Dear Sir

SAICA SUBMISSION ON THE PROPOSED GUIDE FOR REGISTERED AUDITORS: ENGAGEMENTS ON LEGAL PRACTITIONERS’ TRUST ACCOUNTS

Thank you for the opportunity to provide comments on the proposed guide.

In response to your request for comments on the Proposed Guide for Registered Auditors: Engagements on Legal Practitioners’ Trust Accounts please find attached comments prepared by the South African Institute of Chartered Accountants (SAICA).

SAICA’s Assurance and Practice Division was extensively involved in the drafting of the proposed guide through participation in the IRBA’s Task Group, and additional inputs were provided to the IRBA staff as the project progressed. Furthermore, we requested members of the SAICA Legal Practitioners and Accountants Committee (LPAC) to provide any additional comments or input, rather than establishing a specific working group to inform our comment letter.

It is in this context that we respond to the request for specific comments in the explanatory memorandum to the exposure draft.

Please do not hesitate to contact Thandokuhle Myoli at ThandokuhleM@saica.co.za should you wish to discuss any of our comments,

Yours sincerely

Thandokuhle Myoli
Project Director: Assurance
**RESPONSE TO REQUEST FOR SPECIFIC COMMENTS**

1. Are there any aspects of this proposed Revised Guide with which respondents disagree? Please provide details and suggestions for correction and/or improvements.

No, we agree with all the aspects of the proposed Revised Guide.

With respect to the procedures in Annexure 1 of the proposed Revised Guide, we have suggested additional procedures as outlined below:

<table>
<thead>
<tr>
<th>Act/Rule reference</th>
<th>Act/Rule requirement</th>
<th>Illustrative risk</th>
<th>SAICA comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act S88, Rule 54.8</td>
<td>Distinguishing between trust account and business account transactions: The accounting records shall distinguish in readily discernible form between business account transactions and trust account transactions.</td>
<td>The firm’s accounting records may not distinguish between the business account transactions and the trust account transactions, and this could potentially lead to inaccurate and incomplete accounting for the trust account transactions.</td>
<td>We suggest including the following procedure in addition to the procedures already in the guide: Perform alternative procedures to obtain information about the bank balances from sources external to the entity in order to corroborate the completeness of the business and trust bank accounts. (Completeness). Note: Corroborating information obtained from a source independent of the entity, such as external confirmations, may increase the assurance the auditor obtains from evidence existing within the accounting records or from representations made by management. It is not clear whether the term, “correspondence” was intended to cover external confirmations. However, given the importance of the emphasis between external and internally generated information, we suggest that the procedure above be included.</td>
</tr>
<tr>
<td>Act S87(1) Rule 54.9</td>
<td>Retention of accounting records and files … - In the case of electronic accounting records or files hosted offsite, such records or files shall always be reasonably</td>
<td>The accounting records, files and documents may not be retained for the prescribed period, as per the Rule. The retention of the accounting records, files and documents outsourced and kept at the computer</td>
<td>We suggest including the following procedure in addition to the procedures already in the guide: Obtain an understanding and document the key controls relating to the control objective listed below in respect of electronic accounting records or files hosted offsite: - Access controls are in place to ensure that only authorised persons have access to the electronic records or files hosted offsite.</td>
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secured and shall remain immediately accessible to authorised persons from the office of the firm, and to the Council.

bureau/service provider may not be done as prescribed by the Rule.

<table>
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<tr>
<th>Rule 55.5</th>
<th>Report to clients</th>
<th>The firm may not submit an annual report to the client regarding the status of the investments held on behalf of the client, and this may lead to the misappropriation of a client’s moneys.</th>
</tr>
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</table>
| Every firm carrying on an investment practice shall report to its client in writing in terms of the client’s investment mandate at least once every twelve months on income earned and capital movements during the period of the report. That report shall reflect all commission earned or other charges made by the firm in carrying out the mandate. | We suggest including the following procedure in addition to the procedures already in the guide: Negative confirmation requests could also be sent to a sample of clients. This request will require the confirming party to respond directly to the auditor only if the confirming party disagrees with the information provided in the request. The information required to be confirmed should include:  
- Whether the client received a report in writing from the firm on income earned and capital movements during the period.  
- The commission earned or other charges made by the firm. |

2. Do respondents believe that the proposed effective date to be applied by auditors, for financial periods commencing on or after 1 March 2019, will enable sufficient time for the implementation of the guidance contained herein? If not, what effective date will be practicable?

Yes, we agree with the proposed effective date.