



## 2014 AG directive

### Summary of significant changes

The significant matters that have been changed, added to or deleted in drafting the 2014 AG directive are summarised in the table below.

No.	Par. no.	Change(s)	Reason for changes
1.	Par. 2	Reference to reports similar to the financial statements was added to the list on which the auditor reports.	Legislation sometimes requires the AGSA to audit single statements, accounts or reports, i.e. such as income or expenditure statements other than a full set of financial statements. The auditing standard to be applied in reporting on such reports or accounts will depend on the legislative requirements.
2.	Paragraphs 2, 5, 7, 11	The references to where in the audit report the findings on predetermined objectives, compliance and internal control are reported were removed.	The information is considered unnecessary.
3.	Par. 6	The list of documents comprising the framework for auditing the reported information on performance against predetermined objectives was expanded to include the <i>Framework for strategic plans and annual performance plans</i> , issued by the National Treasury.	The change was made to bring the framework up to date.
4.	Par. 8	The references to specific auditing standards were deleted and replaced with a reference to principles in the applicable ISSAIs.	The AGSA is current developing its approach to auditing compliance and therefore the principles and standards being applied may change.
5.	Par. 9	The list of subject matters in terms of which material findings on non-compliance with relevant laws and regulations are reported was updated to include (1) consequence management and (2) monitoring and oversight.	As reported in recent general reports, a lack of consequences for poor performance and transgressions were identified as a root cause of poor audit outcomes. Legislation prescribes the measures that should be taken to ensure transgressions are dealt with. The monitoring and oversight by legislatures and councils and e.g. coordinating institutions such as treasuries, legislatures and cooperative governance departments have been identified as key to improving financial and performance management. Legislation prescribes the role and function of oversight and coordinating institutions.
6.	Par. 13	A section was added on the audit and reporting on specific focus areas identified by means of an annual risk assessment.	Inclusion of these subject matters in the directive allows for reporting on material non-compliance with the mentioned legislation.. The previous directive did not contain a section on the focus areas.
7.	Par. 14	The heading was changed from "Other legislative functions" to "Discretionary engagements".	The change was made to bring the directive in line with the AGSAs' policy on <i>Acceptance and continuance of auditee relationships and specific engagements</i> and the procedures on <i>Discretionary auditees and engagements</i> .

No.	Par. no.	Change(s)	Reason for changes
8.	Par. 14	<ul style="list-style-type: none"> <li>The paragraph on performance audits was reworded to refer to the fact that the AG may report on whether the auditee's resources were procured economically and utilised efficiently and effectively, and to indicate that performance audits are conducted in accordance with the applicable ISSAI's and the <i>Performance audit manual</i>, developed by AGSA.</li> <li>With regard to audit-related services, the reference to the <i>Audit-related services: policy and guideline</i> developed by the AGSA was deleted and the standards in terms of which these audits are conducted have been amended to refer to ISA 805, ISAE 3000 or ISRS 4400, as applicable.</li> <li>With reference to special audits, the standards in terms of which these audits are conducted have been amended to refer to ISA 805, ISAE 3000 or ISRS 4400, as applicable.</li> </ul>	The wording was amended to be in line with section 20(3) of the PAA, and to refer to the appropriate ISSAIs and guidance used by the AGSA when conducting performance audits.
9.	Par. 14	The previous reference to donor funding was deleted.	The PAA does not specifically refer to donor funding and the auditing of donor funding will be performed as either audit-related services or special audits.
10.	Par. 15	The name of the <i>Policy on handling complaints against the AGSA</i> , as well as the wording of the complaints, was amended.	The changes were necessitated by the revised policy.
11.	Paragraphs 17 - 36	The entire section was extensively redrafted, although no matters of principle were changed.	The changes were made to bring the section in line with the IRBA guide entitled <i>Performing audits where the AGSA has opted not to perform the audit</i> , as well as to address comments received during consultation on the draft revised directive.
12.	Par. 38	A paragraph was added to clarify that the section only applies to a full set of financial statements and not to small auditees that cannot adhere to GRAP.	Legislation sometimes requires the AGSA to audit single statements, accounts or records, i.e. financial reports other than a full set of financial statements. Such single statements, accounts or records do not constitute financial statements as contemplated in GRAP.
13.	Par. 39	An indication of the minimum information (trial balance, general ledger, asset register, inventory register and subsidiary ledgers for receivables and payables) to be submitted to the auditors with the financial statements was added.	This section was amended to ensure that the minimum information that is needed by the auditor in order to commence with the audit is available at the time when the financial statements are submitted for audit.
14.	Addendum B	The existing diagram was replaced with two schematic illustrations of: <ul style="list-style-type: none"> <li>the auditor appointment process</li> <li>the auditor discharge process</li> </ul>	The changes were made to bring the addendum in line with the IRBA guide entitled <i>Performing audits where the AGSA has opted not to perform the audit</i> .

