

## ENHANCING OUR AUDIT PORTFOLIO

### Developing capacity in the banking and financial services sector

To support business units that audit the banking and financial services sector, we implemented a programme to gain a deeper understanding of these auditees using a formalised skills transfer that included numerous sessions with our strategic partners in the auditing field. Our teams have also taken on more complex audits in the banking sector and executed them successfully. The capacity building has led to a specialised risk-based audit approach to banking and financial services audits, and allowed us to standardise our audit programmes to align with best practice.

### Taking over section 4(3) audits

As part of our strategy to systematically take over audits of SOEs, we continued to pay special attention to those SOEs that are critical to our country.

We officially took over the Transnet audit in October 2020 after a transition. Our highly skilled team benefited from working closely with the former appointed auditors to deepen our knowledge of the entity in the build-up to taking over the audit. This effectively allowed us to follow a risk-based approach to auditing Transnet.

### Strict oversight of governance in section 4(3) audits

We have enhanced strict oversight of SOE audits by implementing the PAA regulations and continue to assess each institution classified as section 4(3) to ensure that we concur with the conditions of appointing private auditors to enforce governance and oversight.

The concurrence process requires us to reach consensus with the auditee and section 4(3) auditors on the concurrence conditions. In collaboration with the South African Institute of Chartered Accountants (Saica), we held a section 4(3) lecture to inform private auditors about the amended regulations and highlight their expected cooperation on the concurrence process.

We identified threats of familiarity at some institutions that have been audited by the same private auditors for between five to 20 years. This was especially rife at universities. We therefore imposed conditions on these section 4(3) auditees to appoint new auditors for the 2021-22 audits. While we received pushback from some of our auditees and private audit firms, we will continue to strictly implement our regulations without fear or favour, especially given the concerns about audit quality and auditor independence.

### Agility of our audit methodology

Our audit methodology has proven its agility in responding to the additional risks emerging from the pandemic and the lockdown. We adjusted our audit processes to cope with the legislated delays in audits, limits on our ability to visit auditees, the covid 19 initiatives' real-time audits and implementing the MI process. We are satisfied that our audit methodology has achieved its purpose and is agile enough to meet future challenges and opportunities.

### Our differentiated approach

Our methodology currently provides for different audit approaches to small and dormant auditees, and auditees with repeated disclaimers of opinion.

We expanded the categories of our auditee portfolio this year. This will enable us to develop additional differentiated audit approaches and ensure that we audit what matters in the most efficient and effective manner. We will implement the categorisation and the differentiated audit approaches in 2021-22.

## SUMMARY OF AUDITS TAKEN OVER

15

of 21 schedule 2 entities audited by us



## Innovative ways to conduct audits using technology

In this performance year, we introduced the innovation think tank, recognising the importance of innovation in the current environment. This created a platform where auditors can share ideas with a specific focus on enhancing audit efficiencies.

### We focused on three central themes:

- 1 • ensuring that we only touch information once
- 2 • using technology to increase our efficiency
- 3 • increasing audit assurance without doing additional work

We developed concepts that required greater automation in our audit approach. This approach was used to audit the appropriation statement during its pilot at three audit business units, and achieved an 80% decrease in audit time and 60% decrease in costs. The result was a testament to the potential of automation in the broader audit process.

This approach will be institutionalised and rolled out in all our annual audits in 2021-22. As we explore further innovation, we will focus on expanding our use of novel technologies to achieve further efficiencies in our auditing.