



AGSA: Audit dispute resolution policy

Effective from	1 November 2022
Date revised	N/A
Policy owner/s	Business Unit Leader: Technical Audit Support Business Unit
Target audience	AGSA audit staff

Should be read in conjunction with:

>> Legislation	Constitution of the Republic of South Africa, 1996 Public Audit Act 25 of 2004 Protected Disclosures Act 26 of 2000
>> Policies	Audit engagement performance policy Complaints policy Litigation policy Policy on conducting audits on behalf of the AGSA Policy on monitoring of quality control (QC) compliance Material Irregularity Policy Ethics Policy Disciplinary Policy
>> Procedures	Audit Dispute resolution procedures Complaints procedures Difference of opinion procedures Litigation procedures Procedure on complaints against the AGSA Procedures: Public Audit Manual Material Irregularity Manual

	Procedure on Ethics Disciplinary Procedures Protected Disclosures Procedures
>> Standards	International Standard on Quality Management (ISQM) 1 – <i>Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements</i> International Standard on Auditing (ISA) 220 – <i>Quality management for an audit of financial statements</i>
>> Other	Memoranda of agreement – Performing audits on behalf of the AGSA

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1. Executive summary

1.1 The policy on audit dispute resolution by the Auditor-General of South Africa is intended to facilitate the resolution of audit disputes, material irregularity disputes and category 2 complaints (disputes and complaints and allegations) in line with the provision of the Public Audit Act 25 of 2004 (the PAA) section 13(1)(c) that requires the auditor-general to determine procedures for the handling of complaints when performing audits. This policy only deals with audit disputes over or complaints and allegations about audit quality-related matters and disagreements on audit findings. The proper implementation and enforcement of the policy will ensure that audit disputes and complaints and allegations against the AGSA and its employees referred to in the PAA are dealt with lawfully, transparently and fairly.

2. Purpose of the policy

2.1 The purpose of the policy is to ensure that the AGSA streamlines an internal audit dispute resolution mechanism that comes into effect when the auditee disputes audit findings with the auditor. These audit disputes and allegations can be about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, interpretation and application of standards or legislation or non-compliance with the AGSA's policies or procedures. This audit dispute resolution policy applies to all disputes over audits and audit-related services, irrespective of whether the audit report has been signed or not. The audit dispute resolution policy is designed to provide multiple opportunities for the auditee and the engagement team to be heard, with the Auditor-General being ultimately accountable for the decisions on these matters.

3. Definitions

AGSA	The institution contemplated in section 181(1)(e) of the Constitution.
Audit	The examination or investigation, in accordance with any applicable audit standards, of those aspects to be reported on in terms of section 20 or 28 of the PAA.
Audit disagreements	Disagreements in the context of this policy are matters where the engagement team, under the guidance of the engagement manager, disagrees on a specific matter with an auditee during the course of an audit, but the engagement manager is still in the process of resolving this matter.
Audit dispute	Disputes in the context of this policy are matters where the engagement manager, supported by the deputy business unit leader and business unit

	leader, has not been able to reach a resolution with the auditee on disagreements, as defined above after consulting on the matter and considering all technical views.
Audit dispute resolution process/mechanism	A process to be followed in line with this policy to resolve the dispute as defined above.
Audit-related service	Audit-related services includes performance, international and information systems audits and special investigations.
Auditor-general (AG)	The individual appointed as auditor-general in terms of section 193(4) of the Constitution and as contemplated in paragraph (b) of the definition of "Auditor-General" in section 1 of the PAA.
Authorised auditor	A person authorised in terms of section 12 of the PAA to perform or to assist in the performance of an audit referred to in section 11 of the PAA.
Category 2 complaint	Complaints and allegations (internal and external) relating to operational matters dealt with during the course of an audit, including all matters pertaining to the execution of a function, the scope and extent of that function, whether the work is performed in accordance with professional standards, whether the work is performed in accordance with the applicable legal and regulatory requirements, the procedures followed during an audit assignment, the audit opinion or, where applicable, the working papers and other supporting documentation.
Constitution	The Constitution of the Republic of South Africa, 1996.
Engagement manager	The person who is responsible for, and has been assigned, an audit engagement(s) by the audit business unit leader and has sufficient and appropriate experience and authority to perform the audit engagement. This definition of an engagement manager does not diminish the accountability of the audit report signatory or the person(s) who recommends the audit report for signature for the quality of the engagement.
PAA	Public Audit Act 25 of 2004.
Stakeholder	An internal and external party or its representative that has an interest in the legality and credibility of the functions performed by the AGSA.
Standards	The standards according to which an audit is conducted, including audit practices, procedures and guidelines.

Substance over form

Substance over form is an accounting concept, which means that the economic substance of transactions and events must be recorded in the financial statements rather than just their legal form in order to present a true and fair presentation of the affairs of the entity.

4. Policy principles

- 4.1 The resolution of audit disputes or complaints and allegations must be done in a manner that upholds the independence of the AGSA.
- 4.2 The AG is the highest authority on matters of public auditing as we have a constitutional mandate to audit and report on the accounts, financial statements and financial management of national and local government.
- 4.3 Any reference to other organs of state must be understood in the context of strategic contributors towards solutions, specifically in the light of many of them being regulators and/or standard setters, and not as co-decision-makers.
- 4.4 The AGSA shall not refer audit disputes to external structures for resolution or decision-making.
- 4.5 The timely conclusion of audits and sound audit dispute resolution practices are equally important. The AGSA places a high premium on the views of organs of state that support the audit dispute resolution process, **but audits or audit sign-off should not be halted** to accommodate unreasonable delays caused by contributors to the audit dispute resolution process.
- 4.6 Ideally audit disputes must be dealt with earlier in the audit process to ensure that they are resolved prior to audit report sign-off. Where the audit disputes arises late in the audit process, the guidance as detailed in the Audit Dispute Resolution Procedures should be followed to ensure that our audit reports are still signed-off on time.
- 4.7 The engagement team, under the leadership of the engagement manager, remains responsible for the resolution of audit disagreements with the auditee in the normal course of the audit.
- 4.8 Once an audit disagreement with the auditee cannot be resolved at an engagement manager level, such an audit disagreement is classified as an **audit dispute** that must be escalated in accordance with the mechanism provided for in this policy.
- 4.9 The audit dispute resolution process is designed to provide multiple opportunities to be heard, with the heads of audit being delegated the ultimate decision-makers and ultimately accountable for those decisions.
- 4.10 The auditor-general does not participate in the internal process of audit dispute resolution. Their role is aimed at engaging with key role players such as accounting officers, accounting

authorities and executive authorities to avoid or settle judicial processes that may unfold once an audit dispute remains unresolved at the head of audit level.

- 4.11 The Auditor-General will delegate this accountability and decision making to the heads of audit.
- 4.12 If an auditee is dissatisfied with the AGSA's final decision on an audit dispute, the auditee may consider other avenues available in law.
- 4.13 The mechanism is unique to the AGSA and does not involve traditional conflict resolution processes such as conciliation, mediation or arbitration.
- 4.14 An audit is not a legal process. All participants in the audit dispute resolution process shall subscribe and adhere to the principle of "substance over form".
- 4.15 All audit disputes, whether internal or external, must be directed in writing (which includes any form of electronic communication) to the relevant head of portfolio by the auditee. If the audit dispute cannot be resolved at head of portfolio level, the auditee must escalate the matter in writing to the relevant head of audit.
- 4.16 The head of portfolio may only dismiss a category 2 complaint if, after a preliminary assessment, it is considered:
- a. hearsay, a baseless rumour or a false report
 - b. frivolous, misconceived, unwarranted, or manifestly incompatible with the mandate of the AGSA or
 - c. as having malicious intent and, objectively considered, is seen to be invalid or irrelevant.
- 4.17 All audit disputes and complaints and allegations should be treated and regarded as of equal importance; and ethically and in a professional manner as required by the AGSA's policies and procedures on ethics.
- 4.18 A person is guilty of an offence if that person furnishes false or misleading information when complying with a request of the AGSA or an authorised auditor.
- 4.19 All audit disputes and complaints and allegations need to be dealt with in line with the audit dispute resolution procedure and the relevant levels of escalation as noted in the paragraph 5.1 below within a timeous and efficient manner.
- 4.20 The Technical Audit Support BU must ensure that the AGSA's disclosure processes are secure for internal and external sources to rely upon and that audit disputes and complaints and allegations are dealt with in a confidential manner.
- 4.21 The audit dispute resolution process entails two tiers or levels, a first tier under the stewardship of the heads of portfolio and a second and final tier under the leadership of the heads of audit.
- 4.22 The application of this policy must demonstrate the AGSA's professionalism and must respect the statutory boundaries of the AGSA, auditees and organs of state that contribute to the audit dispute resolution process.

4.23 This audit dispute resolution mechanism applies to all disputes on audits and audit-related services, irrespective of whether the report has been signed or not.

5. Application of this policy

5.1 This policy applies to all AGSA audit staff.

6. Non-compliance and corrective action

6.1 In the event of non-compliance with, or a breach of, any aspect of this policy, the AGSA may institute disciplinary action against an AGSA employee in accordance with the AGSA's disciplinary action policy and procedures.

7. Key monitoring controls

7.1 The following monitoring statements are control indicators intended to ascertain whether the key principles of the audit dispute resolutions policy are being complied with:

- a. Technical Audit Support business unit will maintain an accurate record of all audit disputes and complaints and allegations received and update that record on a bi-monthly basis.
- b. Technical Audit Support business unit will process all audit disputes and complaints and allegations in accordance with this policy and related procedures, document the outcome thereof and appropriately report as required.

8. Delegation of authority

8.1 The delegation of authority must be in line with the approved Management Approval Framework.

Dated and signed at PRETORIA on this 31st day of OCTOBER 2022.

By: RALULIWE (Auditor-General) for ~~exco~~ (held on)