

news
BULLETIN

WELCOME TO THE

SAIGA NEWS BULLETIN



News Update



Your go-to source for the latest updates, technical insights and expert industry related articles.

In this edition, we look at the ISRE 2400 (Revised) – Strengthening Review Engagements in the SA Public Sector.

Stay with us as we provide you with more detailed perspectives and expert commentary on this important development.



In this bulletin you will find:

Latest updates, technical insights, and expert industry related articles.
Keep Reading!

ISRE 2400 (REVISED) - STRENGTHENING REVIEW ENGAGEMENTS IN THE SA PUBLIC SECTOR

In the quest to strengthen transparency and accountability in financial reporting, the application of review engagements has become increasingly vital, particularly in the public sector. International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements, issued by the International Auditing and Assurance Standards Board (IAASB), provides a framework for practitioners conducting such engagements.

While review engagements offer limited assurance—unlike full audits—they remain a powerful mechanism for improving financial discipline and early identification of reporting deficiencies. This article explores the key provisions of ISRE 2400 (Revised), contextualizes its application in the South African public sector, and discusses its implications for public sector auditors and accountants.

Understanding ISRE 2400 (Revised)

ISRE 2400 (Revised) governs the conduct of independent review engagements of financial statements where limited assurance is provided. Unlike audits, which require the auditor to obtain reasonable assurance that the financial statements are free from material misstatement, review engagements aim to provide moderate assurance, primarily through inquiry and analytical procedures.

Key Features of ISRE 2400 (Revised):

- **Scope:** Applicable to historical financial statements of entities that are not required to undergo statutory audits.
- **Nature of Assurance:** Limited assurance expressed in the form of a negative assurance conclusion (i.e., nothing has come to the practitioner's attention that causes them to believe the financial statements are materially misstated).
- **Procedures:** Emphasizes understanding the entity and its environment, performing inquiries, analytical procedures, and evaluating sufficiency of evidence.
- **Reporting:** Requires a standardized review report format, enhanced transparency, and disclosure of the practitioner's responsibilities and the nature of the engagement.

Relevance to the South African Public Sector

While audits are the dominant assurance mechanism in South Africa's public sector—mandated by the Public Audit Act and overseen by the Auditor-General South Africa (AGSA)—there is an emerging space for review engagements under ISRE 2400 (Revised), especially in:

1. Public entities and municipal entities that are not significant in size or risk.

2. Departments and agencies preparing interim or special-purpose financial statements.
3. Entities outside AGSA's mandate, such as public benefit organisations (PBOs) receiving state grants but not subjected to audits.
4. Capacity-constrained environments, where full audits are not cost-effective or operationally feasible.

Drivers for Adoption in the Public Sector

1. Cost-Efficiency and Proportionality

In a constrained fiscal environment, limited assurance engagements provide a cost-effective alternative to full audits for lower-risk public entities or smaller grant recipients. This aligns with the principles of proportionality and sustainability in public financial management.

2. Capacity Development

Review engagements offer an opportunity to develop internal capacity among financial officials and practitioners in less complex entities. It acts as a stepping stone towards audit readiness.

3. Expanding Assurance Coverage

For certain oversight functions—such as those by National Treasury, sector departments, or parliamentary committees—ISRE 2400-based reviews could supplement AGSA audits by providing additional assurance on interim financial data or programme-specific financial statements.

Implications for Public Sector Auditors and Accountants

1. Professional Judgment and Scepticism

Even though ISRE 2400 engagements are limited in scope, practitioners must still exercise professional judgment and scepticism—particularly where control environments are weak, or when dealing with politically exposed entities.

2. Skills and Training

Public sector auditors and accountants will need targeted training in analytical procedures, inquiry techniques, and risk assessment that differ from those used in audits. This includes understanding how to document limited assurance conclusions appropriately.

3. Ethical and Independence Considerations

Practitioners must comply with the IESBA Code of Ethics, particularly with regard to independence and conflicts of interest, even in limited assurance engagements. This is crucial in a public sector environment where perceived independence is as important as actual independence.

4. Reporting Transparency

The standard requires clear articulation of the nature and limitations of the review engagement in the review report. Public sector accountants must ensure that users—such as Parliament, oversight committees, and the public—understand that a review is not an audit.

Challenges and Considerations

- **Lack of Awareness:** Review engagements are still relatively under-utilised in the South African public sector. A cultural shift may be required to embed them as credible assurance tools.
- **Risk of Misuse:** Limited assurance engagements must not be used to replace statutory audits where full assurance is required. Clear guidelines from oversight bodies are needed.
- **Regulatory Clarity:** It may be necessary for the National Treasury, AGSA, or the Accounting Standards Board (ASB) to issue guidance on when and how ISRE 2400 engagements may be applied in public sector contexts.
- **Audit Evidence and Documentation:** Practitioners may struggle to balance documentation sufficiency with the lighter touch of a review engagement, especially in environments with poor financial records.

The Way Forward

To unlock the benefits of ISRE 2400 (Revised) in the South African public sector, several steps can be taken. A national framework should be developed for limited assurance engagements in non-core public sector entities. Public sector accountants and auditors need capacity building to conduct or interpret review engagements. Parliamentary and legislative committees should integrate review findings into their financial scrutiny. Lastly, standardised templates for review reports and engagement letters should be provided for the public sector.

- ENDS -

Issued by the Southern African Institute of Government Auditors

About SAIGA

The Southern African Institute of Government Auditors is a non-profit professional body that certifies and develops finance and auditing professionals in the public sector. SAIGA represents a unique brand of professionals, the Registered Government Auditors (RGA) in the public sector and academia. SAIGA is the sole provider of the RGA, which is regarded as the highest professional qualification in public sector auditing.

@SAIGATEchnical

WWW.SAIGA.ORG.ZA