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# GENERAL NOTICE

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## NOTICE 544 OF 2006

### **PUBLIC AUDIT ACT, 2004**

Act No. 25 of 2004

### **PART 1**

Audits of institutions by auditors **in** private practice (chapter 3, part 2)

Under the powers vested in me by section 2 of the Public Audit Act, 2004 (Act No. 25 of 2004) (hereafter referred to as the Act), I, Shauket Allie Fakie, Auditor-General of the Republic of South Africa, hereby wish to announce that –

1. Appointment of auditors (section 25)
  - 1.1 In terms of section 25(1)(a) of the Act, unless advised otherwise prior to this announcement, I have opted not to perform any audits of institutions referred to in section 4(3) of the Act **for** the 2006-07 financial year. All auditees may therefore proceed to appoint their own auditors **or** continue with their existing arrangements, only for the 2006-07 financial year. The ***Checklist: Consultation of the Auditor-General on the appointment of an auditor*** remains a requirement and should be forwarded to **my** office in good time.
  - I.2 The auditors in private practice thus appointed should **take** cognisance of their functions, powers and duties contained in chapter 3, part 2 of the Act.

## 2. **Submission of financial statements**

Auditees for whom requirements in respect of financial statements, such as amongst **others** the format, **submission** period and information to **be** contained, **are not** prescribed by any legislation are subject to the contents of Audit Circular 1 of 2005. This Circular was issued by the Auditor-General on 1 April 2005.

## 3. **Standards for audits (section 13)**

The **International Standards of Auditing** apply in the auditing of financial statements in respect of any financial year ending on or after 31 March 2006.

## 4. **Auditing of performance information (section 28)**

The **information** related to the **performance** against predetermined objectives of the 2005-06 financial year is subject to audit in terms of section 28(1)(c) of the Act. Section 13 of the Act furthermore requires of me to determine the standards to **be** applied in performing such audits. In the absence of **any** specific **auditing** standards at this stage, I have adopted a phased-in approach for compliance with the relevant section of the Act until such time as the necessary standards have been developed and the environment promotes a state of readiness to **provide** reasonable audit assurance in the form of an audit opinion or conclusion. **Guidance** in this regard is contained in **the Public audit manual**.

The audit **procedures** for auditing the **performance** information of the 2005-06 financial year, **as** part of the phased-in **approach**, include the following:

- Obtain an **understanding** of the entity and its environment, including **its** internal **controls** relating to performance information.

- Determine the level of performance reporting by evaluating the following aspects:
  - The existence of and reporting against predetermined objectives.
  - The existence of the following principles relating to the specific objectives:
    - Specific
    - Measurable
    - Time bound.
  - The consistency of reporting on predetermined objectives.
  - The format and presentation of the performance information in the annual report.

The performance information **should** be submitted together with the annual financial statements within two **months** after the end of the financial year. The auditor appointed should ensure that the reported information is audited in accordance with the requirements listed above and is reported on as required by the Act.

#### 5. Submission of audit reports (Section 28(3))

The auditor must submit copies of the audit report to:

- The auditee;
- 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;
- The Auditor-General; and
- The National Treasury or the relevant provincial treasury, as may be appropriate.

## PART 2

### General

1. **Complaints against the Auditor-General and/or authorised auditors (section 13(1)(c))**

**The Auditor-General** approved a policy **and** procedure for the handling of complaints in respect of all audits performed in terms of the Act. The policy *is* implemented **with** immediate effect **and may** be amended after consultation with the parliamentary oversight mechanism established in terms of section 10(3) of the Act.

2. **Audit reports**

**Where an audit** is undertaken **in** terms **of** the requirements **of** the Act, and **there is no applicable** legislation setting out the period within which the audit **report is** to be **submitted** to the relative legislature, the Auditor-General must, in terms of **section 21(2)** of the Act, submit such audit report to the relevant legislature **within** a reasonable time, **I have**, depending on the circumstances, determined **a period of up to a maximum of six** months after finalisation of the audit report to **be** a reasonable expiry of time.

3. **Searches of property, premises, vehicles and persons (section 16)**

**The powers provided** for search **and** seizure in the above-mentioned section **are** available **to** the external auditor performing the audit only through **my** direct facilitation .

Any enquiry related to this notice **should** be addressed to the **following** office:

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The Auditor-General

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**S A Fakie**

**Auditor-General**

31 March 2006

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