

Audit plan for the year ended 31 December 2018

Tanganyika Law Society



Chairman,
The Governing Council's Audit Committee,
Tanganyika Law Society,
P.O. Box 80517,
Dar es Salaam,
Tanzania.
21 February 2019.

Dear Sir,

We are pleased to set out our plan for the audit of the financial statements of Tanganyika Law Society for the year ended 31 December 2018.

On the basis of our knowledge of the circumstances of the previous year and taking into consideration the developments of the on-going year, we have considered the changes at TLS and conducted a risk assessment for the purposes of our audit. This assessment will be updated in the course of the audit and our plan may be varied as appropriate.

The purpose of this report is to give the Governing Council's Audit Committee an overview of our audit plan for the financial year ended 31 December 2018.

We would like to discuss this plan with you and obtain your views.

Please feel free to contact us should you require information on any specific aspects of the audit.

Yours faithfully,

CPA Chrisant Christopher
For and on behalf of Claritas International
Certified Public Accountants
Dar es Salaam

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1. Introduction

This audit plan outlines our audit strategy and approach for the year ended 31 December 2018 external audit of the Society and is provided to give the Governing Council's Audit Committee the opportunity to review, discuss and comment on our audit plan.

We present our audit plan, which includes a summary of our mutual understanding and expectations of senior management and others within your organisation and Claritas International on our audit strategy, an analysis of significant audit focus areas, reporting and audit timetable and other matters. The discussion with you ensures that the engagement team members understand your concerns and that we agree on mutual needs and expectations in order to provide the highest level of service quality. Our approach is designed to be responsive to the changes affecting the Society.

This report covers the following aspects of our audit plan:

Topic	Contents	Relevance to the Governing Council's Audit Committee	Reference
Audit scope	<ul style="list-style-type: none">• Letter of engagement• Engagement objectives• Our commitment to you• Auditor independence	<ul style="list-style-type: none">• Reconciliation with proposed approach and scope• Achieving the desired level of audit comfort• Approving the timelines.	Pages 2 – 3
Governing Council members responsibilities	<ul style="list-style-type: none">• Responsibilities relating to the financial statements and its assessment of the effectiveness of the Society's internal control over financial reporting	<ul style="list-style-type: none">• Recognising and accepting responsibilities	Page 4
Aspects of fraud risk	<ul style="list-style-type: none">• Responsibility of Governing Council to avoid and/or identify illegal acts and errors in the annual financial statements.	<ul style="list-style-type: none">• Extent and effectiveness of measures taken to avoid and/or identify illegal acts and errors.	Pages 4
Audit approach	<ul style="list-style-type: none">• Audit process• Audit risk assessment• Materiality• Significant audit focus areas	<ul style="list-style-type: none">• Reconciliation of risk assessments by the Board of Directors, Management and the auditor.	Page 6 to 11
Reporting and communication	<ul style="list-style-type: none">• Financial statements• Specific requirements• Requirements and expectations• Our expectation of the Governing Council's Audit committee	<ul style="list-style-type: none">• Reconciliation of the Society's requirements and expectations with the measures to be taken by auditors	Pages 12 to 17
Audit fees	<ul style="list-style-type: none">• Proposed fees	<ul style="list-style-type: none">• Agreeing the proposed fees	Page 18
Communication plan	<ul style="list-style-type: none">• Keeping a two way communication	<ul style="list-style-type: none">• Communication to those Charged with Governance	Page 19

2. Audit Scope

2.1 Letter of engagement

Our engagement responsibilities, scope of our work and limitations are set out in our letter of engagement. The letter sets out the basis on which we act as auditors of the Society and the respective areas of responsibility of directors and ourselves.

2.2 Engagement objectives

In performing our audit for the year ended 31 December 2018, our primary objectives are as follows:

- Perform an audit of the Society in accordance with International Standards on Auditing (ISA);
- Obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and give an opinion thereon;
- Pursuant to the requirements of professional standards, communicate on specified matters with the Governing Council's Audit Committee on a timely basis.

In meeting these objectives, we will:

- Consult with management on a timely basis regarding accounting and financial reporting issues and ensure all matters of significance are reviewed and discussed at the Society level;
- Evaluate changes in the Society, risk profile and internal controls to determine the nature, timing and extent of our testing of controls and substantive tests;
- Provide relevant expertise to facilitate the resolution of important issues; and
- Report the results of our work to management and the Governing Council's Audit Committee, including constructive observations relating to the Society's financial processes and controls.

2.3 Our commitment to you

We commit to four key behaviours in meeting your needs and expectations: Investing in our

relationship with management, building a culture of teamwork and partnership;

- Sharing and collaborating our knowledge and industry expertise;
- Putting ourselves in management's and the Governing Council's Audit Committee's shoes by listening to your views and considering your risks while finding mutually acceptable solutions to issues that arise; and
- Adding value to the Society by providing an efficient and effective audit while identifying recommendations to help the Society manage and improve controls.

In the delivery of our audit service we build on the significant knowledge and experience we have gained in the industry over the years. We place particular emphasis on:

- Maintaining continuity of the team as far as possible and manage transitions where necessary;
- Discussing and agreeing our approach with you in advance;
- Meetings with management to discuss potential issues at an early stage;
- Regularly communicating our audit progress and discussing issues that arise;
- Report findings from our audit in a timely and focused manner; and
- Adding value through observations and recommendations with respect to processes, systems, controls, best practice and relevant industry developments (from a financial, operational and regulatory perspective).
- We would be pleased to discuss any specific requirements you have and to set additional objectives relating to those areas which are most important to you.

We would welcome any feedback from you on our performance throughout the audit process.

2.4 Auditor independence

Our internal quality control procedures require that we confirm to you, as the Audit Committee of the Governing Council, our continued independence from influence that would make our audit opinion subjective.

Maintaining an objective position is fundamental to Claritas International. The audit team must be, and be seen to be, objective at all times and in all respects in relation to professional work.

In relation to audit and other attest engagements, Claritas' independence of the client, both real and perceived, is fundamental to third parties. This requires, for example, that all Claritas partners and, in certain instances, managers and their equivalent, are independent of all our clients, even if the partner or manager is not engaged in providing audit and attest services to the client.

We are required by the code of ethics of the International Federation of Accountants (IFAC) to communicate to the Audit Committee of the Governing Council all relationships between the firm and the Society that may reasonably be thought to bear on the firm's independence, prior to accepting an initial engagement, and at least annually thereafter for continuing engagements.

We are pleased to confirm that no relationships that may reasonably be thought to bear on our independence have been identified.

We are independent accountants within the meaning of the International Federation of Accountants' Code of Ethics for Professional Accountants.

We continue to employ rigorous procedures across the firm to ensure our independence from the Society and safeguard the quality of our audit.

We can confirm the following to the Governing Council's Audit Committee:

- All team members will be required to sign a declaration that they have no financial or personal interest with the Society.
- The audit work will be under various stages of quality review.

3. Governing Council members responsibilities

Our audit does not relieve the Governing Council of its responsibilities with regard to the financial statements and its assessment of the effectiveness of the Society's internal control over financial reporting.

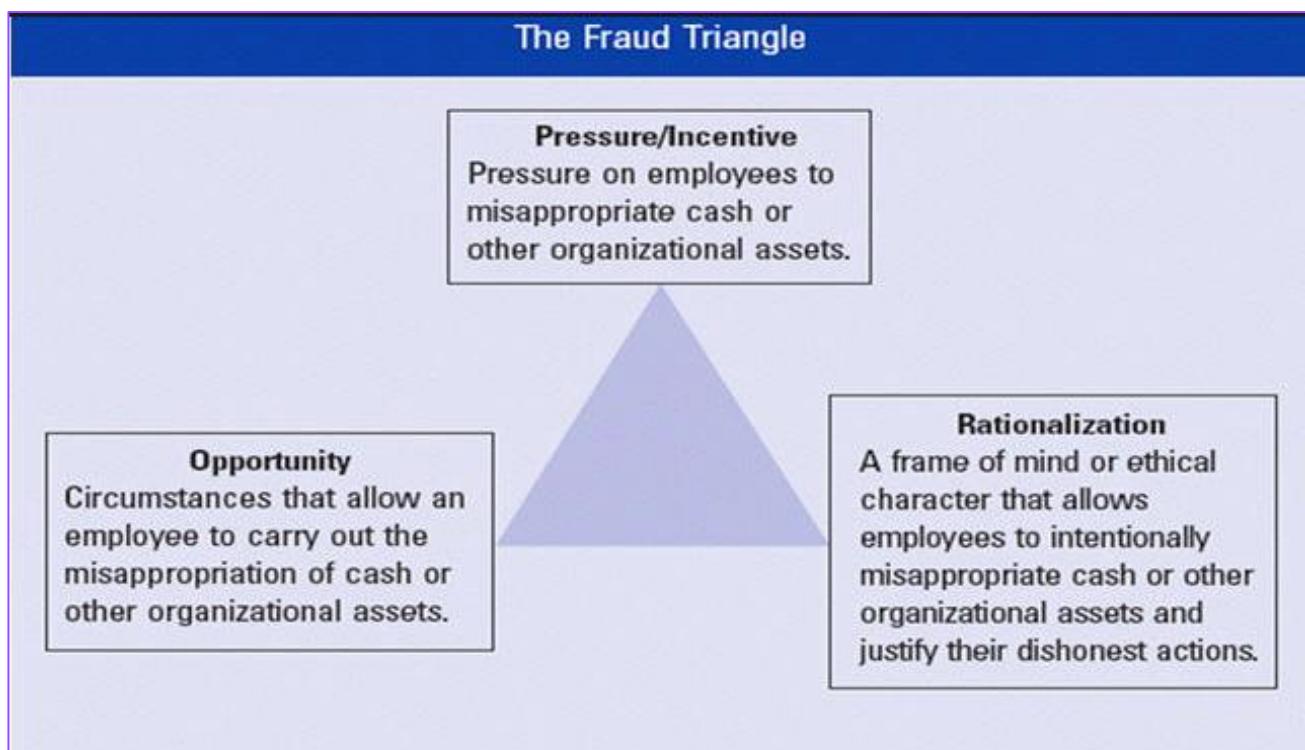
As part of the year-end reporting and audit process, the Governing Council remains responsible for the following:

- Preparation of the financial statements that present fairly the financial position, financial performance, and the cash flows of the Society in accordance with International Financial Reporting Standards (IFRS).
- Designing, implementing and maintaining internal control relevant to the preparation of the financial statements that is free from misstatement whether due to fraud or error;
- Identifying and ensuring that the Society complies with the laws and regulations applicable to its activities;
- Selecting and applying appropriate accounting policies;
- Making accounting estimates that are appropriate in the circumstances;
- Making sure that the Society keeps adequate accounting records; and
- Making all financial records and related information available to the auditor.

4. Fraud

We have a responsibility to plan and perform our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement, whether caused by error or fraud. In order to fulfill that responsibility, as part of our audit, we are required to gain an understanding of the risk of material misstatement for the Society due to fraud and perform certain procedures to respond to the fraud risks identified.

In addition to our responsibilities to understand and respond to the risks of material misstatement due to fraud, management and those responsible for the oversight of the financial reporting process have certain responsibilities related to fraud. The oversight responsibilities of senior management and the Governing Council's Audit Committee and the auditor's responsibilities are outlined below:



4. Fraud (Continued)

Management's responsibilities include:

- Designing and implementing programs and controls to prevent, deter and detect fraud (antifraud programs).
- Ensuring that the Society's culture and environment promote honesty and ethical behavior.
- Performing a risk assessment that specifically includes the risk of fraud, addressing incentives and pressures, opportunities, and attitudes and rationalization.
- Assessing management override of controls and communicating with the Audit Committee of the Governing Council

The Governing Council's Audit Committee's responsibilities include:

- Evaluating management's identification of fraud risks, implementation of antifraud measures and creation of appropriate "tone at the top."
- Ensuring that senior management implements appropriate fraud deterrence and prevention measures to better protect investors, employees and other stakeholders.
- Investigating any alleged or suspected wrongdoing brought to its attention.
- Challenging management in the areas of non-routine, related party transactions.

The auditor has a responsibility to:

- Plan and perform the audit to provide reasonable assurance that the financial statements are free of material misstatement, whether caused by fraud or error.
- Evaluate whether the Society programs and controls that address identified risks of material misstatement due to fraud have been suitably designed and placed in operation.
- Evaluate management's process for assessing the effectiveness of antifraud programs and controls.
- Evaluate fraud of any magnitude on the part of senior management and the impact on the control environment.

In order to fulfill our responsibilities related to fraud, we plan to perform the following audit procedures:

- Inquiries of management, the Governing Council's Audit Committee and others related to knowledge of fraud or suspected fraud, the fraud risk assessment process and how fraud risks are addressed by the Society.
- Disaggregated analytical procedures, primarily over revenue.
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed
- Identify and select journal entries and other adjustments for testing

5. Audit approach

5.1 Audit process

We continue to adopt a risk-based audit methodology. Our strategy is to align this even more closely with management's assessment of the business risks to ensure that appropriate processes and controls are in place.

Our audit approach and process is designed to provide us with sufficient audit evidence to issue an audit opinion on the financial statements. The foundation of our audit approach is our assessment of the risks of material misstatement. We then identify and assess whether controls are in place which mitigate the risks we have identified. We will review the overall control environment and assess how the directors gain comfort that the Society's risks are effectively controlled.

We obtain our audit evidence from the following:

- A thorough and detailed understanding of your business and its risks. To this end we hold meetings with senior management to understand the business, the risks and the control processes upon which management rely and building on our previous knowledge and experience.
- Gathering much of our audit evidence through a process of enquiry and testing which evaluates how your controls address the risks identified and whether assertions about control effectiveness can be supported by verifiable evidence.
- As we complete the consideration of controls, we assess the extent to which we need to support the work done with additional substantive audit evidence. Where we believe that appropriate controls are in place to mitigate our audit risk, we normally plan to test and rely upon these controls. In other areas, where it is more efficient to do so, or where we are unable to place reliance upon controls, we adopt a largely detailed substantive approach to the audit (for example, through agreeing transactions to client records or other source documents, or through obtaining independent third party confirmations). However, we are required in terms of International Standards of Supreme Audit Institution to carry out some substantive testing for all material account balances.
- In addition, we carry out analytical review and other substantive procedures, as necessary.

We remain in effective communication with management and the Audit Committee of the Governing Council throughout the process.

5.2 Audit risk assessment

The key to our audit approach is to perform a risk assessment prior to commencement of the audit to identify and focus audit effort on the most significant issues affecting the Society's performance. Our audit approach continues to focus on the robustness and effectiveness of the control environment established by management to ensure sound operational and financial control and the mitigation of risk. Where possible, we seek to validate and subsequently place reliance on the controls that are in place, in order to increase the efficiency of our audit work.

Our audit comfort comes from evaluating and validating how well management monitor and control the business and financial risks. Meeting with key financial and operational management at each of your business units is central to this approach.

We continually assess the level of audit risk relating to each business area and support function.

A description and analysis of the audit risks we perceive and how we plan to respond to these risks in section 6 of this plan, "Significant audit focus areas."

5.3 Materiality

An assessment of materiality is an important consideration in determining our audit strategy; this assessment ensures that audit work is directed towards areas of risk of material misstatement. We ordinarily consider materiality in terms of the aggregate level of misstatement that could be considered material to key elements of the financial statements that are the statement of financial position or statement of performance categories and notes disclosures.

We regard an error as material if it would affect the actions of users of the accounts. We identify and assess the risk of material misstatement at:

- The overall financial statement level, and
- In relation to classes of transactions, account balances and disclosures.

In establishing this level, we consider both the amount (quantity) and nature and circumstances (quality) of misstatements. Particularly, the factors considered include:

- Our understanding of the Society and its environment;
- Level of audit risk identified during the risk assessment process; and
- Results of prior year audit procedures

Materiality levels are calculated during the planning phase of the audit and updated during the final audit. Should any member of the Governing Council's Audit Committee require further information relating to materiality levels, they are welcome to contact us directly and we will provide them with the information required.

During the audit we may identify differences between the accounting records and the amounts determined by our audit testing or information we otherwise become aware of.

We will accumulate and summarise all known or estimated differences and evaluate them against the financial statement lines to which they relate, and advise the directors on whether the financial statements require adjustment.

5.4 Significant audit focus areas

Risk identification and risk management are the responsibilities of the Society's directors and management. Risks can be separated into operational risks and audit risks. Operational risks are the risks that affect the performance aspects of the entity, whilst the audit risks are the risks that could impact on the financial statements. Our audit plan begins with an analysis of the operational environment. This approach ensures that the key audit risks are identified and assessed at an early stage. Working with management, we have put together a risk inventory based on the Society's business strategy.

We have identified certain audit risks as part of our audit planning process. Note that some audit risks may be operational risks, but not all operational risks are necessarily audit risks. Our audit scope and procedures have been tailored to address these specific matters in more details.

5.5 Significant audit focus areas

Audit focus area	Planned Audit response
<p>1. Risk in revenue recognition</p> <p>Material misstatements due to fraudulent financial reporting often result from an overstatement of revenues</p> <p>The Society's main revenues include;</p> <ul style="list-style-type: none"> • Members contributions • CLE fees • Sponsorships and sale of law report • Project income- received from donors for various projects <p>There is a risk that revenue is not recognised in accordance with IFRS 15 (Revenue from Contract with Customers) requirements, and that the cut-off points at which risks and rewards are transferred is not correctly reflected in the financial statements.</p>	<ul style="list-style-type: none"> • We will review the accounting procedures for revenue recognition to ensure compliance with the IFRS 15 by doing the following; <p>• Members contributions</p> <ul style="list-style-type: none"> -Compare the list of members per Wakili data base and members register. -On a sample basis confirm the amounts in the general ledger versus amounts deposited in the bank. -Ensure the fees from newly enrolled members have been properly recognized -Perform analysis and identify unusual variances and relationships <p>• CLE fees</p> <ul style="list-style-type: none"> -Obtain the seminar's plan for the year and compare to the actual number of seminars conducted. -Compare total revenue per seminars and compare with sage evolution -Select seminars and compare revenue per signed list versus the amount deposited in the bank - Compare the attendees list versus the list in payments <p>• Project Income</p> <ul style="list-style-type: none"> -Review of donor contracts and assess implementation of key covenants -Confirm the amount per contract versus the amount received in the bank statement -Send confirmations to donors to confirm the amount disbursed to TLS versus the amount in Sage Evolution <p>• Sponsorship and sale of TLS Law Reports</p> <ul style="list-style-type: none"> -Compare the number of books balance at the beginning of the year versus the last year closing balance. -Compare the revenue for the year to the revenue from books movement -Trace the sales in the bank statements

Audit focus area	Planned Audit response
<p>2. Operation risk</p> <p>The Society may have operational challenges that needs attention It included the following</p> <ul style="list-style-type: none"> • Inadequate seminars may have been provided compare to the planned number of seminars • CLE points may be awarded to members who have not fully attended required number of seminars • New members may have been enrolled but not yet included in the Society records • Chapters may have not been well coordinated and lack of control over expenditure and activities being performed. • Control over the assets at the Chapters 	<ul style="list-style-type: none"> • We will review the seminars done and compare to the number of trainings budgeted or bookings; • Select a sample of CLE completed Lawyers and track their seminars • We shall review the budgets for income and expenditures in respect of seminars, workshop and membership fees; • We shall review the attendance lists and compare to the revenue recognized. • Review the number of newly enrolled members compared to TLS records • Visit a sample of Chapters and confirm activities performed versus planned, verification of assets and expenditures incurred.

Audit focus area	Planned Audit response
<p>3. Management override of controls</p> <p>Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. Fraud can be committed by management overriding controls using such techniques as:</p> <ul style="list-style-type: none"> • Recording fictitious journal entries, particularly close to the end of an accounting period, to manipulate operating results or achieve other objectives; • Omitting, advancing or delaying recognition in the financial statements of events and transactions that have occurred during the reporting period; • Concealing, or not disclosing, facts that could affect the amounts recorded in the financial statements; • Altering records and terms related to significant and unusual transactions. <p>Auditing standards require us to consider the risk associated with management override of controls, particularly to the extent it could lead to a material misstatement of the financial statements.</p>	<ul style="list-style-type: none"> • We will examine journal entries and adjustments made throughout the year; • We will test compliance with cut off procedures; • We will review all accounting estimates including provisions for biases that could result in a material misstatement due to fraud, including performing a retrospective review of prior year estimates; and • Evaluate the business rationale for significant unusual transactions.

Audit focus area	Planned Audit response
<p>4. Follow up on implementation status of prior year audit recommendations</p> <p>There is a risk that the Society may have not implemented the prior year audit recommendation for improvements in various aspects.</p> <p>The audit findings noted were;</p> <ul style="list-style-type: none"> • Staff loans and advances not recovered from employees totalling TZS 17,043,690 • Unretired imprest from Dodoma Chapter TZS 2,454,000 • Weaknesses noted in bank reconciliations • Weaknesses in the management of Property and equipment • Lack of proper authorisation for posting of transaction in the accounting system. • Missing laptop at Mbeya Chapter • Payments to vendors not supported with EFD receipts/ tax invoices • Late remittance of statutory deductions • Lack of ICT Policy and Procedures • Server Security issues • Audit trails are not reviewed to check for any unusual events • Sage Evolution setup weaknesses 	<p>We shall make verification to assess the implementation status of the prior year audit recommendations by:</p> <ul style="list-style-type: none"> • Obtaining supporting documentation to show that the weaknesses noted have been dealt with; • Discuss with Management on the status of implementation based on verifications; and • Provide an overall assessment of the status of implementation and include in our reports for the current year
<p>5. Non-Compliance with procurement procedures</p> <p>Generally, procurement procedures should be used when an organization seeks to purchase major items of goods, works and services of such a value that the benefits from seeking alternative quotes and tenders are likely to outweigh the costs of administering a procurement exercise. There is a risk that procurement procedures may not be observed.</p>	<p>We will test compliance with the Society's procurement procedures and adherence to the best practice to ensure that there was value for money.</p>
<p>6. Expenditure may not be adequately supported</p>	<p>We will test to ensure value for money is attained and the following documents are available to support expenditure:</p> <ul style="list-style-type: none"> • A suppliers' invoice or certificate stating the country of origin

Audit focus area	Planned Audit response
Expenditure may not be properly supported and value for money may have not been attained in procurement of services, works and goods.	<p>of the goods and/or services;</p> <ul style="list-style-type: none"> • Contracts and invoices for services/ works or purchase order for goods; • Ensure that Invoices, receipts and delivery notes are in place; and <p>Evidence of competitive bidding for major expenditure incurred.</p>
7. Compliance with TFRS 1 and Key Audit Matters (ISA 701) <p>This standard provides a comprehensive guidance on the Director's report. Assessment will be intensified on this area and a paragraph in the general report will be included and the same should be used as a basis for opinion considering the newly issued standard ISA 701.</p>	A checklist that ensure full compliance with TFRS 1 have been prepared to be used for review of compliance with TFRS 1.
8. Asset Management <p>The Society may not have proper management of fixed assets.</p>	<p>To ensure appropriate asset management we will perform the following;</p> <ul style="list-style-type: none"> • Perform physical verification of all assets including assets maintained at stations • Obtain the list of non-performing assets and recommend proper course of action • Establish whether the de-recognition procedures over unused assets have been complied. • Ensure that assets have insurance covers
9. Audit of IT Systems <p>Control procedures in the use of IT Systems (who has access to what and whether there is a clear separation of incompatible activities within the system) should be</p>	We will review all control procedures in the use of IT Systems, review data input-output process whether it provides required results and study the risks associated with the use of IT systems;

Audit focus area	Planned Audit response
strong. Data input-output process should provide required results and all risks associated with the use of IT Systems should be documented.	We shall carry the review to ensure that data/transactions in these systems are done by way of acceptable journals and not deletion.
<p>10. Management of Statutory deductions and Compliance</p> <p>The Society is required to comply with</p> <ul style="list-style-type: none"> i. The higher education Student's Loans Board act, 2004 by deducting 15% of emolument paid loan beneficiaries employed by the Society and remit to the higher learning institution loan board; ii. The Public Service Social Security Act No.2 of 2018 by submitting statutory deductions to the Social Security Contribution Funds; and iii. VETA Act 2006 by submitting Skills and Development Levy. 	<p>We will test the Society's compliance with;</p> <ul style="list-style-type: none"> i. The Public Service Social Security Act No.2 of 2018 ii. The Society's compliance with the Higher Education Student's Loans Board Act, 2004.

6 Reporting and communication

6.1 Financial statements

The Governing Council have the responsibility for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards (IFRS).

We will issue our opinion as to whether the financial statements of the Society have been prepared, in all material respects, in accordance with IFRS.

6.2 Specific requirements

Under ISA, we are required to make a number of specific communications to those charged with governance. These communications and how they will be addressed are summarised in the table below:

Requirements	Audit plan
Copy of engagement letter to those charged with governance	C2.4
Independence and objectivity confirmation	C2.3
Nature and scope of work	C2.5
Expected modifications to the auditors' report	C2
Summary of uncorrected misstatements	B7.1
Material weaknesses in the accounting and internal control systems identified during the audit	C5
Views about the qualitative aspects of the entity's accounting practices and financial reporting	C4
Matters specifically required by other ISA's to be communicated to those charged with governance	D
Draft of representation letter	A6
Any other audit matters of governance interest	D

6.3 Requirements and expectations

In order to carry out an effective and efficient audit, we have discussed your expectations with management and have agreed on the requirements. In summary, these are as follows:

Requirements and expectations	Measures
<ul style="list-style-type: none"> An audit opinion on the statutory financial statements for the year ended 31 December 2018. 	<ul style="list-style-type: none"> Our audit is conducted in accordance with the International Standards of Auditing (ISAs). The Management is responsible for the preparation of the statutory financial statements, which give a true and fair view. The objectives of our work, our procedures and their limitations have been set out in our letter of engagement We shall give an opinion on whether proper books of account have been kept and whether the financial statements give a true and fair view of the state of financial affairs of the Society as at 31 December 2018.
<ul style="list-style-type: none"> Timely identification and discussion of possible findings (no surprises at the end of the financial year) 	<ul style="list-style-type: none"> Agreeing the audit plan with management and an open communication style during the year. Early discussion of the audit plan with the Governing Council's Audit Committee. Ensuring that significant issues identified at the planning stage are finalised before the year-end audit.
<ul style="list-style-type: none"> Early indication of any changes in accounting standards and in the regulatory environment. 	<ul style="list-style-type: none"> Communicating changes in accounting standards. Invitations to seminars.
<ul style="list-style-type: none"> Technical support with regard to IFRS queries and response to such queries within a defined time frame. 	<ul style="list-style-type: none"> Final resolution of open IFRSs queries prior to preparing the financial statements within an agreed-upon time frame.
<ul style="list-style-type: none"> Proactive and relevant suggestions for improvements in the financial reporting, business processes, which will include computer systems and operations of your business 	<ul style="list-style-type: none"> We are committed to provide you with our observations and suggestions for improvements through continuous communication with management.
<ul style="list-style-type: none"> Implementation of and compliance with, IFRSs guidelines 	<ul style="list-style-type: none"> Timely access to support for decisions and to proposed solutions.

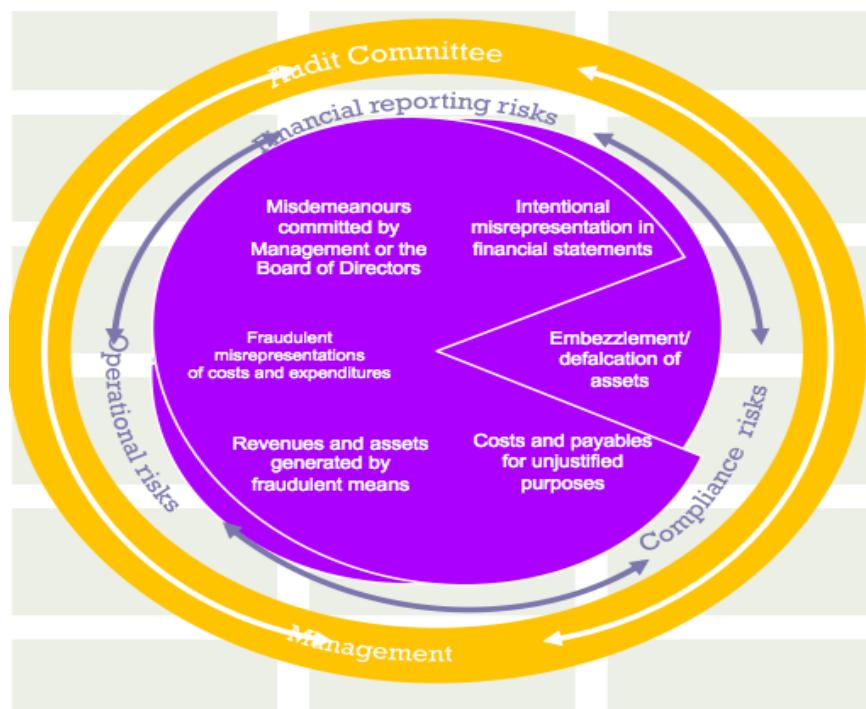
Requirements and expectations	Measures
<ul style="list-style-type: none"> • Reporting to the Governing Council's Audit Committee focussed on the most important issues 	<ul style="list-style-type: none"> • We will bring significant matters arising from our audit to the attention of management on a timely basis. This will be through continuous communication in the course of the audit and our final audit report. We will discuss our reports with management before presentation to the Governing Council's Audit Committee. <p>We will communicate the following to the Governing Council's Audit Committee upon completion of the audit work:</p> <ul style="list-style-type: none"> • our audit report on the financial statements; • material weaknesses in the accounting and internal controls systems (these will be reported to you as they come to our attention through meetings with the management at the end of our planning and final visits, with a report being issued after our final visit; and • summary of uncorrected misstatements for you to assess their overall impact on the financial statements and subsequently provide us with a written representation on matters of judgment by the management.
<ul style="list-style-type: none"> • Continuity in the composition of the audit team 	<ul style="list-style-type: none"> • Claritas internal measures (e.g. rotation planning), so that continuity and communication is achieved. • Management of transitions where key audit team members leave the team.
<ul style="list-style-type: none"> • Early warning of significant contract negotiations 	<ul style="list-style-type: none"> • Regular contact and access to drafts of significant contracts.

6.4 Our expectation of the Governing Council's Audit committee

In developing our plan, we have expectations of the Audit Committee. We appreciate your role on issues of corporate governance. Part of your governance role is to understand the risks of the business, including fraud. Misstatements related to fraud may relate to fraudulent financial reporting or to misappropriation of assets. We would like to understand your perspectives on the risk of fraud in your business.

To achieve this, at the presentation of our service plan, we would like to discuss with you your perception of fraud risk and the mitigating controls in place.

Below is an outline of our perception of fraud including some facts on fraud and the elements, which when present together, may result in fraud.



7 Engagement team

The engagement team will comprise the following individuals;

Team Member	Level/Grade
Chrisant Christopher	Engagement Leader
Avelyne Msaki	Quality Reviewer
Anderson Nollo	Audit senior
Anna Mathew	Team Member
Martha Masole	Team Member
Lucy Katamba	Team Member

8 Reporting timeline

The milestones below were defined together with Management and both parties have committed themselves to them. We are always available to the Governing Council and Management to discuss any specific issues as and when necessary.

The provisional timetable for significant audit-related meetings is as follows:

Event	Timing	Responsible personnel
Planning meeting with management	28 February 2019	Management, Internal Auditor and External Auditor
Field work	4 March 2019	External Auditor and Management
Stock taking meeting1	13 March 2019	Management, Internal Auditor and External Auditor
First draft reports	15 March 2019	Management, Internal Auditor and External Auditor
Final report discussion with Management	18 March 2019	Management, Internal Auditor and External Auditor
Presentation of reports to Audit Committee	22 March 2019	Audit Committee of the Governing Council and External Auditor
Adoption of reports by the Governing Council	23 March 2019	The Governing Council and External Auditor

9 Audit fees

Our fee is based on the time necessarily spent on the audit by the members of the audit team. Individual hourly rates vary according to the level of experience, skill and responsibility of staff involved.

The proposed fee for this assignment is based on the experience mix of staff to be deployed for this assignment.

The estimated fee for this assignment is TZS 20,000,000. The fees do not include expenses to be necessarily incurred in the course of the audit such as travel and communication costs which we bill on the basis of actual costs incurred. Our fees exclude Value Added Tax (VAT) at the prevailing rate, which is currently 18%.

The fee is based on the actual cost incurred during prior year audit the analysis of which is provided in the table below. It should be noted that our agreed fee for the 2017 audit of TZS 11m was based on assumptions that the audit shall take a maximum of two (2) weeks. However, due to the size of operations and the level of review that was required to provide value adding recommendations, the audit took more than five (5). This also implies that we underbudgeted due to limited information regarding the size of TLS operations.

	Number of weeks	Total number of hours worked	Total cost USD)
Engagement leader	2	75	7,500
Quality Review Partner	0.5	15	1,500
Senior auditor	4	150	4,000
Assistant auditor 1	3	113	2,500
Assistant auditor 2	3	113	2,500
Professional fees(USD)			18,000
Total in TZS	13	465	41,040,000
Fees billed			11,800,000
Overruns			29,240,000

Should we encounter any abnormal problems or delays during the audit we will notify you immediately and discuss the potential cost implications with yourselves.

As is our usual practice, our fees will be billed on a progressive basis. We propose the following billing schedule that reflects the spread of effort during the audit:

SN	Description	Percentage	Amount
1	On start of interim audit	80%	16,000,000
2	On commencement of financial audit	20%	4,000,000
	Total	100%	20,000,000

10. Communications plan

Objective

The objective of all our communication is to provide management and the Governing Council's Audit Committee with regular, open and relevant feedback. All issues follow strict protocols at all management levels, ensuring that the issue resolution is consistent, timely and respects your lines of management reporting.

Communications plan

Our communication with the Society is set out in the table below.

We are required to make a number of specific communications to those charged with governance. These communications and how they will be addressed are summaries in the table below.

Description	Audit Plan	At audit finalization
Copy of engagement letter to those charged with governance.	✓	
Independence and objectivity confirmation	✓	✓
Nature and scope of work together with timing of expected reports	✓	
Expected modifications to the auditors' report		✓
Uncorrected misstatements		✓
Significant deficiencies in internal control identified during the audit		✓
Views about the qualitative aspects of the entity's accounting practices and financial reporting	✓	
Matters specifically required by other ISAs to be communicated to those charged with governance		✓
Final draft of representation letter		
Any other audit matters of governance interest		✓