



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

TECHNICAL GUIDANCE

MEMO_{randum}

Number	24 of 2011
Date	30 November 2011
Applicable auditees	All
Subject	2012 AG Audit Directive

This document has been reviewed and approved for distribution by the BE: Audit R&D after consultation with all relevant role players.

Introduction

1. The purpose of this technical guidance memo is to advise the auditors of the revision and publication of the 2012 AG Audit Directive (*General Notice 839 of 2011*, issued in *Government Gazette No. 34783* on 28 November 2011).

Guidance

2. The general purpose of the AG Audit Directive is to clarify the following:
 - The nature of the audit functions performed in the public sector
 - The standards, criteria and processes applied in performing audits in the public sector
 - The responsibilities of and manner in which auditors in public practice are required to perform public sector audits
3. More specifically, the 2012 AG Audit Directive addresses the following:
 - Audit functions performed in terms of the Public Audit Act
 - Evaluation of public financial and performance management
 - Auditing standards
 - Auditing of performance against predetermined objectives
 - Auditing of compliance with applicable legislation relating to financial matters, financial management and other related matters
 - Internal control, as indicated by the reference to financial management in the PAA
 - Other legislative functions

- Complaints against the AGSA
- Audits of entities not performed by the AGSA
 - Appointment of the auditors
 - Responsibilities of the auditors
- Entities for which legislation is not prescriptive in respect of the financial statements
 - Financial reporting framework
 - Other reporting requirements
- Timing and submission of information for audit purposes
- Assessment and recognition of the financial reporting frameworks

4. The 2012 AG Audit Directive has been re-formatted and re-worded throughout to improve the flow and understanding of the document. The key changes from the 2011 AG Audit Directive are summarised in the following table:

Key changes to the 2012 AG Audit Directive		
Section no.	Changes	Reason for the changes
General	A table of contents was added.	Ease of use of the directive.
General	The wording "Directive issued in terms of the" was added to the heading of the notice. The heading now reads "Directive issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004)".	
Par. 1	The reference to section 52(1) of the PAA was changed to section 13(3)(b).	Section 52(1) allows the AG to make regulations, whereas the AG can issue directives in terms of section 13(3)(b).
Section A.b, par. 4	The previous directive stated that the AGSA is in the process of incorporating the principles contained in the ISSAIs into its audit methodology. The directive now states that only relevant principles have been incorporated.	The section should indicate what are the standards used and not refer to an ongoing process.
Section A.c	Previously, the directive indicated that a conclusion on AOPO is included in the report to management for all entities, except medium and low capacity municipalities. The directive no longer makes this distinction with the result that a conclusion on AOPO will be included in the report to management for all entities.	As agreed with AG.
Section A.c, par. 6	The framework no longer includes reference to the Presidency.	The framework was agreed with NT and the Presidency through the task team; not to include guidance from the Presidency for 2011 audits.
Section A.d, par. 7	The directive clarifies that the auditor's report only reflects material findings re non-compliance with applicable legislation that come to the attention of the auditor.	Similar approach and wording to be used as for performance information.
Section A.d, par. 8	Reference to ISAE 3000 <i>Assurance engagements other than audits or reviews of historical financial information</i> , as the standard against which compliance with laws and regulations is audited, was added.	
Section A.d, par. 9	The subject matters in terms of which compliance findings are reported in the auditor's report was added.	The subject matters are included in accordance with ISAE 3000 and ISSAI 4200 requirements that users have an understanding of what is being

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		reported against (similar to the financial reporting framework).
Section A.d, par. 10	The criteria used to evaluate the subject matters were added.	The criteria are included in accordance with ISAE 3000.20(b)(ii).
Section A.e	A section on the status of internal control was added that sets out the criteria used to evaluate the three fundamentals of internal control, as well as the manner in which deficiencies in internal control are reported on.	The previous directive did not contain a section on internal control.
Section A.f	ISQC1 was included as a standard that also applies.	ISQC1 applies to all engagements performed by the AGSA.
Section A.f	Reference to the specific requirements of the donor organisations was added as one of the requirements considered when reporting on donor funding.	The previous directive did not contain reference to the specific requirements of donor organisations.
Section A.g	Information on the handling of complaints and allegations against the AGSA was added.	A complaints procedure is required by the PAA (section 13). A complaints mechanism is not effective if the intended users there-off are not informed of the process.
Section B	The previous directive used the terms “auditor”, “registered auditor” and “auditor in public practice” interchangeably. “Auditor in public practice” is now used throughout.	“Auditor in public practice” is used in order not to confuse the readers.
Section B.c, par. 22	The paragraph was added to state that the auditor in public practice’s duties and responsibilities, when auditing in the public sector, are legislated in the PAA.	The paragraph was added to clarify that the auditor in public practice’s duties are legislated in the PAA.
Section B.c, par. 23	The reference to the higher education institutions was deleted.	Public higher education institutions and public colleges are considered section 4(3) auditees, as they receive public funds. They therefore fall within the principles set out in the directive and need not be singled out.
Section B.c, par. 23	A requirement for auditors in public practice to adhere to the auditor’s report format and content, as set out in the AGSA’s <i>Public Audit Manual on Reporting</i> , was added.	Promotes consistent approach to all public sector audits.
Section B.c, par. 26	A list of IRBA documents that may be useful to auditors in public practice when auditing in the public sector, was added. Reference to the AGSA’s website for further information and enquiries was also added.	Introduction of public sector specific IRBA documents to auditors and improved access to information.
Section C	The previous directive prescribed the inclusion of an AOPO report in the annual report of unlisted entities. This prescript was removed.	The AGSA does not have the legislative mandate to prescribe on AOPO.
Section D	This section, setting deadlines within which information must be submitted for audit, was added.	The previous directive included only the requirement for submission of performance reports. The requirements were expanded and made more prominent.
Section E	The section was simplified.	
Addendum A	An addendum was added that sets out the criteria used to evaluate the three fundamentals	

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	of internal control.	
Addendum B	The addendum was updated with a schematic illustration of the auditor appointment process.	
Addendum D	An addendum was added that contains all the PAA sections referred to in the directive.	

Attachments

- The 2012 AG Audit Directive, as published in *General Notice 839 of 2011*, issued in *Government Gazette No. 34783* on 28 November 2011, accompanies this technical guidance memo.

Existing guidance

- The 2011 AG Audit Directive, as published in *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872* on 15 December 2010, and technical guidance memo 23 of 2010, dealing with the 2011 AG Audit Directive, are hereby withdrawn.

Impact

- The 2012 AG Audit Directive is effective for financial periods beginning on or after 1 April 2011.

Learning intervention

- Self-study is required. It is the auditor's responsibility to ensure that he/she is knowledgeable and informed about the requirements and content of this technical guidance memo.

Assistance

- Should you have any questions on this technical guidance memo, please contact your product champion for assistance. If necessary, the product champion will consult with Audit R&D in accordance with the consultation policy and procedures.

BE: AUDIT R&D

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