

## **MEDIA RELEASE**

*Issued by:*



### **Revised standard has far reaching consequences for South African assurance practitioners**

***Practitioners performing review engagements are required to comply with ISRE 2400***

***Johannesburg, Monday, 01 October 2012*** – The International Auditing and Assurance Standards Board (IAASB), which functions under the International Federation of Accountants (IFAC), has recently issued the revised International Standard on Review Engagements (ISRE) 2400 to be used for all review engagements. The standard becomes effective for reviews of all financial statements ending on or after 31 December 2013.

The South African Institute of Chartered Accountants (SAICA) warns that this revised standard has far reaching consequences for South African assurance practitioners. Although all member bodies of IFAC are required to comply with the new standard, it however runs deeper for other practitioners in South Africa since the introduction of the new regulations with the dawn of the new Companies Act (the Act).

The Act and regulations introduced independent reviews as an alternative form of assurance to auditing for Small and Medium Enterprises (SMEs). The regulations explicitly require practitioners to comply with ISRE 2400 when performing review engagements.

“The Act and regulations require compliance with ISRE 2400 when performing review engagements so the release of the revised standard by IFAC will affect all practitioners performing these engagements”, says Ashley Vandiar, SAICA’s Project Director: Assurance and Members Advice. That means not only chartered accountants [CAs(SA)] and registered auditors [RAs(SA)] will be affected by this but the need to be aware of this new standard and the application thereof also extends to all persons who qualify to act as accounting officers in terms of the close corporation act, who also intend to perform review engagements.

Vandiar explains that individuals who are legible to perform reviews are not all SAICA members or members in good standing with a professional body that is a member of IFAC. This means that although the South African legislation requires compliance with international best practices, not all practitioners may be familiar with them especially given the fact that there is now a revised ISRE 2400.

SAICA cautions members of the public to consider carefully who they engage to perform their independent review. “The regulations permit any person who qualifies to act as an accounting officer in terms of the close corporation act to perform reviews for companies with a public interest score of less than 100 points, nonetheless we urge directors and those charged with governance for these companies to ensure that the practitioner they choose to engage is competent and familiar with the revised standard.”

Legislation permits a wide range of practitioners to perform reviews for companies with a public interest score less than 100 points, however practitioners should not just consider their legal entitlement but also consider their professional capability. If they are not familiar with the revised ISRE 2400, they should rather not perform review engagements as they could be held criminally liable and civilly liable in terms of Section 29(6) and Section 218 respectively since it could be argued that such practitioners did not take reasonable measures to find out the standard.

CAs(SA) who perform review engagements are bound by the SAICA code of professional conduct. This code is aligned with the IFAC code which means that “we are aligned with

international best practice however; the SAICA code is even more stringent to account for situations specific to the South African environment”, Vandiar comments.

“Companies with a public interest score less than 100 points who choose to employ CAs(SA) to perform their independent review can rest assured that those practitioners are familiar and thoroughly trained on assurance engagements, but also they can rely on the fact that such professionals are bound by a very high ethical code.”

SAICA also advises assurance practitioners that as much as the revised ISRE 2400 is a stand-alone standard, it does make reference to the International Standards on Quality Control 1 as well as the International Ethics Standards Board for Accountants (IESBA) code of professional conduct or alternatively a national code that is at least as demanding.

“SAICA has adopted the IESBA code in its entirety, but yet the SAICA code of ethics is more stringent when accounting for situations that are specific to the South African environment. As such, CAs(SA) would automatically be in compliance with all the required ethical standards as they subscribe to the SAICA code. SMEs can rely on the fact that they would have recourse against CAs(SA) who do not comply with the required high ethical standard,” Vandiar concludes.

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