

## INFORMATION FOR PROJECTS RELATING TO INDUSTRY SPECIFIC GUIDES, REPORTS AND RELATED DOCUMENTS

**NOTE: If you would like assistance with discussing/completing this form, please contact Saadiya Adam by emailing her at [sadam@irba.co.za](mailto:sadam@irba.co.za)**

<b>Name of Project</b>	Guide for Registered Auditors: Engagements on Property Practitioners trust accounts (including Illustrative Auditor's reports)
<b>Abbreviated Name</b>	Property Practitioners Trust Accounts audit guide
<b>Information Completed By</b>	SAICA Standards: Audit and Assurance
<b>Date</b>	<b>01 April 2022</b>

### **Provide an overview of the project being requested.**

#### Background:

The Property Practitioners Act (the Act) was signed into law in 2019 to replace the Estate Agency Affairs Act of 1976. The Act and the Regulations came into effect on 01 February 2022. The IRBA oversees auditors in South Africa, therefore, in order for audit related guidance to carry authority, it is important that IRBA develops and approves such guidance. The IRBA has previously played a leadership role in similar guidance for the audit of legal practitioners trust account audit, therefore, is in a position to lead this project as well. Furthermore, given the similarity of the two projects and the high quality of the guide for legal practitioners trust accounts, it is our view that the IRBA is best suited to develop a guide on the audits of property practitioners trust accounts.

#### Brief description of the project requested:

The proposed guide should give guidance to registered auditors when performing a reasonable assurance engagement on whether property practitioner's trust accounts were maintained in compliance with the Property Practitioners Act and the accompanying regulations. The Guide should provide guidance on how to apply the requirements of International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* in an assurance engagement on property practitioners' trust accounts. The Guide should also contain the proposed Illustrative Auditor's Reports that should be used by auditors.

In addition, SAICA proposes that the guide should include illustrative auditor's reports for the various opinions that may be issued by the auditor. This includes, unmodified opinions as well as modified opinions (qualified, adverse or disclaimer of opinion).

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### INFORMATION REQUIRED FOR THE PROJECT PROPOSAL

	Information required	Response
1.	Legislative requirements (applicable Act, regulations or other legislation, (including Listings Requirements) relating to the accounting records and financial statements; This would be the subject matter information to which the auditor's engagement relates). Please include section numbers, if possible.	<ul style="list-style-type: none"> <li>- Property Practitioners Act, sections 54(1), 54(2), 54(5)(a), 54(5)(b) and 54(5)(c).</li> <li>- Property Practitioners Regulations 30:               <ul style="list-style-type: none"> <li>30.1 A property practitioner must administer his, her or its trust accounts using a digital or manual bookkeeping system.</li> <li>30.2 Such bookkeeping system must –                   <ul style="list-style-type: none"> <li>30.2.1 at a minimum, enable the property practitioner to record all pertinent information regarding trust accounts and the movements of all trust monies, and must include general and subsidiary ledgers, cash books, and all other documents and books of entry necessary for the proper maintenance of trust accounts;</li> <li>30.2.2 include safeguards to protect the records thereon against unauthorised access, alteration, destruction or manipulation.</li> <li>30.2.3 be kept in a format that will render it readily retrievable should the Authority, an auditor or any other person entitled to the records on the bookkeeping system require to access them or make extracts or copies thereof</li> </ul> </li> </ul> </li> </ul>
2.	Legislative requirements (including Listings Requirements) with respect to the appointment of an auditor/assurance provider and the duties and responsibilities of the auditor/assurance provider.	<p>Below are the relevant provisions from the Property Practitioners Act:</p> <p>54. (1) Every property practitioner—</p> <ul style="list-style-type: none"> <li>(a) must open and keep one or more separate trust accounts, which must contain a reference to this section, with a bank registered in terms of the Banks Act, 1990, (Act No. 94 of 1990);</li> <li>(b) must immediately after opening a trust account contemplated in paragraph (a) appoint an auditor as prescribed;</li> <li>(c) must immediately after opening a trust account as contemplated in paragraph (a) and appointing an auditor as contemplated in paragraph</li> </ul>

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		<p>(b), provide the Authority as prescribed with all information in respect of such account or accounts and such auditor;...</p> <p>(5) Every property practitioner must—                      (a) keep separate accounting records of all monies deposited by him, her or it in his, her or its trust account and of all monies invested by him, her or it in any savings or other interest-bearing accounts contemplated in subsection (2);                      (b) balance his, her or its books and records relating to any account contemplated in paragraph (a) at intervals of not more than one month, and cause them as well as all his, her or its business accounts or any other account into which monies are deposited in connection with any property transaction to be audited by the same auditor contemplated in subsection (1)(b), within six months after the final date of the financial year of the property practitioner concerned;</p> <p>55. (4) In addition to the duties contemplated in section 54, a property practitioner must in respect of his, her or its activities—                      (a) keep at an address in the Republic the accounting records that are necessary to fairly reflect and explain the state of affairs—                          (i) of all monies received or expended by him, her or it, including monies deposited to a trust account referred to in section 54(1) or invested in a savings or other interest-bearing account referred to in section 54(2);                          (ii) of all his, her or its assets and liabilities; and                          (iii) of all his, her or its financial transactions and the financial position of his, her or its business; and                      (b) cause the accounting records contemplated in paragraph (a) to be audited by an auditor within six months after the final date of the financial year of the property practitioner, which final date may not be altered by him, her or it without the prior written approval of the Authority.</p>
3.	Existing auditor/assurance provider reporting template – who drafted it originally; what type of auditor's/assurance provider's report is it; and, if possible, the level of assurance being provided.	<p>The existing assurance provider reporting template was drafted by the Property Practitioners Regulatory Authority (PPRA).</p> <p>SAICA is of the opinion that the assurance engagements on property practitioners trust accounts should be conducted in accordance with ISAE 3000 (Revised). A reasonable assurance engagement in accordance with</p>

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		ISAE 3000 (Revised) would in this case involve performing procedures to obtain evidence about whether the property practitioners' trust accounts were maintained in compliance with the Act and the Regulations. However, this has not been specified in the existing assurance provider's report.
4.	Additional instructions and guidance that have been provided to auditors/assurance providers or the entity being audited/assured.	<p>The PPRA has issued templates on audit reports to be completed and submitted by assurance providers. As mentioned above, these reports need to be aligned to the requirements of ISAE 3000 (Revised).</p> <p>Currently, there is no additional guidance for assurance providers, therefore, the development of a guide would be beneficial. The PPRA are currently looking for comments on their, <i>Draft Guidelines on Audit and Trust Accounts Requirements for Business Property Practitioners</i>. However, given that these are guidelines and will not necessarily be authoritative for auditors, this may not be sufficient to create the necessary certainty in the profession.</p>
5.	Number of affected entities being audited/assured.	<p>All property practitioners that have trust accounts are required to have the trust accounts assured.</p> <p>The definition of a property practitioner has also been expanded upon in the new Act. This could lead to more engagements being required on these trust accounts.</p> <p>In addition to the audit of the trust account, the business accounts of the property practitioner are also required to be audited in terms of paragraph 23 (1) of the Property Practitioners Act, if the annual turnover is at least R2.5 million, otherwise an independent review.</p>
6.	Number of auditors/assurance providers involved (and profile in terms of big audit firms, or small and medium-sized audit firms); and, if possible, the names of some of the audit firms/registered auditors that perform these engagements.	We have identified small and medium sized audit firms to be the primary role players in the assurance of legal practitioners trust accounts. The same auditors that would provide assurance on legal practitioners trust accounts are likely to be the same auditors providing assurance on the property practitioners trust accounts.
7.	Other relevant information relating to the extent and impact of auditor's/assurance provider's engagements (including public interest concerns).	The audit of property practitioners trust accounts are extremely important as these practitioners keep clients monies on a fiduciary capacity. The current economic climate in South Africa provides incentive for fraudulent activities as property practitioners may struggle to keep their business afloat. Furthermore, uncertainty in terms of the new requirements may lead

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		to contraventions of the Act and Regulations. Therefore, the risk that trust funds may be misappropriated remains high. Providing clear guidance on the audit of these trust accounts will be in line with IRBA's mandate to protect the interests of the public through promoting sound financial practices.
8.	Description (with examples, where possible) of audit/assurance related issues being experienced.	<p>Currently, through the technical query system, SAICA is receiving numerous queries on the transitional requirements. This highlights the need to develop the guidance as soon as possible. Some of the queries include:</p> <ul style="list-style-type: none"> <li>- <i>Are trust audit reports now only due after 6 months after year end; Compared to the current four months requirement.</i></li> <li>- <i>Do the new regulations/Act become applicable for the February 2022 financial year ends or only for February 2023 financial year ends? Meaning a practitioner with less than R2,5m turnover can already only perform an independent review for February 22?</i></li> <li>- <i>If a practitioner has a turnover of less than R2,5mil the financial statements should only be independently reviewed. Does the trust account still need to be audited? And do these two functions need to be done by the same person?</i></li> </ul>
9.	Description (with examples, where possible) of legislative issues that impact the performance of the audit/assurance engagement.	<p>Through the SAICA outreach activities, assurance providers have called upon the requirements for the audit of property practitioners trust accounts to be aligned with the requirements of the legal practitioners trust accounts. IRBA have done outstanding work in terms of providing guidance to auditors of legal practitioners trust accounts. Similar guidance should be provided for the assurance providers of property practitioners trust accounts.</p> <p>Trust audits for property practitioners may in some respects be similar to trust audits for legal practitioners. Aligning the requirements for both types of engagements may bring some needed consistency in how trusts are administered in South Africa. Given that IRBA has been through a similar</p>

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		process before, this could significantly reduce the time required to develop the guide.
10.	Details of any complaints against auditors/assurance providers lodged with the IRBA (and, if possible, the outcome of such complaints).	None noted.
11.	Any other relevant information.	N/A.
12.	Recent developments necessitating a new pronouncement or a revision of an existing pronouncement. Include an explanation of why the need for the project has arisen now, e.g. new legislation, amendments to existing legislation, etc.	The Act and Regulations came into effect on 1 February 2022.