AGEC Grade 12 Accounting Teacher Lesson Plan

Why does the business need auditors?

The Allan Gray Entrepreneurship Challenge (AGEC) offers lesson plans that are interactive and CAPS-aligned, encouraging teachers to bring gamified learning into the classroom. These lesson plans enhance the CAPS curriculum per grade by highlighting one or two learning outcomes per subject that links to the AGEC High School Game, enabling fun integration and learning opportunities.

Subject: Accounting

Topic: Corporate Governance (based on South African legislation and principles)	**Part A:** Class discussion. Why does the business need auditors?	**20 minutes**
	Part B: Work with a partner to play the AGEC High School Game and complete the worksheet.	**35 minutes**
	Part C: Completion of worksheet. Class discussion.	**5 minutes**

Resources: Access to internet, AGEC **(www.theentrepreneurshipchallenge.com)** and the "Worksheet for Lesson".
Vocabulary: Internal auditor, external auditor, independent audit, audit evidence, internal control, audit opinion, unmodified opinion, qualified opinion, adverse opinion, disclaimer of opinion, IFRS and IRBA.
Advance preparation: Print one worksheet for each learner. Ensure that all learners (working in pairs) have access to the AGEC website and High School Game (available on all devices - cellphone, laptop, computer, tablet).

Part A 20min Set the scene Whole Class

Hold a class discussion. Ask Learners what they know about auditors and the role they play for businesses.

Context: The AGEC High School game represents a small business, which may operate without a board or a statutory external audit. However, every business needs accurate records and effective internal controls. This lesson moves from that small-business context to the more formal reporting and audit requirements of companies, particularly public companies.

Understanding company financial reporting

- **Companies** prepare **annual financial statements** after the end of each financial year.
- In a company, the **directors** are responsible for ensuring that the annual financial statements are prepared and approved by the board.
- In a **small private company**, the board may consist of only one director.
- **Public-company** financial statements must be independently audited.
- The **external auditor** examines the financial statements and expresses an independent opinion. The auditor does not prepare or approve them.
- An **audit** does not remove the directors' responsibility for incorrect or misleading information.
- **Financial statements** must comply with applicable reporting standards, the Companies Act and relevant corporate-governance principles.

Why does the business need auditors?

Part A 20min Set the scene (continued)

The annual report may include:

- Directors' Report
- Independent Auditor's Report
- Statement of Comprehensive Income
- Statement of Financial Position
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements

Internal Auditors

- Evaluate whether the business's internal controls are operating effectively.
- Examine records and transactions to identify errors, weaknesses or possible fraud.
- Report findings and recommendations to management and the audit committee.
- May be employees of the business or provide an outsourced internal-audit service.
- Do not prepare, approve or express an external audit opinion on the financial statements.

External Auditors

- Are independent of the company and cannot be its employees.
- Are appointed by shareholders in the case of a public company.
- Examine selected records, transactions and controls to obtain sufficient appropriate audit evidence.
- Express an independent opinion on whether the financial statements are fairly presented, in all material respects.
- Provide reasonable assurance, but do not guarantee that the financial statements are completely free from error or fraud.
- Charge an audit fee, which is recorded as a business expense.
- Must remain objective, confidential and free from conflicts of interest.

Registration of external auditors

An auditor who signs a statutory external audit report must be registered with the Independent Regulatory Board for Auditors (IRBA). Registered auditors must follow professional auditing and ethical standards and may face disciplinary action for misconduct or negligence.

Advantages of using registered auditors:

- Auditors are guided by a professional code of ethics.
- Registration supports professional standards, oversight and accountability.
- High professional standards are maintained.
- Disciplinary measures can be taken against auditors who are negligent.
- Auditors may be deregistered if they commit any misconduct or sued if they produce misleading reports.

Teacher's Note: Refer to the current King Code rather than naming an outdated edition. King V superseded King IV and applies to financial years beginning on or after 1 January 2026.

AGEC Grade 12 Accounting Teacher Lesson Plan

Why does the business need auditors?

Part A 20min Set the scene (continued)

Examples of audit evidence:

- Company policies and procedures
- Asset and inventory registers
- Source documents supporting transactions
- Journals and ledger accounts
- Written representations from management
- Internal-audit reports
- Audit-committee reports

Audit opinions

After completing the audit, the external auditor issues a report addressed to the shareholders:

- **Unmodified opinion:** The financial statements are fairly presented, in all material respects.
- **Qualified opinion:** A specific matter is materially misstated, or sufficient evidence could not be obtained, but the matter is not pervasive throughout the financial statements.
- **Adverse opinion:** The financial statements contain material and pervasive misstatements and are therefore not fairly presented.
- **Disclaimer of opinion:** The auditor cannot obtain sufficient appropriate evidence, and the possible effects may be both material and pervasive. The auditor is therefore unable to express an opinion.

Part B Prep Ensure that learners have access to the online game

What they will need: Any device (phone, tablet, or computer); internet or data to register; your school's details; an email address or mobile number; access to the AGEC website **www.theentrepreneurshipchallenge.com**.

Registration: Learners can register with an email address/mobile number. They have to choose their profile role type as 'High School Learner', complete the registration form and click on "start playing".

Logging into their gaming account: Once their email address or mobile number has been verified, they can log in again at any time on the AGEC website.

PREPARATION FOR NEXT STEPS:

- Read through the worksheet with learners. Make sure that they understand what is required of them. Point out that it will take time to play the game as they have to discuss as they go along.
- Support learners as they log in to the AGEC High School Game. Preferably learners work in pairs so that they can collaborate.

AGEC Grade 12 Accounting Teacher Lesson Plan

Why does the business need auditors?

Part B 35min Play the game and do the worksheet — With a partner

WORKSHEET INSTRUCTIONS:

- To complete the worksheet, learners should apply what they have learned about internal controls, auditors, audit evidence and audit opinions.
- Once learners have played through **six payday cycles** of the game, hold a short whole class discussion to check whether learners need any further support before they complete the worksheet.
- Explain that the AGEC High School Game represents a small business that may not be legally required to undergo an external audit. Learners should use the game to consider why accurate records, reliable information and effective internal controls remain important in every business.

TIP: At the end of gameplay, it could also be fun to reward the pair with the highest Business Value.

Part C 5min Discussion and Reflection — In pairs and whole class

Hold a class discussion: Learners provide answers to the below questions based on their worksheet answers.

Learner Worksheet Questions:

1. What does an internal auditor do for the business?
2. Explain the role of the external auditor of a public company.
3. State three differences between internal and external auditors.
4. Explain how transparency and accountability improve the quality of financial reporting.
5. Explain the difference between:
   a. An unmodified and a qualified audit opinion.
   b. An adverse opinion and a disclaimer of opinion.
6. Give two reasons why the financial statements of a listed company must be audited by an external auditor.
7. Why must an external auditor remain independent of the company? Give two possible consequences if an auditor deliberately issues a misleading audit report.
8. What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide two examples.
9. How could inaccurate records or weak internal controls affect the decisions you made, and the Business Value shown in the AGEC High School Game?

Additional Review Questions:

- Why are internal controls important even when a small business is not externally audited?
- Why does an external auditor examine evidence rather than simply accept information provided by management?
- Why is an independent audit opinion valuable to shareholders?

Learners can play the AGEC High School game throughout the year to improve their business acumen.

For more information about AGEC please visit www.theentrepreneurshipchallenge.com or send an email to info@theentrepreneurshipchallenge.com