: Financial Reporting Frameworks and the Auditor's Report*.
32. Section 20(2)(a) of the PAA requires me to express an opinion on the fair presentation of the financial statements regardless of whether the entity prepared its financial statements in terms of a fair presentation framework or not. Where the applicable financial reporting framework applied is not assessed to be a fair presentation framework, an *Additional matter* paragraph explaining this requirement is included in the auditor's report to mitigate any possible misunderstanding that the financial statements have been prepared in terms of a fair presentation framework.
33. Should an entity be granted an exemption, departure or deviation from the applicable financial reporting framework in accordance with the requirements of the PFMA or MFMA, additional

⁵ <http://www.asb.co.za>

disclosure of the reasons for, and the extent of, the exemption, departure or deviation from the applicable financial reporting framework is required in the financial statements.

F. REPEAL OF PRIOR GOVERNMENT GAZETTES

34. *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, is hereby withdrawn and replaced by the requirements as set out in this notice.

G. EFFECTIVE DATE

35. This notice is effective for financial periods beginning on or after 1 April 2011 and is applicable until further notice. A similar notice will not necessarily be issued annually.

H. ENQUIRIES

36. Any enquiry related to this notice should be addressed to the following office:
Business Executive: Audit Research and Development, Auditor-General of South Africa
Telephone: 012 426 8000
Fax: 012 426 8333
Email: ARDSupport@agsa.co.za

Signed and approved:

T M Nombembe
Auditor-General

ADDENDUM A: CRITERIA USED TO EVALUATE THE THREE FUNDAMENTALS OF INTERNAL CONTROL**LEADERSHIP**

- Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity.
- Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.
- Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.
- Develop and monitor the implementation of action plans to address internal control deficiencies.
- Establish an IT governance framework that supports and enables the business, delivers value and improves performance.

FINANCIAL AND PERFORMANCE MANAGEMENT

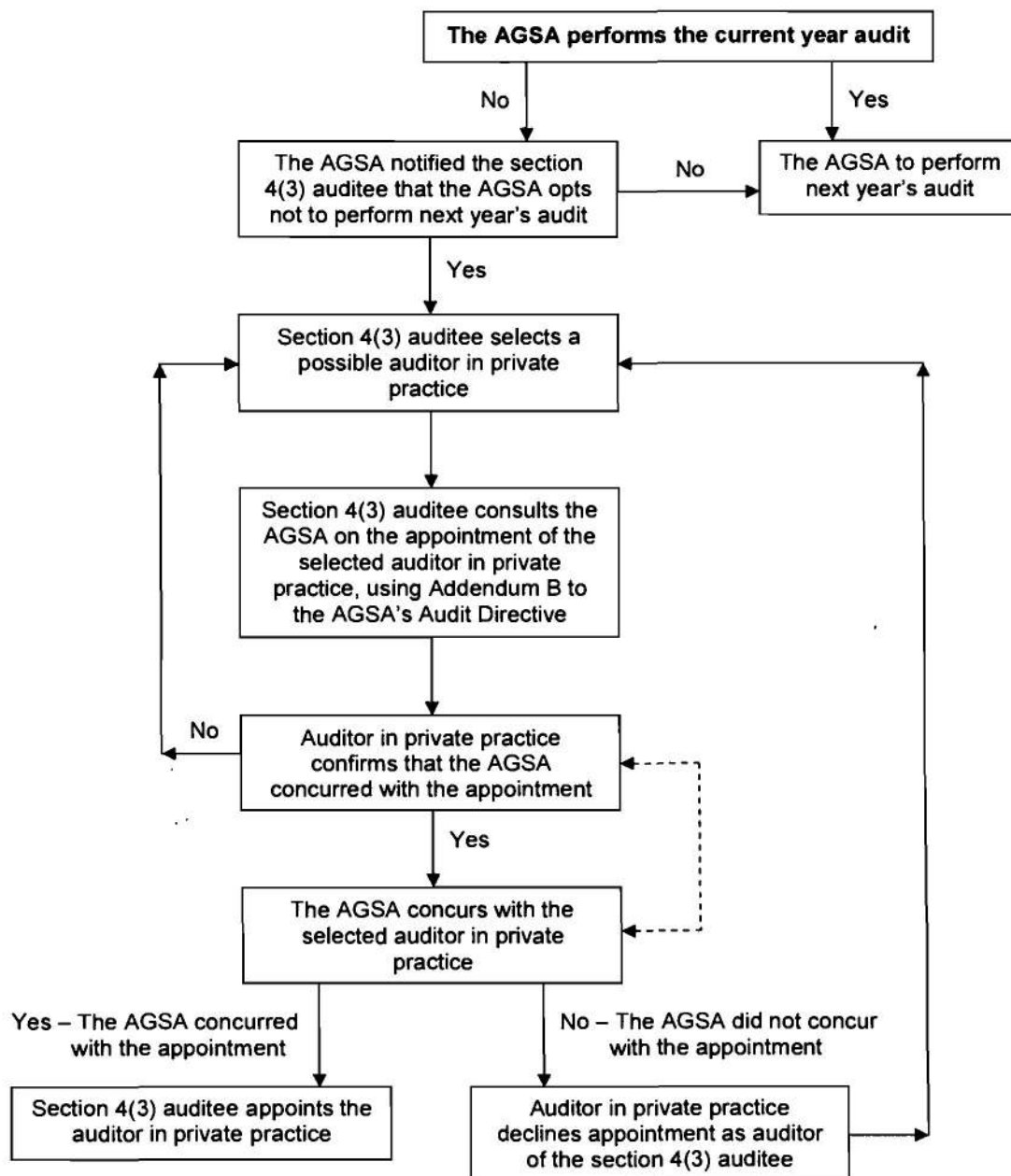
- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- Implement controls over daily and monthly processing and reconciling of transactions.
- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- Review and monitor compliance with applicable laws and regulations.
- Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

GOVERNANCE

- Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
- Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
- Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

ADDENDUM B: CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN PUBLIC PRACTICE IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)

SCHEMATIC ILLUSTRATION OF THE AUDITOR APPOINTMENT PROCESS



INSTRUCTIONS TO ENTITY

1. This checklist should be completed and submitted with supporting documentation to the AGSA business executive responsible for the audit of the portfolio of the relevant executive authority.
2. The checklist should be accompanied by a copy of your policy on the appointment of auditors and the allocation of non-audit services to auditors.

INFORMATION REQUIRED

3. Particulars of entity:

Name		
Postal address		
Physical address		
Fax number		
Telephone number		
Email address of CFO		
Accounting authority chairperson	Name	
	Contact details	
Responsible minister (executive authority)	Name	
	Contact details	
Responsible department		
Contact person at department		
Financial year in question		
PFMA schedule (2, 3A, 3B, 3C or 3D)		
Name of holding entity (if applicable)		

DISCHARGE OF AUDITOR

4. Name of the audit firm discharged:

<i>Insert details</i>

5. Number of years engaged on the audit to date:

<i>Insert details</i>

6. Provide the notice to the auditor, giving the reasons for the impending discharge.

7. Provide written concurrence by the executive authority for the planned discharge.

8. Costs of audit and non-audit services provided by the audit firm during the last three years:

Financial year			
Audit fees			
Fees for other services			
Total fees			
Non-audit fees as a percentage of total fees			
Nature of services performed			

APPOINTMENT OF NEW AUDITORS

9. Name of the new audit firm:

Insert details

10. Anticipated date of appointment:

Insert details

11. Nature of other services to be performed:

Insert details

12. Details of any prior involvement with the entity, including the costs:

Insert details

13. Provide details of how the quality of the audit firm's work has been assessed, e.g. results of IRBA reviews:

Insert details

14. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of any of the auditors:

Insert details

REAPPOINTMENT OF AUDITORS

15. Name of audit firm to be reappointed:

Insert details

16. Financial year(s) previously appointed:

Insert details

17. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors, including IRBA review results:

Insert details

18. Provide details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

Insert details

19. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of the auditors:

Insert details

20. Name of the partner in charge of audit for the last five years:

Year	Name of partner
1	
2	
3	
4	
5	

21. Name of the senior audit manager in charge of audit for the last five years:

Year	Name of senior audit manager
1	
2	
3	
4	
5	

Completed by:

(signature)

Completed by:

(name)

Designation:

Date:

ADDENDUM C: MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AGSA**INSTRUCTIONS**

1. This checklist should be completed by the appointed audit firm for each audit conducted by it and should be submitted to the audit business unit within the AGSA responsible for the audit of the controlling department within five months of the financial year-end, i.e. 31 August.

INFORMATION REQUIRED

Name of the entity	
Controlling department	
Type of entity (schedule number)	
Holding company (if applicable)	
Subsidiaries (if applicable)	
Audit business unit (ABU)	
Business executive	
Engagement firm	
Engagement firm's address	
Engagement firm's contact details	
Engagement partner	
Engagement partner's contact details	

No.	Requirements	Complied Yes/No*/Not applicable	Remarks/Comments
Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)			
1.	All the requirements of the PAA and this general notice, were complied with concerning: <ul style="list-style-type: none"> • Appointment of auditors (section 25) • Discharge of auditors (section 26) • Duties and powers of auditors (section 27) 		
2.	The auditor's report to the accounting authority was submitted within the time frame prescribed by the PFMA.		
3.	A copy of the auditor's report, together with a copy of the financial statements, was submitted to the AGSA by 31 August.		
4.	Three copies of the annual report were submitted to the AGSA by 31 August.		
Report to management			
5.	The report to management contained an audit conclusion on reporting on		

No.	Requirements	Complied Yes/No*/Not applicable	Remarks/Comments
	predetermined objectives under the following headings:		
	• Introduction		
	• The accounting [officer/ authority's] responsibilities		
	• Work performed		
	• Basis for conclusion		
	• Conclusion		
	• Additional matters		
Auditor's report			
6.	The auditor's report was addressed to the appropriate addressee as per the AGSA guidance.		
7.	The auditor's report distinguished clearly between the report on the financial statements and the report on other legal and regulatory requirements as per the AGSA guidance.		
8.	The auditor's report distinguished between the supplementary information that has not been audited and the financial statements that have been audited by indicating the page numbers relating to the financial statements.		
9.	The auditor's report correctly referred to the accounting authority as the party responsible for the preparation of the financial statements or consolidated financial statements.		
10.	The auditor's report made reference to the correct financial reporting framework for the type of entity.		
11.	The audit findings on predetermined objectives were reported under the following headings (if relevant) in the auditor's report:		
	• Presentation of information		
	• Usefulness of information		
	• Reliability of information		
12.	Findings on compliance with applicable laws and regulations were reported under subject matter headings as per the AGSA reporting guide.		
13.	The auditor's report included a narrative discussion under each of the following three fundamentals of internal control, which reflected the deficiencies in internal control identified during the		

No.	Requirements	Complied Yes/No*/Not applicable	Remarks/Comments
	audit as they relate to the qualifications on the financial statements as well as the findings on predetermined objectives and compliance with applicable laws and regulations as per the AGSA reporting guide:		
	• Leadership		
	• Financial and performance management		
	• Governance		
14.	The auditor's report included information on the following other reports:		
	• Investigations		
	• Performance audits		
	• Agreed-upon procedures engagements		
	• Special audits		
	• Donor funding		
15.	Separate financial statements were prepared and audited for all subsidiaries		
* Where a "No" answer is provided, comments must be included below.			

16. General comments by the appointed auditor:

Insert details

Engagement partner:

(signature)

Completed by:

(name)

Date:

CONCLUSION *(To be completed by the ABU)*

No.	Requirements	Complied Yes/No*	Remarks/ Comments
1.	Did the auditors and entity satisfy the requirements of sections 25 to 27 of the PAA relating to the following:		
	• Appointment of auditors		
	• Discharge of auditors		
	• Duties and powers of auditors		
2.	Has the engagement firm satisfied the reporting requirements of the following:		
	• PAA		
	• This general notice		
	• AGSA's <i>Public Audit Manual on Reporting</i>		
* Where a "No" answer is provided, comments must be included below.			

3. General comments:

Insert details

4. Recommended further action in terms of this notice:

Insert details

Evaluated by BE/SM:

(signature)

Completed by:

(name)

Date:

ADDENDUM D: RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**2. Objects of this Act**

The objects of this Act are -

- (b) to provide for the auditing of institutions and accounting entities in the public sector;

4. Constitutional functions

- (1) The Auditor-General must audit and report on the accounts, financial statements and financial management of -
 - (a) all national and provincial state departments and administrations;
 - (b) all constitutional institutions;
 - (c) the administration of Parliament and of each provincial legislature;
 - (d) all municipalities;
 - (e) all municipal entities; and
 - (f) any other institution or accounting entity required by other national or by provincial legislation to be audited by the Auditor-General.
- (2) The Auditor-General must audit and report on the consolidated financial statements of -
 - (a) the national government as required by section 8 of the Public Finance Management Act;
 - (b) all provincial governments as required by section 19 of the Public Finance Management Act; and
 - (c) a parent municipality and all municipal entities under its sole or effective control as required by section 122 (2) of the Municipal Finance Management Act.
- (3) The Auditor-General may audit and report on the accounts, financial statements and financial management of -
 - (a) any public entity listed in the Public Finance Management Act; and
 - (b) any other institution ... which is -
 - (i) funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or
 - (ii) authorised in terms of any legislation to receive money for a public purpose.

5. Other functions

- (1) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide -
 - (a) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide audit related services to an auditee ... or other body, which is commonly performed by a supreme audit institution on condition that -
 - (i) no services may be provided in respect of any matter that may subsequently have to be audited by the Auditor-General;
 - (ii) such service will not directly result in the formulation of policy; and
 - (iii) there must be full and proper disclosure of (the categories of such services in the report annually submitted by the Auditor-General to the National assembly).
 - (d) carry out an appropriate investigation or special audit of any institution ..., if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.

11. Application of this Part

This Part applies to all audits of auditees which the Auditor-General -

- (a) must perform in terms of section 4 (1) or (2); or
- (b) opts to perform in terms of section 4 (3).

13. Standards for audits

- (1) The Auditor-General, after consulting the oversight mechanism, must determine -
 - (a) the standards to be applied in performing audits ...
 - (b) the nature and scope of such audits; and
 - (c) procedures for the handling of complaints when performing such audits.
- (3) The Auditor-General may -
 - (a) make different determinations on the matters mentioned in subsection (1) for different categories of audits based on recognised best practice; or
 - (b) issue specific directives on those matters in any specific case.

14. Submission of financial statements

- (2) Financial statements submitted by an auditee which is not subject to the Public Finance Management Act or the Municipal Finance Management Act, must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined -
 - (a) by any legislation applicable to that auditee; or
 - (b) in the absence of such legislation by the Auditor-General.

15. General auditing powers

- (2) The Auditor-General or an authorised auditor may for the purpose of an audit -
 - (b) direct a person to produce, or to deliver at a specified place and time and in a specified format -
 - (i) any such document, book or written or electronic record or information...

20. Audit reports

- (2) An audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on -
 - (g) whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation ...
 - (h) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters ...
 - (i) the reported information relating to the performance of the auditee against predetermined objectives.
- (3) In addition, the Auditor-General may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

25. Appointment of auditors

- (1) If the Auditor-General has opted not to perform the audit of an auditee ... -
 - (a) the Auditor-General must give notice of his or her decision to that auditee before the start of the auditee's financial year for which the appointment is to be made; and
 - (b) the auditee must appoint as its auditor a person registered in terms of the Public Accountants' and Auditors' Act as an accountant and auditor and engaged in public practice as such.
- (2) Before appointing an auditor in terms of subsection (1), the auditee must give notice of the suggested appointment to the Auditor-General, including information on the extent to which the auditor would provide other services than audit services during the duration of the appointment, and any other information required by the Auditor-General.

- (3) If the Auditor-General, within 14 days of receiving a notice in terms of subsection (2), or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of that subsection recommence the process to appoint another person as its auditor.
- (4) Appointments in terms of this section may not be for a longer period than one financial year of the auditee.

26. Discharge of auditors

- (1) An auditee ... may discharge an auditor ... before the expiry of that auditor's term of appointment, but only with the consent of the Auditor-General and, if that auditee has an executive authority within the meaning of the Public Finance Management Act, also of the relevant executive authority.
- (2) If such an auditee intends discharging an auditor in terms of subsection (1), it must -
 - (a) give the auditor notice, in writing, setting out the reasons for the discharge; and
 - (b) give the auditor an opportunity to make representations, in writing, to the Auditor-General within 20 days of receipt of the notice.
- (3) The Auditor-General must report any discharge of an auditor in terms of subsection (1) to the relevant legislature.

27. Duties and powers of auditors

- (1) An auditor ... must perform the functions of office as auditor in terms of section 20 of the Public Accountants' and Auditors' Act.
- (2) In performing those functions as the auditor of an auditee, the auditor has the powers assigned to the Auditor-General in terms of section 15 (of the PAA).
- (3) An auditor may consult the Auditor-General or a person designated by the Auditor-General concerning any matter relating to the auditing of the auditee concerned.
- (4) An auditor -
 - (a) must be given notice of every meeting of the auditee's audit committee, if the auditee has such a committee; and
 - (b) may attend, and participate in, any meeting of such an audit committee at the expense of the auditee.
- (5) The Auditor-General or a person designated by the Auditor-General may request information regarding the audit from an auditor ...

28. Audit reports and other reports

- (1) The report of an auditor ... must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on -
 - (a) whether the financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
 - (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
 - (c) the reported information relating to the performance of the auditee against predetermined objectives.
- (3) The auditor must submit copies of the audit report referred to in subsection (1) -
 - (a) to the auditee;
 - (b) if the auditee has an executive authority within the meaning of the Public Finance Management Act, to that executive authority for submission to the relevant legislature;
 - (c) to the Auditor-General; and
 - (d) to the National Treasury or the relevant provincial treasury, as may be appropriate.