



AUDITOR-GENERAL

Annexure 6: Audit quality criteria in the IRBA process

Quality control process

1. Auditor-General and Deputy Auditor-General

The Deputy Auditor-General has the ultimate responsibility for the AG's entire system of quality control. The Deputy Auditor-General has assigned certain operational responsibilities for some parts of the quality control to individuals with sufficient and appropriate experience and ability and the necessary authority to assume the operational responsibilities. The monitoring is delegated to the quality control component within Governance. The authority delegated by the Auditor-General and the Deputy Auditor-General enables those individuals (in the business units) to implement and comply with the set policies and procedures and standards.

The Auditor-General, together with the Deputy Auditor-General, has established an Assessment Committee (AC) which will act as an oversight body in assisting the Auditor-General and the Deputy Auditor-General to fulfil their responsibilities. In addition, reports of Governance and the Independent Regulatory Board for Auditors (IRBA) further enhance the independent assurance on whether the AG is complying with set professional standards.

2. The Assessment Committee

The AC will approve the procedures and policies of the AG's quality control system, reach decisions on engagement review reports and determine a review recognition framework. The AC will consist of the Auditor-General, the Deputy Auditor-General and an external member.

The committee will meet annually to fulfil their mandate. The decision of the AC in respect of the review results, based on sound due process and factual findings, is final and no correspondence will be entered into. Governance and the IRBA will provide the necessary support.

3. Monitoring

3.1 Governance (Quality Control) / Independent Regulatory Board for Auditors (IRBA) reviews

The responsibility for monitoring the quality control process of the AG has been entrusted to Governance. In terms of the strategy, the Quality Control unit of Governance and the practice review department of IRBA will monitor the system of quality control through engagement reviews. The objective of the reviews is to monitor compliance with professional standards



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and to give guidance to auditors to assist them in improving the AG standards. The reviews will include the following:

a) Engagement reviews

This review is of an individual engagement manager and not the business unit as a whole. All engagements are subjected to the review process. The AC will determine on an annual basis the extent of the reviews that should be allocated to IRBA. The reviews will concentrate specifically on the whole spectrum of the audit process from pre-engagement to reporting.

b) Engagement re-reviews

In instances where the AC rates an engagement as "non-comply", a re-review will be performed in terms of the criteria set.

c) Firm level reviews

The firm level review is a review of quality control procedures that are in place for the AG as a whole. It is a requirement of the quality control standard ISQC1. In preparing for such a review the following timetable is anticipated:

- ✓ Performance year 2007 and 2008:
- ✓ Preparation of the Auditor-General for such a review.
- ✓ Performance year 2009:
- ✓ External review by the IRBA.

3.2 IRBA – Quality control system (Governance)

The practice review unit of IRBA will perform a review of the compliance or non-compliance with the quality control system within Governance.

3.3 Quality control review process

- ✓ Senior manager (QC) contacts the quality control champion in the business unit to set a date for a review and discussion of the report.
- ✓ All relevant documentation as required by the reviewer is sent to Governance, if documentation is not on TeamMate.



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- ✓ Reviewer performs review of TeamMate file saved on the server (this is regarded as the final version of the work performed) and all other relevant information presented to him/her at commencement of the review and compiles a report on findings.
- ✓ A second reviewer scrutinises the report and should concur with the findings.
- ✓ Management members involved in the engagement are required to provide written comments on the findings.
- ✓ Discussions are held with the engagement manager responsible for the engagement. It is mandatory for the BEs and CEs to attend the discussions. If they cannot attend the discussions as scheduled by Governance the review reports will be finalised at engagement manager level.
- ✓ Final report is prepared and signed by the reviewer and the engagement manager responsible.
- ✓ The BEs and the responsible CEs are informed of the findings per engagement manager after the discussions.
- ✓ All quality control findings with their related comments that contain unresolved differences of opinion will be collated in an anonymous document. The document will be reviewed at an ad hoc committee meeting of Exco and they will then make recommendations to the AC regarding these unresolved differences of opinion.
- ✓ The reports on the reviews, inclusive of any further comments on findings from all parties involved, are presented to the AC, which determines, on an anonymous basis, the review status of the engagement manager.
- ✓ The relevant corporate executive notifies the responsible engagement manager of the committee's decision in writing.
- ✓ The engagement manager must undertake in writing to implement the corrective action.

Approved criteria for "comply" results

Where, in the opinion of the AC, the risk is low, the decision will either be:

Comply C2: Review in two years' time

or

Comply C3: Review in three years' time



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Approved criteria for "non-comply" results

Where, in the opinion of the AC, the risk is high, the decision will either be: Non-comply R1:
Review in one year's time on any one file

or

Non-comply R1*: Review in one year's time on the current year of the previously reviewed file

or

Non-comply R2 : Review in one year's time on two files, being any one file plus review of
current year of the previously reviewed file.

or

Non-comply R2 *: Review in one year's time on two files, being any one file plus review of
current year of the previously reviewed file and, in addition, immediate follow-up as
determined by the Deputy Auditor-General.