



**Western Cape
Government**

Provincial Treasury

**LOCAL GOVERNMENT ACCOUNTING:
UPCOMING AUDIT PROCESS & PREPARATION**

June 2013

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Background

- MFMA Circular No. 50 on the Preparation of the Municipal Audit File was issued by National Treasury to assist municipalities:
 - **To greatly streamline their audit process**
 - **To improve audit outcome**
- Sufficient and acceptable audit evidence assist to facilitate a “clean audit”
- The content on the audit file will vary from each municipality and should consists of at least the following:
 - ✓ Index
 - ✓ Minimum work papers (Attached as Annexure A)
 - ✓ AFS with cross reference
 - ✓ All relevant financial reports (Financial System)
 - ✓ Applicable register for verification/explanation of amounts
 - ✓ Applicable reconciliation
 - ✓ Any other explanatory documents

Discussion points: MAF

- **Managing Audit Process (March 2013):**
 - Preliminary engagement
 - Overall planning strategy
 - Detailed planning and execution
 - Concluding, Reporting and Quality Control

- **Municipal Audit (May 2013)**
 - Acceptable Audit files
 - Ideal hand – over process between AGSA officials during the audit
 - Standard response time/right person to respond to CoMAFS
 - Safeguarding of municipal documents by the auditors

Critical Factors: Audit Preparation

▪ Planning

- Planning ideally should begin in the first month of the financial period – rather than just before the audit.
- Internal review of documents before being handed over to the A-G – to correct any unclear areas.
- Staff likely to be interviewed in the course of the audit should be alerted and counseled.
- Prepare auditors working area in advance - such as access etc.

▪ Documentation

- Pre-audit assembly of thorough and accurate documentation.
- Present an audit file in a transparent, organized and easily tracked manner with Financial Statements to the A-G.

Critical Factors: Audit Preparation

▪ Collaboration

- Successful audit preparation and audit completion are deeply grounded in the working relationship (Municipality & A-G) - need to set the tone for collaboration.
- Municipal officials should be co-operating, proactive, accountable and responsive in working with the auditors.
- There should be single point of contact inside the municipality providing needed information.

NB: The above factors mitigate risks imposed by audit complexity and time constraints as well as better control of audit fees.

Way Forward

Provide Support

- MGRO – on-site municipal visits (6 June'13 – 20 June'13) to close gaps as well as the sustainability on the achievement of good results:
 - Progress on the MGAP tool
 - Status on the Audit File
 - Checklist on Asset verification
 - Progress on GRAP implementation
 - Accounting System Evaluation & IT Controls

- The use of the Helpdesk: pt.helpme@westerncape.gov.za

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Thank you