### OVERALL AUDIT STRATEGY

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Auditee:** |  | **Reviewed by:** | **Name** | **Rank** | **Date** |
| **Period end:** |  | **Level 1** |  |  |  |
| **Prepared by:** |  | **Level 2** |  |  |  |
| **Rank:** |  | **Level 3** |  |  |  |
| **Date:** |  |  |  |  |  |

**1. INTRODUCTION**

* 1. The objective of the Overall Audit Strategy is to ensure that an effective and efficient audit is performed, including the timeous identification of the need and role of specialists. The Overall Audit Strategy is compiled based on cumulative audit knowledge and experience, as well as important matters, which has come to the attention of the auditors.

This document is considered to be valuable, as it should ensure that all expectations are met and that the strategy takes full cognisance of significant management concerns.

1.2 During the planning phase of our audit we will address the following important matters:

* Terms of reference
* Audit risk
* Materiality
* Information systems environment
* Control environment
* Reliance on internal control
* The accounting policies and laws and regulations
* Identification of components which should be audited.
* Identification of risk per component
* Identification of audit approach
* Project management

1. **TERMS OF REFERENCE**
   1. **Primary reporting responsibility**

The annual financial statements for the year ended *[insert the applicable date]* and the notes to thereto will be audited in terms of  *[insert applicable legislative reference]*. The preparation of financial statements in line with the *[insert the applicable reporting framework]* of the *[name of audited entity]* and the maintenance of the effective internal control measure are the responsibility of the *[Insert relevant title e.g. Accounting Officer / Council]*.

The *[Name of the SAI]* is responsible for the audit and report on the financial statements in accordance with the audit approach of the Auditor-General that complies with the International Standards of Supreme Audit Institutions (ISSAIs).

* 1. **Extent of report**

In terms of the ISSAIs the *[Name of the SAI]* is required to report and express an opinion on the annual financial statements of the *[name of audited entity]*. All matters raised in the previous year’s financial statements must be followed-up and reported on.

A regulatory audit will be carried out and will consist mainly of the following:

* The extent to which the financial statements fairly present the *[name of audited entity]*‘s activities for the year.
* The accuracy, quality and completeness of the accounting records kept
* That authorised expenditure is substantiated by sufficient and acceptable documentation.
* Sufficient and applicable internal control procedures are in place and maintained.
* Compliance with regulations, policies, acts and other directives.
* Compliance with the budget control procedures.
  1. **Compliance Audit**

*[include detail only if a compliance audit is planned]*

A compliance audit includes an examination on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations that are applicable to the *[name of audited entity]*.

* 1. **Report to management**

Weekly or monthly feedback will be given to management on the progress of the audit and weaknesses identified during the audit. The scheduled meetings are as follows:

*[Indicate planned dates if applicable]*

a:

b:

c:

d:

A management letter will be issued on weaknesses noted during the course of the audit. After the interim audit an interim management letter will be issued and be discussed with management on *[Indicate planned dates if applicable]*. A final management letter will be issued on *[Indicate planned dates if applicable]*.

The draft report will be discussed on the *[Indicate planned dates if applicable]*.

* 1. **Audited entity’s expectations**

The management of the *[name of audited entity]* will be informed of any internal control weaknesses noted during the conduct of the audit, the effect thereof and any deviations from the prescribed accounting procedures. All queries will be discussed with the *[include title of the designated officer e.g. Treasurer/CFO]* at the scheduled meetings. Audit queries should be followed up by management to ensure prompt feedback to the audit team including necessary actions to be taken.

* 1. **Specialised audits**

Performance auditing *[Indicate if a performance audit will be done at the entity]*

IT Audit *[Indicate if an IT audit will be done at the entity]*

**3. KNOWLEDGE OF THE ENTITY**

**3.1 General Background**

|  |
| --- |
| Postal address of audited entity:  Physical address of audited entity  General telephone:  Fax numbers:  Banking details:  Bank name: Type of account: Bank account number:  Attorney details:  Name: Address: |

* 1. **Mandate and purpose of the entity**

|  |
| --- |
|  |

* 1. **Appropriate legislation**

*[List key acts and regulations, government policies and requirements of the audited entity that will affect the audit]*

|  |
| --- |
| Laws and Regulations:  Other applicable instructions, circulars etc.:  Accounting framework:  *[also document any changes in legislated requirements from prior period]* |

* 1. **Management structure**

*[List the details of the accounting officer/council, key financial personnel, directors, head of internal audit etc.]*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name** | **Rank** | **Telephone number** | **Fax number** | **e-mail address** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

* 1. **Organisational structure**

*[Include details / organogram of the organizational structure]*

|  |
| --- |
|  |

**3.6 Size of entity**

|  |
| --- |
| Total staff composition:  Total expenditure budget:  Total income budget:  Sites, regional offices: |

* 1. **Operations of the audited entity**

|  |
| --- |
| Nature of the entity’s operations:  Major suppliers of products and services (outsourced to third parties or service level organisations):  Allocation of activities to business units and regional offices: |

* 1. **Related parties**

|  |  |  |  |
| --- | --- | --- | --- |
| **Related entities** | **Nature of relationship** | **Nature of significant transactions** | **Significant risk areas identified** |
|  | *[for example entities under the control of the same Minister]* | *[for example transfer payments]* |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

* 1. **Reporting environment**

|  |
| --- |
| Annual report presented by the audited entity to be published together with the financial statements:  Monthly reports as required by act *(if applicable)*: |

* 1. **Prior year’s auditor’s reports**

|  |
| --- |
| Risks identified from the management letter(s) of previous year(s):  Risks identified from the auditor’s report(s) of previous year(s): |

* 1. **Control environment**

*[Overall conclusion from the internal control checklist - include details of risks identified]*

|  |
| --- |
|  |

* 1. **Controls around Information Technology**

*[Include the overall conclusion on IT internal control checklist including details of risks identified. Indicate whether CAATs are going to be used during the audit]*

|  |
| --- |
|  |

* 1. **Overall evaluation of Internal Audit**

*[Conclusion on Internal Audit]*

|  |
| --- |
|  |

* 1. **Overall conclusion on performance of Audit Committees**

*[Conclusion on the Audit Committees where applicable]*

|  |
| --- |
|  |

**3.16 Conclusion on sustainability or services delivered**

|  |
| --- |
|  |

**4. PLANNED AUDIT APPROACH**

#### 4.1 Nature and extent of audit

Based on the assessment of the risk of material misstatement on a financial statements level to be *[insert results of risk assessment: high, medium or low]*. This assessment of such risks will have an impact on the sample sizes drawn during detailed testing.

As far as possible the risks identified on the financial statement level will be transferred to the audit individual components. These risks will impact the assessment of risk for the audited component and the planned audit approach for the component.

#### 4.3 Timing of audit

*[Include whether an interim and / or final audit will be performed and the timing of them]*

#### 4.4 Audit components

The following components were identified:

*(List components identified* *e.g.*:

*Revenue*

*Expenditure*

*Transfer payments*

*Personnel expenditure*

*Assets]*

#### 4.5 Materiality

Any error and misstatement which by itself of aggregated with similar errors and misstatements exceeds *[insert amount of materiality]* will be considered material for the purposes of this audit. This figure was calculated based on *[insert what item was the materiality calculated on].*

Due to our other audit responsibilities findings relating to non-compliance of legislation, fraud or control deficiencies will be evaluated by considering the nature of the finding.

#### 4.6 Planned regional visits

*[If applicable, indicate the planned regional visits and how the relevant locations were selected.]*

#### 4.7 Use of specialist and/or experts

*[If applicable, list the external experts that will be involved during the audit, stating the extent and necessity of their involvement, e.g. tax experts etc.]*

*[Indicate whether the IS auditors will be used and the extent of involvement required]*

#### 4.8 Involvement of other auditors

*[If applicable, list other auditors that will be involved e.g. work done by regional offices of the SAI, auditors of subsidiaries or divisions]*

**5. ADMINISTRATION**

#### 5.1 Meetings and communication with management of the audited entity

Formal communication is established between the *[Name of the SAI]* and the management of the audited entity, in order to accomplish a sound co-operation between these parties. The following persons are invited to participate in the meetings:

***Name Position Contact details***

Audited entity:

*e.g.* *Accounting officer*

*Chief Financial Officer etc*

Audit Office:

*Audit director*

*Audit Manager*

*[List all other persons as needed]*

#### 5.2 Target dates

*[The table below should contain the relevant dates for the communications with the management of the audited entity and dates for the key deliverables on both sides. Dates included here should be the same as communicated in the Audit engagement letter. Include all commitments made. See inserted examples]*

| **No.** | **Activity** | **Responsibility** | **Target date** |
| --- | --- | --- | --- |
| 1. | Commence with audit planning | Audit Manager |  |
| 2. | Meeting between the *[Name of the SAI]* and management of the audited entity to discuss the Overall Audit Strategy | *Management of the audit team and the audited entity at relevant levels* |  |
| 3. | Request information from audited entity | Audit Manager |  |
| 4. | Commence with interim audit *[if applicable]* | Audit Manager |  |
| 5. | Submit information requested for audit | Management of the audited entity |  |
| 6. | Issue interim management letter to audited entity *[if applicable]* | Audit Manager |  |
| 7. | Submit written response to interim management letter to *[Name of the SAI]* *[if applicable]* | Accounting Officer |  |
| 8. | Meeting between the *[Name of the SAI]* and management of the audited entity to discuss the management letter findings | *Management of the audit team and the audited entity at relevant levels* |  |
| 9. | Send requests for third party confirmations | Audit Manager |  |
| 10. | Commence with final audit | Audit Manager |  |
| 11. | Submit financial statements and supporting file (incl. Trial balance, lead schedules) to auditors. | Management of the audited entity |  |
| 12. | Issue management representation letter | Accounting Officer |  |
| 13. | Issue final management letter | Manager |  |
| 14. | Submit written response to management letter to *[Name of the SAI]* | Accounting Officer |  |
| 15. | Meeting between the *[Name of the SAI]* and management of the audited entity to discuss the management letter findings | *Management of the audit team and the audited entity at relevant levels* |  |
| 16. | Issue approved auditor’s report to audited entity | Manager |  |

**5.3 Administrative Matters**

*[For internal information only]*

**PROJECT ID**

|  |
| --- |
|  |

**BUDGETED AUDIT HOURS**

|  |  |
| --- | --- |
| **Activity** | **Hours** |
| Pre-engagement activities |  |
| Planning |  |
| Execution |  |
| Conclude and Report |  |
| Project Management |  |

**BUDGETED AUDIT COST**

|  |
| --- |
|  |

**AUDIT TEAM**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name** | **Rank** | **Telephone number** | **Fax number** | **e-mail address** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |