Concerns raised on the audit readiness of the Public Sector as a result of the National State of Disaster

Webcast: 27 July 2020

Questions and Answers (Q&A)

SAICA hosted a webcast with the Auditor General of South Africa (AGSA), South African Local Government Association (SALGA) and National Treasury relating to the concerns raised in the audit readiness of the public sector as a result of the National State of Disaster on 27 July 2020. This Q&A has been developed from questions raised by delegates who attended the webcast and have been responded to by SAICA, AGSA, SALGA and National Treasury.

This Q&A is to be used purely for information purposes and individuals are advised to consult the relevant stakeholders relating to questions concerning their specific organisation.

1. **What controls are being put in place to ensure that professional tenders are not drawn up in such a manner that companies that are incompetent are appointed?**

   AGSA's response:

   It is very difficult to detect where tender specifications are drawn up with the intention to defraud. Therefore, we encourage all auditees to use strong preventative and detective controls.

2. **Where and how often is AGSA reviewed as an assurance provider in terms of their effectiveness and quality of service provided and where is one able to obtain a copy of this independent review?**

   AGSA's response:

   The quality of our products is assessed annually by an independent quality control unit in the AGSA that performs its work under the watchful eye of the Independent Regulatory Board for Auditors (IRBA). The value we deliver is also assessed during the year through feedback we

receive from different stakeholders, including the auditees and oversight (portfolio committees and Scopa), as well as public perception of the work we do.

3. **How will audits be managed and conducted during COVID-19 in terms of RFI and findings at municipalities if AG staff can't go onsite?**

   AGSA's response:

   The pandemic is causing both the auditor and the auditee to think differently about the audit – it cannot be business as usual. Both parties must regularly engage on possibilities and opportunities to ensure that the audit is performed in the best way possible while also protecting the staff of both the auditor and the auditee.

4. **Will AGSA be changing their performance focus areas for 2020/2021 to concentrate on the effectiveness of COVID 19 grants at certain national departments and provincial health departments?**

   AGSA's response:

   All 10 departments of Health are included in the proactive audit and the findings will be included in the special report.

5. **Is it appropriate for the AG staff to refuse to come to the client premises but still require the departmental staff to go to the premises to draw files for audit? Where the OHS controls are in place?**

   AGSA's response:

   I would like to stress that providing information electronically (even scanned in documentation) is first prize. However, we know that some documentation will have to be provided in hard copy. The audit team and the auditee will have to determine the best method for sharing, accessing and managing information.

6. **General comment, while we understand that AGSA cannot grant extension etc., is it possible to get an idea regarding when NT will likely feedback regarding MFMA extension beyond 31 Aug? The reason being, there are a number of audit readiness issues that resulted from lockdown, whereby key activities could not occur that would normally take place, verifications etc. Even once lockdown ended, finance staff not always considered to be part of essential staff, or due to infections Municipal buildings etc. close down which can impact all areas of preparation.**

   National Treasury's response:
   The National Treasury has received submissions in this regard and the matter is under consideration. A response will be provided shortly, once the Minister of Finance has considered the matter. In the interim, we do encourage all municipalities and municipal entities to continue with their plans, preparation and reviews, as best possible within the current circumstances.

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7. **On scope reduction, should the AGSA not make it mandatory for the audit teams to have a detailed financial analysis that comes with the scope reduction?**

   AGSA's response:

   The financial impact of the scope reduction will differ from auditee to auditee due to the different focus areas selected per auditee especially for the value adding procedures.

8. **If we look at the previous presentation regarding the outcomes of audits, given the challenges from the lockdown and subsequent there could be a significant decline in the audit outcomes as a result.**

   AGSA's response:

   The profession recognised this as a possibility, both nationally and internationally. IRBA has also issued guidance in this regard (possible qualification paragraphs that explains the limitations and challenges caused by the pandemic).

9. **Similar to AGSA on time frames that due to losing a month due to the PFMA cycle extension and information flow, that losing 2 months to lockdown will impact Municipalities on 31 August submission.**

   National Treasury's response:
   See response to point 6 above. The consultation process with key stakeholders have been concluded, which includes AGSA.

10. **The extension of AGSA timeframes is needed , as auditors must have enough time to audit as well as for Municipalities to deal with RFI's and Findings but by the same means so is extension of 31 Aug.**

    National Treasury's response:
    See response to point 6 above. It is also important that the AGSA allows reasonable time for auditees to respond to COMAFs, and as noted earlier, National and Provincial Treasuries are available to assist facilitate any challenges that may arise, given that we are charting new ways of executing these responsibilities.

11. **The extension beyond 31 August is to allow Municipalities not to be prejudiced by events beyond their control that impact their ability to provide credible financial information as they lost 2 months.**

    National Treasury's response:
    See response to point 6 above.

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12. **Has lifestyles audits been implemented for the National Cabinet Ministers. If not when will this be implemented especially with the investigations taking place by the Zondo Commission?**

AGSA'S response:
The lifestyle audits have not commenced as yet. It being led by DPSA, but they are still in a process of drafting the strategy and setting up the relevant systems pertaining to this.

13. **Very good engagement platform. Is SAICA considering having similar sessions for Provincial and National Departments?**

SAICA's response:
Yes, SAICA will be having similar sessions for Provincial and National Departments in future.

14. **With regards to the audit of compliance how will it be conducted during these gruesome times because we can scan small documents but not tenders?**

AGSA'S response:
The auditors will accept copies and scanned documents. Where hardcopy files are provided, the auditors will either have to access these files at the auditee's premises, or collect them from the auditee and continue to audit from the AGSA office. Please note that strong document management principles will have to be implemented to safeguard information. The circumstances will depend on the situation at each auditee, and I don't want to commit to a one-size-fits-all scenario.

15. **How is the AG monitoring the productivity of staff that are working from home? When I look at the time charged to date you often see 8.2 hours per day? This is 100% productivity per day which is not possible.**

AGSA'S response:
The AGSA has implemented additional monitoring controls over all hours billed to the auditee and has accepted that staff will not be 100% productive – especially as long as the schools are not fully open. The staff recovery rate will therefore not be a performance measure for this year.

16. **We agree that additional risk will increase fees but what mechanisms is in place to ensure that trainees and staff do not use this as an excuse to bill time to ensure that they meet their recovery rate?**

AGSA'S response:
Kindly see the response under no. 16.

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