



SAICA GROUP

Audit of business Accounts of
legal practitioner firms



Audits of business accounts of legal practitioner firms

On 14 March 2024, the Gauteng Division in Pretoria of the High Court handed down an order in a matter between the Law Society of South Africa (LSSA) and the Companies and Intellectual Property Commission (CIPC). The matter related to the audits and independent reviews of law firms as envisaged in the Companies Act. As this was a court order and not a judgment, the court order was not published and came to SAICA's attention during the course of May 2024 as it started circulating on various public platforms. It is important to note that SAICA was not a party to the court action.

SAICA has been actively engaged on matters relating to the auditing of firms, on behalf of its members for many years. These engagements had led to the formation of an interest group called "the Legal Practitioners and Accountants Committee (LPAC)" which has helped advise the Legal Practice Council (LPC), the Independent Regulatory Board for Auditors (IRBA) and Legal Practitioners Fidelity Fund.

Once SAICA became aware of this court order, the CIPC, LSSA, IRBA and LPAC were approached to seek clarity on the implications of the court order so as to ensure that clear and factual communication is circulated to members. That clarity is still being sought.

The court order states that:

"The legal practices established as commercial juristic entities under section 34(7) of the Legal Practice Act No. 28 of 2014 (LPA) and incorporated as personal liability companies under section 8(2)(c) of the Companies Act No 71 of 2008 as amended (Companies Act) are by virtue of section 30 (2A) of the Companies Act read with Regulation 28(1) of the Companies Regulation, 2011 (Companies Regulation), are exempt from having their annual financial statements audited or independently reviewed."

It is important to note from the onset that there is a difference between business accounts of law firms and trust accounts held by law firms on behalf of their clients. This court order only relates to business accounts and not trust accounts. Trust accounts are audited as a requirement set in the Legal Practice Council rules. The effect of this order is that the business accounts of personal liability law firms are exempt from being audited or independently reviewed.

In a recent engagement with the CIPC, they have indicated that they intend to appeal the decision which would in the interim suspend the operation of the order.

SAICA will give more clarity on this matter as more information becomes available from continued engagement with the relevant parties. SAICA understands that this order may have an impact on the planning of audits for the year and endeavours to keep members informed.