

MANAGING TRUST ACCOUNT RISK

TRUST ACCOUNT MANAGEMENT AND AUDIT PRINCIPLES



MANAGEMENT & AUDIT

Estate Agency Affairs Act, 1976

- **Section 29**
 - (1)(a): duty to keep accounting records (trust and business)
 - (1)(b): requirement to audit business account

- **Section 32**
 - (3)(b): requirement to audit trust account



MANAGEMENT & AUDIT

- Definition of “auditor”
 - person registered as such in terms of the Public Accountants and Auditors Act, 1951
 - Act repealed , substituted by Auditing Profession Act, 2005
 - Auditor is a person performing an “audit” as defined
 - Opinion



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Who may be appointed as auditors?

- Any other person who qualifies in terms of the rules of the Independent Regulatory Board of Auditors (IRBA)
- Must be registered with IRBA
- Usually only Chartered Accountants
- Professional Accountants or any similar designations?



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TRUST ACCOUNT AUDITS

- Prescribed report format as agreed upon between IRBA and EAAB
- Previously: only 4 items on report
- Report from 2012 onwards:
 - More extensive
 - Not factual findings but *opinion* by auditor
 - Additional compliance



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BUSINESS ACCOUNT AUDITS

- Public interest
- ALL agencies, not just companies
- Audit in terms of International Standards on Auditing
- Companies – framework = IFRS / IFRS for SME's
- Other – any relevant framework
- Report by Accounting officer not sufficient



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AREAS OF CONCERN

- Lack of proper knowledge and understanding of statutory requirements
- Lack of understanding of what an “audit” entails
- Unallocated amounts on Payprop system - accurate records required by Act (unallocated amounts = inaccurate)
- Lack of knowledge of the FICA requirements



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- **Insufficient segregation of duties – agencies (one person responsible for all Payprop related activities)**
- **Expectation gaps – agencies expecting that Payprop system ensures compliance with ALL requirements, for example**
 - VAT
 - Income tax
 - Financial statements & auditing



MANAGEMENT & AUDIT

- **Business Accounts:** accountants disclosing trust accounts and trust creditors in financial statements
- **Income recognised as net amounts in stead of gross amounts**
- **Lack of formal business practices (leading to lacking compliance with labour laws, tax laws etc)**
- **Insufficient risk management = higher risk for auditor**

