South African Institute of Professional Accountants

MEMBER GUIDE

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Technical & Standards Services Department
PART 1: INTRODUCTION

The Technical and Standards Services Department (TSSD) provides this introductory overview of the most common reporting and related services that SAIPA members are entitled to provide, as a guide to new members and as a reference to current members. The guide is based on the content as provided on the SAIPA Working Paper CD.

Due to the nature of the environment in which the Institute and its members operate the reporting duties that members are entitled to perform are continuously under review. The TSSD will therefore endeavour to continuously update this guide with the most recent additions to the reporting duties. In this regard members are invited to comment and add to the information contained within the guide if a specific reporting duty is not referred to or not adequately covered.

SAIPA members are entitled to provide a wide array of services to their clients. For practical purposes three generic focus areas have been identified in parts 4, 5 and 6.

The guide also lists a selection of reference sources that are invaluable to members performing reporting duties for clients.

Note that at all times a SAIPA member:

- Should not portray himself or herself as having expertise or experience that he or she does not possess;
- Should not perform any work that may only be performed by a person who is registered with the IRBA;
- Should only undertake such services as they can expect to complete with competence; and
- Each SAIPA member should have an “engagement acceptance policy” in place, regulating which engagements are permitted to be accepted by members, in line with this guide.¹

Members may contact the SAIPA Technical and Standards Department at fngwenya@saipa.co.za or techadmin@saipa.co.za, or phone the head office at 011 207 7840 for more information.

¹ Section 2 of the SAIPA constitution contains the “Code of Conduct”. According to sections 4, 9 and 10.
PART 2: KEY DEFINITIONS

“Accounting officer” means an individual or close corporation appointed under the Close Corporations Act, 69 of 1984, as amended, to a close corporation in order to render specific services as listed in section 62(1)(c).

“Independent Accounting Professional” when used with respect to any particular company, means a person who:

(i) is:

(aa) a registered auditor in terms of the Auditing Profession Act; or

(bb) a member in good standing of a professional body that has been accredited in terms of section 33 of the Auditing Profession Act; or

(cc) qualified to be appointed as an accounting officer of a close corporation in terms of section 60(1), (2) and (4) of the Close Corporations Act, 1984 (Act 69 of 1984); and

(ii) does not have a personal financial interest in the company or a related or inter-related company; and

(iii) involved in the day to day management of the company’s business, nor has been so involved at any time during the previous three financial years; or

(iv) a prescribed officer, or full-time executive employee, of the company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; and

(v) is not related to any person who falls within any of the criteria set out in clause (ii) or (iii).

“Independent reviewer” means a person referred to in regulation 29(4) of the Companies Act General Regulations and who has been appointed to perform an independent review under this regulation.

“Professional Accountant (South Africa)” means an individual registered with the South African Institute of Professional Accountants (SAIPA).
PART 3: SELECTION OF RESOURCES TO FACILITATE BEST PRACTICE IN REPORTING AND RELATED SERVICES

Every SAIPA member has the responsibility to ensure that the services they offer are aligned to the professionalism expected of SAIPA members. Reporting and related services performed by SAIPA members should therefore be of an appropriately high professional standard.

Work must be performed at an adequate level of competency, and sufficient knowledge must be available to perform the work at hand. It is incumbent on every member to perform only work which the member is competent and legally permitted to perform and adequately equipped to do.

Furthermore, adequate consideration should be given to all relevant legislation, courses studied, training undertaken, and continuing professional development courses attended. In this regard, particular attention must be given to the SAIPA Code of Conduct, and the SAIPA By-Laws.

The resources listed below provide a basic list of reference material that a Professional Accountant will need when reporting and related services are provided to clients:


Example checklists, schedules and working papers are available in the SAIPA working paper manual. This manual should guide members to ensure that members provide services of a high standard and keep a reliable record of work performed. In this regard each member should give due consideration to the guidance provided, taking cognisance of the client’s particular circumstances.

SAIPA does not prescribe a particular methodology for the preparation of working papers. Members are entitled to utilise any of the offerings available on the market to assist them with the compilation of working papers.

The key point to remember when deciding on a methodology is that the method chosen should be of such a standard that members would be able to rely on their working papers as evidence that they performed their work in accordance with what was expected and required of them. Members should therefore use their professional judgement to determine if they comply with any legislative requirements applicable to the particular service they provide.
3.2. Handbook of International Auditing, Assurance & Ethics Pronouncements

The Handbook as issued by the International Federation of Accountants (IFAC) provides standards and guidance on the performance of various reporting services. These include:

2.2.1 International Standards on Auditing (ISAs): to be applied in the audit of historical financial information;

2.2.2 International Standards on Review Engagements 2400 (ISREs): to be applied in the review of historical financial information;

2.2.3 International Standards on Assurance Engagements (ISAEs): to be applied in assurance engagements dealing with subject matters other than historical financial information;

2.2.4 International Standards on Related Services (ISRSs): to be applied to compilation engagements (these would include compilation of annual financial statements for clients), engagements to apply agreed upon procedures to information and other related services engagement as specified by the International Auditing and Assurance Standards Board (IAASB).

Members should give due consideration to the standards as provided by IFAC when performing any of the Part 4, 5 or 6 reporting services.

3.3. International Financial Reporting Standards (IFRS)

Members that prepare financial reports for their clients should give due consideration to the standards as provided by the International Accounting Standards Board (IASB). Two frameworks may be used:

2.3.1 IFRS as issued by the International Accounting Standards Board (IASB), which has the responsibility for accounting standard-setting; and

2.3.3 IFRS for Small and Medium-size Enterprises (SMEs) - intended for use only by SME’s. IFRS for SME is a more useful reference than IFRS when financial statements are prepared on behalf of small and medium clients. The Accounting Standards Board (ASB) in South Africa has approved and accepted this IFRS for SMEs.

The IFRS and IFRS for SMEs are useful sources of reference when considering the accounting treatment of certain items and the preparation and approval of financial statements in accordance with IFRS (where applicable), or generally accepted accounting practice as appropriate to the business.

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2 http://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a
4 http://www.ifrs.org/IFRSs/Pages/IFRS.aspx
5 Which can be obtained from www.ifrs.org.
6 Where IFRS is not required, for example close corporations, partnerships and sole proprietors.
PART 4: REPORTING SERVICES REQUIRED BY STATUTE

4.1 Introduction

A statute, such as the Companies Act\(^7\), or Close Corporations Act\(^8\), may require that a report be issued to the regulator or the relevant entity, by an: Independent Accounting Professional, an Accounting Officer, qualified person, or by a Professional Accountant (SA). Such reports are generally factual in nature requiring the report provider to compare financial statements with the information contained in accounting records, to review the appropriateness of the accounting policies that were applied in the preparation of financial statements, and to report on any contraventions of the particular legislation.

The Professional Accountant (SA) is generally expected to report to the client in respect of the nature and extent of the work that has been done and the results of such work. The report concerned is factual in nature and should not be confused with an attestation or assurance report of a Registered Auditor or Independent Reviewer. The report does not express an opinion.

Only Registered Auditors\(^9\) may provide reporting services that fall within the ambit of the Independent Regulatory Board for Auditors (IRBA) and its legislation. Reporting services may be required in terms of legislation or be the result of agreement between the client and the Professional Accountant (SA).

The Acts, regulations and policies listed below require the appointment of a person to issue reports to either the relevant regulator or entity.

4.2 Accounting officer for a close corporation

Close Corporations are governed by the Close Corporations Act.

Sections 56 and 58 of the Act provide that all close corporations are required to keep accounting records and prepare annual financial statements. In terms of sections 59 and 62 a close corporation must appoint an Accounting Officer to perform certain duties and report to the close corporation on the performance of those duties. The statutory duties of an Accounting Officer are contained in section 62 of the Act. Section 60 of the Act determines the qualifications of accounting officers, and provides that only those persons who are members of the professions that have been published by the Minister in the Gazette are entitled to be appointed as an Accounting Officer\(^10\).

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\(^7\) Act 71 of 2008.
\(^8\) Act 69 of 1984.
\(^9\) “Registered Auditor” means an individual or firm registered as an auditor with the Independent Regulatory Board for Auditors under the Auditing Profession Act, 26 of 2005.
\(^10\) Members of SAIPA are recognised to act as Accounting Officers.
Relevant sections of the Act read as follows:

**Section 56 accounting records**

(1) A close corporation must keep in one of the official languages of the Republic such accounting records as are necessary fairly to present the state of affairs and business of the close corporation, and to explain the transactions and financial position of the business of the close corporation.

(2) Close corporations must keep:

- records showing the assets and liabilities, members’ contributions, undrawn profits, revaluations of property, plant and equipment\(^\text{11}\) and amounts of loans to and from members,
- a register of property, plant and equipment showing the respective dates of acquisition and the cost thereof, depreciation (if any), the date and amount of any revaluations (if applicable), the respective dates of any disposals and the consideration received in respect thereof,
- records containing entries from day to day of all cash received and paid out, in sufficient detail to enable the nature of the transactions and, except in the case of cash sales, the names of the parties to the transactions to be identified,
- records of all goods purchased and sold on credit and services received and rendered on credit in sufficient detail to enable the nature of goods or services and the parties to the transactions to be identified,
- statements of annual inventory taking and records to enable the value of inventory at financial year-end to be determined, and
- vouchers supporting entries in the accounting records.

(3) The accounting records relating to the following matters must contain sufficient detail of individual transactions to enable the nature and purpose thereof to be clearly identified:

- contributions by members,
- loans to and from members, and
- payments to members.

(4) Records must be kept in such a manner as to provide adequate precautions against falsification and to facilitate the discovery of any falsification.

(5) If the members have assigned their responsibility with regard to the accounting records, as provided for in section 56, to a competent and reliable person and are able to prove that they had reasonable grounds for believing and did believe that the person charged with the

\(^\text{11}\) Previously referred to as fixed assets.
duty was in a position to discharge that duty and the members had no reason to believe that this person had failed to discharge that duty, the members are entitled to use this as a defence.

Consequently, if an accounting officer is required to maintain the accounting records of a close corporation, it becomes the responsibility of the accounting officer to ensure that the accounting records are maintained as provided for in section 56.

Section 57 Financial year

The financial year of a close corporation is its annual accounting period. The close corporation must state in its founding statement a date on which its financial year will end. The financial year-end may be changed by the registration of an amended founding statement provided that the date is not changed more than once in any financial year (S57(2)). If the financial year has been changed, it must end not less than three months and not more than eighteen months after the end of the previous financial period (S57(4)(b)).

A financial year normally consists of a period of twelve months. The first financial year commences on the date of registration and must consist of a period of not less than three months and not more than fifteen months (S57(4)(a)).

Section 58 Annual financial statements (as amended by the Companies Act)

(1) The members of a corporation shall within six months after the end of every financial year of the corporation cause annual financial statements in respect of that financial year to be made out in one of the official languages of the Republic.

(2A) Section 30 (2)(b) and (3) to (6) of the Companies Act read with the changes required by the context, apply to a corporation that is required by the regulations made in terms of section 30(7) of the companies act to have its annual financial statements audited.

(Companies Act section 30. Annual financial statements)

(1) Each year, a company must prepare annual financial statements within six months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61 (7).

(2) The annual financial statements must:

(a)

(b) in the case of any other profit or non-profit company:

(i) be audited, if so required by the regulations made in terms of subsection (7) taking into account whether it is desirable in the public interest, having regard to the economic or social significance of the company, as indicated by any relevant factors, including:

(aa) its annual turnover;

(bb) the size of its workforce; or
(cc) the nature and extent of its activities; or

(dd) independently reviewed in a manner that satisfies the regulations made in terms of subsection (7), subject to subsection (2A).

(2A) If, with respect to a particular company, every person who is a holder of, or has a beneficial interest in, any securities issued by that company is also a director of the company, that company is exempt from the requirements in this section to have its annual financial statements audited or independently reviewed, but this exemption:

(a) does not apply to the company if it falls into a class of company that is required to have its annual financial statement audited in terms of the regulations contemplated in subsection (7) (a); and

(b) does not relieve the company of any requirement to have its financial statements audited or reviewed in terms of another law, or in terms of any agreement to which the company is a party.

(3) The annual financial statements of a company must:

(a) include an auditor’s report, if the statements are audited;

Section 59 appointment of accounting officers

(1) Every corporation shall appoint an accounting officer in accordance with the provisions of this Act.

Section 60 qualifications of accounting officers

(1) No person shall be appointed as or hold the office of an accounting officer of a corporation, unless he or she is a member of a recognized profession which:

(a) as a condition for membership, requires its members to have passed examinations in accounting and related fields of study which in the opinion of the Minister would qualify such members to perform the duties of an accounting officer under this Act;

(b) has the power to exclude from membership those persons found guilty of negligence in the performance of their duties or of conduct which is discreditable to their profession; and

(c) has been named in a notice referred to in subsection (2).

Section 62 duties of accounting officers

(1) The Accounting Officer of a corporation shall, not later than three months after completion of the annual financial statements:

(a) subject to the provisions of section 58 (2) (d), determine whether the annual financial statements are in agreement with the accounting records of the corporation;

(b) review the appropriateness of the accounting policies represented to the Accounting Officer as having been applied in the preparation of the annual financial statements; and

(c) report in respect of paragraphs (a) and (b) to the corporation.
(2)

(a) If during the performance of his duties an Accounting Officer becomes aware of any contravention of a provision of this Act; he shall describe the nature of such contravention in his report.

(b) Where an Accounting Officer is a member or employee of a corporation, or is a firm of which a partner or employee is a member or employee of the corporation, his report shall state that fact.

(3) If an Accounting Officer of a corporation:

(a) at any time knows, or has reason to believe, that the corporation is not carrying on business or is not in operation and has no intention of resuming operations in the foreseeable future; or

(b) during the performance of his duties finds-

(i) that any change, during a relevant financial year, in respect of any particulars mentioned in the relevant founding statement has not been registered;

(ii) that the annual financial statements indicate that as at the end of the financial year concerned the corporation's liabilities exceed its assets; or

(iii) that the annual financial statements incorrectly indicate that as at the end of the financial year concerned the assets of the corporation exceed its liabilities, or has reason to believe that such an incorrect indication is given,

he shall forthwith by registered post report accordingly to the Registrar.

(4) If an Accounting Officer of a corporation has in accordance with subparagraph (ii) or (iii) of paragraph (b) of subsection (3) reported to the Registrar that the annual financial statements of the corporation concerned indicate that as at the end of the financial year concerned the corporation's liabilities exceed its assets or that the annual financial statements incorrectly indicate that as at the end of the financial year concerned the assets of the corporation exceed its liabilities, or that he has reason to believe that such an incorrect indication is given, and he finds that any subsequent financial statements of the corporation concerned indicate that the situation has changed or has been rectified and that the assets concerned then exceed the liabilities or that they no longer incorrectly indicate that the assets exceed the liabilities or that he no longer has reason to believe that such an incorrect indication is given, as the case may be, he may report to the Registrar accordingly.

Section 62A application of accountability provisions of the Companies Act

(1) Section 34(2) of the Companies Act, read with the changes required by the context, apply to a close corporation.

(2) Chapter 3 of the Companies Act, read with the changes required by the context:

1. Applies to a corporation that has voluntarily determined to take any action contemplated in Section 34(2) of the Companies Act and
2. prevails over any conflicting provision of this Act with respect to a corporation contemplated in (a).

Close Corporations Act 69 of 1984 Administrative Regulations

Administrative regulation 21 accounting officer

Any person who is a member of a profession whose members are qualified to perform the duties of an accounting officer in terms of section 60 of the Act and who signs any documents of or in respect of a corporation in his capacity as accounting officer of such corporation, shall state the name of the said profession of which he or she is a member and his or her registration number with such profession, beneath his or her signature.[Reg. 21 substituted by GN R607/2005]

Close Corporations Act and Regulations. Accounting officers of a close corporation:

(i) Act: Section 12 founding statement, section 15 registration of amended founding statement, section 61 right of access and remuneration of accounting officers, section 63 joint liability for debts of corporation, section 66 application of the Companies Act, section 73 repayments, payments of damages and restoration of property by members and others; and

(ii) Regulations: Regulation 15 registration of founding statement, regulation 16 registration of amended founding statement, regulation 16A annual return, regulation 21A reporting by accounting officer, schedule 3 periods of corporation records, CK2A Amended founding statement in respect of accounting officer and addresses, accounting officer designations )

4.3 Independent accounting professional of a company

“Independent accounting professional” when used with respect to any particular company, means a person who:

(i) is:

(aa) a registered auditor in terms of the Auditing Profession Act12; or

(bb) a member in good standing of a professional body that has been accredited in terms of section 33 of the Auditing Profession Act; or

(cc) qualified to be appointed as an accounting officer of a close corporation in terms of section 60 (1), (2) and (4) of the Close Corporations Act, 1984 (Act 69 of 1984); and

(ii) does not have a personal financial interest in the company or a related or inter-related company; and

(iii) is not:

(aa) involved in the day to day management of the company's business, nor has been so involved at any time during the previous three financial years; or

(bb) a prescribed officer, or full-time executive employee, of the company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; and

(iv) is not related to any person who falls within any of the criteria set out in clause (ii) or (iii).

(e) “independently compiled and reported” means that the annual financial statements are prepared:

(i) by an independent accounting professional;

(ii) on the basis of financial records provided by the company; and

(iii) in accordance with any relevant financial reporting standards.

(f) “ISRE 2400” means the International Standard for Review Engagements, as issued from time to time, by the International Auditing and Assurance Standards Board, or its successor body.

Companies Act and Regulations: Accountants registered as business rescue practitioners must comply with the business rescue requirements of the Act.

4.4 Services for financial service providers

There are two basic reporting duties that a Professional Accountant (SA) may perform in terms of the Financial Advisory and Intermediary Services Act13 (FAIS) namely reporting on the financial statements of certain financial services providers (FSPs), and acting as compliance officers for FSPs.

The accounting and audit requirements applicable to an FSP14 are:

4.4.1 Maintenance of business accounting records

In terms of section 19 of the FAIS Act all authorised FSPs must submit their financial statements to the FSB on an annual basis. A sole proprietor must submit their annual financial statements to the FAIS Department within 4 months of their financial year end15.

What must be submitted?

The completed and signed income statement and balance sheet must be submitted.

13 Act 37 of 2002.
14 https://www.fsb.co.za/Departments/fais/supervision/Documents/Financials%20Guide%20for%20small%20FSPs.pdf as issued by the FSB.
15 If for example your financial year end is 28 February then you would need to submit your financials to the FSB by no later than 30 June of each year.
When must the financial statements be submitted?
It must be submitted on or before 4 months after the financial year end of the FSP. For example: the financial year end is 28 February, the financial statements must be submitted on or before 30 June.

How do you submit the financial statements?
Financial statements can be submitted to the FAIS Supervision Department via the following methods:

- **Preferred method - electronic submission via the FAIS Online system.**
  
  To submit the financial statements, log onto the FAIS Online system on the FAIS Page on the FSB’s website. The FSP must capture the information on the system and attach a copy of the signed financial statements as an annexure. All key individuals and compliance officers can use the FAIS Online system. For assistance please refer to the FAIS Online manual or send an email to faisfins1@fsb.co.za.

- **Post - the Financial Statements can be posted.**
  
  If the financial statements are posted, it remains the FSP’s responsibility to prove that it has been sent. It is therefore suggested that FSPs send all post per registered mail and retain the proof (tracking number) thereof. FSPs must allow for sufficient time to ensure that the statements are received by the Registrar before the due date.

  The statements must be addressed to: The Registrar of Financial Services Providers Attention: FAIS Supervision- Financial Statements PO Box 35655; Menlo Park; 0102

- **Hand Delivery - the financial statements can be hand delivered or couriered to:**
  
  The Registrar of Financial Services Providers Attention: FAIS Supervision Department, Financial Statements Riverwalk Office Park, Block B 41 Matroosberg Road Ashlea Gardens Extension 6 Pretoria

Which sole proprietors need to submit audited financial statements?

Category I sole proprietors that receive short term insurance premiums in terms of section 45 of the Short-term Insurance Act;

Category I sole proprietors who receive any client funds and/or premiums;

Category II sole proprietors;

Category IV sole proprietors

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16 Financial statements send via facsimile will not be accepted and such statements will not be regarded as having been submitted.

17 NOTE: The only Category I sole proprietors who receive client funds and / or premiums that are exempted from preparing audited financial statements on an annual basis would be a sole proprietor who is approved in Long Term A and / or Friendly Society benefits only. These sole proprietors can submit financial statements and a section 19(3) report prepared by an accounting officer.
FSPs in respect of category I who are sole proprietors (natural persons) and do not receive premium or client funds or hold client assets are not required to:

- submit audited financial statements; or
- appoint an accounting officer; Sole proprietors are required to register for the exemption and submit a copy of the application form

FSPs who are approved in subcategory 1.1 and / 1.19 only (funeral business and friendly societies) and receive client premiums are not required to submit audited financial statements but need to:

- register for the exemption; - submit financial statements prepared by an accounting officer
- submit a section 19(3) report prepared by an accounting officer

Sole proprietors are required to submit annual financial statements that they may draw up themselves.

Examples and guidelines are available on the FSB website.

4.4.2 Qualifications and experience of compliance officers

A person to be appointed as compliance officer other than a director, member, auditor, trustee, principal officer, public officer or company secretary of a particular authorised financial service provider as contemplated in section 17(1)(b) of the Act must be a person complying with the following qualifications and experience, namely, the person must:

- hold a legal or accountancy university degree, and with at least 3 years experience as regards the financial services industry; or
- have passed any specific financial services industry, or compliance related course recognised by the registrar by notice in the Gazette, with 3 year’s experience as regards the financial services industry; or
- already be appointed as a compliance officer by virtue of a law other than the Act relating to the financial services industry; or
- be an accredited member of the Compliance Institute of South Africa, or any other organisation recognised by the registrar by notice in the Gazette, and who has at least 3 years’ experience as regards the financial services industry.

4.5 Accounting officer for credit providers

The National Credit Act provides for the general regulation of consumer credit, and registration of credit providers.

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19 Act 34 of 2005.
Chapter 8 of the regulations requires registered credit providers to submit the following:

- A Compliance Report;
- Statistical Returns;
- An Annual Financial and Operational Return;
- An Assurance Report; and
- Annual financial statements with either the Accounting Officer’s Report or the Auditor’s Report, as applicable.

Any information that is required to be reported to the National Credit Regulator must be “accurate and complete, and must fairly present the activities and status of the credit provider”. Any “financial information that is required to be reported to the National Credit Regulator must be prepared in accordance with generally accepted accounting practice as applied by that entity in the preparation of its financial statements”.

It should be noted that the NCR does not require the adherence to IFRS but to “generally accepted accounting practice as applied” by an entity. Relevant legislation, trust deeds, constitutions or engagement letters need therefore be consulted to determine which accounting practice was applied by a particular entity.

Regulations 67 and 68 are of particular importance to a Professional Accountant (SA). Section 67 requires the registered credit provider to appoint an Accounting Officer or Auditor to conduct an assurance engagement in terms of regulation 68. If a credit provider is not required by statute to appoint an Accounting Officer or Auditor, a member of a listed professional body, which list includes SAIPA, should be appointed.

The person appointed is required to report on the credit provider’s financial statements and to conduct the assurance engagement in terms of Regulations 68.

**Regulation 68 assurance engagement**

(1) A credit provider must require the person appointed in terms of regulation 67 to perform an assurance engagement in accordance with guidelines to be issued by the National Credit Regulator and issue a report to the National Credit Regulator on the basis of that person’s findings with regard to that engagement.

(2) A credit provider must submit the report contemplated in (1) to the National Credit Regulator within 6 months after the credit provider’s financial year end.

(3) The National Credit Regulator must issue guidelines in respect of:
(a) the procedures which the person must follow in performing such assurance engagement, and
(b) the format and content of the report which must be compiled based on the engagement.

The National Credit Regulator issued a guideline in 2007, named Guideline 001 / 007 – Assurance engagement – Guide for credit providers. This document constitutes guidelines issued by the National Credit Regulator, in terms of section 16 (1) (b) of the National Credit Act and Regulations 67 and 68.

This guideline is intended for credit providers who are by law required to appoint a registered auditor to perform an audit of its annual financial statements. This guideline is not applicable to credit providers who are not required by law to appoint a registered auditor to conduct an audit of its annual financial statements.

This document provides guidelines on the assurance engagement and the subsequent report that must be prepared by the auditor for submission to the credit provider and the National Credit Regulator.

In terms of regulations 67 and 68 issued under the National Credit Act, a credit provider must appoint an auditor or accounting officer to conduct an assurance engagement. This assurance engagement must be performed in accordance with guidelines issued by the National Credit Regulator.

This guideline applies to credit providers who have appointed a registered auditor (RA), registered with the Independent Regulatory Board for Auditors (IRBA), to perform an audit of its annual financial statements. This guideline is not applicable to credit providers who are not required by law to appoint a registered auditor.

The procedures that will enable the Professional Accountant (SA) to issue a report in terms of the assurance engagement will be based on the International Standards on Assurance Engagements (ISAEs): to be applied in assurance engagements dealing with subject matters other than historical financial information; and/or the International Standards on Review Engagements (ISREs), as issued by IFAC. This standard is available from the IFAC Handbook (see above). The procedures to be followed differ substantially from that which is proposed for Accounting Officers.

4.6 Accounting officer for a trust

The purpose of the Trust Property Control Act20 is to regulate the control of trust property, and prescribe the minimum duties for trustees. In addition to the Trust Property Control Act, trusts

and trustees are regulated by the trust deed. A trust deed is a trust’s ‘constitutive charter’ and accordingly the specific terms of the trust deed must be complied with.

The appointment of a trustee in a trust deed must be conformity with the terms of the trust deed and with section 6 of the Trust Property Control Act. Section 6 requires that a trustee must be authorised in writing by the Master of the High Court before that person can act as a trustee. In approving the appointment of a trustee, the Master must in terms of section 6 consider whether security ought to be furnished by the applicant or whether security can be dispensed with. No person can act as a trustee prior to receiving the Master’s written authority. In addition, section 9 requires Trustees to act with such care, diligence and skill as ‘can reasonably be expected of a person who manages the affairs of another’. Section 16 of the Act also empowers the Master to call the Trustee to account for that person’s administration and disposal of trust property and to ‘at the written request of the Master, deliver to the Master any book, record, account or document relating to his administration or disposal of the trust property and to the best of his ability answer honestly and truthfully any question put to him by the Master in connection with the administration and disposal of the trust property.’

Based on the above, the Technical Committee of SAIPA recommends that Trustees obtain only the services of competent and qualified persons to assist them with their stringent administration duties imposed in terms of the trust deed, in terms of the common law and in terms of the Trust Property Control Act.

Although the Act does not require the appointment either of an Accounting Officer or of a Registered Auditor to audit the financial affairs of the trust - the only reference to the word ‘audit’ is section 15 of the Act which requires the person ‘that audits the accounts of a trust’ to report irregularities - the Technical Committee of SAIPA recommends that the trustees should seriously consider the appointment of an appropriately qualified person to report on the financial affairs of the trust. In the view of the Technical Committee, qualified persons would include only those professional accountants that are members of an accountancy body and who are in possession of a specialisation qualification in the administration of Trusts.

The duties of the person appointed to report on the financial affairs of the trust should be determined by the trust deed or by the trustees if the trust deed is silent or inadequate on the issue. It is recommended that these duties be based on either the Agreed-Upon-Procedures or the Review engagements as provided for in the IFAC Handbook (see above). It can also be considered to provide for the performance of similar duties as required of Accounting Officers as per the Close Corporation Act. If the trust deed requires the appointment of a Registered Auditor only a Registered Auditor is allowed to perform the required duties.
It is recommended that SAIPA members performing such an assurance function should do so in terms of the Handbook of International Auditing, Assurance, and Ethics Pronouncements\(^\text{21}\). The Handbook

### 4.7 Accounting officer for non-profit organisations

Non-profit Organisations are governed by the Non-profit Organisations Act\(^\text{22}\). In terms of section 17(2) of the Act, every registered Non-profit Organisation must arrange for a written report to be compiled by an Accounting Officer and for this report to be submitted to the organisation. The Accounting Officer must report on the matters mentioned in section 17(2).

#### Section 17 accounting records and reports

1. Every registered non-profit organisation must, to the standards of generally accepted accounting practice:
   1. keep accounting records of its income, expenditure, assets and liabilities; and
   2. within six months after the end of its financial year, draw up financial statements, which must include at least:
      1. a statement of income and expenditure for that financial year; and
      2. a balance sheet showing its assets, liabilities and financial position as at the end of that financial year.

2. Within two months after drawing up its financial statements, every registered non-profit organisation must arrange for a written report to be compiled by an Accounting Officer and submitted to the organisation stating whether or not:
   1. the financial statements of the organisation are consistent with its accounting records;
   2. the accounting policies of the organisation are appropriate and have been appropriately applied in the preparation of the financial statements; and
   3. the organisation has complied with the provisions of this Act and of its constitution which relate to financial matters.

3. Every registered non-profit organisation must preserve each of its books of account, supporting vouchers, records of subscriptions or levies paid by its members, income and expenditure statements, balance sheets and Accounting Officer’s reports, in an original or reproduced form, for the prescribed period.\(^\text{a}\)


It is a requirement that an Accounting Officer issue a report. It should be noted that the report required is not the same as the report required in terms of the Close Corporation Act. Section 17(2)(c) requires the Accounting Officer to state whether or not the organisation has complied with the provisions of the Non-profit Organisations Act and with those parts of its constitution which relate to financial matters. Accordingly, any working documents prepared should enable the Accounting Officer to state whether or not compliance was achieved. The IFAC Handbook related to agreed-upon-procedures may be consulted to assist with a determination of the procedures to be followed.

4.8 Accounting officer for a school

Schools are governed by the South African Schools Act. In terms of section 43(1), a governing body of a public school must appoint a person registered as a Registered Auditor in terms of the Auditing Profession Act, 26 of 2005 to audit the records and financial statements.

However section 43(2) provides that if an audit is not reasonably practicable, the governing body of the school may appoint another person to examine and report on the records and financial statements of the school. The Act specifically provides that such a person must be qualified to act as an Accounting Officer in terms of section 60 of the Close Corporations Act or must be approved by a Member of the Executive Council. It is important to note that the report issued should not refer to the Accounting Officer as the Auditor or Registered Auditor.

Section 43 Audit or examination of financial records and statements

(1) The governing body of a public school must appoint a person registered as an auditor in terms of the Auditing Profession Act to audit the records and financial statements referred to in section 42.

(2) If the audit referred to in subsection (1) is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements referred to in section 42, who:

(a) is qualified to perform the duties of an Accounting Officer in terms of section 60 of the Close Corporations Act, 1984 (Act 69 of 1984); or

(b) is approved by the Member of the Executive Council for this purpose.

In terms of the Act, an Accounting Officer may be appointed where the appointment of an Auditor is “not reasonably practicable”. SAIPA recommends that the following be taken into account to determine the meaning of the term “not reasonably practicable”, although each appointment should be individually considered:

23 Act 84 of 1996.
• The economic significance of the school budget (Revenue, Assets, Number of Employees etc);
• The nature of the school and the community the school operates in;
• The cost of a Registered Auditor's report (taking into account the above);
• The availability of a Registered Auditor;
• The result of any legal advice sought on this issue.

An Accounting Officer may be appointed to examine and report on the records and the financial statements. This is not the same as an audit function and does not lead to the expression of an opinion. It is recommended that such examination should be based on the duties of an Accounting Officer in terms of the Close Corporation Act. An opinion is therefore not expressed. However, the Accounting Officer should ensure that the governing body understands and agrees to this distinction. Additional work, as part of the examination, may be undertaken by formal written agreement between the Accounting Officer and the governing board but not audit. Such additional work should be based on the standards as provided within the Handbook of International Auditing, Assurance, and Ethics Pronouncements (see above).

It is recommended that before any appointment is made or accepted, all of the following Acts and other references should be consulted:

• The South African Schools Act;
• The applicable Provincial Schools legislation;24
• The applicable School's rules and regulations (constitution);25

The Public Finance Management Act:

Although it applies only to Kwa-Zulu Natal, the “School Governing Body Manuals” of that province give a good indication of the duties and responsibilities of the auditing or examining process.

4.9 Other potential reporting services

Banks Act and Regulations: Accounting officer: Section 85 certification of returns and other documents, and Regulation 4 certification and rendition of returns.

Broad-Based Black Economic Empowerment Act and Regulations. Accounting officer: Financial sector code 000 item 4.5, and Agriculture code item 2.6

24 These may require an audit or additional reports to be issued.
25 This may require an audit.
**Consumer Protection Act** and **Regulations**: Accounting officer: Regulation 2 franchise agreements, regulation 3 disclosure document for prospective franchisee, and draft SA automotive code item 15.

**Co-operatives Act** and **Regulations**: Accounting officers: (section 29 AGM, section 49 auditor and independent reviewer disqualified from acting, section 50 appointment and termination of auditor or independent reviewer, section 51 removal of auditor or independent reviewer, section 52 attendance of meeting by auditor or independent reviewer, section 53 right to information, section 54 notice of error) and **Regulations** (Schedule 3 Standards of accounting to be followed)

**Electronic Communications and Transactions Act** and **Regulations**: Accounting officer: General notice on compliance items 7, 8 and 19, universal service access and fund regulation 4, prescribed annual contributions regulation 4, and general licence fee regulations schedule 3 payments iro licence fees.

**Financial Advisory and Intermediary Services Act** and **Regulations**: Accounting officer: Qualifying criteria and qualifications for financial services providers 2008 annexure 1 section 1 item 14, Exemption of certain authorised financial services providers from requirements pertaining to audited financial statements, and exemption of FSPs and FSPs limited by products from audit requirements.

**Independent Communications Authority of South Africa Act** and **Regulations**: Accounting officers: Compliance procedure manual regulations form 2.

**National Credit Act** and **Regulations**: Accounting officer: Section 58A additional requirements for cancellations, and Regulation 65 annual financial statements, regulation 67 responsibility for assurance engagement, and form 40D

**Non-profit Organisations Act**: Accounting officer: Section 17 accounting records and reports and section 18 duty to provide reports and information.

**Pension Funds Act** and **Regulations**: Accounting officer: Regulation 32 application for registration as administrator.

**Sectional Titles Act** and **Regulations**: Accounting officer: Annexure 8 management rule 32 record of rules and their availability, 42 audit, 50 when to be held, 56 AGM
5. PROFESSIONAL ACCOUNTANT (SA) FOR REGIONAL INDUSTRIAL DEVELOPMENT PROGRAMME

A number of incentive programmes are offered by the Department of Trade and Industry (DTI) for enterprise development. Some of these programmes require an auditor or accredited person to issue a report to the DTI before payment is made to the relevant enterprise.

Financial Assistance

Trade, Export and Investment Financial Assistance (Incentives)

12I Tax Allowance Incentive (12I TAI)

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The incentive offers support for both capital investment and training.

[Read more]

Automotive Investment Scheme (AIS)

The Automotive Investment Scheme (AIS) is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

[Read more]
Capital Projects Feasibility Programme (CPFP)

The Capital Projects Feasibility Programme (CPFP) is a cost-sharing grant that contributes to the cost of feasibility studies likely to lead to projects that will increase local exports and stimulate the market for South African capital goods and services.

[Read more]

Critical Infrastructure Programme (CIP)

The Critical Infrastructure Programme (CIP) aims to leverage investment by supporting infrastructure that is deemed to be critical, thus lowering the cost of doing business. The South African Government is implementing the CIP to stimulate investment growth in line with the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP).

[Read more]

Export Marketing and Investment Assistance (EMIA)

The Export Marketing and Investment Assistance (EMIA) scheme develops export market for South African product and services and to recruit new foreign direct investment into the country. The purpose of assistance under the scheme is to partially compensate exporters for costs incurred in respect of activities aimed at developing export market for South African product & services and to recruit new foreign direct investment into South Africa.

- The purpose of (EMIA).

[Read more]

Film Incentive (Film Incentive)

The South African Government offers a package of incentives to promote its film production and post-production industry. The incentives consist of the Foreign Film and Television Production and Post-Production incentive to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities, and the South African Film and Television Production and Co-Production incentive, which aims to assist local film producers in the production of local content. The South African Emerging Black Filmmakers incentive, a sub-programme of the South African Film and Television Production and Co-production Incentive, which aims to assist local emerging black filmmakers to nurture and grow them to take up big productions and thus contribute towards employment creation.

[Read more]

Foreign Film and Television Production and Post-Production Incentive (Foreign Film)
To encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country’s creative and technical skills base.

[Read more]

Manufacturing Investment Programme (MIP)

The MIP is a reimbursable cash grant for local and foreign-owned manufactures who wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.

[Read more]

People-carrier Automotive Investment Scheme (P-AIS)

The People-carrier Automotive Incentive Scheme (P-AIS) is a sub-component of the Automotive Incentive Scheme (AIS) and provides a non-taxable cash grant of between 20% and 35% of the value of qualifying investment in productive assets approved by the dti.

[Read more]

SA Film & TV Production and Co-production (SA Film)

To support the local film industry and to contribute towards employment opportunities in South Africa.

[Read more]

Sector Specific Assistance Scheme (SSAS)

The Sector Specific Assistance Scheme is a reimbursable cost-sharing incentive scheme whereby financial support is granted to organisations supporting the development of industry sectors and those contributing to the growth of South African exports.

[Read more]

The South African Emerging Black Filmmakers Incentive (SA Emerging Black Film)

The South African Emerging Black Filmmakers Incentive is available to South African black-owned qualifying productions.

[Read more]
6. PROFESSIONAL SERVICES ASSOCIATED TO A STATUTORY REPORTING FUNCTION

Such professional services include accounting services such as completing and maintaining accounting records, drafting and preparing annual financial statements, providing advice in respect of the accounting treatment of transactions, analysing and interpreting financial statements, independent review, business rescue, Broad-Based Black Economic Empowerment (BBBEE) and implementing accounting software.

7. OTHER PROFESSIONAL SERVICES

These services include: secretarial services, taxation services, various management consulting services, estate and financial planning services. Secretarial services include the completion of various returns, the giving of advice in respect of the completion of various returns, maintaining a close corporation’s members register, and completing CK forms and correspondence on behalf of clients with various authorities. Taxation services include the preparation of returns and planning relating to normal tax, value added tax, employee taxation, etc., and various management consulting services.

8. EXAMPLES OF SERVICES THAT MAY NOT BE RENDERED BY SAIPA MEMBERS

For the sake of completeness, this section provides a description of the most important services that SAIPA members are not allowed to render. Professional Accountants (SA) should take care not to accept assignments which they are not authorised to perform.

8.1 Auditor of companies or any other entity

Companies are governed by the Companies Act. Section 30 of the Companies Act requires that:

(2) The annual financial statements must:

(a) be audited, in the case of a public company; or

(b) in the case of any other profit or non-profit company:

(i) be audited, if so required by the regulations made in terms of subsection (7) taking into account whether it is desirable in the public interest, having regard to the economic or social significance of the company;

Companies Act regulations 28 requires a company with a public interest score of 350 and above to be audited. The audit must be done by an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act.
8.2 Auditor of co-operative

Section 47 of the Co-operatives Act\textsuperscript{26} requires that an audit of the affairs of a co-operative must be conducted annually in respect of each financial year, in order to:

- ensure that financial statements are drawn up in conformity with generally accepted accounting practices;
- verify that the co-operative has maintained adequate records in accordance with the requirements of its constitution and this Act;
- report generally as to whether the assets and facilities of a co-operative are being properly managed and the operations of a co-operative are being conducted in accordance with co-operative principles; and
- report on any other matter the auditors are required to report on in terms of a co-operative’s constitution.

8.3 Administration of estates

The administration of estates is governed by the Administration of Estates Act\textsuperscript{27}. An executor “appointed in terms of a will” may personally liquidate a deceased estate. An agent may be appointed to liquidate the estate on the executor’s behalf.

In terms of the Attorneys Act\textsuperscript{28} “Regulations prohibiting the liquidation or distribution of the estates of deceased persons by any person other than an attorney, notary, conveyancer or law agent”\textsuperscript{29}, only lawyers, auditors and certain other institutions may be appointed as executors. The appointment of an agent approved by the Master of the High Court. Regulation 910 was repealed and has not yet been replaced. The judicial matters Act 2016 mandates the Minister to decide on who can administer the estates.

\textsuperscript{26} Act 14 of 2005.
\textsuperscript{27} Act 66 of 1965.
\textsuperscript{28} Act 53 of 1979.
\textsuperscript{29} Published under Government Notice R910 in Regulation Gazette 967 of 22 May 1968.
8.4 Attorneys trust accounts

Attorneys are governed by the Attorneys Act, read with the Legal Practice Act, that is replacing the Attorneys Act in stages. Attorneys are members of provincial law societies and are governed by the Rules of the Law Societies in each of the designated provinces.

Every attorney is required to keep a trust account that must be audited. The Attorney rules define an auditor as a person who is registered as an auditor in terms of the Auditing Profession Act and who engages in public practice as an auditor registered in terms of that Act.

8.5 Estate agents trust accounts

Estate agents are governed by the Estate Agency Affairs Act. This Act requires every estate agent to appoint an Auditor to audit the trust accounts and the books and records if the entity is a company. The report issued by the Auditor is prescribed by the regulations to the Estate Agency Affairs Act.

8.6 Travel agents and travel agencies

Travel agents registered with the International Air Transport Association (IATA) must keep annual financial statements, which must be audited by an Auditor.

8.7 Agricultural produce agents

Agricultural produce agents are governed by the Agricultural Produce Agents Act. The accounting records and trust account of each agricultural produce agent must be audited by an Auditor.

8.8 Sheriffs of the court

Sheriffs of the Court are governed by the Sheriffs Act. Every Sheriff must keep a trust account that must be audited by a Registered Auditor. The Regulations to the Sheriffs Act prescribe the form that must be signed by the Auditor.

8.9 Honorary auditor for a club, institute or association

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30 Act 28 of 2014.
31 Act 112 of 1976.
32 Registered with the Independent Regulatory Board for Auditors in terms of the Auditing Profession Act.
33 Registered with the Independent Regulatory Board for Auditors in terms of the Auditing Profession Act.
35 Registered with the Independent Regulatory Board for Auditors in terms of the Auditing Profession Act.
36 Act 90 of 1986.
A SAIPA member may accept the appointment as honorary auditor provided that he or she is a member of the club, institute or association, which is not carried on with a view to profit, and that he / she receives no fee or other consideration for his or her services (section 41(3)(b) of the Auditing Profession Act).

A SAIPA member should not accept the appointment to perform an engagement which is not allowed to be performed in terms of the Auditing Profession Act and should consider whether the reporting requirements of any law or regulation does not imply that such services should be performed by a registered auditor in terms of the Auditing Profession Act.