
INDEPENDENT REGULATORY BOARD FOR AUDITORS

DIFFERENT INTERPRETATIONS OF PERMITTED SERVICES UNDER ALERT LEVEL 4 LOCKDOWN REGULATIONS

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The IRBA has become aware that there are different interpretations in the market of the regulations issued by the Minister of Cooperative Governance and Traditional Affairs in terms of Section 27(2) of the Disaster Management Act of 2002 and published in Government Gazette 43258, No. R. 480, dated 29 April 2020 (Alert Level 4 Lockdown Regulations).

We have noted that the permitted services disclosed in Table 1, under No. 9 in Part H (Financial and Business Services), have caused some confusion within the profession. Under No. 9 the following is stated: 'Other professional services may operate only where work-from-home is not possible, and only to support other Alert Level 4 services.' (Own emphasis added.) This provision has led to two different interpretations within the auditing profession, resulting in firms taking varying stances on whether or not they are permitted to audit Alert Level 4 businesses.

1. First interpretation: Auditing, as a professional service, is permitted to resume, subject to the minimum health and safety requirements being observed. This would apply provided that the auditee or client receiving this professional service is, in turn, a provider of a permitted service, as per Table 1 of the Alert Level 4 Lockdown Regulations. Therefore, the use of the word 'support' is interpreted to apply to a professional service provider performing his/her professional services, in the normal course of business, for a client that is an Alert Level 4 provider of a permitted service. With this interpretation, auditors are therefore allowed to travel to their clients' premises, where working from home is not possible. For example, a need to travel would arise where physical audit evidence is required, meaning physical inventory counts have to be performed.
2. Second interpretation: The use of the word 'support' means that the service provided by the professional service provider must assist or help in the provision of a permitted service, as per Table 1 of the Alert Level 4 Lockdown Regulations. That is, the service rendered by the professional service provider must be restricted to a service that is necessary for that permitted service to be performed. Based on this interpretation, the provision of an audit service does not meet the requirements, as the client could continue to provide a permitted service without needing an audit to be performed. Under this interpretation, auditors are then not allowed to travel to their clients, where working from home is not possible. Therefore, the audit cannot be concluded in time, which would potentially result in qualified audit opinions being issued.

Subsequently, the IRBA and the South African Institute of Chartered Accountants have written to the Finance Ministry to request that it issues an urgent directive under Regulation 4(10) of Section 27(2) of the Disaster Management Act. The intention will be to establish auditing as a permitted

service, thereby clarifying the current confusion in the profession. It, however, must also be borne in mind that changes to the alert levels could influence provisions relating to audit.

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