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## GENERAL NOTICES

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### NOTICE 645 OF 2007

#### **GENERAL DIRECTIVE PUBLIC AUDIT ACT, 2004 Act No. 25 of 2004**

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 PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

**1. Audits of public entities listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999) and any other institutions envisaged by section 4(3)(b) of the PAA**

In terms of section 25(1)(a) of the PAA, 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 PAA for the 2007-08 financial year.

All auditees may therefore proceed to appoint their own auditors, only for the 2007-08 financial year (section 25(4)). In this connection the document: *Consultation of the Auditor-General (AG) on the appointment of an auditor* attached hereto should be completed as indicated.

**2. Duties of auditors in public practice in terms of chapter 3 of the PAA**

Auditors in public practice appointed to audit public sector entities in terms of section 25(1)(b) should take cognisance of their duties and powers and other matters contained in sections 25 to 28 of the PAA.

**3. Audit reports – section 28 of the PAA**

Where I have opted not to perform an audit in terms of section 25, the appointed auditor must furnish me with a copy of the audit report as prescribed by section 28 and the audited financial statements of the auditee no later than 31 July and the annual report by 31 August following the financial year-end.

**4. Auditing of performance information – section 28 of the PAA**

The attention of auditors in public practice is drawn to the separate notice I have issued on the auditing of performance information and the requirement that they must comply therewith.

**5. Complaints against the Auditor-General – section 13(1)(c) of the PAA**

The interim policy and process to be followed for complaints against the AG is attached to this notice.

**6. Compliance with any applicable legislation relating to financial matters, financial management and other related matters – sections 20(2)(b) and 28(1)(b) of the PAA**

In terms of sections 20(2)(b) and 28(1)(b) of the PAA, an audit report must reflect an opinion or conclusion on the auditee's compliance with any applicable

legislation relating to financial matters, financial management and other related matters.

I have determined that, until further information is published in this respect, no separate opinion or conclusion as envisaged above should be included in the audit reports. Conclusions in this regard will be reached as part of the financial auditing process in terms of International Auditing Standard (ISA) 250.

Additional reporting on compliance with applicable legislation (not directly impacting on the opinion on the financial statements) in terms of the Public Sector Perspective in ISA 250, with specific reference to ISA study 3, and ISA 700R paragraph 45, will appear under "Other matters" in the audit report.

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

J H van Schalkwyk  
Business Executive: Audit Research and Development  
The Auditor-General  
Tel: (012) 422 9823  
Fax (012) 422 9822  
Email: janvs@agsa.co.za

Signed and approved:

T M Nombembe  
Auditor-General



A U D I T O R - G E N E R A L

**CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT, NO. 25 OF 2004**

**INSTRUCTIONS**

1. The checklist should be completed and submitted with supporting documentation by email to marissab@agsa.co.za. The original checklist and supporting documentation should be posted to PO Box 446, Pretoria, 0001 for the attention of Ms M Bezuidenhout.
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	

**DISCHARGE OF AUDITOR**

4. Particulars of the audit firm discharged

Name(s) of audit firm(s)	Number of years engaged to date

- 5. Provide the notice to the auditor giving the reasons for the impending discharge
- 6. Provide written concurrence by the executive authority for the planned discharge
- 7. Costs of audit and non-audit services provided by the auditors during their term of office (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**

8. Particulars of audit firms shortlisted for appointment

	Name(s) of audit firm(s)	Estimated audit fee	Estimated fee for other services
Firm 1			
Firm 2			
Firm 3			
Firm 4			
Nature of other services to be performed:			

9. Audit firm proposed and anticipated date of appointment

Name	
Date	

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

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. Indicate how the performance of auditors will be evaluated

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

12. Provide and attach a declaration in respect of the assurance team as far as it relates to the following:

Integrity and objectivity:

The assurance team is free from conflict of interest and bias.

No relationships or interests exist, direct or indirect, which could adversely influence, impair or threaten the capacity to act with integrity and objectivity.

Conflict of interest:

The assurance team is free from any influence, interest or relationship, whether direct or indirect, which might be regarded as being incompatible with integrity, objectivity and independence.

Independence: The assurance team has no fiduciary or financial involvement with or in the affairs of the auditee such as -

- Direct or indirect financial interest in the auditee
- Fiduciary interests in the auditee
- Loans to or from the auditee, any official of the auditee, any member of the accounting authority or from the department responsible for the auditee
- Holding of a financial interest in a joint venture or public-private partnership with the auditee or any of its employees
- Having a financial interest in a non-audit client that has an investee relationship with the auditee

**REAPPOINTMENT OF AUDITORS**

13. Details of firm to be reappointed

Name	
Financial years previously appointed	

14. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors

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

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16. Provide and attach a declaration in respect of the assurance team as far as it relates to the following:

*Integrity and objectivity:*

The assurance team is free from conflict of interest and bias.

No relationships or interests exist, direct or indirect, which could adversely influence, impair or threaten the capacity to act with integrity and objectivity.

*Conflict of interest:*

The assurance team is free from any influence, interest or relationship, whether direct or indirect, which might be regarded as being incompatible with integrity, objectivity and independence.

*Independence: The assurance team has no fiduciary or financial involvement with or in the affairs of the auditee such as -*

- Direct or indirect financial interest in the auditee
- Fiduciary interests in the auditee
- Loans to or from the auditee, any official of the auditee, any member of the accounting authority or from the department responsible for the auditee
- Holding of a financial interest in a joint venture or public-private partnership with the auditee or any of its employees
- Having a financial interest in a non-audit client that has an investee relationship with the auditee

17. Indicate name of partner in charge of audit for the last five years

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18. Indicate name of audit manager in charge of audit for the last five years

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**Completed by**

\_\_\_\_\_  
(signature)

**Designation**

\_\_\_\_\_

**Date**

\_\_\_\_\_

INFORMATION:

**S25** (2) *Must give notice of the suggested appointment, 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 AG.*

(3) *If the AG, within 14 days of receiving notice in terms of subsection 2 or such longer period as 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.*

*Appointment may only be for one year.*

**S26** (1) *Discharge before expiry of term – only with consent of the AG and the relevant executive authority if applicable.*

(2)(a) *Give the auditor notice in writing setting out the reasons.*

(2)(b) *Give the auditor opportunity to make written representation to the AG within 20 days of receipt of the notice.*

(3) *The AG must report any discharge of the auditor to the relevant legislature.*