



Guide to Accounting Officer Reporting Engagements

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The mission of The Southern African Institute for Business Accountants (SAIBA) is to serve the public interest, strengthen the accountancy profession in Southern Africa and contribute to the development of a strong regional economy by establishing and promoting adherence to high-quality professional standards, furthering co-operation on such standards and speaking out on public interest issues where the profession's expertise is most relevant. This will enable SAIBA to deliver trusted advisors to Southern African small business and support staff to big business.

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Preface

This SAIBA Member Guide to Accounting Officer Reporting Engagements (the Guide) was commissioned by the SAIBA Small and Medium Practices (SMP) Committee to provide guidance to small and medium sized practices (SMPs) on their reporting duties under a selected number of statutes. The Guide has been updated with regards to: BBBEE EME Certificates, Body Corporates, Co-operatives, and Immigration Regulations.

The Guide provides SMPs with a broad framework of assurance and non-assurance reporting services. As such the Guide will help SMPs operate with greater compliance and professionalism and in so doing help them cope in an increasingly complex and competitive environment.

Nicolaas van Wyk
CEO

June 2017

● Request for comment

This is the fourth version of the Guide. We consider the Guide to be of high quality and useful in its present form, but like any first edition, it can be improved. Hence, we are committed to updating the Guide on a regular basis to ensure it reflects current best practice and is as functional as possible.

The next update is scheduled for 2018. We welcome comments from members and other stakeholders. These comments will be used to assess the Guide's usefulness and to improve it prior to publishing the second edition.

Please submit your comments to

technical@saiba.org.za

Introduction

Purpose and background

SAIBA members that have obtained the designation *Business Accountant in Practice* are recognised as accounting officers. An accounting officer is a person who meets the qualification requirements as detailed in section 60 of the Close Corporations Act, 1984 and as a result, may issue an accounting officer and other reports on the financial statements and information of close corporations and other entities. Broadly speaking, to qualify as an accounting officer a person should be a member of a recognised professional body, which, as a condition of membership, requires relevant subjects in accounting and enforces a code of conduct.

Accounting officers have statutory recognition to issue specific types of reports on financial statements and other information. The various statutes that provide this recognition are explained and discussed in this Guide. These statutes are listed under Appendix 1.

However most, if not all, of the statutes listed in Appendix 1 do not stipulate how a member in practice should perform a reporting engagement. A member and his/her client should therefore determine the scope, extent, and result of the work by way of contract. In the absence of a clear agreement a member's engagement risk will increase significantly.

The purpose of this Guide is to assist members in practice with establishing an engagement framework that can be applied when issuing accounting officer or similar reports on financial statements.

The Guide provides guidance on SAIBA members' professional responsibilities when undertaking particular statutory reporting engagements related to financial statements.

The Guide is not binding on SAIBA members but is presented as a recommended approach to the planning and performance of certain types of engagements. Members will have to use professional judgment in deciding how and when to apply the principles contained within this Guide.

Assurance and non-assurance reports

Different statutes require different types of reports to be issued on financial statements. In broad terms these may be classified as either an assurance engagement or as a non-assurance engagement.

The focus of this Guide is on non-assurance statutory reporting engagements most commonly provided by SAIBA members. This includes reports issued as an accounting officer or as a person qualified as an accounting officer. For example, the Close Corporations Act, 1984 requires that an accounting officer issue an accounting officer report. However, the Schools Act, 1996 requires that a person with the qualification of an accounting officer issue a report. It does not require an accounting officer report per se.

The Guide:

- Explains the differences between assurance and non-assurance engagements
- Discusses different engagement standards and how they apply to accounting officers
- Assist members in practice to develop their own accounting officer engagement framework that will guide their engagement performance
- Lists the relevant statutory reporting requirements pertaining to accounting officers
- Provides a list of engagements that SAIBA member are not allowed to perform

The Guide *does not*:

- Consider the duties of registered auditors and independent reviewers. For more information on independent review engagements, members should refer to the SAIBA "Background document to independent review engagements" issued in October 2011 – refer to Appendix 2 for more information.

- Provide a comprehensive assessment of all statutory duties required of accounting officers. For example duties as prescribed by the Close Corporations Act 1984 and the various Money Laundering statutes. The focus is limited to their duties when issuing a report on financial statements.

Methodology

Where relevant the Guide follows the principles contained in engagement standards as issued by the International Federation of Accountants (IFAC). IFAC issues the following reporting engagement standards through the International Auditing and Assurance Standards Board (IAASB);

- International Standards on Auditing (ISA should be used by auditors to perform audits of historical financial information.)
- International Standards on Review Engagements (ISRE should be used by practitioners to perform reviews of historical financial information.)
- International Standards on Assurance Engagements (ISAE should be used by practitioners to perform assurance engagements other than audits and reviews.
- International Standards on Related Services (ISRS should be used by practitioners to perform agreed upon procedures or compilation engagements regarding financial information.

Accounting officer engagements do not fall within the ambit of the IFAC engagement standards. This means that an alternative framework has to be developed that can guide them in performing accounting officer engagements.

Framework for accounting officer reporting engagements

This Guide assists members in practice to develop an engagement framework by following the principles contained within the IFAC engagement standards.

The principles contained in the Guide provide a basis for the development of an agreement between the practitioner and his client that establishes the:

- a) Terms of the engagement,
- b) The documentation to be kept as part of the engagement,
- c) The procedures and evidence to be performed, and
- d) The conclusions and reporting that will be provided.

This Guide is primarily directed at SAIBA members working as accountants in practice providing services to SMEs. The primary users are likely to be those managing the practice and senior professional staff; certain parts will be useful to more junior staff and may be used as an introduction to reporting services for new staff. It is also considered suitable as a reference guide meant for everyday use.

● Comparison between assurance and non assurance

1. SAIBA members should have a clear understanding of the differences between assurance and non-assurance reports. Members may incur both statutory and civil liability if they issue incorrect reports.
2. In an assurance engagement an auditor or independent reviewer is required to issue an independent written report that provides assurance in the form of an opinion. Users may rely on this opinion. The International Framework for Assurance Engagements (IFAE) defines an assurance engagement, as an “...engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party, about the outcome of the evaluation or measurement of a subject matter against criteria”¹.
3. For example an independent reviewer evaluates financial statements as to their adherence to a financial reporting framework such as IFRS for SME. The reviewer then forms a conclusion and reports his opinion to shareholders.
4. In a non-assurance engagement a practitioner issues a statement containing information that will assist users in forming their own opinion about the financial statements. In other words users of reports issued as part of non-assurance engagements are required to form their own opinion of whether the financial statements are fairly presented. Accounting officer and compilation engagements may be classified as non-assurance engagements.
5. For example an accounting officer report is addressed to the close corporation itself, whereas audit and review reports are addressed to shareholders. An

¹ IAASB, 2010. Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, Part 2.

accounting officer is required to consider factual findings and whether accounting policies adopted by the entity are appropriate for that entity.

6. The accounting officer report does not include an evaluation of financial statements against an appropriate accounting framework to assess and conclude on fair presentation. By way of contrast an auditor expresses reasonable assurance and a review practitioner limited assurance on whether financial statements have been prepared in accordance with an appropriate accounting framework.

● International standards and reporting engagements

7. In general engagements to issue a report on financial statements should be performed in terms of relevant statutory requirements, common law requirements related to professional competence, due care and a code of conduct issued by a professional body. A report may only be issued once all the above requirements are met.
8. Reporting engagements that are classified as an audit, review or compilation should, in addition to the above requirements, adhere to standards as issued by the International Federation of Accountants (IFAC). Accounting officer engagements are not classified as an audit, review or compilation engagement and hence do not fall within the ambit of the IFAC standards.
9. IFAC is recognised as a worldwide organization that represents the accountancy profession. Founded in 1977, its mission is to serve the public interest by continuing to strengthen the worldwide accountancy profession and contributing to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant.
10. IFAC² recognizes that a fundamental way to protect the public interest is to develop, promote, and enforce internationally recognized standards as a means of ensuring the credibility of information upon which investors and other stakeholders depend.

² Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC

11. IFAC established the International Auditing and Assurance Standards Board (IAASB) to establish a code of ethics for professional accountants ('the Code'), International Standards on Quality Control (ISQC1) and International Standards on Auditing, Review, Other Assurance, and Related Services ie IASs, ISREs and ISRSs.

12. Although SAIBA is not yet a member of IFAC (application in process) it has adopted the Codes and Standards as issued by IFAC. SAIBA members are therefore obligated to adhere to the requirements as detailed in the Code, ISQC1 and the ISAs, ISREs and ISRSs where relevant.

13. The IAASB³ requires that:

- International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information
- International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information
- International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information
- International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements as specified by the IAASB.

14. ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the IAASB's Engagement Standards. ISQCs are to be applied for all services falling under the IAASB's Engagement Standards.

15. Accounting officer reports, as required by various statutes, contain elements of ISREs, ISAEs and ISRSs and do not explicitly require adherence to these standards. IAASB

³ Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC at 7.

standards do not override⁴ local laws or regulations and accounting officers are prohibited from stating compliance with the IAASB standards unless the accounting officer has complied fully with a particular standard. A separate framework is therefore required to be applied in the performance of an engagement to issue an accounting officer report.

16. Independent review reports should be issued in terms of ISRE 2400 and compilation reports issued by independent accounting professionals or accountants should be issued in terms of ISRS 4410.

⁴ Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC

● Ethical principles and quality control standards

17. The duties of accounting officers are explicitly stated in various statutes. However, in addition to these statutory duties, accounting officers have certain common law duties such as:

- Performing engagements with professional competence and due professional care;
- Planning and supervising the engagement performance; and
- Obtaining sufficient relevant data to afford a reasonable basis for issuing an accounting officer report.

18. In addition to the above duties an accounting officer should comply with the code of ethics of the professional body of which he is a member. SAIBA has adopted the IFAC Code of Ethics for Professional Accountants ('the Code').

19. Part A of the IFAC Code sets out the fundamental principles that should be observed by all professional accountants. These are:

- Integrity,
- Objectivity,
- Professional competence and due care,
- Confidentiality, and
- Professional behaviour.

20. Part B of the IFAC Code illustrates how the conceptual framework contained in Part A is to be applied by professional accountants who offer their services for a fee ie act in private or public practice. The Code advises that any threats to the conceptual framework should be avoided. Part B of the Code provides a case study approach to explaining the principles that should be followed with regard to:

- Professional appointment,
- Conflicts of interest,
- Second opinions,
- Fees and other types of remuneration,
- Marketing of professional services,
- Gifts and hospitality,
- Custody of client assets, and
- Independence related to audit and review and other assurance engagements.

21. A system of quality control will provide a firm of accounting officers with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or accounting officer are appropriate in the circumstances.

22. Accounting officers should therefore adopt a standard of quality control appropriate for the engagements they undertake. It is preferable that professional firms adopt the IFAC International Standard on Quality Control (ISQC1) with amendments as required in the circumstances.

23. ISQC1 only applies⁵ to firms of accountants performing audits and reviews of financial statement, other assurance and related services. Related services are defined as the standards for agreed upon procedures and compilations. However it is common cause that accounting officers should ensure the quality of their work. In addition the ISQC1 allows that if circumstances dictate a firm may depart from a requirement of ISQC1 if the requirement is not relevant to the services provided.⁶ A firm of accounting officers should therefore adopt a system of quality control derived from ISQC1.

⁵ Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC

⁶ Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC

● Ethics, quality control and engagement standards

24. The table below illustrates the relationship between ethics, quality control and engagement standards as they relate to IFAC requirements and IFAC governed reporting engagements.

25. The following diagram illustrates the framework within which assurance and non-assurance services should be performed. It also clearly distinguishes between assurance and non-assurance services or related services. Reporting engagements should be performed in compliance with:

- A code of ethics. This code should preferably be aligned with the Code of Ethics as issued by IFAC, as is SAIBA's code.
- ISQC1 or a similar quality control policy and procedures. Adoption of quality control standards will assist the firm with ensuring that laws and regulations are adhered to and that reports issued are appropriate.
- Assurance engagements should be performed in terms of ISAs, ISRE, or ISAE. Non-assurance (i.e. related services) should be performed in terms of ISRSs.

26. Engagements that are not part of IFAC engagements standards would still be subject, in terms of a common law and professional body requirements, to a relevant code of ethics, quality control principles and requirements related to professional competence. Accounting officer engagements would typically fall into this category.

ETHICS

ISQC 1 or similar

Assurance

Non-assurance

International Framework for
Assurance Engagements

Audit
ISA

Independent
review
ISRE 2400

Other
assurance
ISAE

Agreed -
Upon
Procedures
ISRS 4400

Compilation
s ISRS
4410

Accountin
g officer
(SAIBA
Guide)

Statutory requirements

● Recommended engagement framework for accounting officers

27. An accounting officer has many statutory duties. One of these is to issue an accounting officer report. SAIBA recommends that members follow the framework as stipulated below when performing accounting officer engagements.

28. It is important that members and their clients agree to the elements of the framework. The framework should also be amended and expanded in accordance with the members own professional judgement.

29. The framework does not have any legal backing and is not expressly required by any statute. However SAIBA believes that adherence to the framework will enable members to:

- Reduce their engagement liability. The framework clarifies the performance objectives of members when issuing accounting officers reports
- Improve the clients understanding of the work that will be performed.

30. Adherence to the framework does not mean that the member has complied with all legal requirements for the purposes of accounting officer engagements. Members should ensure compliance with:

- All common law requirements
- All statutory requirements
- Any other requirements as agreed to with the client.

31. The following paragraphs present the elements of the framework. The list is not exhaustive and should be used as a starting point for negotiations between the member and the client.

Definition and objective of an accounting officer reporting engagement

32. In terms of this framework 'accounting officer engagements' means an engagement in which an accounting officer issues an accounting officer report as required by a relevant statute or related regulation. Appendix 1 provides an overview of the primary reporting duties as required by certain statutes.

33. As an example, the accounting officer report in terms of section 62 of the Close Corporations Act 1984 consists of:

- A report on factual findings related to accounting records i.e. whether the financial statements agree to the accounting records
- A conclusion on the appropriateness of the accounting policies as applied by the corporation
- A report on factual findings related to a contravention of the Close Corporations Act 69 of 1984 i.e. if the accounting officer becomes aware of a contravention of the Close Corporations Act 1984.

34. Relevant statutes or regulations may require the accounting officer to perform statutory duties other than issuing an accounting officer report. Accounting officer in performing those duties may use the principles contained in this Guide as a framework.

35. An accounting officer engagement does not meet the definition of 'assurance engagements' as defined in the International Framework for Assurance Engagements (IFAE) issued by IFAC.⁷

Scope of the framework

36. This framework only applies to an accounting officer engagement performed in terms of various relevant statutes or regulations. Services performed by an

⁷ Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC

accounting officer in addition to those required as part of a statute or regulation is not subject to this framework.

General principle of an accounting officer engagement

37. The accounting officer should comply with the Code of Ethics for Professional Accountants issued by the IFAC. Ethical principles governing the accounting officer engagement are:

- Integrity;
- Objectivity;
- Professional competence and due care;
- Confidentiality;
- Professional behavior; and
- Technical standards.

38. Independence is not a prerequisite before a person may accept an appointment to issue an accounting officer report. However a relevant statute such as the section 62(2) of the Close Corporation Act 69 of 1984 may require an accounting officer to disclose certain independence issues.

39. A statute such as the Close Corporations Act 1984 may require an entity to prepare financial statements, that in conformity with generally accepted accounting practice as appropriate to the business of the entity, fairly present the state of affairs of the entity and the results of its operations. In reviewing the appropriateness of the accounting policies as applied by the entity the accounting officer should have regard to the requirements of fair presentation.

40. An accounting office should conduct an accounting officer engagement in accordance with this framework. This framework applies to all accounting officer reports issued in terms of any statutory or voluntary requirements.

Defining the terms of the engagement

41. The accounting officer should ensure, with representatives of the entity and, where appropriate, with other specified parties who will receive copies of the report, that there is a clear understanding regarding the accounting officer engagement procedures and the conditions of the engagement.

42. Matters to be agreed include the following:

- The objective of the service being performed
- Management responsibility for the financial statements
- The scope of the report, including reference to this framework (or relevant national standards or practices)
- Unrestricted access to whatever records, documentation and other information requested in connection with the engagement
- A sample of the report expected to be issued
- The fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist
- A statement that an audit is not being performed and that an audit opinion will not be expressed. To emphasize this point and to avoid confusion, the practitioner may also consider pointing out that an accounting officer engagement will not satisfy any statutory or third party requirements for an audit.

43. The terms of the engagement should be drafted in an engagement letter and should be agreed to with the representative of the entity. An example of the report to be issued should accompany the engagement letter.

Planning⁸

44. The accounting officer should plan the work so that an effective engagement will be performed.

⁸ Similar to planning required in ISRE 2400, *Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*, 2010 Edition Part 1, IFAC p230.

45. In planning the performance of an accounting officer engagement, the accounting officer should obtain knowledge of the business including:

- Accounting principles used in the industry
- The entity's organization
- The entity's accounting systems; operating characteristics and the nature of the entity's assets, liabilities, revenues and expenses, and
- An understanding of the entity's production and distribution methods, product lines, operating locations and related parties.

46. This knowledge will enable the accounting officer to perform relevant inquiries, design procedures to obtain evidence, assess the responses and other information obtained from the entity.

Documentation

47. The accounting officer should document matters which are important in providing evidence to support the findings and conclusions reached in the accounting officer's report, and evidence that the engagement was carried out in accordance with this framework and the terms of any additional requirements as specified.

Procedures and evidence

48. Based on the planning performed the accounting officer should determine the procedures necessary in the circumstances.

49. The accounting officer should apply judgment in determining the nature, timing and extent of the procedures necessary to issue an accounting officers report. Judgement will be affected by:

- The knowledge acquired from previous engagements

- The practitioner's knowledge of the business, accounting principles and practices of the industry
- Management integrity
- An assessment of whether the applied accounting policies will enable fair presentation of financial statements
- The entity's accounting systems
- The extent to which a particular item is affected by management judgment
- The materiality of transactions and account balances

50. The following provides a list of suggested procedures the accounting officer should perform:

- Obtain an understanding of the business
- Perform inquiries about the entity's accounting principles and practices
- Perform inquiries about the entity's procedures for recording, classifying and summarizing transactions, accumulating information for disclosure in the financial statements and preparing financial statements
- Perform inquiries about material assertions in the accounting policies
- Perform analytical procedures to identify relationships and unusual items
- Inquire about events subsequent to the date of the financial statements
- If the accounting officer has reason to believe that financial information has been materially misstated, he may carry out additional procedures to inspect subsidiary accounting records
- Inquire about decisions and actions by the entity and its representatives that may affect the accounting policies
- Read the financial statements to determine agreement with accounting records and consider whether the financial statements conform to the accounting policies
- Obtain management representation where appropriate

51. Whilst performing the suggested procedures, the accounting officer may become aware of a contravention of a relevant statute. If required, such a contravention needs to be stated in the accounting officer report.

52. Unless otherwise required by a statute or regulation the accounting officer is not generally required to:

- Obtain an understanding of internal controls
- Perform substantive testing or
- Perform a test of balances

Conclusions and reporting

53. The accounting officer report shall contain a clear affirmation that conforms to the requirements of a relevant statute or regulation.

54. Based on the work performed the accounting officer should assess whether a positive or negative affirmation should be made.

55. The report should be drafted in a manner that will enable the reader to understand the nature of the work that was performed. The report should indicate that an audit was not performed and that an audit opinion is not expressed.

56. An accounting officer report should contain the following elements:

- Title
- Addressee
- Opening or introductory paragraph including:
 - Identification of specific financial or non-financial information to which the procedures have been applied
 - A listing of general procedures performed
 - A statement of the responsibility of the entity's management or owners and the responsibility of the accounting officer
 - A statement that the procedures performed were those deemed necessary in the circumstances
 - A statement that the engagement was performed as a result of a relevant statute, regulation or other agreement

- A description of any factual findings related to a contravention of a relevant statute of regulation where relevant
- A statement that the procedures performed do not constitute an assurance engagement and as such, no assurance is expressed
- A statement that had the accounting officer performed additional procedures, or performed an assurance engagement, other matters might have come to light that would have been reported
- A statement indicating whether the report is restricted in distribution
- A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole
- Date of the report
- Accounting officers address
- Accounting officer's signature, designation, professional membership and member number.

● Reporting services prescribed by statute

57. The following Acts, regulations and policies require the appointment of a person to issue an accounting officer report or similar report. The report should be issued to either the relevant regulator or the specific entity. Due to the nature of changing legislation and the the intention of providing a guide only the list below is not comprehensive and may not contain the latest legislation or requirements.

58. Although the list may refer to accounting officers this is merely due to historic statutory recognition given to accounting officers. For example, although accounting officer are no longer required to issue EME certificates but may act as Commissioner of Oaths for EMEs.

Accounting officer reports for close corporations

59. The Close Corporations Act 69 of 1984 governs Close Corporations. Sections 56 and 58 of the Act require all close corporations to keep accounting records and prepare annual financial statements.

60. 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.

61. The statutory reporting 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 a Government Gazette may be appointed as an accounting officer. Members of SAIBA are recognised to act as accounting officers.

62. The accounting officer is required to report whether:

- a. The annual financial statements are in agreement with the accounting records of the corporation
- b. Accounting policies represented to the Accounting Officer as having been applied in the preparation of the annual financial statements are appropriate
- c. The close corporation contravened any provision of the Act. A report should only be made if the accounting officer becomes aware of a contravention whilst performing points a) and b) above. The nature of such contravention should be described in the report
- d. The 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.

63. A SAIBA member that accepts the appointment as accounting officer for a close corporation should agree with the close corporation the nature and extent of the work to be performed. The parties may agree that the service should be conducted in terms of the following engagement principles and standards:

- The SAIBA framework for accounting officers reporting engagements, as appropriate to the context
- The accounting officer duties as prescribed in the Close Corporation Act, 1984 with necessary amendments to the context
- ISRS 4400: Agreed-Upon Procedures

64. Appendix 1 provides relevant sections of the Close Corporations Act 69 of 1984.

Accounting officer reports for body corporates

65. The Sectional Titles Schemes Management Act, No. 8 of 2011 (Commencement: 7 October 2016, Government Gazette: No. 40334) repealed the Sectional Titles Act, Act 95 of 1986.

66. Body corporates are now governed by the Sectional Titles Schemes Management Act, No. 8 of 2011 and its accompanied regulations.

67. Section 10 of the Sectional Titles Schemes Management Act provides that a scheme must, from the date of the establishment of the body corporate, be regulated and managed by means of rules. The management rules, as prescribed, are subject to the approval of the Chief Ombud of sectional titles and may be amended by the developer when submitting an application for the opening of a sectional title register, or be amended by unanimous resolution of the body corporate. Any amendments must be reasonable and apply equally to all owners of units, and appropriate to the scheme. In addition, any amendments may not be inconsistent with any other management rule that appears the Sectional Titles Schemes Management, Regulations, Annexure 1.

68. Annexure 1 sets out the management rules, and these rules can be added to, amended or repealed in certain circumstances as provided for in the Act. The rules require, amongst others, that a body corporate keep financial records, budgets, reports and appoint an Auditor to hold office.

69. The 1986 Act allowed the body corporate to appoint an accounting officer, rather than an auditor. The 2011 Act and its regulations has significantly altered this positions.

70. The Regulations requires that the body corporate appoint an auditor to audit the annual financial statements, unless all the sections in the scheme are registered in the name of one person. However, the audit of a body corporate's annual financial statements must be carried out by an independent auditor who has not participated in the preparation of the annual financial statements or advised on any aspect of the accounts of the body corporate during the period being reported on.

71. This means that body corporates have to appoint a professional accountant such as a Business Accountant in Practice (SA) to prepare its financial statements and assist with the preparation of all the related reports and books required as per Regulation 26, including:

- record all its income, expenditure, assets and liabilities;
- disclose all amounts recovered from members by the body corporate or any managing agent or other service provider acting on its behalf;
- individual accounts for each member;
- separate books of account and bank accounts for its administrative and reserve funds;
- prepare annual financial statements for presentation at the annual general meeting, which statements must include analyses of the — (i) amounts due to the body corporate in respect of contributions, special contributions and other charges, classified by member and the periods for which such amounts were owed; (ii) amounts due by the body corporate to its creditors generally and prominently disclosing amounts due to any public authority, local municipality or other entity for services including, without limitation, water, electricity, gas, sewerage and refuse removal, classified by creditor and the periods for which such amounts were owed; (iii) amounts advanced to the body corporate by way of levy finance, a loan, in terms of a guarantee insurance policy or otherwise, setting out the actual or contingent liability of the body corporate and the amounts paid by the body corporate and by any member in terms of such arrangement; (iv) amounts in the reserve fund showing the amount available for maintenance, repair and replacement of each major capital item as a percentage of the accrued estimated cost and the rand value of any shortfall; (v) premiums and other amounts paid and payments received by the body corporate and any member in terms of the insurance policies of the body corporate and the expiry date of each policy; and (vi) amounts due and payable to the Community Schemes Ombud Service.
- a maintenance, repair and replacement plan in accordance with rule 22 for presentation at the annual general meeting;
- budgets for the administrative and reserve funds comprising itemised estimates of the anticipated income and expenses during the next financial year for presentation at the annual general meeting; provided that such budgets may include discounts not exceeding 10 per cent of a members'

annual contributions applicable if all those contributions are paid on or before the due dates;

- a report adopted by the trustees reviewing the affairs of the body corporate during the financial year for presentation at the annual general meeting;
- retain books of account for a period of six years after completion of the transactions, acts or operations to which they relate.

72. Preparation of financial statements must be performed in terms of International Standard on Related Services (ISRS) 4410, Compilation Engagements. Additional services as listed above must be performed in terms of a suitable engagement standard such as International Standard on Related Services (ISRS) 4400, Agreed Upon Procedures.

73. It is worth noting that the management rules set out in the Regulations may be amended if reasonable, not inconsistent with the existing rules as prescribed in Annexure 1 and approved by the Chief Ombud. Technically this means that upon following the correct procedures the body corporate may remove the requirement for an annual audit and implement an appropriate alternative. This provision is similar to the alternatives allowed between an auditor and accounting officer in the previous Act. However considering the separation of duties required in the new Act i.e. between Auditor and Accountant pursuing this avenue seems counterproductive.

74. However in the event that a body corporate does consider an alternative arrangement the most appropriate avenue would be to replace the audit requirement with an independent review. Review engagements are similar to an audit in that they are classified as assurance engagements but may be more appropriate for smaller body corporates where costs and availability of auditors may be an issue.

75. Whatever the engagement agreed with the body corporate, whether audit (in the case of auditors), review, agreed upon procedure or compilation (in the case of accountants), an appropriate engagement standard must be followed.

76. Any report issued can only be done in terms of the example and requirements of the relevant standards, and on condition that an engagement letter has been signed with the client.

77. Appendix 1 provides relevant sections of the Sectional Titles Schemes Management Act, No. 8 of 2011

Accounting officer reports for trusts

78. Two or more persons can contract to form a Trust. This contract is called a Trust deed which contains stipulations for the benefit of a third. A Trust deed stipulates the terms upon which a number of Trustees are appointed to receive, hold, administer and distribute certain Trust property for the benefit of defined beneficiaries. An inter vivos Trust is a Trust which is established by the Founder during his lifetime.⁹

79. A Trust enables:

- The protection of Trust funds for the benefit of beneficiaries
- The protection of assets from business risk
- Obtaining tax benefits
- Carrying on a business

80. The Trust Property Control Act, 57 of 1988 and the Trust deed, regulates trusts. The Act regulates the control of trust property and prescribes the minimum duties for trustees. Additional duties and functions may be prescribed in the Trust deed.

81. Trustees are appointed in terms of section 6 of the Act and any specifications in the Trust deed. The Master of the High Court must authorise a person to act as trustee.

⁹ http://www.jgs.co.za/pages/publications/commercial/commercial_3.html

82. The Master may require a person to furnish security before being appointed as trustee. Trustees are required to act with such care, diligence and skill as “can reasonably be expected of a person who manages the affairs of another”. A trustee will also be called to account by the Master for that person’s administration and disposal of trust property and shall “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 shall 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.”

83. SAIBA members may assist trustees with their administrative duties imposed in terms of the trust deed, the common law requirements of acting with care and skill and the requirements of the Act. Keeping books of account, preparing financial statements and obtaining an appropriate report on the financial statements are an important part of the duties of trustees.

84. The Act does not prescribe the type of report that should be issued on the financial statements 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.

85. The type of report to be issued as well as the rights and duties of the person that will issue the report should therefore be prescribed in the Trust deed or specified by trustees if the trust deed is silent. This should also be documented in an engagement letter. SAIBA members may agree to provide the following reporting services to the Trust:

- An accounting officer report as required in the Close Corporation Act, 1984 with necessary amendments to the context
- A report issued in terms of ISRE 4410: Agreed-Upon-Procedures
- A report issued in terms of ISRE 2400: Review engagements

86. If the trust deed requires the appointment of a registered auditor only a registered auditor is allowed to perform the required duties.

87. SAIBA recommends that only qualified persons who are in possession of a higher diploma or degree with specialisation in the administration of Trusts should assist trustees in the manner specified.

Accounting officer reports for schools

88. The SA Schools Act 84 of 1996 governs public schools. Section 43(1) requires a governing body of a public school to appoint a person to audit the records and financial statements. This person must be a registered auditor in terms of the Auditing Profession Act 26 of 2005.

89. If an audit is not reasonably practicable¹⁰, the governing body of the school may appoint another person to examine and report on the records and financial statements of the school. The term “reasonable practicable” is not defined by the Act. This will depend on the circumstances and should be determined by the governing body. Elements that could be considered may include:

- The economic significance of the school measured against revenue, assets, number of employees and similar
- The nature of the school and the community with in which it operates
- The cost of a registered auditor’s report
- The availability of a registered auditor

90. This 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. An accounting officer is not appointed to perform the audit but to examine and report on the records and financial statements of the school.

91. It is important to note that:

- The person to replace the auditor should be qualified as an accounting officer.
- The person qualified as accounting officer is required to examine and report not to perform the duties of an accounting officer as specified in the Close Corporation Act 1984.

¹⁰ SA Schools Act 84 of 1996 section 43(2)

92. A SAIBA member that accepts the appointment to examine and report should agree with the governing body the nature and extent of the work to be performed. The parties may agree that the service should be conducted in terms of the following engagement standards:

- The SAIBA framework for accounting officers'
- The accounting officer duties as prescribed in the Close Corporation Act, 1984 with necessary amendments to the context
- ISRS 4400: Agreed-Upon Procedures or ISRE 2400: Review engagements

93. SAIBA members that are considering accepting an appointment to issue a report should obtain knowledge and understanding of the following:

- The South African Schools Act
- Whether provincial schools legislation require an audit
- Whether a the rules and regulations of a particular school require an audit
- The Public Finance Management Act
- The "School Governing Body Manuals" issued by the relevant department in KwaZulu-Natal. These manuals only apply in KwaZulu-Natal but provide useful guidance of the duties and responsibilities of the auditing or examining process.

94. Appendix 1 provides relevant sections of the SA Schools Act.

Accounting officer reports for insurance intermediaries

Short Term Insurance Act 1998

95. The Intermediaries Guarantee Facility (IGF) is a facility set up by the short-term Insurance Industry generally for the purposes of providing security in terms of Section 45 of the Short Term Insurance Act read together with regulation 4 thereto.

96. A short-term insurer may not authorise a person in writing to act as an independent intermediary, to receive, hold or in any other manner deal with premiums payable to it under short term policies, unless that person has provided security in terms of the Regulations Part 4 and Section 45 of the Short Term Insurance Act, 1998.

97. Every insurance intermediary is required to issue guarantees in favour of the South African Insurance Association. Such guarantees should be in a form prescribed by regulation 4 of the Short-term Insurance Act and reviewed by an Auditor or Accounting Officer.

98. The prescribed reports, certificates and returns are available from Intermediaries Guarantee Facility Ltd (<http://www.igfsec45.co.za>).

99. An accounting officer may review the relevant documentation provided the accounting officer is independent and the insurance intermediary is not a registered company and subject to the limitations by the Intermediaries Guarantee Facility Limited.

100. The accounting officer is required to submit two reports to the IGFL. A solvency certificate and a RV9 form (Return by authorised person in respect of amount of guarantee to be furnished by an independent intermediary)

101. In terms of the RV9 form the accounting officer is required to:

- Review the return submitted by the independent intermediary to the IGFL in terms of regulation 4.1 (2) of the Act and report on this return
- Determined that the return is in agreement with the financial statements and the accounting records
- Report non-compliance

102. In terms of the solvency certificate the accounting officer is required to:

- Review the annual financial statements of the Intermediary_in accordance with relevant engagement standards
- Issue a conclusion as to the above
- Affirm that the intermediary has conducted its affairs in accordance with regulation 4, section 45 of the Short Term Insurance Act, 1998
- Affirm that the intermediary has paid or refunded to clients moneys received from insurers in respect of claims or returned premiums and that the Intermediary has not significantly changed the nature of its business during the year
- Affirm whether assets exceed liabilities
- Affirm loans to/from the intermediary from its members
- Affirm amounts to intangibles
- Affirm going concern

103. A SAIBA member that accepts the appointment to issue a RV9 form and solvency certificate should agree with the intermediary and the IGFL the nature and extent of the work to be performed. The parties may agree that the service should be conducted in terms of the following engagement standards:
- The SAIBA framework for accounting officers' and the accounting officer duties as prescribed in the Close Corporation Act, 1984 with necessary amendments to the context
 - ISRS 4400: Agreed-Upon Procedures or ISRE 2400: Review engagements
104. Appendix 1 provides relevant sections of the Short Term Insurance Act

Financial Advisory and Intermediary Services Act 37 of 2002

105. The purpose of the Financial Advisory and Intermediary Services Act (FAIS Act) is to regulate the activities of all financial service providers (FSP) who give advice or provide intermediary services to clients as regards certain financial products. The Act requires that such providers be licensed and that professional conduct be controlled through a code of conduct and specific enforcement measures.
106. The FAIS Act applies to any person that offers financial advice and/or provides an intermediary service to a client on any transaction that has to do with a financial product.¹¹ Accounting officer duties are not included in the definition of intermediary services or financial products, and are not regulated by the FSB. However any person that provides intermediary services or financial products, should register with the FSB. These products and services include advice on how and where to save and invest money, i.e. advising a client to move money from a cheque account to a savings account. It will also include advice on taking out an annuity for possible tax benefits.
107. The Financial Services Board (FSB) administers the FAIS Act and also acts as the Registrar for Financial Service Providers. A FSP includes a natural person, close corporation and company.

¹¹ <http://www.eikosriskapplications.com/RegulatoryInformation/FAISAct/tabid/8844/Default.aspx>

108. Section 19(12) (a) and (b) require FSPs to submit their annual financial statements to the FSB. Section 19(2) (a) of the Act obliges FSPs, irrespective of their business form, to cause these financial statements pertaining to the business of the provider to be audited and reported on by an external Auditor.
109. However an exemption has been issued by the FSB related to the above audit requirement. If an entity is not required by any other law to have its financial statements audited it would not have to obtain an audit for the purposes of the FAIS Act. This exemption does not apply to FSPs that hold money and assets held on behalf of clients.¶
110. This means that a close corporation, that does not hold assets on behalf of clients, must submit its annual financial statements and accounting officer report to the FSB.
111. If an FSP employs more than one key individual or one or more representative FSPs are also required to appoint a Compliance Officer (CO) to monitor compliance with the FAIS Act
112. A key individual is any person responsible for managing or overseeing the activities of the FSP. A representative is any person who renders a financial service to a client for or on behalf of an FSP, in terms of conditions of employment or any other mandatory agreement.
113. Section 17 and Regulations chapter IV of the FAIS act determine that the CO is appointed to monitor compliance with the FAIS Act in accordance with procedures as established and maintained by the FSP, to liaise with the registrar, to submit reports to the registrar in the manner and regarding the matters as determined by the registrar, and to supply written reports to the FSP on his compliance monitoring duties and make recommendations. The following persons may be appointed as a CO: a company director, a member, the Auditor (registered with the IRBA - ed), a trustee, a principal officer, the public officer, or the company secretary. The CO can also be any other person

that meets the requirements laid down by the registrar in Section 17 and the Schedule to section 17.

114. SAIBA members that hold a legal or accountancy university degree, and with at least 3 years' experience as regards the financial services industry will also be recognised as a CO.

115. Appendix 1 provides relevant sections of the FAIS Act.

Accounting officer reports for non-profit organizations

116. The Non-profit Organisations Act 71 of 1997 governs non-profit Organisations. 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, as defined in the Close Corporations Act 1984, and for this report to be submitted to the organisation. The accounting officer must report on the matters mentioned in section 17(2) of this Act.

117. 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.

118. It is important to note that the Act does not require the accounting officer to perform the duties as specified in the Close Corporations Act, 1984 and does not specify an engagement standard. The accounting officer and the client will have to agree to the terms of the engagement.

119. The type of report to be issued as well as the rights and duties of the person that will issue the report should therefore be prescribed in an engagement letter. SAIBA members may agree to provide the following reporting services to the Non-Profit Organisation:

- An accounting officer report as required in the Close Corporation Act, 1984 with necessary amendments to the context
- A report issued in terms of ISRS 4400: Agreed-Upon Procedures
- A report issued in terms of ISRE 2400: Review engagements

Accounting officer reports for credit providers

120. The National Credit Act 34 of 2005 provides for the general regulation of consumer credit and registration of credit providers. The Act also establishes the National Credit Regulator and the National Consumer Tribunal. It also repeals the Usury Act, 1968, and the Credit Agreements Act, 1980.

121. Regulations made in terms of the National Credit Act 34 of 2005 places a compliance and reporting duty on registered credit providers. Chapter 8 of the regulations requires registered credit providers to submit the following:

- Compliance report
- Statistical returns
- An annual financial and operational return
- An assurance report
- Annual financial statements with either the accounting officer's report or the auditor's report, as applicable.

122. Any information that is required to be reported to the NCR must be:

- Accurate and complete, and must fairly present the activities and status of the credit provider
- (Financial Statements) Prepared in accordance with generally accepted accounting practice as applied by that entity in the preparation of its financial statements.

123. Registered credit providers are required to appoint an accounting officer or auditor to conduct an assurance engagement in terms of regulation 68¹². An

¹² National Credit Act 34 of 2005 section 67

auditor has to be appointed where the entity is required by law to appoint an auditor i.e. a credit provider that operates its business in a company should obtain an assurance report from the auditor.

124. If a credit provider is not required by statute to appoint an accounting officer or auditor, a member of one of the following professional bodies should be appointed:

- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)
- The Southern African Institute for Business Accountants (SAIBA)
- South African Institute of Secretaries and Administrators (ICSA)
- Institute of Administration and Commerce (IAC)
- Chartered Institute of Management Accountants (CIMA).

125. 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. The NCR has issued guidelines that will assist accounting officer with performing the assurance engagement as specified in regulation 68.

126. It is important to note that the assurance engagement as specified in regulation 68 is not an assurance engagement as defined in IAASB engagement standards. The regulation 68 engagement is not an audit or a review engagement. In comparisons to an audit and review the engagement the regulation 68 engagement should technically be classified as a non-assurance engagement.

127. For this reason the report issued by the accounting officer in terms of the regulation 68 engagement includes the following wording "As the practitioner simply provides a report based on discussions with management and, if applicable, a review of certain information and documents, *no assurance is expressed*. Instead, users of the report assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from the practitioner's work.

128. SAIBA recommends that members adopt ISRS4400: Agreed-Upon Procedures in addition to the Guidelines issued by the NCR when performing regulation 68 engagements. Applying ISRS4400 will enable members to agree with the credit provider and the NCR the work that should be performed in the event that the accounting officer consider it necessary to a review a sample of credit agreements, marketing or advertising materials, enforcement notices and any other documents.

Accounting officer reports for co-operatives

129. The Co-operatives Act 14 of 2005 provides for:

- The formation and registration of co-operatives
- The establishment of a Co-operatives Advisory Board
- The winding up of co-operatives

130. The Act requires that an “audit” should be conducted in each financial year of the co-operative. In terms of section 47(1) (a) to (d) the auditor of a co-operative is not required to express an opinion on the fair presentation of the financial statements. Very specific duties are required of the auditor. However, the Act requires an audit to be carried out and may only be performed by a Registered Auditor.

131. The Act defines an auditor as:

- A person registered in terms of the Auditing Profession Act 26 of 2005
- A firm as defined in that Act or
- Where appropriate, any other person authorised by regulation to conduct an audit of a co-operative.

132. Section 47 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
- Report on any other matter the auditors are required to report on in terms of a co-operative's constitution.

133. A co-operative that is not able to afford the costs of an annual audit may apply in writing to the registrar for an exemption from the requirements of section 47. The application for exemption form is available as appendix 3.

134. The ground for exemption is stipulated in section 55. According to this section the co-operative should apply to the Registrar of Co-operatives for exemption. Exemption will be considered based on the following:

- The costs of an annual audit would materially affect the financial sustainability of the co-operative
- The co-operative has maintained adequate financial records, and is able to prepare annual financial statements and
- having regard to the size and kind of co-operative, the interests of members are adequately protected

135. It is important to note that the Registrar may stipulate conditions to an exemption granted in terms of this section, if the registrar considers that it will serve the purpose of this Act to do so. This means that the Registrar may exempt a co-operative from being "audited". In terms of the Auditing Professions Act 2005 only a registered auditor may perform an audit. The Registrar should therefore not only exempt the co-operative from appointing a registered auditor but should also provide exemption from the audit. A "suitable qualified person" is not allowed to perform an audit. This person may however perform a review, agreed-upon procedure or accounting officer engagement.

136. SAIBA members should therefore obtain agreement from the co-operative and the Registrar of Co-operatives to perform:

- An accounting officer report as required in the Close Corporation Act, 1984 with necessary amendments to the context
- A report issued in terms of ISRS 4400: Agreed-Upon Procedures
- A report issued in terms of ISRE 2400: Review engagements

137. **The Co-operatives Amendment Act, Act No.6 of 2013** was assented to on 5 August 2013 but has not yet become effective. The amendment act will significantly alter the audit and reporting requirements of co-operatives.

138. In short, the amendment act creates three layers of co-operatives in the form of primary, secondary and tertiary co-operatives. Primary co-operatives have natural or juristic persons as members. Secondary co-operatives have primary co-operatives as members, and tertiary co-operatives have secondary co-operatives as members.

139. A primary co-operative may provide either employment or services to its members and may in turn be classified as either a social, housing or financial co-operative. These co-operatives are further characterized based on size i.e. category A, B or C. With category A being the smallest and category C the largest. The Minister of Trade and Industry will via regulations determine the size threshold for each category. This threshold will in turn determine the financial reporting standards to be applied and the type of report to be issued on the financial statements.

140. According to the amendment act the following co-operatives must produce an audited report to the registrar in respect of each financial year: Category C primary co-operatives, Secondary co-operatives, Tertiary co-operatives and the national apex co-operative

141. Category B primary co-operatives must produce an independent reviewed report to the registrar in respect of each financial year.

142. Category A primary co-operatives must produce an annual report which report does not have to be audited or independently reviewed, to the registrar in respect of each financial year, signed by the directors of the co-operative

143. A primary co-operative means a co-operative whose object is to provide employment or services to its members and to facilitate community development.

144. Extracts from the Act is provided in appendix 1.

Accounting officer reports for fund-raising organizations

145. The Fund-Raising Act 107 of 1978 provides for the:

- Control of the collection of contributions from the public
- Appointment of a Director of Fund-raising
- Establishment of a various funds and for
- Related matters.

146. Section 12(2) of the Fund-Raising Act requires the appointment of an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

147. In terms of regulation 13 (3) (a) the auditor shall make a report stating that he has examined the financial statements in so far as he deemed it necessary for the purposes of his audit and that in his opinion they fairly represent the financial position and the results of the operations of such organisation or branch in the manner required by the Act.

148. However section 12 (4) of the Act allows the Director of Fund-raising to exempt a fund-raising organisation from any provisions of this Act relating to the furnishing of reports, returns or financial statements and may require alternative conditions to be met.

149. A SAIBA member may therefore be appointed by the fund-raising organisation, and approved by the Director of Fund-Raising.
150. SAIBA members should therefore obtain agreement from the client and the Director of Fundraising to perform:
- An accounting officer report as required in the Close Corporation Act, 1984 with necessary amendments to the context
 - A report issued in terms of ISRS 4400: Agreed-Upon Procedures
 - A report issued in terms of ISRE 2400: Review engagements
151. It is important to remember that the same rights and responsibilities that apply to an auditor in terms of this Act, will also apply to a SAIBA member being appointed in terms of section 12 of the Act (with the exclusion of the procedures, agreed to with the Director of Fund-Raising, to replace the audit function).

Accounting officer reports for the National Lottery Board

152. The National Lotteries Board (NLB) was established in terms of the Lotteries Act (No 57 of 1997) to regulate the National Lottery as well as other lotteries, including society lotteries to raise funds and promotional competitions. The NLB also advises the Minister of Trade and Industry on policy matters relating to the National Lottery and other lotteries. Members of the NLB are appointed by the Minister of Trade and Industry and hold office for a period of five years, after which they may be reappointed. NLB members are also trustees of the National Lottery Distribution Trust Fund (NLDTF), into which National Lottery proceeds that are intended for allocation to good causes are deposited.
153. The NLB does not adjudicate applications for funding or make allocations to organisations. This is done by committees known as distributing agencies which are also appointed by the Minister of Trade and Industry, in conjunction with other relevant Ministers, after a process of public nomination. The NLB

provides administrative support to the distributing agencies. The National Lottery Distribution Trust Fund (NLDTF) is established in terms of the Lotteries Act which designates members of the NLB as trustees of the NLDTF. The NLB is also responsible for reporting annually to Parliament on the management of the NLDTF.

154. The Lotteries Act specifies that distributing agencies must be created as the mechanism through which the National Lottery Distribution Trust Fund (NLDTF) adjudicates grant applications. After a process of public nomination, members of distributing agencies are appointed by the Minister of Trade and Industry, in consultation with other relevant Cabinet Ministers, on the basis of their expertise. These members are charged with distributing “the allocated sum fairly and equitably amongst all persons who meet the prescribed requirements” (Lotteries Act, section 28(1)).

155. Presently legislation provides for three such agencies:

- The Distributing Agency for Charities
- The Distributing Agency for Arts, Culture and National Heritage
- The Sport and Recreation Distributing Agency

156. Applications falling under the Miscellaneous Purposes Sector are adjudicated directly by members of the National Lotteries Board (NLB) who have been appointed as the distributing agency members for this sector.

157. From time to time, regulations are promulgated to guide the distributing agencies both in terms of the process of adjudication and in terms of the kinds of organisations that are eligible. Regulations published in July 2010 list priority activities which should collectively receive at least 50% of available funding. These regulations (Government Gazette No. 33398, Notice R. 645 "Application for Grant in terms of the Act" determine the form and content of an application for funding.

- According to the regulations applicants should provide:
- The type of funding required
- Details of the organisation

- Financial details of the organisation
- Referees
- Founding documents
- Project business plan
- Project budget
- Project motivation
- Most recent annual financial statements
 - o For a year for organisations that have previously received funding from the NLDTF
 - o For two consecutive years signed and dated by a registered and independent accounting officer or auditor in the case of organisations that have not been previously funded by the NLDTF
- Signed auditor's or accounting officer report

158. However, the NLB interpret the annual financial statement requirement as follows: "Organisations that have not previously received NLDTF funding are required to submit two years' annual financial statements signed by an independent accounting officer. Organisations previously allocated NLDTF funding need only to submit financial statements for one year, but these must be audited. Signed auditor's report or, for first time applicants, a signed accounting officer's report" (ed - should accompany the application).

159. The requirement is for an "independent accounting officer" to sign and date the financial statements.

160. Members should however note that:

- A SAIBA member should under no circumstances sign a client's financial statements.
- The client is responsible for the information reflected in the financial statements.
- Members are advised that they should engage with the client and the NLB and only issue a report as accounting officer.

- The regulations do not specify the form and content of the report that the accounting officer should issue - only that an accounting officer should perform a certain function.
- Members should therefore issue an engagement letter to the client and inform the NLB as to the agreed upon procedures that will be performed. This service could be based on ISRS 4400 or could be based on the requirements of the accounting officer in terms of the Close Corporations Act 1984.

Accounting officer B-BBEE certificate for exempt micro enterprises

161. The Broad-Based Codes of Good Practice were launched in 2007 and provided a framework for measurement of Broad-Based Black Economic Empowerment (BBBEE) in terms of the BEE Act 53 of 2003. On 11 October 2013 an amendment to the codes was published.

162. The amended codes included a transitional period during which companies could prepare for measurement under the amended codes. The original transitional deadline was 12 October 2014. This deadline was extended on 18 March 2014 to 1 May 2015. Effectively, all measured entities must use the amended codes as a basis for measurement. The amended codes apply to Exempt Micro Enterprises (EME), Qualifying Small Enterprises (QSE), and Generic Sized Entities (GSE).

163. In terms of the previous codes, EMEs were required to obtain an EME certificate from an accounting officer stating whether the EME did in fact qualify as such. The new codes, effective from 1 May 2015, state that verification as an EME is no longer dependent on obtaining a certificate issued by an accounting officer. The thresholds determining whether an entity qualifies as an EME has also been amended. Under the new amended codes an EME is only required to obtain a sworn affidavit from the owners/manager on an annual basis confirming the following:

- Annual total revenue of R10 million or less
- Level of black ownership

Any misrepresentation in terms of the above constitutes a criminal offence.

164. Under the new codes any enterprise with an annual turnover of R10 million or less qualifies as an EME. An EME is deemed to have a B-BBEE status of level 4, with contributors having a B-BBEE recognition level of 100%. However, an EME that is 100% black owned qualifies for elevation to a level 1 contributor, having a B-BBEE recognition level of 135%. An EME that is at least 51% black owned qualifies for elevation to a level 2 contributor having a B-BBEE recognition level of 125%.

165. Verification of QSEs and Government Sponsored Entities (GSEs) may only be performed by either a South African National Accreditation System (SANAS) accredited verification agency or an Independent Regulatory Board of Auditors (IRBA) accredited auditor. Accounting officers may not issue verification certificates for these types of entities.

166. SANAS (South African National Accreditation Systems) was authorised to accredit BBBEE verification agencies prior to September 2011. However currently both SANAS and the IRBA provides accreditation. Only SANAS accredited verification agencies or IRBA accredited auditors may issue verification certificates for QSE or generic entities. The amendment to the Codes, published in Government Gazette No. 34612, has included IRBA as an accreditation body for auditors.

167. A BAP(SA) may assist a client seeking assistance with obtaining an EME affidavit and additional confirmation by acting as a Commissioner of Oaths.

168. As from 1 May 2015, EMEs were able to submit an affidavit attesting to its EME status. This affidavit must be taken in front of a Commissioner of Oaths.

Accounting officers that are registered with the Southern African Institute for Business Accountants (SAIBA) as Business Accountants in Practice (SA) are recognised as Commissioners of Oaths and may therefore assist clients in this manner.

169. Only verification agents or qualifying auditors may issue B-BBEE certificates. The new codes only require an EME to submit an affidavit in respect of its EME status. A BAP(SA) can act as Commissioner of Oath. Members are not allowed to use own stationery when assisting a client to complete an affidavit, the template on The DTI's web site are the only legal form of affidavit that is allowed for B-BBEE. Members are not allowed to complete the Affidavit for a client and must follow the rules applicable to Commissioner of Oaths when commissioning an affidavit for a client.
170. Some clients may, in addition to obtaining an EME Affidavit, request a BAP(SA) to confirm ownership and turnover. This additional confirmation performed by the BAP(SA) must be performed in terms of ISRS 4400. However the BAP(SA) does not issue a BBEE certificate as the EME is exempted from obtaining a BBEE certificate as only a EME affidavit is required. The ISRS 4400 report is a factual findings report that a client may request from the BAP(SA) and does not form part of the BBEE codes or regulations and has no binding effect. The report issued in terms of ISRS 4400 may not refer to the BBEE level and only has reference to the turnover and ownership of the entity.

Accounting officer for TV Licences

171. In terms of section 40 of the Broadcasting Act, Act No 4 of 1999, regulations in terms of TV Licenses may be issued. Regulation No 1435 issued in Government Notice No. 25582 of 13 October 2003 requires that a person who is required to be in possession of a television licence must possess one or more of the following categories of television licences:

- Domestic licence
- Concessionary domestic licence
- Business licence
- Dealer licence
- Lessor licence

172. In terms of the regulations all businesses must within thirty days after the end of each licensing submit to the broadcasting corporation an audited statement reflecting the number of television sets and the period for which such television sets were in its possession during such licensing year. Failure to submit such a report may result in a penalty being issued. The annexure to the regulations provide an example of the report that must be submitted. According to the annexure either an auditor or an accounting officer must issue the report. The format of the report is that of agreed upon procedures.

173. Appendix 5 contains an example of the report to be issued by the accounting officer.

Accounting officer for Construction Industry Grading

174. The Minister of Public Works has under section 33 of the Construction Industry Development Board Act, 2000, (Act No. 38 of 2000) (the Act), made regulations known as the Construction Industry Development Regulations, 2004. The regulations provide for a register of contractors that may provide work to the public sector and also implements a grading system for contractors. The grading system is linked the type of contract work that may be performed by a contractor.

175. One of the requirements set for contractors is that they must proof financial viability. This assessment may be based on financial statements reported on by accounting officers or auditors.

176. For registration contractors must submit:

- Relevant fees
- Financial statements for the two years preceding the application
- If not audited proof of turnover. This may be VAT return.
- Full company or close corporation details
- Tax clearance certificates
- ID documents
- Other details as prescribed

177. The contractors grading is determined by the financial capability of the contractor, works capability, and financial capability determined in terms of a method as determined in the regulations. The calculation methods may take into account the latest two years financial statements.

178. For example the CIDB application form makes the following statements related to a Grade 2 contractor:

- Letter of project award signed by the client
- Copy of certificate of completion or final payment certificate OR Audited financial statement if your client was a private company
- Full financial statement certified by an accounting officer for close corporation
- Financial statements compiled by a bookkeeper for a sole proprietor
- Financial statements compiled by a bookkeeper for a partnership

Accounting officer for Immigration Engagements

179. Sections 14(1) (a) and (2) (b) of the Immigration Regulations (as amended) under the Immigration Act, No. 13 of 2002 requires applicants for Business Visas to obtain a certificate from a BAP(SA) to the effect that the amount of cash or capital contribution to be invested complies with Ministerial pronouncements.

180. Any certificate issued must be issued in terms of the International Standard on Related Services (ISRS) 4400, Agreed Upon Procedures. Only BAP(SA)s that have obtained the SAIBA Practice License in Immigration Engagements may issue the relevant certificate. SAIBA has issued a guide for members to follow when performing immigration engagements available at www.saiba.org.za.

Accounting officer for Business Rescue Engagements

181. Chapter 6 of the Companies Act 2008 (Act 71 of 2008) provides for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.

182. All businesses that are financially distressed and want to take a decision to start rescue proceedings can file a notice to start business rescue proceedings with the CIPC.

183. Business rescue can be initiated by:

- The board of directors;
- By an application to court when the business is financially distressed;
- Various affected persons by application to court (including shareholders, creditors, registered trade unions and employees).

184. The decision by a board to pass a resolution for business rescue needs to be done urgently to enable the business rescue practitioner to take control for the purposes of having a business rescue plan approved and thereafter implemented.

185. A business rescue practitioner will be appointed to oversee and supervise on a temporary basis the management, affairs and business of the company and to devise, prepare, develop and implement a business rescue plan. The plan will be implemented if approved by creditors and shareholders to the extent that the rights of the shareholders will be affected.

186. A director or a member would have a duty to pass consider passing a resolution for a company's business rescue or alternatively resolve to wind up or liquidate as soon as he or she becomes knowingly aware that the company is either:

- financially distressed or
- is unable to pay its debts

187. During the company's business rescue proceedings, each director of the company:

- would continue to exercise the functions of a director subject to the authority of the practitioner duly appointed;
- must assist the practitioner that is expected to operate the company and to continue to run its business;
- may delegate any power or function to the practitioner duly appointed that would have full management control of the company in substitution for its board and pre-existing management.

188. A person may be appointed as a business rescue practitioner of a company only if that person is a member in good standing of a legal, accounting or business management profession (Section 138(1) of the companies act, 71 of 2008) and:

- Submits a COR126.1 Form (duly completed dated and signed), proof of filing fee of R500;
- Obtains a Customer Code (clearly indicated on the top right hand corner of the form);
- Provides certified copies of suitable educational qualifications, a comprehensive résumé (CV) containing full and detailed particulars of the applicant's history and relevant practical experience working in a distressed business environment and demonstrating relevant turn around experience.
- Provides registration number/s that reflects membership of relevant professional body or bodies, and supporting documentation to substantiate the factual information in respect of the history and relevant practical experience, (provide references), certified valid tax clearance certificate

(individual), a declaration/ Sworn statement in terms of Section 138;

- The applicant must state if he/she has ever been refused a license before, or membership of a professional body, (if so provide reasons);
- Provide certified ID or passport copy of the applicant, and contact details.

189. Only BAP(SA)s that have obtained the SAIBA Practice License in Business Rescue Engagements may accept appointment as a Business Rescue Practitioner.

● Engagements that SAIBA members are not allowed to perform

190. The following acts, regulations and policies require the appointment of an auditor or members of a particular professional body. SAIBA members may not issue these reports. The list is not complete and will be updated in due course. SAIBA continuously engage with relevant regulators and departments to obtain additional recognition for SAIBA members.

Enterprise Investment Programme: Manufacturing Investment¹³ and Tourism Support¹⁴

191. The Enterprise Investment Programme (EIP)¹⁵ was launched in July 2008, to provide sector-specific financing in order to encourage growth in key areas. The scheme currently operates under two sub-programs – the Manufacturing Investment Programme (MIP) and the Tourism Support Programme (TSP) – though further sub-programs are expected to be added in the future to address the needs of other specific sectors.

192. The EIP works through an investment grant of between 15% and 30% towards qualifying investment in plant, machinery and equipment and customised vehicles required for establishing new or expanding existing production facilities or upgrading production capability in existing clothing and textiles operations.

¹³ http://www.thedti.gov.za/financial_assistance/docs/mip_guidelines.pdf

¹⁴ http://www.thedti.gov.za/financial_assistance/docs/tsp_guidelines.pdf

¹⁵ <http://www.tradeinvestsa.co.za/incentives/704004.htm>

193. The MIP is designed to stimulate investment into the manufacturing and related services sectors as part of the government's efforts to create further employment and ensure sustained growth within the industry. The programme aims to encourage further investment into the industry by providing a grant of up to 30% towards qualifying investment below R200m in plant, machinery and equipment and commercial vehicles required for establishing new and expansions of existing operations.

194. The aim of the TSP is to specifically promote sustainable job creation outside of the traditional tourism destinations of Durban, Cape Town and Johannesburg, as well as encouraging greater transformation in the sector. The TSP offers a grant of up to 30% of qualifying capital investment by enterprises investing below R200m, provided the enterprises are located outside the three established tourism areas. The grant can be used by applicants as part of their equity contribution when approaching third party partners and may also be used to access further loans from banks.

195. It is the responsibility of the applicant to provide complete and accurate information to the dti in order to enable speedy and correct processing of the grant. To claim for the TSP grant, an applicant must submit a range of documents to the Programme Manager at the dti this includes

- An originally completed claim form signed by the entity and an independent external auditor or accredited person
- A factual findings report issued by an independent external auditor or accredited person

196. An independent external auditor means a registered auditor with the Independent Regulatory Board of Auditors (IRBA) or where the company is exempt from the audit requirement members of the following professional bodies are recognised as accredited persons:

- South African Institute of Professional Accountants (SAIPA)
- South African Institute of Chartered Accountants (SAICA)
- Association of certified chartered accountants. (ACCA)

197. The factual findings report¹⁶ shall be provided by an independent registered auditor, or an independent external accredited person, as follows:

- The factual findings report for Claim Forms submitted by a company, or in respect of a project of a company, shall be provided by the independent registered auditor of the company
- The factual findings report for Claim Forms submitted by a Close Corporation or Co-operative project with total investment for the MIP/TSP project in land, building, machinery/furniture and equipment and commercial vehicles of R30m and above shall be provided by an independent registered auditor
- The factual findings report for Claim Forms submitted by a Close Corporation or Co-operative project with total investment for the MIP/TSP project in land, building, machinery/furniture, equipment and commercial vehicles of below R30m may be provided by either an independent registered auditor or an independent external accredited person
- Where the entity is exempt from an audit requirement and its investment for the TSP/MIP project in land, buildings, machinery/furniture, equipment and commercial vehicles is below R30m, the factual findings report for a Claim Forms submitted may be provided by either an independent registered auditor or an independent external accredited person.

198. The factual findings report is undertaken in accordance with the International Standard on Related Services ISRS 4400 – Engagements to Perform Agreed-Upon Procedures Regarding Financial Information.

Auditor of companies and other entities

¹⁶ http://www.irba.co.za/index.php/component/docman/doc_view/1121-factual-findings-report-june-10?tmpl=component&format=raw

199. In terms of the Auditing Professions Act 2005 only persons registered with the IRBA may issue audit reports. If a statute or regulation specifies that an entity should be audited, only registered auditors may perform this function. For example section 30(2) of the Companies Act 2008 requires that the annual financial statements of the following companies should be audited. Only a registered auditor may perform an audit. It applies to owner-managed and non-owner-managed companies:

- Public companies
- A profit and non-profit company, other than a public company, should be audited if it is in the public interest to do so. Considering the social and economic significance of the particular company will influence this decision. Regulation 28 provides the content for what is to be regarded as socially and economically significant. According to this regulation the following companies should be audited:
 - State-owned companies
 - Companies that hold assets in a fiduciary capacity for persons who are not related to the company, where the aggregate value of such assets held at any time during the financial year exceeds R 5 million
 - Any non-profit company that is incorporated by the State or that performs a statutory function
 - Profit and non-profit companies, irrespective of ownership structure, whose combined public interest score is more than 350 points. One point is allocated to each of the following:
 - each million Rand of turnover
 - each million Rand of third party liabilities
 - average number of employees
 - number of shareholders.
 - Profit and non-profit companies, irrespective of ownership structure, whose combined public interest score is at least 100, if its annual financial statements for that year were internally compiled.
 - A company may voluntarily opt for an audit by drafting its memorandum of incorporation in such a manner as to have its annual financial statements audited on a yearly basis.

Independent reviewer: non-owner managed company with PIS between 100-349

200. Section 30(2)(ii)(bb) of the Companies Act 2008, read together with section 30(2A), mandates an independent review only for those companies that do not fall within an audit threshold and that are non-owner-managed. Section 30(2A) exempts owner-managed entities from a mandatory independent review requirement. This exemption is absolute and is not affected by an owner-managed company's public interest score. A company may voluntarily opt for an independent review by drafting its memorandum of incorporation in such a manner as to have its annual financial statements independently reviewed on a yearly basis.

201. The nature and scope of an independent review performed as a mandatory requirement differs significantly from an independent review performed as a voluntary engagement. Mandatory independent reviews performed within the requirements of Regulation 29 of the Companies Act, 2008 will be subject to the independence requirements of section 290 of the IFAC Code of Ethics, and reportable irregularities must be reported to the Companies Commission.

202. Companies subject to mandatory independent review:

- A non-owner-managed company of which the public interest score for the particular financial year was at least 100. This independent review may only be conducted by:
 - a registered auditor
 - a person who is a member of a professional body that has achieved accreditation with the IRBA for auditing purpose
- A non-owner-managed company of which the public interest score for the particular financial year was less than 100. This independent review may be conducted by:
 - a registered auditor

- a person who is a member of a professional body that has achieved accreditation with the IRBA for auditing purposes
- a person who is qualified to be appointed as the accounting officer of a close corporation in terms of the Close Corporations Act, 1984.

203. All the persons listed above should perform a mandatory independent review engagement in accordance with ISRE 2400.

204. Companies with a public interest score of 350 and more are subject to an audit by a registered auditor.

205. Sections 30(2)(ii)(bb) and (7) do not apply to owner-managed companies. A company is owner-managed if its memorandum of incorporation indicates that all shareholders of the company are also appointed as directors of the company. The manner, form and procedure for the performance of a voluntary review engagement, as well as the qualification and duties of a practitioner who will perform the voluntary engagement, should be established by way of agreement with the client.

206. A professional body may, in addition to the requirements of the Companies Act 2008, implement additional qualification or training requirements before allowing a member to act as an independent reviewer. To perform the duties of an independent reviewer a person should be qualified as an accounting officer and have met the requirements as set by a professional body. An independent review report should be signed by an independent reviewer and not by an accounting officer.

Executor of deceased estates

207. The Administration of Estates Act 66 of 1965 governs the administration of estates. 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 regulations issued under the Act, "Regulations prohibiting the liquidation or distribution of the estates of deceased persons by any person other than an attorney, notary, conveyancer or law agent", published under Government Notice R910 in Regulation Gazette 967 of 22 May 1968, only lawyers, auditors and certain other institutions may be appointed as executors. The Master of the High Court approves the appointment of an agent.

Attorneys trust accounts

208. Attorneys are governed by the Attorneys Act 53 of 1979. 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 by an accountant, as defined in the Rules of each Law Society. An accountant is defined in the rules as being a person registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

Estate agents trust accounts

209. Estate agents are governed by the Estate Agents Act 112 of 1976. This Act requires every estate agent to appoint an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005. An Auditor is appointed 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 Agents Act.

Travel agents and travel agencies

210. Travel agents registered with the International Air Transport Association (IATA) must keep annual financial statements, which should be audited by an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

Agricultural produce agents

211. The Agricultural Produce Agents Act, Act no. 12 of 1992, governs agricultural produce agents. The accounting records and trusts account of each agricultural produce agent must be audited by a person registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

B-BBEE verification agents for measured entities, and EME

212. Valid B-BBEE status level certificates are issued only by the following: Verification Agencies accredited by the South African National Accreditation System (SANAS); or Registered Auditors approved by the Independent Regulatory Board of Auditors (IRBA) in accordance with the approval granted by the Department of Trade and Industry.

213. Members of professional bodies such as SAICA, ACCA, SAIPA and SAIBA are excluded from being recognized as accredited B-BBEE verification agents. Members of these professional bodies will have to obtain SANAS accreditation before they will be allowed to perform B-BBEE verification of measured entities. In terms of the amended codes EME no longer require an EME certificate from an accounting officer.

Sheriffs of the courts

214. The Sheriffs Act, Act no. 90 of 1986, governs sheriffs of the Court. 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.

Drought scheme for farmers

215. A drought scheme for farmers was announced in June 1992. The Department of Agricultural Development published the procedures for compliance with the scheme. Initially, compliance with the scheme required the appointment of an

accounting officer or auditor. This decision was subsequently revoked to provide for the appointment of an Auditor.

Honorary auditor for club, institute or association

216. A SAIBA member may not be appointed as an auditor for a non-profit organisation. However if he is a member of a non-profit club, institution or association he may accept appointment as honorary auditor for that non-profit club, institution or association if no fee or other consideration is received.

Acting as a tax practitioner for a fee

217. Section 240 of the Tax Administration Act, 28 of 2011 requires that every person natural person that provides advice to another person with respect to the application of a tax act or completes or assists in completing a return (not document) to be submitted to SARS by another person in terms of a tax Act must register or fall under the jurisdiction of a recognized controlling body and register with SARS as a tax practitioner.

218. A person does not have to register if the service is provided at no consideration, or in lieu of litigation, or is incidental or is a subordinate part of other goods or services, or provided as part of employment.

219. SAIBA is not a controlling body in terms of the Tax Administration Act and hence membership to SAIBA does not authorize a person to act as a tax practitioner.

220. SAIBA signed an agreement with the South African Institute of Tax Practitioners (SAIT), which allows SAIBA members with the designation BA (SA) or BAP (SA) to register with SAIT and obtain membership of SAIT. SAIBA designation holders may join SAIT at a 50% discount on membership fees

● Appendix 1: Extracts from relevant statutes

Paragraph numbers refer to the specific section in that Act or its regulations.

Close Corporations Act, 69 of 1984

56. Accounting records

(1) A corporation shall 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 corporation, and to explain the transactions and financial position of the business of the corporation. . .

58. Annual financial statements

(1) The members of a corporation shall within nine 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.[Sub-s. (1) amended by s. 4 of Act 64/88]

59. Appointment of accounting officers

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

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). [Sub-s. (1) amended by s. 9 of Act 81/92]

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; [Para. (a) substituted by s. 13 (1) (a) of Act 38 of 1986.]

(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 [Para. (b) substituted by s. 13 (1) (a) of Act 38 of 1986 and by s. 4 (a) of Act 17 of 1990.]

(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, [Sub-par. (iii) added by s. 13 (1) (d) of Act 38 of 1986.] he shall forthwith by registered post report accordingly to the Registrar. [Sub-s. (3) amended by s. 14 of Act 22 of 2001.]

(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.[Sub-s. (4) added by s. 4 (b) of Act 17 of 1990.]

Close Corporations Act 69 of 1984 Administrative Regulations

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]

Sectional Titles Schemes Management Act, No. 8 of 2011

Commencement: 7 October 2016 (Government Gazette: No. 40334)

1. Definitions

“rules”, in relation to a building which is divided into sections and common property, means the management rules and conduct rules referred to in section 10(2)(a) and (b), respectively;

“unanimous resolution” means a resolution— (a) passed unanimously by all the members of the body corporate at a meeting at which— 6 5 10 15 20 25 30 35 40 45 50 (i) at least 80% calculated both in value and in number, of the votes of all the members of a body corporate are present or represented; and (ii) all the members who cast their votes do so in favour of the resolution; or (b) agreed to in writing by all the members of the body corporate.

Rules

10. (1) A scheme must as from the date of the establishment of the body corporate be regulated and managed, subject to the provisions of this Act, by means of rules.

(2) The rules must provide for the regulation, management, administration, use and enjoyment of sections and common property, and comprise—

(a) management rules, as prescribed, which rules may subject to the approval of the chief ombud be substituted, added to, amended or repealed by the developer when submitting an application for the opening of a sectional title register, to the extent prescribed by regulation, and which rules may be substituted, added to, amended or repealed by unanimous resolution of the body corporate as prescribed; and

(b) conduct rules, as prescribed, which rules may, subject to the approval of the chief ombud, be substituted, added to, amended or repealed by the developer when submitting an application for the opening of a sectional title register, and which rules may be substituted, added to, amended or repealed by special resolution of the body corporate, as prescribed: Provided that such conduct rules may not be irreconcilable with any prescribed management rule contemplated in paragraph (a).

(3) The management or conduct rules contemplated in subsection (2) must be reasonable

and apply equally to all owners of units.

...

(5)

(a) If the management or conduct rules contemplated in subsection (2) are substituted, added to, amended or repealed, the developer or the body corporate must lodge with the chief ombud a notification in the prescribed form of such substitution, addition, amendment or repeal.

(b) The chief ombud must examine any proposed substitution, addition, amendment or repeal referred to in paragraph (a) and must not approve it for filing unless he or she is satisfied that such substitution, addition, amendment or repeal is reasonable and appropriate to the scheme.

(c) If the chief ombud approves the substitution, addition, amendment or repeal of rules for filing, he or she must issue a certificate to that effect.

Regulations

19. The Minister may after consultation with Parliament make regulations regarding—

(a) any matter required or permitted to be prescribed by regulation under this Act; and

(b) generally, any matter that is necessary or expedient to prescribe for the proper implementation of this Act.

Sectional Titles Act 95 of 1986, Regulations

Commencement: 7 October 2016 (Government Gazette: No. 40335)

Rules

Rules 6. (1) Rules, as prescribed and as amended by a body corporate in accordance with section 10 of the Act, must be considered to be and interpreted as laws made by and for the body corporate of that scheme. (2) For the purposes of section 10(2)(a) and (b)-

(a) Subject to sub-regulations (3), (4), (5) and (6), management rules are as they appear in Annexure 1; and

(b) Conduct rules are as they appear in Annexure 2.

(6) The management rules set out in Annexure 1 may be added to, amended or repealed by unanimous resolution of the body corporate: Provided that no such

addition, amendment or repeal made be made until such time as there are owners, other than the developer, of at least 30% of the units in the scheme save in the case of a body corporate which is established in a scheme which was approved in terms of the Sectional Title Act, 1971.

ANNEXURE 1: MANAGEMENT RULES

PART 1 INTRODUCTORY

2(1) In the interpretation of these rules, unless the context otherwise indicates

(c) "auditor" means a person accredited to perform an audit in terms of the Auditing Professions Act, 2005 (Act No. 26 of 2005);

...

(n) "registered auditor" means a person as defined in terms of the Auditing Professions Act, 2005 (Act No. 26 of 2005);

PART 4 OWNER MEETINGS

Annual and special general meetings

(6) The order of business at general meetings is as follows:

...

(j) if the meeting is an annual general meeting —

...

(iv) approve the budgets for the administrative and reserve funds for the next financial year;

(v) consider the annual financial statements; (vi) appoint an auditor to audit the annual financial statements, unless all the sections in the scheme are registered in the name of one person;

...

PART 5 FINANCIAL MANAGEMENT

Financial records, budgets, reports and audit

26. (1) A body corporate must—

(a) keep proper books of accounts that—

- (i) record all its income, expenditure, assets and liabilities;
- (ii) disclose all amounts recovered from members by the body corporate or any managing agent or other service provider acting on its behalf;
- (iii) include individual accounts for each member; and
- (iv) contain all other information necessary to allow members to assess the body corporate's financial situation and their financial situation in regard to the body corporate.

(b) keep separate books of account and bank accounts for its administrative and reserve funds referred to in sections 3(1)(a) and (b) of the Act;

(c) prepare annual financial statements for presentation at the annual general meeting, which statements must include analyses of the —

- (i) amounts due to the body corporate in respect of contributions, special contributions and other charges, classified by member and the periods for which such amounts were owed;
- (ii) amounts due by the body corporate to its creditors generally and prominently disclosing amounts due to any public authority, local municipality or other entity for services including, without limitation, water, electricity, gas, sewerage and refuse removal, classified by creditor and the periods for which such amounts were owed;
- (iii) amounts advanced to the body corporate by way of levy finance, a loan, in terms of a guarantee insurance policy or otherwise, setting out the actual or contingent liability of the body corporate and the amounts paid by the body corporate and by any member in terms of such arrangement;
- (iv) amounts in the reserve fund showing the amount available for maintenance, repair and replacement of each major capital item as a percentage of the accrued estimated cost and the rand value of any shortfall;
- (v) premiums and other amounts paid and payments received by the body corporate and any member in terms of the insurance policies of the body corporate and the expiry date of each policy; and
- (vi) amounts due and payable to the Community Schemes Ombud Service.

(d) prepare a maintenance, repair and replacement plan in accordance with rule 22 for presentation at the annual general meeting;

(e) prepare budgets for the administrative and reserve funds comprising itemised estimates of the anticipated income and expenses during the next financial year for presentation at the annual general meeting; provided that such budgets may include discounts not exceeding 10 per cent of a members' annual contributions applicable if all those contributions are paid

on or before the due dates;

(f) prepare a report adopted by the trustees reviewing the affairs of the body corporate during the financial year for presentation at the annual general meeting.

(2) On the application of any member, registered bondholder or of the managing agent, the body corporate must make all or any of the books of account and records available for inspection and copying.

(3) The body corporate must ensure that all the body corporate's books of account and financial records are retained for a period of six years after completion of the transactions, acts or operations to which they relate.

(4) Unless all the sections in the scheme are registered in the name of one person, the body corporate must present audited financial statements to a general meeting for consideration within four months after the end of the financial year.

(5) The audit of a body corporate's annual financial statements—

(a) must be carried out by an independent auditor who has not participated in the preparation of the annual financial statements or advised on any aspect of the accounts of the body corporate during the period being reported on;

(b) need not be carried out in accordance with any recognized financial reporting framework of guidelines for financial accounting;

(c) must include opinions as to whether or not—

(i) the annual financial statements accurately reflect the financial position of the body corporate for the financial year under review, with such qualifications and reservations as the auditor considers necessary;

(ii) the body corporate has complied with the accounting requirements set out in rules 21, 24 and this rule 26, with a specific description of any failure to comply with such requirements;

(iii) the books of account of the body corporate have been kept and its funds have been managed so as to provide a reasonable level of protection against theft or fraud; and

(iv) the financial affairs of the body corporate appear to be effectively managed;

(d) must be completed within four months of the end of the body corporate's

PART 6 ADMINISTRATIVE MANAGEMENT

Governance documents and records

27. (1) The body corporate must—

(a) lodge a notification of an amendment to the scheme's rules referred to in section 10(5) of the Act as soon as reasonably possible, but not later than 10 days after the date of the relevant resolution of the body corporate; and...

SA Schools Act 84 of 1996

Audit or examination of financial records and statements

43.

(1) The governing body of a public school must appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 (Act No. 80 of 1991), 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 No. 69 of 1984); or

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

(3) No person who has a financial interest in the affairs of the public school may be appointed under this section.

(4) If the Member of the Executive Council deems it necessary, he or she may request the Auditor-General to undertake an audit of the records and financial statements of a public school.

(5) A governing body must submit to the Head of Department, within six months after the end of each financial year, a copy of the annual financial statements, audited or examined in terms of this section.

(6) At the request of an interested person, the governing body must make the records referred to in section 42, and the audited or examined financial statements referred to in this

section, available for inspection.

Short Term Insurance Act, 1998

Collection of premiums by intermediaries

45.

No Independent Intermediary shall receive, hold or in any other manner deal with premiums payable under a short-term policy entered into or to be entered into with a short-term insurer, other than a short-term reinsurance policy, and no such short-term insurer shall permit such independent intermediary to so receive, hold or in any other manner deal with such premiums:

- unless authorised to do so by the short-term insurer concerned: as prescribed by regulation; and
- otherwise than in accordance with the regulations.¶

Short Term Insurance Act, 1998, Regulations

4.1

(1) A short-term insurer may, subject to sub-regulation (2), in writing authorize an independent intermediary to receive, hold or in any other manner deal with premiums payable to it under short-term policies.

(2) A person shall not be authorized, as contemplated in sub-regulation (1) unless that person has provided security, to the extent and in accordance with the requirements of this Part, in respect of his or her obligations in terms of Regulation (4.3) by means of:

(a) a guarantee policy issued by a short-term insurer registered to do so in accordance with a guarantee facility created by short-term insurers generally for the purposes of providing such security; or

(b) a contract which, but for the fact that the undertaking concerned is given by a bank, would be a guarantee policy, and under which policy benefits are to be provided in the event

of the failure of that person to meet those obligations.¶

Financial Advisory and Intermediary Services Act 37 of 2002

Guidance Note for Accountants and Auditors (<http://www.fsb.co.za>) as issued by the FSB on 15 June 2005 specifies the accounting and audit requirements applicable to a Financial Service Providers. The requirements are:

Maintenance of business accounting records:

In terms of section 19(1)(a) and (b) of the Act the provider is required to maintain accounting records and provide financial statements on an annual basis which must cover the business carried on by the provider as authorised under the provider's license.

Full and proper accounting records:

For the purposes of FAIS full and proper accounting records are:

- Accounting records as defined by the Companies Act for all providers registered as a company in terms of the Companies Act.
- Accounting records as defined by the Close Corporations Act, 1984 (Act No. 69 of 1984) for all providers registered as close corporations in terms of the Close Corporations Act.
- Accounting records for providers, not incorporated in terms of the Companies- or Close Corporations Acts, are to include at least the following in one of the official languages of South Africa:
 - o Records showing assets and liabilities
 - o Records of all purchases on credit, and services received and rendered on credit, in sufficient detail to enable the nature of the services and the parties to the transactions to be identified
 - o Records containing entries from day to day of all cash received and paid out, in sufficient detail to enable the nature of the transactions to be identified and
 - o Vouchers supporting entries in the accounting records and the names of the parties to the transactions.

These accounting records are to be prepared on a continual basis and updated monthly.¶

Financial statements:

For the purposes of FAIS financial statements are regarded as meaning:

- Annual financial statements as set out in the Companies Act for all providers registered as a company in terms of the Companies Act
- Annual financial statements as set out in the Close Corporations Act for all providers registered as a close corporation in terms of the Close Corporations Act.
- Financial statements for all other providers are to include at least the following in one of the official languages of South Africa:
 - o a balance sheet and notes thereon
 - o an income statement and notes thereon
 - o a statement of changes in equity and notes thereon
 - o a cash flow statement.¶

Financial statements are to be:

- Prepared in a manner appropriate to the business of the provider in accordance with generally accepted accounting practice, fairly present the financial position of the business at the last day of the financial year and the results of operations and cash flow information for the period then ended
- Prepared using the accrual basis of accounting which requires the effects of transactions and other events to be recognised when they occur and not as cash or its equivalents are received or paid and recorded in the financial year to which they relate
- Prepared on a going concern basis unless the provider intends to liquidate the entity, or cease trading, or has no realistic alternative but to do so
- Refer to any material matter which has affected or is likely to affect the financial affairs of the provider
- Approved and signed by the provider
- **Subject to an audit and**
- Issued within six months of the financial year end of the provider.¶

Exemptions

In terms of exemption No. 1 of 2003 “Exemption of certain Authorised Financial Services

Providers from Requirements pertaining to Audited Financial Statements and Financial Soundness”, certain providers are exempted from section 19(2) (a) and b (i) of FAIS.

Section 19(2) (a) of the Act obliges the provider to cause the financial statements, pertaining to the business of the provider, to be audited and reported on by an external Auditor.

Section b (i) requires financial statements to be prepared in conformity with generally accepted accounting practice. This exemption does not apply in those instances where the provider is obliged by any other law (for example, the Companies Act or the Close Corporations Act) to have financial statements audited and reported on by an external Auditor or, otherwise prepared by an Accounting Officer.

The effect of this exemption is such that a provider who would not comply with generally accepted accounting practice in preparing financial statements and would not cause such financial statements to be subject to an audit save for the provisions of FAIS, are not required to do so. For providers to which the exemption applies financial statements still need to be prepared and submitted to the registrar.

This exemption does not apply to section 19(3) i.e. providers must submit a report prepared by the Auditor regarding money and assets held on behalf of clients.¶

Co-operatives Act 14 of 2005

47. Audit

(1) An audit of the affairs of a co-operative must be conducted annually in respect

(a) ensure that financial statements are drawn up in conformity with generally accepted accounting practices;

(b) verify that the co-operative has maintained adequate records in accordance with the requirements of its constitution and this Act;

(c) 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

(d) report on any other matter the auditors are required to report on in terms of a co-operative's constitution.

(2) A co-operative that is not able to afford the costs of an annual audit may apply in writing

to the registrar for an exemption in terms of section 55.

55. Exemption

(1) Upon application in terms of section 47(2) and subject to the requirements of subsections (2) and (3), the registrar may exempt a co-operative from full compliance with the requirements of this Chapter if satisfied that-

- (a) the costs of an annual audit would materially affect the financial sustainability of the co-operative;
- (b) the co-operative has maintained adequate financial records, and is able to prepare annual financial statements; and
- (c) having regard to the size and kind of co-operative, the interests of members are adequately protected.

(2) When exempting a co-operative in terms of subsection (1), the registrar must either require such co-operative to be audited -

- (a) at a period of longer than one year but not exceeding three years; or
- (b) by a suitably qualified person other than an auditor.

(3) The board of directors of a co-operative that is exempted in terms of subsection (1) is nevertheless required to prepare annual financial statements for submission to an annual general meeting, and to submit a copy to the registrar within 15 days of the annual general meeting approving such financial statements.

(4) In the event that an annual general meeting fails to approve the financial statements referred to in subsection (3), the board of directors is required to comply with the provisions of section 48(6)(b) in the same manner as would apply to audited financial statements.

(5) The registrar may stipulate conditions to an exemption granted in terms of this section, if the registrar considers that it will serve the purpose of this Act to do so.

Co-operatives Amendment Act, Act No.6 of 2013

The amendment act was assented to on 5 August 2013 but has not yet become effective.

Definitions:

‘financial statements’ means statements drafted by the Board for a particular financial period and includes—

- (a) a statement of financial position (balance sheet);
- (b) an income statement;
- (c) a statement of changes in membership shares;
- (d) a statement of cash flows; and
- (e) notes, comprising a summary of accounting policies and other explanatory notes

‘independent review’ means an assessment by an independent reviewer of the financial statements and the social and management decision reports so as to determine, through performing a preliminary inquiry using analytical procedures and evaluating the sufficiency and appropriateness of evidence obtained, whether there is reason to believe the financial statements, social reports and management decision reports are not prepared in all material respects in accordance with the applicable reporting framework

‘independent reviewed report’ means a report by an independent reviewer examining and evaluating the financial statements, social report and management decision report;

‘independent reviewer’ means—

- (a) a registered auditor, or a member in good standing of a professional body that has been accredited in terms of section 33 of the Auditing Profession Act; or
- (b) a person who is 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 No. 69 of 1984)

Audited Report

47(1) The following co-operatives must produce an audited report to the registrar in respect of each financial year:

- (a) Category C primary co-operatives;
- (b) Secondary co-operatives;
- (c) Tertiary co-operatives; and
- (d) The national apex co-operative

- (2) Category B primary co-operatives must produce an independent reviewed report to the registrar in respect of each financial year.
- (3) Category A primary co-operatives must produce an annual report which report does not have to be audited or independently reviewed, to the registrar in respect of each financial year, signed by the directors of the co-operative.
- (4) The Minister must, within three months after the commencement of the Co-operatives Amendment Act, 2013, by notice in the Gazette publish a co-operative reporting system framework

Consideration of audited or independent reviewed reports

48. (1) Every co-operative must circulate the audited report, the independent reviewed report or the annual report to all its members at least fourteen days prior to an annual general meeting.
- (2) The annual general meeting must consider and discuss the audited report, independent reviewed report or annual report in order to take resolutions on the future conduct of the business of the co-operative.
 - (3) The chairperson of the Board or the person who acted as chairperson at the annual general meeting where the audited report, independent reviewed report or annual report was discussed and considered, must— (a) accept the audited report, independent reviewed report or annual report; and
(b) sign acceptance of and implement the resolution taken at the annual general meeting on the future conduct of the business of the co-operative.
 - (4) A co-operative may not issue, publish or circulate copies of the audited report, independent reviewed report or annual report for public information unless the report has been discussed and considered by the annual general meeting in accordance with subsections (2) and (3).
 - (5) The audited report, independent reviewed report or annual report must be made available for inspection to any member of the co-operative at the registered office of the co-operative for at least 21 days after the meeting at which it was considered.
 - (6) The Board—
 - (a) must submit a copy of the audited report, independent reviewed report or annual report and the outcome of the general meeting's discussion and consideration thereof to the registrar within 15 days of the resolution of the annual general meeting; or
 - (b) if the general meeting resolves to delay submitting the audited report, independent reviewed report or annual report to the registrar, the chairperson of the Board or the person who acted as chairperson at the meeting must notify the registrar in writing within 15 days of

the resolution of the reasons for such delay and the action the co-operative intends taking in order to address the situation.

(7) After receipt of the audited report, independent reviewed report or annual report and the views expressed by the annual general meeting on the manner in which the co-operatives' business was conducted the registrar must consider the report and where necessary may—

(a) request further information from the co-operative;

(b) refer the report and views expressed to the Agency for assistance to the co-operative in terms of section 91C(1)(c)(iii), (d)(i) or (iv); and (c) take other appropriate steps as to facilitate compliance by the co-operative with the co-operative principles.”

Section 49 – 54 detail provisions regarding the duties and responsibilities of auditors and independent reviewers

Fund-Raising Act 107 of 1978

12 Accounting of financial activities

(1) Every fund-raising organization, registered branch or holder shall, in one of the official languages of the Republic, keep the prescribed records of all the moneys received and expended by it or him and of all its or his assets and liabilities and of all financial transactions entered into by it or him and shall furnish the Director with the prescribed reports, returns and financial statements at the prescribed times.

(2) Subject to the provisions of the Public Accountants and Auditors Act, 1951 (Act No. 51 of 1951), such financial statements shall be audited by an accountant and auditor registered in terms of that Act. (Ed - now to be referenced to the Auditing Profession Act, 26 of 2005).

(3) The reports, returns and financial statements of a fund-raising organization, registered branch or holder shall lie for inspection by the public at such places and during such periods and after such notice as may be prescribed.

(4) The Director may in his discretion grant to a fund-raising organization, registered branch or holder a certificate exempting such fund-raising organization, registered branch or holder for the period and on the conditions and to the extent mentioned in such certificate from any provisions of this Act relating to the furnishing of reports, returns or financial statements and

may in his discretion, withdraw or amend such certificate at any time by notice to such fund-raising organization, registered branch or holder.

● Appendix 2: Independent review: non-owner managed company PIS less than 100

Independent review engagements are extensively discussed in the SAIBA Background Document to Independent Review Engagements.

SAIBA members that are in good standing and that have obtained the SAIBA Practicing License for Independent Review Engagements are allowed to issue independent review reports for the following companies:

1. A non-owner-managed company of which the public interest score for the particular financial year was less than 100. An independent review for these companies is a mandatory requirement.
2. An owner-managed company of which the public interest score for the particular financial year was less than 350. An independent review for these companies is a voluntary engagement.

All review engagements should be performed in accordance with ISRE 2400.

It is important to note that independent review reports are issued by independent reviewers. An accounting officer does not issue an independent review report.

Appendix 3: Form CR8

REPUBLIC OF SOUTH
AFRICA
CO-OPERATIVES ACT, 2005

APPLICATION FOR EXEMPTION FROM FULL COMPLIANCE WITH
AUDITING REQUIREMENTS
[Section 47(2) and 55]

Name of co-operative: _____

Registration number: _____ / _____ / _____

(To be completed by the Chairperson of the board of directors of the co-operative and lodged with the Registrar)

1. I, _____ (complete full names and surname), chairperson of the board of directors of above-mentioned co-operative declares under oath / solemnly that:
- (a) the cost of an annual audit would materially affect the financial sustainability of the co-operative;
 - (b) the co-operative has maintained adequate financial records, and is able to prepare annual financial records;
 - (c) having regard to the size and kind of co-operative, the interests of members will be adequately protected.

2. I, therefore, apply on behalf of the co-operative, that the co-operative -

Tick box (a), (b) or (c)

☒ (a) be allowed to combine the audit for the financial years of _____ to _____ into a single audit (max. 3 years);

OR

☒ (b) be allowed to have the financial statements of the co-operative audited by a member of a profession whose members have been authorised to act as accounting officers for close corporations in terms of the Close Corporations Act, 1984 (Act 69 of 1984);

OR



(c) be allowed to appoint _____

_____ (state name of person or organisation) being an organisation which was established for the purpose of rendering audit services to co-operatives or a person whose training qualifies him or her to carry out the audit of the co-operative.

3. I am aware that the board of directors is, notwithstanding any exemption that may be granted, required to prepare financial statements for the relevant financial year/s and by this application binds the said board -
- (a) to prepare them as required by section 55 (3) of the Act. And to submit them to your office within 15 days after the annual general meeting has approved them; and
 - (b) in the event of the said general meeting not approving them, to furnish your office on Form CR 7 with the reasons for the failure to approve them and the action the co-operative proposes to take in order to address the situation.

56

Signature Chairperson: _____

Date: _____

I certify that the deponent acknowledges that he/she is cognisant of and understands the contents of this statement, has no objection to taking the oath and regards the oath as binding on his/her conscience. This statement was sworn to/solemnly declared before me and signed in my presence.

Signed at _____ on this the _____ day of _____ 20 _____

Commissioner of Oaths Full name and surname: _____

Ex officio: _____

Address: _____

For Office Use Only

DIRECTIVE BY REGISTRAR IN TERMS OF SECTION 47 (2) OF THE ACT:

To:- _____ CO-OPERATIVE LIMITED

Your application for exemption under section 47 (2) of the Act has been approved on the following terms:

Tick box (1), (2) or (3)

☒ 1. A combined audit for the financial years of ____ / _____ may be performed by your appointed auditor.

OR

☒ 2. You are authorised to have the financial statements of the co-operative audited by a member of a profession whose members have been authorised to act as accounting officers for close corporations in terms of the Close Corporations Act, 1984 (Act 69 of 1984). See the annexure for a list of the relevant professions.

OR

☒ 3. You are authorised to have the financial statements of the co-operative audited by _____ (name of person or organisation) being an organisation which was established for the purpose of rendering audit services to co-operatives or being a person whose training qualifies him or her to carry out the audit of the co-operative.

This exemption is valid for the financial year only.

Signed and sealed at **PRETORIA** on this, _____ day of _____ 20 _____

REGISTRAR OF CO-OPERATIVES

Seal of Office of the Registrar of Co-operatives

This directive is not valid unless sealed by the said seal

ANNEXURE

Members of the following professions have, in addition to auditors, been authorised to perform the functions and duties of accounting officers in terms of the Close Corporations Act, 1984:

1. The South African Institute of Chartered Accountants (SAICA)
2. Auditors registered in terms of the provisions of the Auditing Profession Act, 2005(CA)
3. The Southern African Institute of Chartered Secretaries and Administrators (ICSA)
4. The Chartered Institute of Management Accountants (CIMA)
5. The South African Institute of Professional Accountants (SAIPA)
6. THE IAC who have obtained the Diploma in Accountancy (IAC)
7. The Association of Chartered Certified Accountants (ACCA)
8. The Chartered Institute of Business Management (MCIBM)
9. The South African Institute of Business Accountants (SAIBA)
10. The South African Institute of Government Auditors (SAIGA)

HOW TO COMPLETE THE CR4 AND CR 8 FORMS

- A **CR4-FORM, Part I, Section A** (Appointment of auditor)

This form must be completed by the auditor (ie. a Chartered Accountant).

- **OR**

- A **CR8-FORM *** (Exemption of certain auditing requirements for a given period). See note hereunder (*).

When a co-operative cannot afford to use the services of an auditor annually, it must complete a CR8 form and must choose one of the three options under part 2 of the form. The CR8 form is in the format of an affidavit, which must be provided by the chairperson of the co-operative and must be signed by a Commissioner of Oath.

*** Note: When completing a CR8-form:**

- **Options on CR8-form:**

Option 2(a) of the CR8-form, means the co-operative will use the services of an auditor (i.e. a Chartered Accountant), but the period for which the audit will be done, will be longer than 12 months (e.g. 18 months, 24 months), but not longer than 3 years.

Option 2(b) of the CR8-form means the co-operative will use the services of an Accounting Officer registered with one of the professional bodies listed on page 5 of the CR8-form.

Option 2(c) of the CR8-form means the co-operative will use the services of a person or organisation that is qualified to carry out the audit of a co-operative. A certified copy of the person's qualifications and ID document must be attached.

Note: All registered co-operatives must submit a form CR4 or CR8 annually, with their annual returns, for authorisation.

Appendix 4: TV Licence

XYZ (Pty) Ltd/CC

Address

Dear Sir

REPORT OF THE *INDEPENDENT AUDITOR I ACCOUNTING OFFICER* to (XYZ (PTY) LTD/CC)

Scope

We have performed the procedures agreed with you and described below with respect to the number of television sets owned/possessed/used/rented out/sold/alienated* by . *company/group/corporation*.

Our engagement was undertaken in accordance with the statement of South African Auditing Standards applicable to agreed-upon procedures. The responsibility for determining the adequacy of the procedures agreed to be performed is that of the *company/group/corporation*.

Our procedures were performed solely to assist you in verifying the number of television sets owned/possessed/used/rented out/sold/alienated* by the *company/group/corporation*. These procedures are summarized as follows:

Number of sets:

1. Obtained from management the number of television sets owned/possessed/used/rented out/sold/alienated* by the *company/group/corporation* during the financial year/period.
2. Agreed the above quantity to the fixed asset register/the accounting records of the entity.*

3. Ensure that the above quantity, in the case of a business or a lessor, is reasonably stated by, either performing a reasonability test considering the amount of venues where the *company/group/corporation* uses the sets, or by way of a physical count.

or

Ensure that the above quantity, in the case of a dealer, is reasonable stated by performing a reasonability test considering the amount of sets in stock at the beginning of the period plus the amount of sets purchased less the closing stock amount. *

Findings

We report our findings below:

Number of sets:

1. *(Include the number of television sets)*
2. *(Done / In the case of a business or a lessor, all the above sets are not disclosed in the fixed asset register – difference being ...)**

or

*(Done / In the case of a dealer, the above amount does not agree to the accounting records – difference being ...)**

3. *(Done / The amount per the reasonability test or physical count is).*

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with statements of South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

This report relates only to the items specified above, and does not extend to any financial statements of *company/group/corporation* taken as a whole.-

It is supplied on the basis that it is for the sole use of the parties to whom it is addressed and exclusively for the purposes set out herein. No party other than those to whom it is addressed may rely upon this report for any purpose whatsoever.

Copies may be made available to the addressee's advisers, provided that the report is to be used by them solely for the purposes stated herein and provided that they are made aware of the terms of this paragraph. It must not be made available or copied in whole or in part to any other party without our prior express written consent, which consent may be given or withheld at our absolute discretion. This limitation will obviously not apply to the provision of

this report in compliance with any order of court, subpoena or other judicially enforceable directive.

Registered Accountants and Auditors/Accounting Officer

Designation

Date

Place

* DELETE WHICHEVER IS NOT APPLICABLE

