

Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts

The Agricultural Produce Agents Council (APAC) early in 2017 noted issues with fresh produce market agents trust accounts and specifically the accuracy, completeness and existence of monies and stock related to such accounts. Misappropriation of funds, stock counts not performed on a surprise basis and the lack of understanding regarding the purpose of a trust account and consignment stock was identified as serious risks that should be addressed. This included that both business and trust accounts should be audited by the same auditor.

In July 2017 APAC put forward a project request when the Independent Regulatory Board for Auditors (IRBA) called for new projects in South Africa that would address the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

IRBA approved the development of the *Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts* (this Guide) in August 2017 subject to the inclusion of auditors with experience in the fresh produce industry. APAC sought the development of a guideline that would address poor record keeping such as an agency's inability to distinguish between the business account and the trust account and transactions that could potentially lead to inaccurate and incomplete accounting records. In addition, the total amount of money in the fresh produce agent's trust banking account, trust savings or interest-bearing account might be less than the total amount of credit balances of the trust creditors which is a contravention in terms of the Agricultural Produce Agents Act, Act 12 of 1992 as amended.

After 2 years of intensified development, IRBA's Committee for Auditing Standards (CFAS) finally adopted and approved the release of the *Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts* (this Guide), in May 2019 for issue.

This Guide was developed by a CFAS Task Group, which comprised technical staff representatives from auditing firms, the Agricultural Produce Agents Council (APAC), the South African Institute of Chartered Accountants (SAICA) and the IRBA.

The guidance relates to understanding the nature and characteristics of an agricultural produce agent, and the nature and extent of assurance work on the engagement. Therefore, this Guide emphasises on professional competence and professional

scepticism.

This Guide provides certain practical guidance to be considered in developing audit programmes. This Guide does not override the requirements of the International Standards on Assurance Engagements (ISAE), nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement. As such, it should not be regarded as a checklist.

This Guide is authoritative and includes:

- Guidance to a registered auditor on conducting an assurance engagement in accordance with ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* on a fresh produce agents' trust accounts in terms of the Agricultural Produce Agents Act 12 of 1992;
- An illustrative engagement letter and representation letter; and
- Illustrative interim and annual auditor's reports based on ISAE 3000 (Revised).

The abovementioned ISAE is effective for audits of financial statements for periods ending on or after 15 December 2015.

Possible impact for market agents

This guide may have the following impact on market agencies:

- Auditors will be required to perform more and complex procedures;
- Possible impact on audit fees due to more thorough response to risks, and addressing requirements of the standards; and
- Possible increase in number of audit findings or qualified audit reports (qualitative nature of non-compliances).

Effective date

This Guide is effective for assurance engagements on trust accounts of financial year-ends ending on or after 31 December 2020. Early adoption is permitted.

This Guide is available in PDF and word format, and may be downloaded from the IRBA website at www.irba.co.za. Should you have any other queries please do not hesitate to contact APAC at (011) 894-3680.

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

The statutory responsibilities of the CFAS are to assist the IRBA to develop, maintain, adopt, issue or prescribe auditing pronouncements; to consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and to promote and ensure the relevance of auditing pronouncements.

