

REPORTING GUIDE

2022-23

March 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Reporting guide 2022-23

Contents

1. INTRODUCTION.....	1-1
A. Introduction.....	1-1
B. Auditor’s report	1-1
C. Management report	1-1
D. Chapters in the reporting guide.....	1-2
2. FINANCIAL STATEMENTS – EXAMPLES OF BASIS FOR MODIFIED OPINION PARAGRAPHS	2-1
A. Introduction.....	2-1
B. International Standards on Auditing.....	2-1
C. Matters required to be included in the basis for modified opinion paragraph	2-1
D. Examples – Basis for modification paragraphs	2-7
a. Disagreement misstatements that could result in a qualified or adverse opinion, depending on the circumstances.....	2-8
b. Limitation misstatement.....	2-16
c. Disagreement and limitation misstatement relating to one financial statement item.....	2-25
d. Aggregation/ accumulation of immaterial uncorrected misstatements	2-29
e. Misstatements in cash flow statements	2-33
f. Disagreements and limitations relating to different financial statement items/elements... ..	2-34
g. Prior year misstatements.....	2-36
3. FINANCIAL STATEMENTS and ANNUAL performance reports – EMPHASIS OF MATTER, OTHER MATTER, OTHER INFORMATION AND GOING CONCERN	3-1
A. Introduction.....	3-1
B. Emphasis of matter paragraph.....	3-1
a. International Standards on Auditing.....	3-1

b. Overview of general principles, requirements and procedures	3-1
C. Other matter paragraphs.....	3-7
a. International Standards on Auditing.....	3-7
b. Overview of general principles, requirements and procedures	3-7
D. Other information paragraphs	3-14
a. International Standards on Auditing.....	3-14
b. Overview of general principles, requirements and procedures	3-14
E. Material uncertainty relating to going concern.....	3-22
a. International Standards on Auditing.....	3-22
b. Overview of general principles, requirements and procedures	3-23
4. ANNUAL PERFORMANCE REPORT – MATERIAL FINDINGS PARAGRAPHS.....	4-1
A. Introduction.....	4-1
B. General reporting principles for management and auditor’s report.....	4-2
a. For qualified/ adverse opinions (disagreements)	4-2
b. For qualified/ disclaimer of opinions (limitations)	4-3
c. Other important reporting principles	4-3
C. Overall limitations (when limitation scenario 2 is applicable)	4-4
D. Example paragraphs – reliability findings.....	4-5
E. Example paragraphs – consistency findings	4-12
F. Example paragraphs – presentation and disclosure findings including phased condition.....	4-15
G. Example paragraphs – measurability and relevance findings.....	4-19
H. Completeness of relevant indicator findings (phased condition).....	4-23
I. Examples – combination of multiple material findings	4-25
J. Quick reference guide to examples for AoPO reporting	4-33
5. COMPLIANCE WITH LEGISLATION.....	5-1
A. Introduction and nature of the compliance engagement.....	5-1

1. INTRODUCTION

A. Introduction

1. The reporting guide sets out the requirements for, and provides guidance on, reporting to the auditee through the auditor's report and management report. The templates for the auditor's and management reports are updated annually and provided to the audit engagement teams in technical updates.

B. Auditor's report

2. The auditor's report template applies to all public sector auditees. A separate, specific auditor's report template is provided for use at auditees not audited by the AGSA in accordance with section 4(3) of the Public Audit Act 25 of 2004 (PAA).
3. The auditor's report template promotes consistent reporting that enhances credibility, ease of use and reports that are simple, clear and relevant.
4. Explanatory notes are included in the template to assist the auditor to prepare the auditor's report.

C. Management report

5. The management report template applies to public sector auditees audited by the AGSA. The report on the annual performance report section also applies to public sector auditees not audited by the AGSA in accordance with section 4(3) of the PAA. We encourage the application of the rest of the management report template for these auditees.
6. The management report template promotes timely communication of observations that arise from the audit and are significant and relevant to management's responsibilities for the financial and performance management reporting process and compliance with legislation.
7. The management report is addressed and provided to the accounting officer/ accounting authority. The report should also be shared with the executive authority, the audit committee and the head of the internal audit unit. In addition, the report may be shared with legislatures, municipal councils or their internal committees, if requested, in which case the separate guidance on sharing of the management report should be followed. Any request for the management report by other state institutions must be dealt with in

terms of the “AGSA: Audit engagement performance policy”.

8. Explanatory notes are included in the template to assist the auditor to prepare the management report.

D. Chapters in the reporting guide

9. Detailed guidance and examples on information to be included in the auditor’s report and management report are provided in the chapters of this guide:
 - Chapter 2 contains the requirements and examples for drafting a basis for modified opinion paragraph.
 - Chapter 3 contains requirements and examples on:
 - Emphasis of matter and going concern paragraphs included in the auditor’s report on the financial statements.
 - Other matters and other information paragraph in the auditor’s report on the financial statements and annual performance reports
 - Chapter 4 contains the requirements and examples for drafting a basis for modified opinion paragraph on the annual performance report. These paragraphs will be used for the auditor’s report and management report.
 - Chapter 5 contains requirements and examples for drafting findings on compliance with legislation to be included in the auditor’s report.
10. The requirements and guidance relating to forming the auditor’s opinion/ conclusion or material findings are described in the Public audit manual (PAM), chapters 18.1 to 18.3 - Concluding and forming the audit opinion; Guide on compliance findings engagement methodology; Guide on AOPO findings engagement methodology; and the Guide on AFS review engagements in terms of ISRE 2400 (Revised).
11. The detail guidance and examples for drafting paragraphs on material irregularities are included in the Material irregularity manual.

2. FINANCIAL STATEMENTS – EXAMPLES OF BASIS FOR MODIFIED OPINION PARAGRAPHS

A. Introduction

1. This chapter provides the required wording and examples of the basis for modified opinion paragraphs for circumstances when the auditor cannot express an unmodified opinion on the financial statements. The chapter promotes consistent reporting, which in turn strengthens the credibility and the users' understanding of the auditor's report.
2. This chapter applies to all public sector auditees, including those not audited by the AGSA in accordance with section 4(3) of the PAA.
3. Section C indicates what a basis for modified opinion paragraph should consist of and a table of Dos and Don'ts to assist auditors in drafting these paragraphs.
4. Section D includes examples of the basis for modified opinion paragraphs.

B. International Standards on Auditing

5. ISA 705 (Revised), ISSAI 2705

C. Matters required to be included in the basis for modified opinion paragraph

6. The following illustrates what the basis for modified opinion paragraphs should consist of:
 - Heading that describes the type of opinion expressed
Basis for [qualified/adverse/disclaimer of] opinion
 - Heading that describes the financial statement item/disclosure note
Property, plant and equipment

For qualified/adverse opinions

- Describe what was not done that is required in accordance with the applicable accounting standard or legislation
Lease agreements were not classified as finance leases where substantially all the risks and rewards incidental to ownership were transferred to the [type of auditee], in accordance with the Standards of Generally Recognised Accounting Practice

(GRAP) 13, *Leases*.

- Describe the misstatement
The [type of auditee] is party to a number of lease agreements that constitute finance leases, but which have been accounted for as operating leases.
- Quantify the misstatement, state its effect on all the other classes of transactions/account balances and state that there is an impact on the surplus/deficit for the period. If it is not possible to quantify, state that it is impracticable to do so.
Consequently, property, plant and equipment and long-term liabilities are understated by R... (202x: R...) and R... (202x: R...), respectively, and the current portion of long-term liabilities is understated by R... (202x: R...). This also has an impact on the surplus for the period and on the accumulated surplus.

For qualified/disclaimer of opinions

- Describe the limitation
I was unable to obtain sufficient appropriate audit evidence for movable tangible assets, as I was denied access to certain premises.
- State that it was not possible to confirm the item by alternative means
I was unable to confirm the physical assets by alternative means.
- State that you were unable to determine whether any adjustments were required to the item
Consequently, I was unable to determine whether any adjustment relating to movable tangible assets, stated at R... in the financial statements, was necessary.

7. The most important matters mentioned above are listed as dos and don'ts in the table below:

Dos	Don'ts
General	
Include the paragraphs in order of most significant to least significant.	Include excuses for the auditee's misstatement or information not obtained.
Include a heading: Basis for qualified/adverse/disclaimer of opinion.	Include the assertions affected.
Include the heading of the specific financial statement	Include root causes (these are included

Financial statements – Examples of basis for modified opinion paragraphs

Dos	Don'ts
item with the material misstatement.	under internal control) or a progress report on how the matter is being rectified (reserved for management report).
Communication should be uncluttered (simple and clear).	Include a basis for modification paragraph on accumulated surplus, as this misstatement is the consequence of a misstatement in a class of transactions or account balance.
When a misstatement relates to non-disclosure of information, describe the nature of the omission, provided that it is practicable to do so and that the auditor has obtained sufficient appropriate audit evidence about the omitted information.	Include a basis for modification paragraph on an item titled journal entries – it is the relevant class of transactions, account balance or disclosure that is misstated because of the journal entry.
	<p>Include a basis for modification paragraph on the cash flow statement when the misstatement is the consequence of a misstatement in a class of transactions or account balance.</p> <p>(If the cash flow statement was, for example force balanced, there could be a basis for modification paragraph.</p> <p>However, this paragraph cannot be at the level of the cash flow statement, but should be at the level of one of the items in the cash flow statement that is incorrect or does not agree with the underlying financial statements.)</p>
	<p>Include a basis for modified opinion paragraph on the statement of changes in net assets when the misstatement is the consequence of a misstatement in a class of transactions or account balance.</p> <p>(Similar to the principle on the cash flow statement above, if, for example, the auditee passed journal entries that are not supported in the statement of changes in</p>

Financial statements – Examples of basis for modified opinion paragraphs

Dos	Don'ts
	net assets and adjusted the prior year accumulated surplus, there could be a basis for modification paragraph on accumulated surplus.)
	Use the wording of the disagreement misstatement to describe a limitation misstatement and vice versa.

Dos	Don'ts
Disagreements	
Include the title of the standard of the financial reporting framework/legislation the auditee did not comply with, where applicable.	
Include a concise description of the misstatement.	
Include the value of the misstatement (based on our best estimate, which is the projected misstatement, anomalous misstatements and any misstatements from items specifically selected) and state which financial statement items are understated/overstated or state that it was impracticable to determine the value of the misstatement.	
<p>If consolidated financial statements are applicable and the misstatement affects the consolidated and separate financial statements:</p> <ul style="list-style-type: none"> • Where the value of the misstatement is the same in the consolidated and separate financial statements: include the value of the misstatement, the item affected and state 'in the consolidated and separate financial statements'. • Where the value of the misstatement is not the same in the consolidated and separate financial statements (i.e. the same type of misstatement occurred at the subsidiaries), include both values of the misstatement 	

Financial statements – Examples of basis for modified opinion paragraphs

Dos	Don'ts
and state 'in the consolidated and separate financial statements, respectively'.	
Include a statement that there is a consequential impact on the surplus/deficit for the period and accumulated surplus/deficit.	
If the misstatement also occurred in the previous year, remains unresolved and is material, include the corresponding amount for the previous year in brackets.	
Limitations	
Include a statement that sufficient appropriate audit evidence could not be obtained.`	Include the estimated value of the limitation misstatement.
Include a brief description why it could not be obtained.	
Include a statement that the financial statement item could not be confirmed by alternative means.	
Include a statement that you were unable to determine whether adjustments were necessary to the financial statement item and include the value of the item in the financial statements.	
If consolidated financial statements are applicable and the misstatement affects the consolidated and separate financial statements, state that you are unable to determine whether any adjustment to the financial statement item is necessary and state the values of the item in the consolidated and separate financial statements.	
If the limitation also occurred in the previous year, remains unresolved and is material, include the corresponding figure for the previous year in brackets.	

For consolidated financial statements

8. Careful consideration must be given to the wording of both the

'qualified/adverse/disclaimer of opinion' and the 'basis for qualified/adverse/disclaimer of opinion' paragraphs in the auditor's report, when the auditor expresses a modified opinion on the consolidated financial statements of an economic entity (group).

9. Consolidated financial statements are usually presented in four-column format and include:
- the separate financial figures of the controlling entity (parent)
 - the consolidated financial figures of the group that comprise the consolidated financial results of both:
 - the controlling entity (parent)
 - the controlled entity (subsidiary)
10. In order to appropriately word the auditor's report, it is important to understand both where the misstatement/limitation originates (i.e. in the financial results of the parent or in the financial results of the subsidiary) and what the misstatement/limitation affects (i.e. the separate financial figures, the consolidated financial figures or both):
- If the misstatement/limitation originates in the financial results of the subsidiary, the misstatement/limitation can only affect the consolidated financial figures of the group. This implies the following:
 - The 'qualified/adverse/disclaimer of opinion' section of the auditor's report includes two separate opinions – a modified opinion on the consolidated financial figures of the group and an unmodified opinion on the separate financial figures of the parent entity.
 - The 'basis for qualified/adverse/disclaimer of opinion' paragraph of the auditor's report is worded with reference to the misstatement/limitation of the consolidated financial statements (figures) of the group.

See example vii in section D.b below.

- If the misstatement/limitation originates in the financial results of the parent, the misstatement/limitation can affect either the separate financial results of the parent only, or on both the separate financial results of the parent and on the consolidated financial figures of the group. This implies the following:
 - If only the separate financial results of the parent are impacted:

- The 'qualified/adverse/disclaimer of opinion' section of the auditor's report includes two separate opinions – an unmodified opinion on the consolidated financial figures of the group and a modified opinion on the separate financial figures of the parent.
- The 'basis for qualified/adverse/disclaimer of opinion' paragraph of the auditor's report is worded with reference to the misstatement/limitation of the separate financial statements (figures) of the parent.

See example viii in section D.b below.

- o If both the separate financial results of the parent, as well as the consolidated financial figures of the group, are impacted:
 - The 'qualified/adverse/disclaimer of opinion' section of the auditor's report includes only one modified opinion.
 - The 'basis for qualified/adverse/disclaimer of opinion' paragraph of the auditor's report is worded with reference to both the misstatement/limitation of the consolidated financial statements (figures) of the group and the misstatement/limitation of the separate financial statements (figures) of the parent, i.e. the R-values for both the group and the parent are included in the 'basis for qualified/adverse/disclaimer of opinion' paragraph.

See example ix in section D.b below.

11. Refer to section D of this chapter and SAAPS 3, *Illustrative auditor's reports on financial statements* for examples.

D. Examples - Basis for modification paragraphs

12. The following basis for modification paragraphs are examples only and illustrate the requirements of ISA 705 (Revised).

a. Disagreement misstatements that could result in a qualified or adverse opinion, depending on the circumstances

i.

- **The auditee did not meet the requirements of the financial reporting framework as it incorrectly classified leases.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Leases

Lease agreements were not classified as finance leases where substantially all the risks and rewards incidental to ownership were transferred to the [type of auditee], in accordance with GRAP 13, *Leases*. The [type of auditee] was party to a number of lease agreements that constituted finance leases, which were accounted for as operating leases. Consequently, property, plant and equipment, and long-term liabilities were understated by R... (202x: R...) and R... (202x: R...), respectively, and the current portion of long-term liabilities was understated by R... (202x: R...). Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

ii.

- **The auditee did not meet the requirements of the financial reporting framework to review the residual value and useful life of a building.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Property, plant and equipment

The [type of auditee]'s practice is to use its building for its entire economic life; however, the building's residual value and useful life at the reporting date were not reviewed in accordance with GRAP 17, *Property, plant and equipment*. The building is depreciated over a period of 20 years with the remaining useful life at [31 March 20XX/30 June 202X] assessed as four years. An independent valuer has assessed the remaining economic life of the building at 50 years. Consequently, land and buildings included in note [XX] to the financial statements was understated by R... ((202x: R...), while depreciation was understated by R... ((202x: R...), respectively. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

iii.

- **The auditee did not meet the requirements of the financial reporting framework to impair inventory.**
- **The misstatement was material.**

Inventories

Inventories carried in the statement of financial position at R... were not stated at the lower of cost and net realisable value but solely at cost, which constitutes a departure from GRAP 12, *Inventories*. Had the inventories been stated at the lower of cost and net realisable value, an amount of R... would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by R..., and surplus for the period and accumulated surpluses would have been reduced by R... and R..., respectively.

iv.

- **The auditee did not meet the requirements of legislation, which had an effect on the financial statements, due to failure to disclose in the annual report and financial statements information required by section [40(3)(i)/55(2)(b)(i) of the PFMA/ section 125(2)(d) of the MFMA] which include irregular expenditure that occurred during the financial year.**
- **It was impracticable to quantify the misstatement but it was determined to be qualitatively material.**

Irregular expenditure

The irregular expenditure incurred during the current financial year under audit and related information on irregular expenditure was not included in the notes to the financial statements, as required by section [40(3)(i)/55(2)(b)(i) of the PFMA/section 125(2)(d) of the MFMA]. Expenditure was incurred in contravention of the supply chain management requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

v.

- The subsidiary did not meet the requirements of the financial reporting framework, which had an effect on the consolidated financial statements. While the consolidated and separate financial statements were presented together, the separate financial statements of the controlling entity are unmodified.
- The misstatement also occurred in the previous year, remains unresolved and is material.
- This example requires separate opinions for the separate and the consolidated financial statements.

Qualified opinion on the consolidated financial statements and unmodified opinion on the separate financial statements

In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of [insert name of auditee] as at [insert date] and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

In my opinion, the separate financial statements present fairly, in all material respects, the financial position of [insert name of auditee] as at [insert date] and its separate financial performance and separate cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

Basis for qualified opinion on the consolidated financial statements

Property, plant and equipment

The financial statements of XYZ subsidiary were materially misstated, as the subsidiary did not depreciate property, plant and equipment, as required by IAS 16, *Property, plant and equipment*. The effect on the consolidated financial statements was that property, plant and equipment was overstated by R... (202x: R...) and depreciation was understated by R... (202x: R...). Additionally, there was an impact on the surplus for the period and on the accumulated surplus. There is no effect on the separate financial statements.

vi.

- **The controlling entity did not meet the requirements of the financial reporting framework, which had an effect on the controlling entity’s financial statements. While the consolidated and separate financial statements were presented together, the consolidated financial statements are unmodified.**
- **This example requires separate opinions for the separate and the consolidated financial statements.**

Unmodified opinion on the consolidated financial statements and qualified opinion on the separate financial statements

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of [insert name of auditee] as at [insert date] and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the separate financial position of [insert name of auditee] as at [insert date] and its separate financial performance and separate cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

Basis for qualified opinion on the separate financial statements

Accruals

The [controlling entity] did not accrue for operating lease charges and municipal property rates and taxes in arrears, as required by GRAP 19, *Provisions, contingent liabilities and contingent assets*. The effect on the separate financial statements was that accruals and total expenditure were understated by R.... Additionally, there was an impact on the surplus for the period and the accumulated surplus. The effect of the matter was not considered material to the consolidated financial statements.

vii.

- **The controlling entity did not meet the requirements of the financial reporting framework, which had an effect on both the controlling entity and the consolidated financial statements.**

Property, plant and equipment

The [name of controlling entity] did not recognise all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Additions to property, plant and equipment were incorrectly recognised as expenditure. Consequently, property, plant and equipment was understated and the total expenditure was overstated by R..., while depreciation was understated by R... in the consolidated and separate financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the consolidated and separate financial statements.

viii.

- **The controlling entity and some subsidiaries did not meet the requirements of the financial reporting framework, which had an effect on both the controlling entity and the consolidated financial statements.**

Investment property

The [name of group of entities] did not recognise all property held to earn rental or for capital appreciation as investment property in accordance with GRAP 16, *Investment property*.

Additions to investment property were incorrectly recognised as property, plant and equipment. Consequently, investment property was understated by R... and property, plant and equipment and depreciation were overstated by R... in the consolidated and separate financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the consolidated and separate financial statements.

ix.

- **The auditee did not meet the disclosure requirements of the financial reporting framework.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Related party disclosures

Remuneration of key management personnel was not disclosed in accordance with IAS 24, *Related-party disclosures*. The remuneration of key management personnel should be disclosed in total and for each of the following categories: short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payments. The remuneration should have been disclosed as follows:

Related-party disclosures

Key management personnel compensation 20XX

	R	R
Short-term employee benefits
Post-employment benefits
Other long-term benefits
Termination benefits
Share-based payments
Total

x.

- **The auditee did not meet the disclosure requirements of the financial reporting framework.**
- **The auditor does not identify those non-disclosures in the auditor’s report, as it is impracticable to do so due to the extent of the disclosures.**

Related party disclosures

The [type of auditee] is part of a large group of entities and has extensive related party transactions with other companies in the group, as well as with other government entities on non-standards terms and conditions. Contrary to the requirements of GRAP 20, *Related party disclosures*, related party relationships with other entities, or the transactions and balances with these parties were not disclosed in the accompanying financial statements. I have not included the omitted information in this auditor’s report as it was impracticable to do so.

xi.

- The auditee did not meet the requirements of the financial reporting framework to review the residual values and useful lives of specialised underground water-piping infrastructure assets.
- It is impracticable for the auditor to determine the appropriate amount of the misstatement.
- The misstatement also occurred in the previous year, remains unresolved and is material.

Property, plant and equipment

The residual values and useful lives of specialised underground water-piping infrastructure assets were not reviewed at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. As a result, infrastructure assets with a gross carrying amount of R... (202x: R...) had a zero net carrying amount while still being in use. I was unable to determine the impact on the net carrying amount of infrastructure assets as it was impracticable to do so.

xii.

- The auditee did not meet the requirements of the financial reporting framework to recognise all outstanding liabilities.
- It is impracticable for the auditor to determine the appropriate amount of the misstatement.
- The misstatement also occurred in the previous year, remains unresolved and is material.

Goods and services received but not yet paid

All outstanding amounts meeting the definition of a liability were not recognised in accordance with GRAP 1, *Presentation of financial statements*. Adequate records of outstanding payments for goods and services received but not yet paid at year-end were not maintained. I was unable to determine the full extent of the understatement of trade creditors and accruals, as it was impracticable to do so.

xiii.

- **The consolidated financial statements were materially misstated due to the non-consolidation of a subsidiary.**
- **The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so.**

Consolidation of controlled entities

As explained in note [XX], the [name of group of entities] has not consolidated subsidiary XYZ that it acquired during 20X1. This investment is accounted for as investment in subsidiaries. Under IFRS [insert the specific paragraph], the [name of group of entities] should have consolidated this subsidiary because it is controlled by the company. Had subsidiary XYZ been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined, as it was impractical to do so.

xiv.

- **The auditee did not meet the requirements of the financial reporting framework as it did not recognise service charges revenue, as required by GRAP 9, *Revenue from exchange transactions*.**
- **It is impracticable for the auditor to determine the appropriate amount of the misstatement, but the misstatement is considered to be material.**

Service charges revenue and receivables from exchange transactions

Service charges revenue was not recognised as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which service charges were not billed and recorded. I was unable to determine the full extent of the understatement of service charges, stated at R... in note [XX] to the financial statements, and related receivable from exchange transactions, stated at R... in note [XX] to the financial statements, as it was impracticable to do so.

xv.

- The auditee did not recognise land acquired through an exchange transaction held to earn rentals or for capital appreciation in accordance with the requirements of GRAP 16, *Investment property*, as it was measured at fair value on initial recognition on acquisition date instead of cost. This is because the auditee could not determine the cost incurred to acquire the land.
- The auditee did not assess whether there is any objective evidence that debtors from exchange transactions are impaired and did not create a provision for bad debts for long outstanding debtors, as required by GRAP 104, *Financial instruments*.
- It is impracticable for the auditor to determine the appropriate amount of the misstatements, but the misstatements are considered to be material.

Investment property

Land acquired through an exchange transaction held to earn rentals or for capital appreciation was not recognised in accordance with the requirements of GRAP 16, *Investment property*, as it was measured at fair value on initial recognition on acquisition date instead of cost. I could not determine the correct cost incurred to acquire the land, as it was impracticable to do so.

Receivables from exchange transactions

An assessment was not performed at the end of the financial year of whether there is any objective evidence that debtors from exchange transactions are impaired and a provision for bad debts for long outstanding debtors was not created, in accordance with GRAP 104, *Financial instruments*. I was unable to determine the value of the misstatement of debtors from exchange transactions and provision for bad debts, as it was impracticable to do so.

b. Limitation misstatement

i.

- The auditee denied the auditor access to certain premises and thus imposed a limitation on the scope of the audit.

Movable tangible assets

I was unable to obtain sufficient appropriate audit evidence for movable tangible assets, as I was denied access to certain premises. I was unable to confirm these physical assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to movable tangible assets stated at R... in note [XX] to the financial statements.

ii.

- **The auditee was unable to provide supporting documents for the restatement of corresponding figures for account receivables.**

Accounts receivables

I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for accounts receivable. As described in note [XX] to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the accounts receivable corresponding figure stated at R... in the financial statements.

iii.

- **The auditor was unable to obtain sufficient appropriate audit evidence due to the introduction of a new system.**

Accounts receivables

The introduction of a new computerised accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable. As of the date of this auditor's report, management was still in the process of rectifying the system deficiencies and correcting the errors. I was unable to confirm or verify by alternative means accounts receivable of R... included in the statement of financial position at a total amount of R... as at [31 March 202X/ 30 June 202X]. As a result, I was unable to determine whether any adjustments were necessary to recorded accounts receivable.

iv.

- **The auditee was unable to provide sufficient appropriate evidence that all consumer deposits had been recorded.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Consumer deposits

I was unable to obtain sufficient appropriate audit evidence that consumer deposits for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all the consumer deposits were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to consumer deposits stated at R... (202X: R...) in the financial statements.

v.

- **The auditee did not implement controls over cash revenue receipts, which had an effect on the completeness of revenue.**

Cash donations

I was unable to obtain sufficient appropriate audit evidence whether all cash donations received were recorded, as internal controls had not been established for the collection of cash donations before their initial entry in the financial records. I could not confirm whether all cash donations had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash donations stated at R... in the financial statements.

vi.

- **The auditor was unable to obtain sufficient appropriate audit evidence about a significant aspect of the internal controls, i.e. maintenance of records of accounts payable for accruals relating to goods and services received but not yet paid, and to evaluate the possible effects on the financial statements.**

Accruals

Included in accounts payable is R... for accruals relating to goods and services received but not yet paid. Adequate internal controls were not in place to maintain records of accounts payable

for accruals. I was unable to obtain sufficient appropriate audit evidence to substantiate the accruals disclosed in note [XX] to the financial statements. As a consequence, I was unable to determine whether any adjustments were required to the financial statements arising from accruals not brought to account or incorrectly stated.

vii.

- **The subsidiary was unable to provide supporting documents for the restatement of corresponding figures for account receivables, which had an effect on the consolidated financial statements. While the consolidated and separate financial statements are presented together, the controlling entity’s financial statements are unmodified.**
- **This example requires separate opinions for the separate and the consolidated financial statements.**

Qualified opinion on the consolidated financial statements and unmodified opinion on the separate financial statements

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of [insert name of auditee] as at [insert date] and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

In my opinion, the separate financial statements present fairly, in all material respects, the separate financial position of [insert name of auditee] as at [insert date] and its separate financial performance and separate cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

Basis for qualified opinion on the consolidated financial statements

Accounts receivable – restatement in corresponding amounts

I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for accounts receivable in the consolidated financial statements. As described in note [XX] to the financial statements, the restatement was made to rectify a previous year misstatement, but it could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to

determine whether any adjustment was necessary to the accounts receivable corresponding amount stated at R... in the consolidated financial statements.

viii.

- **The controlling entity was unable to provide supporting documents for the restatement of corresponding figures for account receivables, which imposed a limitation of scope on the controlling entity's financial statements. While the consolidated and separate financial statements are presented together, the consolidated financial statements are unqualified.**
- **This example requires separate opinions for the separate and the consolidated financial statements.**

Unmodified opinion on the consolidated financial statements and qualified opinion on the separate financial statements

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of [insert name of auditee] as at [insert date] and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this report, the separate financial statements present fairly, in all material respects, the separate financial position of [insert name of auditee] as at [insert date] and its separate financial performance and separate cash flows for the year then ended, in accordance with the [insert applicable financial reporting framework] and the requirements of the [insert applicable legislation].

Basis for qualified opinion on the separate financial statements

Accounts receivable – restatement in corresponding amounts

I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for accounts receivable in the separate financial statements. As described in note [XX], the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the accounts receivable corresponding figure stated at R... in the separate financial statements. The possible effect of the matter was not considered material to the consolidated financial statements.

ix.

- **The controlling entity was unable to provide sufficient appropriate evidence that all consumer deposits had been recorded, which had an effect on both the controlling entity's and the consolidated financial statements. The consolidated and separate financial statements are presented together.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Consumer deposits

I was unable to obtain sufficient appropriate audit evidence that [name of group of entities] had properly charged and accounted for all consumer deposits for the current and previous year, due to the status of the accounting records. I was unable to confirm whether all the consumer deposits were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to consumer deposits stated at R... (202X: R...) and R... (202X: R...) in the consolidated and separate financial statements, respectively.

x.

- **The controlling entity and some subsidiaries did not implement controls over cash revenue receipts, which had an effect on the completeness of revenue for both the controlling entity and the group. The consolidated and separate financial statements are presented together.**

Cash donations

I was unable to obtain sufficient appropriate audit evidence of whether all cash donations received by the [name of group of entities] were recorded, as internal controls had not been established for the collection of cash donations before their initial entry in the financial records. I could not confirm whether all cash donations had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash donations received stated at R... and R... in the consolidated and separate financial statements.

xi.

- **The department could not provide audit evidence that all revenue received had been recorded.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Departmental revenue

I was unable to obtain sufficient appropriate audit evidence of whether all departmental revenue was recorded due to the status of the accounting records. The department did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I could not confirm whether all departmental revenue was recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to departmental revenue stated at R... (202X: R...) in the financial statements.

xii.

- **The department could not provide audit evidence relating to movable tangible capital assets.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Movable tangible capital assets

I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for movable tangible capital assets and minor assets, due to the status of the accounting records and non-submission of information in support of these assets. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to movable tangible capital assets stated at R... (202X: R...) and minor assets stated at R... (202X: R...) in note [XX] to the financial statements.

xiii.

- **The department could not provide audit evidence relating to commitments.**

Commitments

I was unable to obtain sufficient appropriate audit evidence for commitments, as the department did not maintain accurate and complete records of the contractual information used to determine commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R... in the financial statements.

xiv.

- The auditee was unable to provide supporting documents for transactions recorded during the previous year.
- The matter remains unresolved and material but did not recur in the current year.

Qualified opinion

In my opinion, except for the possible effects on the corresponding amounts of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the [name of auditee] [and its subsidiaries] as at [31 March 20XX/ 30 June 20XX] and [its/ their] financial performance and cash flows for the year then ended, in accordance with the [applicable financial reporting framework] and the requirements of the [insert applicable legislation].

Basis for qualified opinion

Operating expenditure

During 202X, I was unable to obtain sufficient appropriate audit evidence for operating expenditure and to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to operating expenditure stated at R....

My audit opinion on the financial statements for the period ended [insert date 202X] was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the operating expenditure for the current period.

xv.

- Management did not provide the written representations required by ISA 580.10 and .11.
- Disclaimer of opinion required.

Preparation of the financial statements

I was unable to obtain sufficient appropriate audit evidence that the accounting [officer/authority] [has/have] fulfilled [his/her/its] responsibility for the preparation [and fair presentation] of the financial statements in accordance with the [insert applicable financial reporting framework] and

the requirements of the [insert applicable legislation], as written representations in this respect were not provided. I was also unable to obtain written representations from the accounting [officer/authority] that I had been provided with all relevant information and access as agreed in terms of the audit engagement, and that all transactions had been recorded and were reflected in the financial statements. I could not determine the effect of the lack of such representations on the financial position of the [type of auditee] at [insert date] or the financial performance and cash flows for the year then ended.

xvi.

- **The auditee submitted financial statements without complete and accurate underlying records; for example, no trial balance or general ledger was provided.**
- **The auditor could not continue with the audit.**
- **Disclaimer of opinion required.**

Financial statements submitted without complete and accurate underlying records

I was unable to obtain sufficient appropriate audit evidence regarding the financial statements as a whole, as the financial statements were presented for audit purposes without accurate and complete underlying accounting records. I was unable to audit the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the financial statements as a whole.

xvii.

- **The auditee was unable to provide supporting documents for revenue transactions recorded during the year.**
- **The matter was also reported in the previous year.**
- **The matter is material in both years.**

Revenue

I was unable to obtain sufficient appropriate audit evidence for revenue for the current and previous years due to the status of record keeping. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue stated at R.... (202X: R....).

c. Disagreement and limitation misstatement relating to one financial statement item

When evaluating the results of the audit work performed, the auditor is concerned with whether a particular class of transactions, account balance or disclosure (at the level of the individual financial statement line item) is materially misstated, which requires the audit opinion to be modified. This assessment is performed in the evaluation of uncorrected misstatements and concluding working paper.

- For purposes of assessing whether a particular financial statement line item is quantitatively materially misstated, the auditor compares the total misstatement amount for the individual financial statement line item with the relevant materiality figure. The auditor's qualitative evaluation of misstatements is informed by information about the nature, cause and circumstances of the misstatements.
- For purposes of reporting in the auditor's report and for wording the audit opinion modification paragraph, the total misstatement amount is still distinguished between disagreement and limitation misstatements in the evaluation of uncorrected misstatements and concluding working paper. The modification paragraph in the auditor's report must describe both the limitation and the disagreement that led to the modification, as well as quantify the disagreement misstatement amount, which will not be possible if the total misstatement amount is not distinguished between its disagreement and limitation portions.

i.

- **Adequate systems for record keeping with respect to accruals were not in place.**
- **Accrual transactions were identified that were not recorded.**
- **The misstatements are material**

Accruals

Accruals for other goods and services received but not yet paid for were not recorded as required by Chapter 9 of the MCS, *General departmental assets and liabilities*, which resulted in accruals disclosed in note [XX] to the financial statements being understated by R....

In addition, I was unable to obtain sufficient appropriate audit evidence to determine the full extent of the accruals understatement, as adequate systems were not in place to maintain records of goods and services received but not yet paid for and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to accruals stated at R....in note [XX] to the financial statements.

ii.

- **Adequate systems for record keeping with respect to revenue from service charges were not in place.**
- **The auditee also did not comply with the financial reporting framework as it recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions*, and did not measure revenue at the fair value of the consideration received or receivable.**
- **The disagreement misstatement also occurred in the previous year, remains unresolved and is material.**
- **The limitation misstatement is also material.**

Revenue from exchange transactions

Items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions* were recognised and revenue was not measured at the fair value of the consideration received or receivable, as required by the standard. Consequently, service charges revenue was overstated by R... (202X: R...) and receivables from exchange transactions was overstated by R... (202X: R...).

In addition, I was unable to obtain sufficient appropriate audit evidence for service charges to determine the full extent of the misstatement due to the status of record keeping. I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to revenue from exchange transactions, stated at R... in the financial statements.

iii.

- **Additions to buildings and other fixed structures were identified that were not recorded in the relevant disclosure note.**
- **The department could not provide audit evidence relating to immovable tangible capital assets and misstatements occurred due to inadequate systems in place.**
- **The misstatement also occurred in the previous year, remains unresolved and is material.**

Capital assets

Not all additions to buildings and other fixed structures were recorded in contravention with Chapter 11 of the MCS, *Capital assets*, resulting in buildings and other fixed structures disclosed in note [XX] to the financial statements being understated by R... (202X: R...).

Furthermore, I was unable to obtain sufficient appropriate audit evidence for additions to immovable tangible capital assets disclosed in note [xx] to the financial statements, as the department did not have adequate systems to maintain records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the buildings and other fixed structures stated at R... (202X: R...) in immovable tangible capital assets disclosed in note [XX] to the financial statements.

iv.

- **The auditee did not follow all the disclosure requirements of GRAP 3 relating to prior period errors.**
- **The auditee also could not provide audit evidence relating to the prior period errors disclosed in the note.**
- **The misstatements are material**

Prior period errors

Not all prior period errors were disclosed in note [XX] to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for some financial statement items affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note [XX] to the financial

statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

v.

- **The auditee did not meet the requirements of legislation for disclosure of irregular expenditure, which had an effect on the financial statements as not all irregular expenditure was disclosed.**
- **In addition, the amounts disclosed cannot be substantiated.**
- **The misstatements also occurred in the prior year, remain unresolved and are material.**

Irregular expenditure

Not all irregular expenditure was included in note [xx] to the financial statements, as required by section [40(3)(i)/55(2)(b)(i) of the PFMA/section 125(2)(d) of the MFMA]. [Payments made/expenditure incurred] in contravention of supply chain management requirements, which resulted in irregular expenditure of R... (202x: R...) were not included in note [xx]. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in note [xx] to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R... (202x: R...) in the financial statements.

vi.

- **The auditee disclosed unauthorised expenditure for the current year at incorrect amounts (immaterial disagreement)**
- **and did not provide supporting documents for a restatement in unauthorised expenditure (limitation).**
- **The misstatements are material.**

Unauthorised expenditure

Unauthorised expenditure was not recorded in accordance with [insert the requirement]. The municipality incorrectly calculated unauthorised expenditure in the current year by netting off savings from different votes against each other, resulting in the current year unauthorised expenditure being understated by R.... In addition, I was unable to obtain sufficient appropriate

audit evidence for the restated corresponding figures of unauthorised expenditure, as the supporting information was not provided. I was unable to confirm the restated corresponding figures by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the unauthorised expenditure corresponding figures stated at R... in the financial statements.

d. Aggregation/ accumulation of immaterial uncorrected misstatements

i.

- **Immaterial misstatements (due to disagreements) were identified, which are material in aggregate.**
- **Depending on the circumstances, the information can be described in one paragraph.**
- **Misstatements that are clearly trivial should not be included.**

[Total/ non-current/ current] assets/[subcategory of assets e.g. Property, plant and equipment (PPE)]

[In addition to the individually material uncorrected misstatement on (account balance as disclosed in the notes e.g. infrastructure assets)], [total/ non-current/ current] assets/ [subcategory of assets e.g. PPE] was materially misstated by R... due to the cumulative effect of individually immaterial uncorrected misstatements in [non-current assets and current assets]/[subcategory of assets e.g. PPE]:

Non-current assets

- [List the non-current assets with misstatements] stated at [insert R value] was [overstated/ understated] by [R value of misstatement] (insert previous year if applicable).

Current assets

- [List the current assets with misstatements] stated at [insert R value] was [overstated/ understated] by [R value of misstatement] (insert previous year if applicable).

[Subcategory of assets e.g. PPE]

- [List the items as per the notes to the financial statements, included in the

subcategory, with misstatements] stated at [insert R value] was [overstated/understated] by [R value of misstatement (insert previous year if applicable)].

i.

- **Immaterial misstatements (due to both disagreement and limitation) were identified, which are material in aggregate.**
- **Misstatements that are clearly trivial should not be included.**

[Total/ non-current/ current] liabilities

[Total/non-current/current] liabilities was materially misstated by R... due to the cumulative effect of individually immaterial uncorrected misstatements in [non-current liabilities and current liabilities]/[the following items]:

Non-current liabilities

- [List the non-current liabilities with misstatements] stated at [insert R value] was [overstated/understated] by [R value of misstatement] (insert previous year if applicable).

Current liabilities

- [List the current liabilities with misstatements] stated at [insert R value] was [overstated/understated] by [R value of misstatement] (insert previous year if applicable).

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm [non-current liabilities and current liabilities]/[the following items] by alternative means:

Non-current liabilities

- [List the non-current liabilities for which evidence could not be obtained] of R... as included in the disclosed balance of R...

Current liabilities

- [List the current liabilities for which evidence could not be obtained] of R... as included in the disclosed balance of R...

Consequently, I was unable to determine whether any further adjustment was necessary to [total/ non-current/current] liabilities.

iii.

- **Immaterial misstatements (limitation only) were identified, which are material in aggregate.**
- **Depending on the circumstances, the information can be described in one paragraph.**
- **Misstatements that are clearly trivial should not be included.**

[Total/ non-current/ current] assets

I was unable to obtain sufficient appropriate audit evidence regarding [non-current and current assets], which had a material cumulative effect on [total/ non-current/ current] assets:

Non-current assets (only if total assets are misstated)

- [List the non-current assets for which evidence could not be obtained] of R... as included in the disclosed balance of R...

Current assets (only if total assets are misstated)

- [List the current assets for which evidence could not be obtained] of R... as included in the disclosed balance of R...

I was unable to confirm [total/non-current/current] assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to [total/non-current/current] assets.

iv.

- **Immaterial misstatements (disagreement only) in the income statement were identified, which are material in aggregate.**
- **Depending on the circumstances, the information can be described in one paragraph.**
- **Misstatements that are clearly trivial should not be included.**

Total [revenue/expenditure]

Total [revenue/expenditure] was materially misstated by R... due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- [List each revenue/expenditure item with misstatements] stated at [insert R value] was [overstated/understated] by [R value of misstatement] (insert previous year if applicable).

v.

- **Immaterial misstatements (both disagreement and limitations) in the income statement were identified, which are material in aggregate.**
- **Misstatements that are clearly trivial should not be included.**

Total [revenue/expenditure]

Total [revenue/expenditure] was materially misstated by R... due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- [List each revenue/expenditure item with misstatements] stated at [insert R value] was [overstated/understated] by [R value of misstatement] (insert previous year if applicable).

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm [total revenue/ expenditure] by alternative means:

- [List each revenue/expenditure item for which evidence could not be obtained] of R... as included in the disclosed balance of R...

Consequently, I was unable to determine whether any further adjustment was necessary to [total revenue/ expenditure].

vi.

- **Immaterial misstatements (limitation only) in the income statement were identified, which are material in aggregate.**
- **Depending on the circumstances the information can be described in one paragraph.**
- **Misstatements that are clearly trivial should not be included.**

Total [revenue/expenditure]

I was unable to obtain sufficient appropriate audit evidence regarding the following items, which had a cumulative effect on total [revenue/expenditure]:

- [List each revenue/expenditure item for which evidence could not be obtained] of R... as included in the disclosed balance of R...

I was unable to confirm total [revenue/expenditure] by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to total [revenue/expenditure].

e. Misstatements in cash flow statements

i.

- **The cash received from customers was incorrectly calculated, as it did not include the accounts receivables closing balance, the error has resulted in a material misstatement.**

Cash received from operations

Cash received from customers was incorrectly calculated as it did not include the cash movements from accounts receivables, which constitutes a departure from IAS 7, *Statement of Cash Flows*. Consequently, cash received from customers was overstated by R.... in the financial statements.

ii.

- **The auditee did not correctly prepare and disclose the cash flow statement as required by GRAP 2, *Cash flow statements*, due to errors in the net cash flows from operating activities, net cash flows from investing activities and net cash flows from financing activities.**

Net cash flows from operating activities

Net cash flows from operating activities was not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R.... in the financial statements were necessary.

Net cash flows from investing activities

Net cash flows from investing activities was not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at R.... in the financial statements were necessary.

Net cash flows from financing activities

Net cash flows from financing activities was not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from financing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from financing activities as stated at R.... in the financial statements was necessary.

f. Disagreements and limitations relating to different financial statement items/elements

In determining the type of opinion or modification, the auditor should use professional judgement to determine whether the financial statements are predominantly misstated due to disagreements or limitations. In making this determination, the auditor should consider the following:

- The nature of the disagreements and limitations
- The line items and disclosures misstated and the significance thereof
- The number of disagreements vs the limitations
- Rand value of the disagreements vs the limitations

Note: the modification paragraphs on disagreements and limitations, however, will be reported separately for different line items under the heading of the appropriate basis for modification.

i.

- The auditee did not meet the requirements of legislation, which had an effect on the financial statements, as it did not disclose the cash book balance in the notes to the financial statements as required by section 125(2)(a)(ii) of the MFMA.
- The misstatement also occurred in the previous year, remains unresolved and is material.
- The auditee was unable to provide supporting documents for payables from exchange transactions

Cash and cash equivalents

The cash book balances were not correctly disclosed in the notes to the financial statements as required by section 125(a)(ii) of the MFMA. The cash book balances as disclosed in note [XX] to the financial statements was overstated by R.... (202x: R....)

Trade payables

I was unable to obtain sufficient appropriate audit evidence for trade payables included in payables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade payables stated at R... in note [XX] to the financial statements were necessary.

ii.

- The auditee did not meet the requirements of the financial reporting framework, as it did not calculate the provision for impairment of debtors in accordance with Standards of GRAP 104, *Financial Instruments*.
- The auditee was unable to provide supporting documents for general expenses

Receivables from exchange transactions

The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial Instruments*. A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. Consequently, the provision for impairment included in the receivables from exchange transactions is overstated by R....

General expenses

I was unable to obtain sufficient appropriate audit evidence for general expenses, as supporting evidence was not provided for certain expenses. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any adjustments relating to general expenses stated at R.... and related payables in the financial statements, were necessary.

g. Prior year misstatements

ISA 710 prescribes that if the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion or an adverse opinion, and the matter that gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements. In the basis for modification paragraph in the auditor's report, the auditor shall either:

- refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification, when the effects or possible effects of the matter on the current period's figures are material, or
- explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.

If the auditor obtains audit evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued, and the corresponding figures have not been properly restated or appropriate disclosures have not been made, the auditor shall express a qualified opinion or an adverse opinion in the auditor's report in the current period financial statements, modified with respect to the corresponding figures included therein.

i.

- **In the prior year, property, plant and equipment was qualified due to assets selected from the floor that could not be traced to the asset register (completeness of assets). The misstatements are material, remain unresolved and recurred in the current year.**
- **In the current year, assets selected from the asset register could not be physically verified.**

Property, plant and equipment

Adequate systems were not in place to record assets in accordance with GRAP 17, *Property plant and equipment*. Assets were not recorded in the current and previous years, and assets that were recorded in the current year could not be located during the asset verification process. This resulted in property, plant and equipment being understated by R... (202X: R...).

ii.

- In the prior year, there was a limitation of scope as the supporting documents for commitments on the register were not provided. The prior year misstatements remain unresolved and recurred in the current year.
- In the current year, commitments on capital projects in progress were not disclosed.

Commitments

Commitments were not accounted for in terms of GRAP 17, *Property, plant and equipment*. Commitments on capital assets in progress were not disclosed. Consequently, commitments were understated by R...

Furthermore, I was unable to obtain sufficient appropriate audit evidence for commitments disclosed in note [XX] to the financial statements due to the status of accounting records. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R.... (202X: R...) in note [XX] to the financial statements.

iii.

- In the current year, it was identified that donations received in the prior year were not recorded at the fair value as at the date of acquisition. This misstatement was not identified in the prior year.

Revenue – public contributions and donations

Public contributions and donations were not accounted for as required by GRAP 23, *Revenue from non-exchange transactions* in the prior year. Donations received were not recorded at the fair value as at the date of acquisition. Consequently, the corresponding figure of public contributions and donations disclosed in note [XX] to the financial statements was overstated by R..., while the prior year surplus and accumulated surplus were overstated by the same

amount. My opinion on the current year financial statements is modified because of the effect of this matter on the comparability of the public contributions and donations for the current year.

iv.

- **In the prior year, the auditee did not provide supporting documents for goods and services. The misstatement remained unresolved but did not recur in the current year.**

Goods and services

During [financial year-end], I was unable to obtain sufficient appropriate audit evidence for goods and services due to the status of accounting records. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of goods and services, stated at R.... My audit opinion on the financial statements for the period ended [financial year-end] was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the goods and services for the current period.

v.

- **In the prior year, immaterial misstatements in revenue/expenditure line items in the income statement were identified, which were material when aggregated to total revenue/expenditure and resulted in a modified opinion in the prior year.**
- **The misstatements remained unresolved in the current year and were still material in aggregate.**

Total [revenue/expenditure]

During [financial year-end], I was unable to obtain sufficient appropriate audit evidence regarding the following items, which had a material cumulative effect on total [revenue/expenditure].

- [List each revenue/ expenditure item for which evidence could not be obtained] of R... as included in the disclosed balance of R...

My opinion on the financial statements for the period ended [financial year-end] was modified accordingly. I was unable to confirm total [revenue/expenditure] by alternative means.

Consequently, my opinion on the current period's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures.

3. FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORTS – EMPHASIS OF MATTER, OTHER MATTER, OTHER INFORMATION AND GOING CONCERN

A. Introduction

1. This chapter applies to all public sector auditees including those auditees not audited by the AGSA in accordance with section 4(3) of the PAA. It deals with the following paragraphs in the auditor's report template:
 - Emphasis of matter paragraphs are described in section B
 - Other matter paragraphs are described in section C
 - Other information paragraph is described in section D
 - Material uncertainty relating to going concern is described in section E
2. Responsibilities of the auditor relating to other information are described in the PAM, chapter 13 - *Subsequent events and other information included in the annual report*.
3. Responsibilities of the auditor relating to going concern are described in the PAM, chapter 11 - *Audit evidence from specific considerations*.

B. Emphasis of matter paragraph

a. International Standards on Auditing

4. ISA 706 (Revised), ISSAI 2706

b. Overview of general principles, requirements and procedures

5. The auditor includes an emphasis of matter paragraph, if the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements.
6. The auditor must meet the following requirements if an emphasis of matter paragraph is included in the auditor's report:

- Include the paragraph within a separate section of the auditor’s report.
- Use an appropriate heading that includes the term ‘emphasis of matter’.
- Include the statements ‘I draw attention to the [matter/ matters] below. My opinion is not modified in respect of [this/ these] [matter/ matters],’ to indicate that the opinion is not modified in respect of the matters emphasised.

Example

Emphasis of matter(s)

I draw attention to the [matter/ matters] below. My opinion is not modified in respect of [this/ these] [matter/ matters].

- Use an appropriate heading for each matter.
 - Include in the paragraph a clear reference to the matter being emphasised and where relevant disclosures that fully describe the matter can be found in the financial statements. The paragraph must refer only to information presented or disclosed in the financial statements.
7. The inclusion of an emphasis of matter paragraph in the auditor’s report is not appropriate if:
- the auditor is required to modify the opinion based on this matter
 - the matter has been determined to be a key audit matter (if key audit matters are applicable).
8. The auditor is required to include an emphasis of matter paragraph if the following instance is applicable during the specific audit engagement:
- Revision of previously issued financial statements (ISA 560.16)

Subsequent events refer to events occurring between the date of the financial statements and the date of the auditor’s report, and facts that become known to the auditor after the date of the auditor’s report.

If the financial statements were amended for the subsequent event(s) after the financial statements were issued, the auditor is **required** to include an emphasis of matter paragraph in the auditor’s report on the revised and reissued financial

statements, referring to a note to the revised and reissued financial statements that extensively discusses the reason for the amendment of the previously issued financial statements.

The auditor is required to include another matter paragraph if the note to the financial statements has been excluded. Refer to the example in section C of this chapter.

Example

Note [XX] to the financial statements indicates that the previously issued financial statements of [type of auditee] for the year ended 31 March 20XX/ 30 June XX have been revised and reissued, and provides reason(s) for the amendments.

9. The auditor may include an emphasis of matter paragraph in the following instances, however, the widespread use of emphasis of matter paragraphs diminishes the effectiveness of the auditor's communication of such matters:
- Restatement of corresponding figures (ISA 710.A6)

The auditor **may** highlight a restatement of corresponding figures that are disclosed in the current year financial statements, as a result of material misstatements that the auditor identified during the current year audit.

Example

As disclosed in note [XX] to the financial statements, the corresponding figures for [previous balance sheet date] were restated as a result of an error in the financial statements of the [type of auditee] at, and for the year ended, [current balance sheet date].

- Matters important to the users of the financial statements (ISA 706.6) for example:
 - An uncertainty relating to the future outcome of exceptional litigation or regulatory action

Example

With reference to note [XX] to the financial statements, the department is the defendant in a land-claim lawsuit. The department is opposing the claim, as it believes that the claim is fraudulent. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

- A significant subsequent event that occurred between the date of the financial statements and the date of the auditor's report

Even if the effects of Covid-19 do not lead to a material uncertainty that may cast doubt on the entity's ability to continue as a going concern, the auditee may still include disclosure of the effects thereof in the financial statements.

Example

We draw attention to note [XX] in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on [type of auditee]'s future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter

- Early application (where permitted) of a new accounting standard that has a material effect on the financial statements
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position
- Material losses/ impairments

The auditor **may** highlight instances of material losses, as already disclosed in the financial statements or the appropriation statement of a department. A loss relates to instances where inventory or assets were destroyed, written off or misappropriated. Impairments relate to impairment provisions for doubtful debts, loans, assets, inventory and investments.

This paragraph should contain details of losses and impairments incurred due to actions taken or not taken by management. These would typically include losses through criminal conduct, losses of electricity and water inventory at municipalities, losses at departments, the under-collection of revenue, warranty

losses and the significant impairment of debtors due to poor collection practices.

If the disclosed losses for water and electricity are above the maximum percentages in terms of the National Treasury's MFMA circular 71, the auditor may consider including an emphasis of matter.

Examples

Material losses/ impairments – trade debtors

As disclosed in note [XX] to the financial statements, material losses of R... was incurred as a result of [a write-off of irrecoverable trade debtors].

Or

Material losses – electricity

As disclosed in note [XX] to the financial statements, material electricity losses of R... (20xx-20yy: R....) was incurred, which represents xx% (20xx-20yy: xx%) of total electricity purchased. Technical losses amounted to R.... (20xx-20yy: R...) and was due to [provide reasons for the technical losses]. Non-technical losses amounted to R... (20xx-20yy: R...) and were due to [provide reasons for non-technical losses].

Or

Material losses – water

Same structure and similar wording as above may be used.

- Underspending of the [budget/ vote/ conditional grant]

The auditor **may** highlight the following instances of material underspending, as already disclosed in the financial statements / appropriation statement:

- Material underspending of the vote by the department
- Material underspending of government grants/ transfer payments by an auditee (may also be due to the late receipt from the transferring auditee)
- High expenditure in the final months of the year, indicating that the budget was not effectively managed
- Late payment of transfer payments by a department
- Large amounts held by public entities unspent due to amounts received

late or not paid back to the department or the revenue fund

- Impact of payment in the current year of the previous year's large accruals where unauthorised expenditure was avoided, resulting in an inability to achieve the service delivery targets for the current year.

The consequences of the underspending should also be evident in the report on predetermined objectives.

Example

As disclosed in the appropriation statement, the department materially underspent the budget by R...on (refer to the relevant programme / sub-programme).

- o Payables (departments only)

The auditor **may** include an emphasis of matter paragraph if the aging of the payables indicates that the amount of the payables which had not been paid within 30 days, as per treasury regulation 8.2.3, exceeds the voted funds to be surrendered and that unauthorised expenditure would have resulted had the amounts been paid on the due date.

Example

As disclosed in note [XX] to the financial statements, payables of R... exceeded the payment term of 30 days, as required by treasury regulation 8.2.3. This amount, in turn, exceeded the R... of voted funds to be surrendered by R...as per the statement of financial performance. The amount of R... would therefore have constituted unauthorised expenditure had the amounts due been paid in time.

- o Unauthorised, irregular and fruitless and wasteful expenditure

The auditor **may** draw attention to material instances of unauthorised, irregular and fruitless and wasteful expenditure, as already disclosed in the financial statements.

Examples

As disclosed in note [XX] to the financial statements, irregular expenditure of R... was incurred, as a proper tender process was not followed.

Or

As disclosed in note [XX] to the financial statements, irregular expenditure of R... that was incurred in the previous years was still under investigation/ was not investigated.

- Other (please insert appropriate heading)

The auditor **may** highlight or report additional emphasis of matter paragraphs, provided that the matters are significant, in the public interest and properly disclosed and clearly distinguishable in the financial statements including the following:

- Environmental issues
- Corporate social responsibility issues.

If the matters, the auditor wants to emphasise, are relevant to the audit but are not disclosed in the financial statements, the auditor may include them as another matter paragraph.

C. Other matter paragraphs

a. International Standards on Auditing

10. ISA 706 (Revised).

b. Overview of general principles, requirements and procedures

11. The auditor includes another matter paragraph if s/he considers it necessary to communicate a matter other than those presented or disclosed in the financial statements, which is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

12. The following requirements must be met if an other matter paragraph is included in the auditor's report:

- Include the paragraph in a separate section of the auditor's report.

The other matter paragraph should be included as a separate paragraph in the section of the auditor's report to which the matter relates, for example:

- When relevant to all the auditor's responsibilities or users' understanding of the auditor's report, the other matter paragraph may be included as a separate section following the report on the audit of the financial statements and the report on other legal and regulatory requirements.
- When another matter paragraph is included to draw users' attention to a matter relating to other reporting responsibilities addressed in the auditor's report, the paragraph may be included in the report on other legal and regulatory requirements section.
- Use the heading 'other matter'.
- Include the statement 'I draw attention to the [matter/ matters] below. My opinion is not modified in respect of [this/ these] [matter/ matters]' to indicate that the opinion is not modified in respect of the matters emphasised.

Example

Other matter(s)

I draw attention to the [matter/ matters] below. My opinion is not modified in respect of [this/ these] [matter/ matters].

- Use an *appropriate sub-heading* for each matter being referred to.
13. The other matter paragraph does not deal with circumstances where the auditor has additional reporting responsibilities that are supplementary to his/her responsibility to express an opinion on the financial statements, or where the auditor has been asked to perform and report on additional specified procedures, or to express an opinion on specific matters. Such additional reporting responsibilities are dealt with in the other reporting responsibilities section of the auditor's report. In the public sector this relates to the AGSA's reporting responsibilities for the audit of predetermined objectives and compliance with legislation.
14. The auditor is required to include another matter paragraph if the following instances are applicable during the specific audit engagement:
- Previous period audited by a predecessor auditor (ISA 710.13)

The auditor is required to include another matter in the circumstance when the previous year audit was performed by a private firm in terms of section 4(3) of the PAA and the auditor-general has opted to audit the public entity in the current year.

Example

The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act 25 of 2004 on [insert auditor's report date]. [The [qualified/ disclaimer of/ adverse] opinion was expressed due to the following: [insert reason(s)].]

- Unaudited disclosure notes (MFMA125)

Section 125 of the MFMA describes disclosures that management should include in the financial statements. Section 125(2)(e) specifically requires the disclosure of particulars of non-compliance with the MFMA. The auditor cannot audit compliance with all the requirements of the MFMA. It is therefore not practicable for the auditor to determine the completeness of such disclosure and to provide assurance on this. However, the AGSA does report material findings on compliance with specific matters in key legislation, as set out in the *AG directive*.

For this reason, the auditor includes an other matter paragraph, in every auditor's report of an MFMA auditee, stating that this disclosure is not covered by the auditor's opinion.

Example

In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

- Unaudited irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure)

The removal of some disclosures of irregular and fruitless and wasteful (IF&W) expenditure from the financial statements to the annual report as per the new PFMA Compliance and Reporting Framework means that such disclosures will now constitute "other information" and will need to be considered in line with the auditor's

responsibilities set out in ISA 720 (Revised) as per the normal process. It is considered necessary to include an other matter paragraph to communicate a matter relating to new disclosure requirements as such information is not required to be presented or disclosed in the financial statements, and is considered relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Example

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

On 23 December 2022 National Treasury issued *Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23* in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note [xxx] to the financial statements. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of (name of the entity). The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report of (name of entity). I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

- Unaudited supplementary schedules (ISA 700.53)

If the supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements, the auditor shall evaluate whether, in the auditor's professional judgment, the supplementary information is nevertheless an integral part of the financial statements due to its nature or how it is presented. When it is an integral part of the financial statements, the supplementary information shall be covered by the auditor's opinion.

However, if the supplementary information that is not required by the applicable financial reporting framework is not considered an integral part of the audited financial statements, the auditor shall evaluate whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the

audited financial statements. If this is not the case, then the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the auditor’s report that such supplementary information has not been audited. The examples below may be used to indicate that such supplementary information has not been audited.

Examples

The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this/ these schedule(s) and, accordingly, I do not express an opinion on it/ them.

Or

Supplementary information was provided in the financial statements on whether resources were obtained and used according to the legally adopted budget. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information.

Accordingly, I do not express an opinion on it.

- Revision of previously issued financial statements (ISA 560.16)

If the financial statements were amended for a subsequent event after the financial statements were issued to the executive authority or the municipal council, the auditor is required to include another matter(s) paragraph in the new auditor’s report on the revised and reissued financial statements if the revised and reissued financial statements do not discuss the reason for the amendment of the previously issued financial statements and the earlier report issued by the auditor.

Example

The previously issued financial statements of the [type of auditee] for the year ended [insert date] were revised and re-issued because of [provide details of the subsequent event]. Financial statements were not revised to include a note with the reasons for the amendments.

- AoPO - Achievement of planned targets

The intention of reporting on the achievement of planned targets as an “Other

matter” is to make the users aware that, when they read the information relating to the achievement of planned targets [and explanations provided for the [under/over achievement of targets] reported in the annual performance report (APR) (which is not audited), they should read it with and in context of the related audit findings.

This reporting paragraph must be reported in the management report with the audit opinion(s)/ conclusion(s) and in the auditor’s report as per the guidance and standard reporting paragraph provided in the reporting templates. The reporting paragraph is applicable to scoped-in subject matters.

For selected auditees, with a key role in delivering services to South Africans, an additional paragraph is included. The intention is to share the under/over achievement of key service delivery achievements, as per the annual performance report with the users. Refer to guidance and standard reporting paragraphs provided in the reporting templates.

- AoPO - Material misstatements
 - **For PFMA:** With regard to the auditing of financial statements, sections 40(1)(a) and 55(1)(a) of the PFMA require that the auditee maintain full and proper records of its financial affairs; hence, if material adjustments are made to the financial statements that stem from the audit, this is reported as an issue of non-compliance with the PFMA. However, considering that the PFMA requirement for maintenance of full and proper records is limited to financial and **not performance** management affairs, a material adjustment to the annual performance report cannot be reported as an issue of non-compliance with the PFMA, and must therefore be reported as an “Other matter” paragraph.
 - **For MFMA:** With regard to the auditing of financial statements, section 122(1) of the MFMA requires the auditee to prepare financial statements that fairly present its state of affairs; hence, if material adjustments are made to the financial statements that stem from the audit, this is reported as an issue of non-compliance with the MFMA. However, considering that the MFMA requirement for fair presentation of information is limited to the financial statements and **not the annual performance report**, a material adjustment to the annual performance report cannot be reported as an issue of non-compliance with the MFMA, and must therefore be reported as an “Other matter” paragraph.

NB: Material adjustments refer to those adjustments made by management to the reported indicators and targets in the annual performance report based on material misstatements identified during the audit.

15. The auditor may include other matter paragraph in the following instances:

- Withdrawal from the audit engagement

There are a number of circumstances in the ISAs where the auditor is required to either withdraw from the engagement or disclaim the auditor's opinion. ISA 706.A5 states that the auditor may consider it necessary to include another matter paragraph in the auditor's report to explain why it is not possible to withdraw from the engagement.

The following ISA paragraphs refer to withdrawal:

- ISA 210.7
- ISA 240.38
- ISA 250.A18
- ISA 580.A24
- ISA 600.13
- ISA 705.13(b)

This other matter paragraph should only be included under exceptional circumstances. The following are examples of exceptional circumstances:

- The auditee does not take the appropriate remedial action regarding fraud or non-compliance with legislation that the auditor considers necessary in the circumstances, even where the fraud or non-compliance is not material to the financial statements.
- The auditor's consideration of the risks of material misstatement due to fraud and the results of audit tests indicate a significant risk of material and pervasive fraud.
- The auditor has significant concern about the competence, integrity, ethical values or diligence of management or those charged with governance.

Examples

Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. However, for the legislated requirement to perform the audit of [insert type of auditee], I would have withdrawn from the engagement in terms of the ISAs.

Or

The numerous misstatements identified in the financial statements are indicative of significant fraud, which calls into question the reliability of evidence obtained and the genuineness of the accounting records and documentation. However, for the legislated requirement to perform the audit of [insert type of auditee], I would have withdrawn from the engagement in terms of the ISAs.

D. Other information paragraphs

a. International Standards on Auditing

16. ISA 720.

b. Overview of general principles, requirements and procedures

17. Other information is defined as financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report.

18. The auditor is required to report on other information in a separate section of the auditor's report after reading and considering the other information for material inconsistencies.

19. An annual report refers to a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements.

20. An annual report contains or accompanies the financial statements and auditor's report and usually includes information about the entity's developments, its outlook and risks and uncertainties, a statement by the entity's governing body and reports covering governance matters.

21. Based on the information mentioned above, the following table illustrates what is

regarded as other information in the public sector:

Requirement	Explanation
<p>Sections 40 and 55 of the PFMA contain requirements relating to the annual report. The annual report template of a national/ provincial department or public entity, issued by National Treasury, includes the following information:</p> <ul style="list-style-type: none"> • General information (including a report of the accounting officer) • Reported performance information • Governance information (including the audit committee report in terms of treasury regulations 3.1.13, 18.3.1(g), 27.1.10 and 28.2) • Human resource management information • Financial information (including the annual financial statements and auditor's report). 	<p>All information listed in these sections is other information except for the following:</p> <ul style="list-style-type: none"> • The financial statements • The auditor's report • Reported performance information on the selected programmes /objectives. <p>The Modified Cash Standard specimen financial statements include additional annexures/ schedules that relate to the notes to the financial statements. These additional annexures/ schedules do not form part of the financial statements and are other information.</p>

Requirement	Explanation
<p>Paragraph 5.7 of the JSE Debt Listings Requirements require the financial information prepared by the applicant issuer must also include how the issuer has implemented the King Code through the application of the King Code disclosure and application regime.</p>	<p>A narrative explanation of specific disclosures recommended by King IV should be included for each principle in the annual report.</p> <p>The JSE requires compliance with the principles of King IV by JSE debt listed entities, non - compliance with any disclosure requirement should be reported in management report only.</p> <p>Any inconsistencies identified between a statement of compliance with King IV and other information should be reported in the other information section in the audit report.</p>

Financial statements and annual performance reports – Emphasis of matter, other matter, other information and going concern

Requirement	Explanation
<p>The information disclosure requirements in terms of SA Standards of Generally Recognised Accounting Practice (GRAP):</p> <ul style="list-style-type: none"> • Certain SA Standards of GRAP permit disclosures to be made in a report or other public document issued before, at the same time as, or in conjunction with the financial statements. A cross reference to the report or public document must be included in the notes to the financial statements. 	<p>The information relating to SA Standards of GRAP does not meet the definition of other information as it forms part of the financial statements. ISA 720.A9 addresses this type of scenario.</p>
<p>Section 121(3) and (4) of the MFMA contains the information that should be included in the annual report of municipalities and municipal entities.</p> <p>National Treasury MFMA Circular 63 also provides guidance on the format in which the annual report should be presented:</p> <ul style="list-style-type: none"> • Mayor’s foreword and executive summary • Governance • Service delivery performance • Organisational development performance • Financial performance • Auditor-general’s findings (including the auditor’s report) • Appendices (including recommendations by the municipal audit committee) • Financial statements. 	<p>All information listed in these sections is other information except for the following:</p> <ul style="list-style-type: none"> • The financial statements • The auditor’s report. • Reported performance information on the selected development priorities / objectives.
<p>Section 125(2) (e) of the MFMA requires that the particulars of non-compliance with the MFMA be disclosed in the financial statements.</p>	<p>This information forms part of the financial statements. The AGSA includes an ‘other matter’ paragraph in the auditor’s report stating that these disclosures are not covered by the auditor’s opinion. These disclosures are therefore regarded as other information.</p>

22. Material misstatements of the other information should be reported in the following circumstances:

- There is a material uncorrected misstatement in the other information.
- There is a basis for a qualified/ adverse opinion on the financial statements that affects the other information as the matter is included or otherwise addressed in the other information.
- There is a reported material finding on performance information and/or compliance with legislation that affects the other information as the matter is included or otherwise addressed in the other information.

23. When the auditor expressed a disclaimer of opinion on the financial statements, the auditor does not include identified material inconsistencies that relate to the financial statements.

However, the auditor still includes other inconsistencies that relate to reported performance information and compliance as described in bullet 3 above or as applicable.

24. When the auditor expressed a disclaimer of opinion on the audited reported performance information in the management report, the findings will be reported as set out in the examples below.

25. The following requirements must be met with regard to the placement and identification of the other information paragraph:

- Include the paragraph within a separate section of the auditor's report.

In the public sector, other information could apply to all three types of audits. Other information is included as a separate section after the report on the audit of the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation.

- Use the heading 'other information'.

26. The following requirements must be met with regard to the standard wording of the other information paragraph:

- Include a statement that management is responsible for the other information.
- An identification of other information obtained prior to the date of the auditor's report

and other information expected to be obtained after the date of the auditor’s report.
(Where relevant).

- A statement that the auditor’s opinion does not cover the other information and, accordingly, that the auditor does not express an audit opinion or any form of assurance conclusion thereon.
- A description of the **auditor’s responsibilities** relating to reading, considering and reporting on other information.

Examples

The [party responsible] is responsible for the other information included in the annual report, which includes the director’s report, the audit committee’s report and the company secretary’s certificate as required by the Companies Act 71 of 2008]. The other information referred to does not include the [consolidated and separate] financial statements, the auditor’s report and those selected [programmes/ objectives/ development priorities] presented in the annual performance report that have been specifically reported on in this auditor’s report.

My opinion on the [consolidated and separate] financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the [consolidated and separate] financial statements and the selected [programmes/ objectives/ development priorities] presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. Additional wording is required based on the specific scenario applicable at the specific auditee (these scenarios are not exhaustive and if another scenario is encountered TAS should be consulted):

- **The other information was received, read and considered**

Example

[Applicable where **unmodified opinions on the financial statements and selected programmes / objectives /development priorities were expressed]**

If, based on the work I have performed, I conclude that there is a material misstatement

in this other information, I am required to report that fact.

[Insert the appropriate findings with reference to the examples below].

- **The other information or parts thereof were not received before the date of the auditor's report**

Examples

[Applicable to a scenario where **only parts of the other information were received, read and considered**]

The other information I obtained prior to the date of this auditor's report is/are [include specific reports or description of other information obtained], and the [insert specific reports or description of outstanding information] is/are expected to be made available to us after [insert auditor's report date].

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. *[Insert the appropriate findings with reference to the examples below].*

When I do receive and read the [insert specific reports or description of outstanding information], if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Or

[Applicable to a scenario where **other information was -not received**]

I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

- The auditor **expressed a disclaimer of opinion on the financial statements** but findings on reported performance information/ compliance are applicable and affect the other information

Example

As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact.

[Insert the appropriate findings relating to audited performance information and compliance with legislation with reference to the examples below.]

- The auditor **expressed a disclaimer of opinion on the reported performance information** but findings on the financial statements/ compliance are applicable and affect the other information

Example

[Disclaimer of opinion is expressed for the APR as a whole (i.e. limitation scenario 2 of PAM chapter 9.2 applies) or for ALL the selected programmes/objectives /development priorities]

[I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to obtain sufficient appropriate audit evidence of the reported performance information [presented in the annual performance report] / [of [insert names of the selected programmes /objectives /development priorities]].

[Insert the appropriate findings relating to the financial statements and compliance with legislation with reference to the examples below.]

Or

[Disclaimer of opinion is expressed for SOME of the selected programmes/objectives /development priorities]

[I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to obtain sufficient appropriate audit evidence for [insert name of programme/ objective/ development priority].

[Insert the appropriate findings relating to the financial statements and compliance with legislation with reference to the examples below.]

- **No annual performance report was prepared or submitted for audit – i.e. limitation scenario 1 of PAM chapter 9.2 applies**

Example

I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to audit the performance information as no annual performance report was prepared.

[Insert the appropriate findings relating to the financial statements and compliance with legislation with reference to the examples below.]

28. Based on the review performed the auditor is required to report if a material misstatement in the other information was identified. Below are examples of the findings that could be reported based on the specific circumstances applicable at the auditee. (These examples are not exhaustive and if another example is encountered R&M should be consulted.):

- **No material inconsistencies were identified**

Example

I have nothing to report in this regard.

- **A single material misstatement of the other information statement was identified**

Examples

I have concluded that the [insert specific other information] is materially misstated due to [describe the material misstatement in the other information/ insert: the material [misstatement/ finding] that has been identified [in the basis for [qualified/ adverse] opinion paragraph relating to [insert heading of each paragraph]/ [for [insert name of indicator /insert name of...]] as described under [insert name of programme/ objective/ development priority]/ [insert name of subject matter].

Or

I am unable to conclude whether the [insert specific other information] is materially misstated due to the fact that I was unable to obtain sufficient appropriate audit evidence for [[insert financial statement item] as described in [the basis for [qualified/ adverse] opinion paragraph] or [insert name of indicator/ insert name of...]] as described under [insert name of

programme/ objective/ development priority)/ [insert name of subject matter].

- **Multiple material misstatements of the other information statement were identified**

Example

I have concluded as follows regarding other information:

- [[Insert specific other information] contains a material misstatement as [describe the material misstatement]
- [[Insert specific other information] contains a material misstatement due to the material misstatement of [insert financial statement item] as described in the basis for [qualified/ adverse] opinion
- [[Insert specific other information] contains a material misstatement due to the material finding under [insert name of indicator] as described in [insert name of programme/ objective/ development priority]
- [[Insert specific other information] contains a material misstatement due to the material finding under [insert name of...] as described in [insert name of subject matter].
- [I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to obtain sufficient appropriate audit evidence for [insert financial statement item] as described in the basis for [qualified/ adverse] opinion paragraph[s].
- [I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to obtain sufficient appropriate audit evidence for [insert name of indicator] as described under [insert name of programme/ objective/ development priority]
- [I am unable to conclude whether the [insert specific other information] is materially misstated because I was unable to obtain sufficient appropriate audit evidence for [insert reference to requirement] as described under [insert name of the compliance subject matter].

E. Material uncertainty relating to going concern

a. International Standards on Auditing

29. ISA 570 (Revised).

b. Overview of general principles, requirements and procedures

30. In terms of ISA 700, the auditor is required to report in terms of ISA 570 (Revised), where applicable.
31. The PAM, chapter 11 - *Audit evidence from specific considerations*, paragraphs 106 to 110, and the decision tree describe the impact of different going concern scenarios on the auditor's report. This section illustrates the reporting requirements if a material uncertainty related to going concern exists and appropriate disclosures have been included in the financial statements.
32. The following requirements must be met with regards to the placement and identification of the paragraph:

- Include the paragraph within a separate section of the auditor's report.

In the public sector the paragraph is included below the section that provides context about the auditor's opinion under the report on the audit of the financial statements.

- Use the heading 'material uncertainty related to going concern'.
- Include an introductory paragraph or sentence.

Example

Material uncertainty related to going concern

I draw attention to the matter below. My opinion is not modified in respect of this matter.

33. The following requirements must be met with regard to the standard wording of the paragraph:
- Draw attention to the note to the financial statements that discloses the following:
 - The principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
 - Management's plan to deal with these events or conditions.
 - That there is a material uncertainty and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

- State that these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern.
- State that the auditor’s opinion is not modified in respect of the matter.

Examples

I draw attention to note [XX] to the financial statements, which indicates that a net loss of R... was incurred during the year ended [insert date] and, as of that date the current liabilities exceeded its total assets by R.... As stated in note [XX], these events or conditions, along with other matters as set forth in note [XX], indicate that a material uncertainty exists that may cast significant doubt on the [type of auditee]’s ability to continue as a going concern.

Or

I draw attention to note [XX] to the financial statements, which indicates that [brief description of events or conditions identified that may cast significant doubt on the auditee’s ability to continue as a going concern]. As stated in note [XX], these events or conditions, along with the other matters as set forth in note [XX], indicate that a material uncertainty exists that may cast significant doubt on the [type of auditee]’s ability to continue as a going concern.

Or

I draw attention to note [XX] to the financial statements, which indicates how Covid-19 has affected the [type of auditee] to date, and results in certain material uncertainties related to the future financial position, performance and cash flows of the [type of auditee]. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the [type of auditee]’s ability to continue as a going concern. *[Describe the indicators and circumstances relevant to the auditee]*. Our opinion is not modified in respect of this matter.

4. ANNUAL PERFORMANCE REPORT – MATERIAL FINDINGS PARAGRAPHS

A. Introduction

To improve the lived reality of South Africans, the public sector culture should be characterised by performance, accountability, transparency and integrity. The #cultureshift2030 strategy is clear on our role of shifting public sector culture through insight, influence and enforcement. To this end, we need to provide impactful insights in our reports and through our engagements on the planning, reporting and delivery of quality services in line with government’s priorities and auditees’ mandates. This requires our messages to be simple, compelling and integrated.

1. This chapter applies to all public sector auditees, including those auditees not audited by the AGSA in accordance with section 4(3) of the PAA.
2. The chapter deals with the following:
 - **Section B** – General reporting principles for management and auditor’s report
 - **Section C** – Overall limitations (when limitation scenario 2 is applicable)
 - **Section D** – Reliability findings
 - **Section E** – Consistency findings
 - **Section F** – Presentation and disclosure findings (including phased condition)
 - **Section G** – Measurability and relevance findings
 - **Section H** – Completeness of relevant indicator findings (phased condition)
 - **Section I** – Examples of combination of findings
3. This chapter should be read with the auditor’s report and management report templates, as well as the requirements contained in the following PAM chapters:
 - PAM chapter 15.2 – *AoPO: Evaluate the results of audit procedures, including misstatements – reasonable assurance*
 - PAM chapter 15.3 – *AoPO: Evaluate the results of audit procedures, including misstatements – limited assurance*

- PAM chapter 18.2 – *AoPO: Concluding and forming the audit opinion – reasonable assurance*
- PAM chapter 18.3 – *AoPO: Concluding and forming the auditor’s assurance conclusion – limited assurance*
- Guide – *AoPO findings engagement methodology*

B. General reporting principles for management and auditor’s report

4. Any reference in the chapter to ‘subject matters’ includes programme(s), objective(s) or development priority(ies).
5. One audit opinion is expressed on both the usefulness and the reliability of the reported performance information for each selected subject matter. In other words, multiple opinions will be expressed if more than one subject matter has been selected for auditing.
6. For a findings engagement, material findings are reported in both the management and auditor’s reports.
7. The audit opinion is currently included in just the management report, with only material findings being reported in the auditor’s report. Audit findings per indicator included under the ‘basis for modified opinion’ paragraph in the management report are reported as material findings in the auditor’s report.
8. As per PAM, chapter 18.2, paragraph 38, any basis for modification of the audit opinion will be formulated at a performance indicator level. Thus, the misstatements identified for related targets will be formulated in relation to the particular indicator affected so as to give the necessary context.
9. The basis paragraphs are therefore included per misstated indicator and should not be grouped together per misstatement; i.e. a misstated indicator may only appear in one basis paragraph per report.

a. For qualified/ adverse opinions (disagreements)

10. Describe what the auditee did not do (i.e. the misstatement), but which is required by the performance management and reporting framework.
11. When reporting on material misstatements, describe the identified misstatements in sufficient detail to provide context to the finding. However, do not reference the specific requirements of the performance management and reporting framework not adhered to.

12. Quantify and provide the effect of the misstatement. Only factual disagreement misstatements on reliability should be quantified for reporting purposes; i.e. the audited value must be reported in these circumstances only.
13. PAM, chapter 18.2, paragraph 39 states: If it is not possible to definitively quantify the effects of the misstatement, the auditor states so in the basis for modified opinion paragraph and describes the misstatement in terms of it being ‘material’ or the information being ‘materially misstated’.

b. For qualified/ disclaimer of opinions (limitations)

14. Describe the limitation. State that you could not confirm the measurability (usefulness) and reliability of the reported achievement. The term ‘consequently’ should be used to describe the effects of limitation misstatements.
15. PAM, chapter 18.2, paragraph 38 states: If the modification results from a material limitation misstatement (i.e. an inability to obtain sufficient appropriate evidence), the auditor includes, at the level of the performance indicator involved, the reasons for that inability and refers to the total of the target affected (remember, as the quantity of the misstatement is not known, only refer to the total of the specific item affected).

c. Other important reporting principles

Do	Don’t
General	
Include the paragraphs in order of most significant to least significant.	Include excuses for the auditee’s misstatement or information not obtained.
Include a heading: ‘Basis for qualified/ adverse/ disclaimer of opinion’.	Include the assertions affected.
Include the name or description of the misstated material indicator as a heading; e.g. ‘Number of awareness and education programmes implemented’.	Use long names or descriptions of unnumbered indicators; rather summarise it so that the user can identify the indicator in the annual performance report.
If multiple indicators have the same finding or combination of findings, use the heading ‘Various indicators’.	Combine multiple indicators with the same finding(s) in any other way than per subject matter. Refer to the examples in this chapter for guidance on how to write these findings.

Do	Don't
Include subject matter and indicator numbers in headings or tables only when it will assist users to find information in the annual performance report.	Include subject matter and indicator numbers in all instances.
Write the basis for conclusion and findings in an uncluttered, simple and clear manner.	Use the wording of the disagreement misstatement to describe a limitation misstatement, or vice versa.
Contextualise each of the example paragraphs by including clear and specific circumstances from the audit.	Think of the example report paragraphs as an exhaustive list of all possible reporting paragraphs.
Remember that the example report paragraphs for each scenario will most likely have to be combined, as more than one finding may be applicable to each indicator.	
Combine multiple indicators with the exact same finding (i.e. the only finding for each of those indicators) or the exact same combination of findings (i.e. all the findings for each of those indicators are exactly the same) in one basis paragraph by listing all affected indicators.	
Use tables when reporting on multiple material indicators with the same material misstatement/ finding or the same combination to make reporting clearer.	
Use the term 'planned objectives and strategic goals' for the outcomes the subject matters seek to achieve as this is a user-friendly term.	

C. Overall limitations (when limitation scenario 2 is applicable)

16. Refer to PAM, chapter 9.2 – *AoPO: Audit plan and risk response at the assertion level – reasonable assurance* for detailed guidance on limitation scenario 2 and when these reporting paragraphs will apply.

17. These modification paragraphs are included for the audit as a whole when all the subject matters are affected.

For reporting in the auditor’s report: Include the standard responsibility paragraph and then paragraph C.1 or C.2 immediately after the heading ‘Report on the audit of the annual performance report’. An additional heading is not required.

For reporting in the management report: Refer to the guidance on reporting disclaimers of opinion contained in the management report template. One disclaimer of opinion will be reported for the annual performance report as a whole.

C.1

Approved planning documents not submitted for auditing

The [type of auditee] did not have an approved [name of performance plan] that defined the performance planned for the year, as required by [treasury regulation 5 (for departments, trading entities and constitutional institutions)/ treasury regulation [29/30] (for public entities)/ section 25 of the Municipal Systems Act 32 of 2000 and sections 1, 21 and 53 of the MFMA (for municipalities)/ section 93([A/B]) of the Municipal Systems Act 32 of 2000 (for municipal entities)]. Without the plan, the annual performance report is of little value as it does not account for performance against predetermined objectives.

C.2

Annual performance report submitted without complete and accurate underlying records for all selected subject matters

No supporting evidence was provided for auditing to substantiate the reported performance information for the selected [programme(s)/ objective(s)/ development priority(ies)]. Consequently, I could not audit the usefulness and reliability of this information.

D. Example paragraphs – reliability findings

The following principles apply to reliability findings:

18. The finding should clearly demonstrate that the reported achievement is not correct (if a disagreement finding) or that we could not determine if it is correct (if a limitation finding).
19. If it is a factual disagreement misstatement, the audited value should be communicated to empower the reader with information on what the actual reported achievement is. For a projected misstatement, the projected value should not be included – it should just be

clearly stated that the actual achievement differs materially from the reported achievement.

20. If the finding is a combination of a disagreement and limitation, the audited value should not be included. If the disagreement misstatement is not material, the matter should be reported as a limitation finding.
21. The user of the annual performance report looks at reported achievements in relation to the targets to determine if it had been achieved. For this reason, the reliability findings should always include the target to give the context of the finding.
22. The impact of a reported achievement being incorrect is that the actual achievement is either worse than reported (was overstated) or better than reported (was understated). In the findings, this impact should be clearly demonstrated as well as what it then means for the target achievement.
23. To reflect on the target achievement, consider what the auditee reported on the achievement of the target; and state the expected impact in the finding:
 - If the target was reported to be achieved – consider whether the target would still have been achieved if the reported achievement was corrected; alternatively, whether the achievement would have been more or less.
 - If the target was reported to be not achieved – consider whether the target would still have been achieved if the reported achievement was corrected; alternatively, whether the underachievement would have been more or less.
24. If a large number of material indicators have the same or a combination of finding(s):
 - Summarise the indicators in a table based on the sub-programmes under which the indicators are reported or by grouping indicators with a similar name or objective together (e.g. 'TB indicators').
 - This is applicable to both disagreement and limitation misstatements and only in exceptional circumstances (e.g. in the health sector where it is quite common to have such findings).

Disagreement – single and multiple indicators

D1

Reported achievement did not agree to evidence, i.e. was not valid and/or accurate and/or complete

- Factual misstatement (i.e. with audited value)
- Actual achievement worse than reported (overstated)
- Single and multiple indicators

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, the audit evidence showed the actual achievement to be only (include audited value). Consequently, [the target was not achieved/ the underachievement on the target was more than reported/ the achievement against the target was lower than reported].

Various indicators

Based on audit evidence, the actual achievement for [x] indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Actual achievement
TB client treatment success rate	90%	85%	80%
TB/HIV co-infected client on ART rate	60%	37%	30%
TB client death rate	5%	6%	2%

D2

Reported achievement did not agree to evidence, i.e. was not valid and/or accurate and/or complete

- Factual misstatement (i.e. with audited value)
- Actual achievement better than reported (understated)
- Single and multiple indicators

Or

(Include indicator name)

An achievement of (include details) was reported against a target of (include details) but the audit evidence showed the actual achievement to be (include audited value). [The target was still achieved/ The achievement against the target was better than reported].

Various indicators

Based on audit evidence, the actual achievements for [x] indicators did not agree to the achievements reported, but the targets were still achieved.

Indicator	Target	Reported achievement	Actual achievement
TB client treatment success rate	90%	85%	90%
TB/HIV co-infected client on ART rate	60%	37%	70%
TB client death rate	5%	2%	6%

D3

Reported achievement did not agree to evidence, i.e. was not valid and/or accurate and/or complete

- Projected misstatement (i.e. no audited value)
- Actual achievement worse than reported (overstated)
- Single and multiple indicators

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that [the target was not achieved/ the underachievement on the target was more than reported/ the achievement against the target was lower than reported].

Various indicators

Based on audit evidence, the actual achievements for [x] indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the targets were lower than reported.

Indicator	Target	Reported achievement
TB client treatment success rate	90%	85%
TB/HIV co-infected client on ART rate	60%	37%
TB client death rate	5%	6%

D4

Reported achievement did not agree to evidence, i.e. was not valid and/or accurate and/or complete

- Projected misstatement (i.e. no audited value)
- Actual achievement better than reported (understated)
- Single and multiple indicators

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that [the target was still achieved/ the achievement against the target was better than reported].

Various indicators

Based on audit evidence, the actual achievements for [x] indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially more. The targets were still achieved.

Indicator	Target	Reported achievement
TB client treatment success rate	90%	85%
TB/HIV co-infected client on ART rate	60%	37%
TB client death rate	5%	2%

Limitation – single and multiple indicators

D5
Reported achievement not supported by evidence, i.e. cannot confirm validity and/or accuracy and/or completeness

- **Single and multiple indicators**

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Various indicators

I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
TB client treatment success rate	90%	85,4%
TB/HIV co-infected client on ART rate	60%	37,7%
TB client death rate	2%	5,7%

Disagreement and limitation misstatements – single and multiple indicators

D6

Supporting documents for some reported achievements not provided AND evidence for others did not agree to reported achievements

- Single and multiple indicators

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Various indicators

Some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Compliant resolution within 25 working days rate – district health services	90%	95%
Compliant resolution rate – specialised hospitals	60%	87,7%
PHC utilisation rate – district health services	90%	84,6%

E. Example paragraphs – consistency findings

E1

Reported indicators and/or targets not consistent or complete when compared to planned indicators and/or targets

(Include indicator name)

[An/A] [indicator / target of (include details) / indicator and target of (include details)] [was/were] included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan]. However, [an/a] [indicator / target of (include details) / indicator and target of (include details)] [was/were] reported in the annual performance report.

E2

Reported indicators and related targets in annual performance report not included in approved plans

NB: This consistency disagreement misstatement will result in a limitation on the audit of the remaining usefulness criteria and reliability of the reported achievements against this indicator and target.

In the case of multiple indicators, include only one paragraph in the report for each affected subject matter. Update the heading to ‘Various indicators’ and include a table in the basis paragraph with the reported indicators and targets as per the annual performance report.

(Include indicator name)

I did not audit the usefulness and reliability of the reported indicator and its related target (include details) as they had not been predetermined and included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan].

E3

Planned indicators and/or targets included in initial or revised annual performance plan removed during year and not reported in annual performance report

(Include indicator name)

The approved [initial/ revised] [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] included [an/a] [indicator / target of (include details) / indicator and target of (include details)]. However, the [indicator / target / indicator and target] [was/were] not reported on in the annual performance report. Consequently, performance against the target was not accounted for.

E4

Changes to indicators or targets not approved – single indicator

(Include indicator name)

The [indicator / target of (include details) / indicator and target of (include details)] included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] [was/were] changed to [indicator / target of (include details) / indicator and target of (include details)] without the necessary approval.

E5

Changes to indicators or targets not approved – multiple indicators

Various indicators

[XX] targets included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] were changed without the necessary approval.

Indicator	Initial target	Revised target
Children under five years diarrhoea case facility rate	4%	3,2%
School grade 1 screening average	8%	14 822

School grade 8 screening average	8%	10 180
----------------------------------	----	--------

E6
Reported achievement(s) do not agree to planned and reported indicator and target(s)

(Include indicator name)

[An achievement / Achievements] of (include details; e.g. infrastructure plan completed) [was/were] reported in the annual performance report. However, the indicator and target(s) in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] [was/were] (include details; e.g. to build a dam).

E7
Achievement(s) reported in annual performance report unrelated to planned indicator and predetermined measurement processes
NB: This consistency disagreement misstatement will result in a limitation on the audit of reliability of the reported achievements. Refer to *SToD: CMPRD guidance note 6* to see when these circumstances may apply.

(Include indicator name)

The reported achievement(s) of (include details) did not relate to the planned indicator and target(s) of (include details) or to predetermined measurement processes. Consequently, I could not audit the reliability of the reported achievements.

F. Example paragraphs – presentation and disclosure findings including phased condition

F1

Reasons for variances between planned and actual performance not disclosed

Only applicable to departments and schedule 3A and 3C public entities

- As per the *Annual report guide for national and provincial departments and schedule 3A and 3C public entities*, auditees are required to report and comment on deviations between planned targets and actual achievements.
- For audit purposes, the term ‘variance’ equates to over- or underachievement.
- For audit reporting purposes, use the terminology as per the annual performance report of the auditee. Material misstatements in relation to the over- or underachievement against planned targets must be reported.

(Include indicator name)

Reasons for the [underachievement/ overachievement] of the reported achievement(s) of (include details) against the planned target(s) of (include details), were not reported in the annual performance report.

F2

Reasons for variances did not agree to evidence / source documentation – disagreement

NB: Only applicable to departments and schedule 3A and 3C public entities

(Include indicator name)

Reasons for the [underachievement/ overachievement] of the reported achievement(s) of (include details) against the planned target(s) of (include details), did not agree to the supporting evidence. The supporting evidence indicated the reasons to be (include details of audited reasons) and not (include details) as reported in the annual performance report.

F3

No evidence provided for reasons for variances between planned and actual performance – limitation

NB: Only applicable to departments and schedule 3A and 3C public entities

NB: Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

I could not determine if the reasons for the differences between the reported achievement(s) of (include details) against the planned target(s) of (include details) were correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not confirm the reliability of the reasons for the reported [underachievement(s)/ overachievement(s)].

F4

Reasons for variances not disclosed – multiple indicators

Various indicators

The reasons for over- and under achievements reported against planned targets in the annual performance report were not explained for the following indicators:

- Reports on number of tourist guides registered for compliance
- Number of reports on skills development initiatives implemented
- Report on number of tourism businesses registered
- Report on implementation of BBBEE tourism codes
- Number of reports on tourist complaints
- Number of community tourism projects facilitated and supported

F5

Changes to planned indicators or targets not disclosed

NB: Only applicable to departments and schedule 3A and 3C public entities

(Include indicator name)

Approved changes to the [indicator / target of (include details) / indicator and target of (include details)] in the [annual performance plan and strategic plan/ shareholder's compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] were not disclosed in the annual performance report. As the reported achievement did not link back to the original commitments, it would be difficult for users to determine whether service delivery promises had been fulfilled.

F6

No comparison between planned and actual performance / performance of the year under review and previous year

NB: Only applicable to municipalities

(Include indicator name)

A comparison of the [planned and actual performance / performance of the year under review and that of the previous year] was not included in the annual performance report. This would make it difficult to track the achievement of service delivery goals.

F7

Measures taken to improve performance not reported in annual performance report

NB: Only applicable to municipalities

(Include indicator name)

The measures taken to improve performance against the target of (include details) were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

F8

Measures taken to improve performance did not agree to evidence – disagreement

NB: Only applicable to municipalities

(Include indicator name)

The reported measures taken to improve performance against the target of (include details) did not agree to the supporting evidence. The supporting evidence indicated the measures to be (include details of audited measures) and not (include details) as reported in the annual performance report.

F9

No evidence provided for measures reported to improve performance – limitation

NB: Only applicable to municipalities

NB: Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

A measure of (include details) was reported to improve the performance against the target of (include details). I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

F10

Phased condition: Overall presentation of performance information in annual performance report not comparable and understandable

NB: Material findings will only be reported in the management report and will not affect the audit opinion. The findings are reported overall for the subject matter as a whole.

The performance information was not reported in such a way that it could be compared to the [type of auditee]'s overall performance measurement and reporting framework and would be easy to understand, as (include details of the misstatements identified; e.g. planned and actual achievements could not be compared because planned targets were not included in the annual performance report).

G. Example paragraphs – measurability and relevance findings

G1

Performance indicators not well defined and/or targets not specific and/or not measurable and/or not time bound – disagreement

(Include indicator name)

The indicator was included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] but then not clearly defined during planning processes. It was also not determined how the related target(s) would be measured and what evidence would be needed to support the achievement(s). Consequently, the information might be less useful for measuring performance.

Or

The planned target for this indicator was [xx]. However, the target was not specific in that it was not indicated how it would be measured or when it should be delivered. Consequently, the information might be less useful for measuring performance.

G2

Performance indicators not well defined and targets not specific, measurable and time bound – limitation

•**NB:** Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

I could not determine how the planned indicator would be measured and what evidence would be needed to support the achievement, as adequate supporting evidence was not provided for auditing. This was due to [a lack of / insufficient] measurement definitions and processes].

Or

I could not determine if the predetermined [nature and required level of performance and/or method of calculation and/or deadline for delivery] to be used when measuring the achievement of the target of (include details) [was/were] correct, as adequate supporting evidence was not provided for auditing.

G3

Performance indicators not verifiable – disagreement

(Include indicator name)

Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of [xx] against the target of [xx].

G4

Performance indicators not verifiable – limitation

NB: Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

Evidence was not provided to confirm that processes had been established to consistently measure and reliably report on this indicator. This was due to [a lack of / insufficient] measurement definitions and processes. Consequently, I could not confirm the reliability of the reported achievement.

G5

Performance indicators did not relate logically and directly to aspect of auditee’s mandate and achievement of its strategic goals – disagreement

NB: In terms of Revised FSAPP, the output and related outcomes should be disclosed in the strategic and annual performance plan.

(Include indicator name)

There was no link between the indicator [and target (include target details)] and an aspect of the [type of auditee]’s mandate. (Include reasons for misstatement; e.g. The core function of the department is to provide primary healthcare services, but the indicator related to the number of meetings held.)

Or

There was no link between the indicator [and target of (include target details)] and the achievement of planned objectives and strategic goals, as [it/they] did not measure actual service delivery. (Include the reasons for the misstatement; e.g. The indicator and target

measured the number of reports prepared instead of the delivery of electricity services.)

G6

Performance indicators did not relate logically and directly to aspect of auditee’s mandate and achievement of its planned strategic goals – limitation

NB: Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

Adequate supporting evidence was not provided to clearly explain how the indicator [and target of (include target details)] would contribute to achieving planned objectives and strategic goals. (Include the reasons for the misstatement; e.g. The indicator and target measured the number of reports prepared instead of the delivery of electricity services.) It would thus be difficult to track the [type of auditee]’s achievement of service delivery goals.

G7

Target did not relate directly to indicator as it did not express specific level of performance that subject matter aims to achieve within given period – disagreement

NB: For example, an indicator measuring the number of new water connections provided has a target of zero without acceptable reasons.

(Include indicator name)

There was no link between the indicator of (include indicator details; e.g. measuring the number of new water connections provided) and the planned target of (include target details; e.g. four quarterly reports].

Or

[The target set for this indicator was zero. / No target was set for this indicator.] [The reason provided for this was (xx).] / However, [no reason was provided for this / there was no evidence to support the reason provided]].

G8

Target did not relate directly to indicator as it did not express specific level of performance that subject matter aims to achieve within given period – limitation

NB: Limitation misstatement that could result in qualified opinion or disclaimer depending on circumstances

(Include indicator name)

I could not determine if the target of (include target details) linked to this indicator, as adequate supporting evidence was not provided for auditing.

Or

I could not determine why the target of (include target details) had [a planned achievement of zero / no planned achievement], as adequate supporting evidence was not provided for auditing.

G9

Appropriate mix of indicators for subject matter did not exist to enable achievement of strategic goals

NB: For pilot testing and reporting – **report only in management report**

Inputs, activities, outputs, outcomes and impact were not considered when planning for the [programme/ objective/ development priority], which would make it difficult to achieve planned objectives and strategic goals.

H. Completeness of relevant indicator findings (phased condition)

Testing completeness of relevant indicators in terms of the mandate of the auditee, includes whether:

- relevant core functions are prioritised in the period under review.
- relevant performance indicators are included for the core functions prioritised in the period under review.
- standardised indicators related to the core functions prioritised for the year under review are included in planning documents.

NB: Material audit findings will only be reported in the management report and will not affect the audit opinion. The findings are reported overall for the subject matter.

H1

Relevant core functions not prioritised

NB: Not applicable to Parliament and provincial legislatures

The [type of auditee] is mandated to perform the core function(s) of [description of core function] [and] [description of core function]. However, these were not prioritised, nor were relevant indicators and targets included in the approved [annual performance plan and strategic plan/ shareholder's compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] to enable [its/their] achievement. Management could not provide valid reasons for this (include details). Consequently, it is unlikely that the service delivery mandate related to [this/these] core function(s) would be fulfilled.

H2

Relevant performance indicators not included for core functions prioritised

NB: Not applicable to Parliament and provincial legislatures

The [type of auditee] is mandated to perform the core function(s) of [description of core function] [and] [description of core function]. However, relevant indicators and targets were not included in the approved [annual performance plan and strategic plan/ shareholder's compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] to enable and measure [its/their] achievement. Management could not provide valid reasons for this (include details). Consequently, it is unlikely that the

service delivery mandate related to [this/these] core function(s) would be fulfilled.

H3

Standardised indicators relating to core functions prioritised for year not included in planning documents

NB: Only applicable to provincial departments, provincial entities and metros

The [type of auditee] must deliver on [standardised and/or MTSF] indicator(s), but [these were not / this was not] included in its approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan]. Consequently, it is unlikely that the five-year planned outcome(s) of [this indicator /these indicators] would be achieved.

[Standardised/ MTSF] indicator	Strategic goal	Target
(Indicator name)	[XX]	[XX]
(Indicator name)	[XX]	[XX]
(Indicator name)	[XX]	[XX]

Or

(Only applicable to national service delivery/sector departments)

The [type of auditee] must deliver on standardised indicator(s) as part of the mandate of the [(include details of relevant sector; e.g. environmental affairs sector / metros)] but [this/these] [was/were] not included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] to enable and measure [its/their] achievement.

Indicator	What should be achieved	MTSF 5-year target (31 March 2024)	Achievement after 4 years (31 March 2023)
(Indicator name)	(E.g. Upgrade, refurbish and maintain road network)	(E.g. 7 995 km)	(E.g. 744 km (9%))
(Indicator name)			

I. Examples – combination of multiple material findings

I1

Presentation and disclosure: Reasons for variances not disclosed – disagreement

Reliability: Disagreement – factual misstatement

NB: As this is a factual disagreement misstatement, the audited value is reported

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, I found proof that the achievement was (include audited value).

The reasons for the underachievement/ overachievement] of the reported achievement(s) of (include details) against the planned target(s) of (include details), did not agree to the supporting evidence. The supporting evidence indicated the reasons to be (include details of audited reasons) and not (include details) as reported in the annual performance report.

I2

Limitation misstatement on measurability (i.e. well defined AND verifiable) of indicator is so severe that reliability of reported achievement cannot be audited

Measurability: Not well defined and verifiable – limitation

AND

Reliability: Limitation – unable to audit reliability

NB: Due to the severity of the measurability misstatement, it imposed a 100% limitation on your ability to test reliability. NO reliability testing can be performed in these instances; **i.e.**

assessment criteria 1 was applied and limitation scenario 3 was applicable. Refer to *SToD: CMRPD – Part 3.*

(Include indicator name)

I could not determine whether the achievement of (include details) reported against a target of (include details) was correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

I3

Disagreement misstatement on measurability (i.e. well defined AND verifiable) of indicator is so severe that reliability of reported achievement cannot be audited

Measurability: Not well defined and verifiable – disagreement

AND

Reliability: Limitation – unable to audit reliability

NB: Due to the severity of the measurability misstatement, it imposed a 100% limitation on your ability to test reliability. NO reliability testing can be performed in these instances; **i.e.**

assessment criteria 2 was applied and limitation scenario 3 was applicable. Refer to

SToD: CMRPD – Part 3.

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). I could not determine if the reported achievement was correct, as the processes established to consistently measure and report achievements were inadequate. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

I4

Consistency: Indicator inconsistent

Consistency: Changes to indicator not approved

Relevance: Indicator not relevant

Measurability: Indicator not well defined – disagreement

Presentation and disclosure: Reason for variance not corroborated – limitation

Reliability: Disagreement misstatement – factual misstatements

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, I found proof that the achievement was (include audited value). Consequently, [the target was not achieved/ the [underachievement / overachievement] on the target was [more / less] than reported]. I could also not determine if the reasons for the [underachievement / overachievement] were correct, as adequate supporting evidence was not provided for auditing.

In addition, the [indicator / target of (include details) / indicator and target of (include details)] included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] [was/were] changed to [indicator / target of (include details) / indicator and target of (include details)] without the necessary approval.

Furthermore, adequate supporting evidence was not submitted to clearly explain how the indicator [and target of (include target details)] would contribute to achieving planned objectives and strategic goals. (Include the reasons for the misstatement; e.g. The indicator and target measured the number of reports prepared instead of the delivery of electricity services.) It would thus be difficult to track the [type of auditee]’s achievement of service delivery goals.

I5

Consistency: Changes to indicator not approved

Measurability: Indicator not well defined

Reliability: Limitation misstatements

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

In addition, the [indicator / target of (include details) / indicator and target of (include details)] included in the approved [annual performance plan and strategic plan/ shareholder’s compact and corporate plan/ service delivery and budget implementation plan and integrated development plan] [was/were] changed to [indicator / target of (include details) / indicator and target of (include details)] without the necessary approval. This means that what had been reported did not link back to original commitments, which would make it difficult for users to determine whether service delivery promises had been fulfilled.

I6

Relevance: Indicator and target not relevant

Reliability: Disagreement misstatement – factual misstatement

NB: As this is a factual disagreement misstatement, the audited value is reported

(Include indicator name)

An achievement of (include details) was reported against a target of (include details). However, I found proof that the achievement was (include audited value). Consequently, [the target was not achieved/ the [underachievement / overachievement] on the target was [more / less] than reported].

It was also not clear how the indicator [and target of (include target details)] would contribute to achieving planned objectives and strategic goals. (Include the reasons for the misstatement; e.g. The indicator and target measured the number of progress reports submitted to the municipal manager, instead of the actual installation of the transformer). It would thus be difficult to track the [type of auditee]'s achievement of service delivery goals.

I7

Indicators with multiple targets

Measurability: Indicator not well defined – limitation

Reliability: Disagreement misstatements – factual and projected misstatements

NB: The audited value is only reported for indicators with factual disagreement misstatements. In all other instances, no audited value should be reported. Where a table is used to present multiple misstated indicators either due to factual or projected misstatements, the audited values for all other misstatements are reflected as 'Not determined'.

If all indicators have projected misstatements, exclude the audited value column from the table.

(Include indicator name)

Achievements relating to the improvement of mental health treatment might have been reported that did not take place at all or were [less/ more] than what was actually achieved, as the supporting evidence did not agree to the reported achievements for the targets. Supporting evidence was also not provided on how the achievement of the planned indicator would be measured.

Target	Reported achievement	Audited value
55% mental health admission rate	50%	Not determined
Approved policy on mental health by 31 March	Approved	Not approved by designated authority
90% patient satisfaction rate	88%	Not determined

<p>I8</p> <p>Multiple material indicators with multiple findings</p> <p><u>Measurability</u>: Indicator not verifiable – limitation</p> <p><u>Presentation and disclosure</u>: Reasons for variances not corroborated – limitation</p> <p><u>Reliability</u>: Limitation misstatement</p>
--

Various indicators

I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Supporting evidence was also not provided on how the achievement of the planned indicators would be measured.

Indicator	Target	Reported achievement
Patient satisfaction rate – regional hospitals	80%	68%
Patient experience of care rate – specialised hospitals	90%	62%
Complaints resolution rate	70%	57%

In addition, evidence was not provided to support the reasons for the [underachievement/ overachievement] between the planned target(s) of (include details) and the reported achievement(s) of (include details). This would make it difficult to assess whether commitments had been achieved and for oversight structures and the public to hold the [type of auditee] accountable if not.

I9

Relevance: Indicator and target not relevant to mandate and achievement of strategic goals

Measurability AND reliability: Severe limitation misstatements on measurability resulting in limitation on reliability; i.e. unable to audit reliability

Various indicators

I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing and adequate measurement processes did not exist. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	[Strategic goal/Outcome]	Reported achievement
Number of reports on skills development initiatives implemented	Attract tourists to the province	4
Number of reports on quality assurance initiatives implemented	Attract tourists to the province	1

It was also not clear how indicators and targets would contribute to achieving planned objectives and strategic goals. These indicators focused on [include details; e.g. preparing monitoring reports, instead of the actual delivery of electricity services]. It would thus be difficult to track whether the [type of auditee]’s service delivery goals would be achieved.

I10

Relevance: Indicator and target not relevant

Measurability: Indicator not verifiable – disagreement

Reliability: Limitation misstatement

Various indicators

I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Monthly reports on number of houses built	12 monthly reports for each region	61 reports
Monitoring reports on quality inspections	6 reports	4 reports

It was also not clear how the indicators and targets would contribute to achieving planned objectives and strategic goals or would measure service delivery, as [insert reason; e.g. the indicators focused on preparing monitoring reports, instead of the actual delivery of quality houses].

Furthermore, adequate systems and processes had not been established to enable the consistent measurement and reliable reporting of the indicators.

<p>I11</p> <p><u>Measurability:</u> Indicators not verifiable – limitation</p> <p><u>Reliability:</u> Disagreement and limitation misstatement</p>

Various indicators

Some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Furthermore, supporting evidence was not provided on how the achievement of the planned indicators would be measured.

Indicator	Reported achievement
Number of electricity house connections	350
New houses connected to water-borne sanitation	700

I12

Reliability: Limitation misstatements – where reported performance was presented as ‘achieved / not achieved’

NB: This example addresses the instances where the reported achievements were not quantified in the annual performance report and only reported as ‘achieved / not achieved’. This **may** impose a limitation on the testing of reliability. Refer to *SToD: CMRPD guidance note 4*.

Various indicators

As achievements were not quantified, I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Block 6 water supply	Block 6 supply completed by June 2017	Not achieved
Turnaround time for attending to incidents upon reporting	Incidents attended to within 24 hours of reporting	Not achieved

J. Quick reference guide to examples for AoPO reporting

Quick reference guide – AoPO report findings																				
Reporting paragraph references	Consistency			Measurability				Relevance		Presentation and disclosure							Reliability			
	Indicator/target inconsistent	Indicator/target - change not approved	Reported achievement inconsistent	Indicator not well defined - target not specific/ time-bound	Indicator not verifiable	Indicator/target not relevant	Reasons not disclosed	Reasons for variance not corroborated	Changes to plans not disclosed	Comparison not disclosed	Measures taken not disclosed	Measures taken not corroborated	Reliability							
Type of misstatement	D	D	D	D	L	D	L	D	L	D	D	L	D	D	D	D	L	D	L	D&L
Single misstatement	E1	E4	E6 E7	G1	G2	G3	G4	G5 G7	G6 G8	F1	F2	F3	F5	F6	F7	F8	F9	D1 - D4	D5	D6
Multiple indicators with single misstatement		E5								F4								D1 – D4	D5	D6
A material indicator with multiple material misstatements																				
Measurability and reliability					I2	I2	I7											I7	I2	
For other combinations see section I																				
Multiple material indicators with multiple material misstatements																				
Measurability and reliability							I11												I11	
For other combinations see section I																				

D – Disagreement misstatement L – Limitation misstatement

Other findings

Paragraph reference	Description
Disclaimer of opinion/ conclusion – limitation scenario 2	
C1	Approved planning documents not submitted for audit

C2	Annual performance report submitted without complete and accurate underlying records for the audit as a whole
Phased misstatement conditions - reporting in the management report only	
F10	Overall presentation of performance information in the annual performance report not comparable and understandable
Completeness of relevant indicators	
H1	Relevant core functions not prioritised in the period under review
H2	Relevant performance indicators were not included for the core functions prioritised in the period under review
H3	Standardised indicators not included for core functions prioritised in the period under review

5. COMPLIANCE WITH LEGISLATION

A. Introduction and nature of the compliance engagement

1. The purpose of this chapter is to provide requirements and guidance on reporting findings on compliance with legislation in the management and auditor's reports.
2. This chapter applies to all public sector auditees including those auditees not audited by the AGSA in accordance with section 4(3) of the PAA.
3. In terms of section 20(2)(b) of the PAA, the auditor's report must reflect an opinion, conclusion or findings on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters. In terms of section 28(1)(b) of the PAA, the auditor's report must reflect at least an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters.
4. The auditor's report reflects material findings on non-compliance with specific matters in key legislation but does not provide assurance by way of an opinion or conclusion.
5. In accordance with the AGSA findings engagement methodology, procedures are performed to test compliance with selected requirements in key legislation. The selected legislative requirements and any material findings on non-compliance with these requirements are included under the heading *Compliance with legislation* in the auditor's report. Where there is nothing to be reported for any of the selected requirements, a statement to this effect will be included in the auditor's report.
6. The auditor's report includes the characteristics used in selecting the requirements of the key legislation for testing. Refer to the standard wording provided in the auditor's report template. In addition, a list of all compliance requirements selected for testing at the auditee (i.e. scoped-in requirements) is included in a table in the annexure to the auditor's report. This information must be accurate and complete to provide the user of the report of a clear understanding of the nature and scope of the engagement.
7. Findings on material non-compliance are grouped and reported under the heading of the affected compliance theme. Each reporting paragraph should clearly state the requirement not complied with, the nature of the deviation and reference to applicable legislation.
 - *E.g. Expenditure was incurred without an approved budget, in contravention of*

section 53(4) of the PFMA.

- *E.g. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R500 000 were procured by means of obtaining the required price quotations, as required by treasury regulation 16A6.1.*
8. Examples of the auditor's report paragraphs are provided as part of the *Compliance testing working papers*. If the results of an evaluation yield a material non-compliance/limitation, the standard audit report paragraph provided for the requirement must be included in the auditor's report. The wording of the standard paragraphs can be altered for specific circumstances of the auditee but should, as far as possible, remain consistent with the standard wording.
 9. Some criteria allow the audit team to provide additional context to the non-compliance finding. Guidance for contextualisation is provided in the compliance testing working paper for each audit report paragraph that can be contextualised.
 10. For the auditor's report on the consolidated financial statements, only the following material non-compliance may be included:
 - Material non-compliance relating to the consolidation, e.g. material misstatements identified on submitted consolidated financial statements; and/or
 - The material non-compliance included in the auditor's report of the parent/controlling entity (e.g. municipality).

Material non-compliance included in the separate auditor's report of any subsidiary/controlled entity (e.g. municipal entity) must not be included in the consolidated auditor's report.