

Proposed Guide

November 2018

Comments requested by 15 March 2019



Proposed Guide for Registered Auditors

**Assurance Engagements on Fresh Produce Agents'
Trust Accounts**

WARNING TO READERS

The content of this proposed Guide should under no circumstances be used or relied upon until it is issued as a pronouncement by the IRBA

REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved this proposed *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* in November 2018 for exposure for a period of 90 days for comment. Before being issued in its final form, the proposed Guide may be modified, depending on comments received.

This proposed Guide was prepared 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 IRBA's Legislative Mandate

The objects of the Auditing Profession Act, 2005 (Act No. 26 of 2005), are set out in Section 2 and include, inter alia, the following:

- (c) *"to approve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic; and*
- (d) *to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession".*

To give effect to the objects of the Auditing Profession Act, Section 4 sets out the general functions of the Regulatory Board and these include that *"the Regulatory Board must, in addition to its other functions provided for in this Act"*, take steps to meet certain specific requirements. These include Section 4(1), which specifies that the IRBA must:

- (e) *"prescribe standards of professional competence, ethics and conduct of registered auditors;" and*
- (f) *"prescribe auditing standards".*

To enable the IRBA to meet these requirements, Section 4(2)(a) states that *"the IRBA may participate in the activities of international bodies whose main purpose it is to develop and set auditing standards and to promote the auditing profession"*.

Statutory Responsibility of the CFAS

The statutory responsibility of the CFAS is set out in Section 22(2), which requires that the committee *"must assist the IRBA to:*

- (a) *develop, maintain, adopt, issue or prescribe auditing pronouncements;*
- (b) *consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and*
- (c) *promote and ensure the relevance of auditing pronouncements."*

This proposed Guide may be downloaded free-of-charge from the IRBA website at www.irba.co.za.

Comments should be submitted by **15 March 2019**.

Respondents are requested to submit their comments electronically in Word and PDF formats to the Director Standards: Imran Vanker at standards@irba.co.za. All comments will be considered a matter of public record and will be posted on the IRBA website [IRBA website](#).

Should you have any queries, please e-mail the Standards Department at standards@irba.co.za.

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Introduction

This memorandum provides the background to and an explanation regarding this proposed *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts*.

This proposed Guide provides guidance to a registered auditor on conducting an assurance engagement on the fresh produce agent's trust account in terms of the Agricultural Produce Agents Act, No. 12 of 1992. This is the first guide developed by the IRBA on this subject.

The Committee for Auditing Standards (CFAS) approved this proposed Guide in November 2018 for exposure for a period of 90 days.

Development of this proposed Guide

This proposed Guide provides:

- Guidance to a registered auditor on conducting an assurance engagement on fresh produce agents' trust accounts in terms of the Agricultural Produce Agents Act, No. 12 of 1992;
- Illustrative engagement and representation letters; and
- ISAE 3000 (Revised) illustrative interim and annual auditor's reports.

Significant issues in this proposed Guide

The business account and the trust accounts should be audited by the same auditor

During the discussions of the task group, the Agricultural Produce Agents Council's representatives indicated that they currently do not enforce that the business accounts be audited (i.e. that the same auditor audit the business account and the trust accounts).

The task group agreed that reading sections 18(2)(a) and 19(5) of the Agricultural Produce Agents Act, No. 12 of 1992 together, where section 18 is titled "account" and section 19 is titled "trust accounts", and section 19(5) states that the auditor referred to in section 18(2)(a) must audit per section 19, these sections imply the need for the same auditor to audit both the business account and trust accounts.

The Agricultural Produce Agents Council has since decided, and indicated to the task group its intention to enforce section 18(2) and 19(5) read together and will require the audit of both the business account and trust accounts be performed by the same auditor. This is because the two audits are closely related and should therefore be conducted by the same auditor.

Auditability of the Agricultural Produce Agents Council's Rules with respect to the compliance of the fresh produce agent's trust accounts with the Agricultural Produce Agents Act, No. 12 of 1992

The Agricultural Produce Agents Council's rules in respect of fresh produce agents are issued in terms of Section 10(b) read with Section 22(2) and (3) of the Agricultural Produce Agents Act. The task group concluded that the compliance of the fresh produce agent's trust accounts with the Agricultural Produce Agents Act, No. 12 of 1992 should be an ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)) engagement. ISAE 3000 (Revised) requires, amongst

others, that there be suitable criteria as a precondition for the assurance engagement. The task group deliberated the auditability of the Agricultural Produce Agents Act's rules and in some instances noted the difficulty in the auditor performing procedures to address certain Rules. Rules 22.2 and 26.2, which are applicable at point of sale whereas the audit is performed at interim and/or after the financial year-end, are not auditable due to the timing issue. Further Rules 33.2– 33.7 relate to the appointment of the auditor, auditor's right of access to accounting records and responsibilities of the auditor and as a result are not in relation to the maintenance of the accounting records of the trust accounts. The task group concluded that Rules 21; 22.1; 23 - 25; 26.1; 26.3 - 26.6; 27 – 32; 33.1; 33.8; 34 – 35 (if applicable as Rules 34 to 35 relate to the winding up of the trust accounts) are auditable with respect to the compliance of the fresh produce agent's trust accounts with the Act and the Rules. These Rules together with the applicable sections in Act (sections 18(1), 19(1), 19(3), 19(4), 20(1), 20(2)(a), 20(3) and 20(4)) form the criteria for the ISAE 3000 (Revised) compliance engagement.

Project timetable

The IRBA intends on hosting some outreach activity during the exposure period to familiarise industry stakeholders with this proposed Guide. Subject to comments received on exposure of this proposed Guide, the CFAS intends to finalise the Guide in the second quarter of 2019.

Effective date

The final Guide will be effective for assurance engagements of financial year-ends of fresh produce agents' trust accounts ending on or after 31 December 2020.

Guide for respondents

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments, however, will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, where appropriate, make specific suggestions for any proposed changes to the wording. Also, when a respondent agrees with the proposals in this exposure draft, it will be helpful for the CFAS to be made aware of this view.

Request for specific comments

Respondents are requested to comment on the following:

1. Are there any aspects of this proposed Guide with which respondents disagree? Please provide details and suggestions for correction and/or improvements.
2. Are there any aspects of this proposed Guide that are unclear and require further guidance? If so, please list those aspects and the guidance required.
3. Are there further aspects that should be included in this proposed Guide? If so, please list those aspects and the guidance required.

Independent Regulatory Board for Auditors

PO Box 8237, Greenstone, 1616

Johannesburg

This proposed *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* (this proposed Guide) was prepared by a Task Group of the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS). The Task Group comprised auditors, representatives of the Agricultural Produce Agents Council and others. This Guide was approved for issue on exposure in November 2018.

Guidance is provided to registered auditors in the special circumstances applicable to engagements on fresh produce agents' trust accounts as required by the Agricultural Produce Agents Act, No. 12 of 1992, and the Rules in respect of Fresh Produce Agents (the Act and the Rules), including an auditor's responsibility to report a reportable irregularity. This Guide is also relevant for fresh produce agents in understanding the nature of the engagement, and the respective responsibilities of the parties.

There is an expectation by the Fresh Produce Agents Fidelity Fund, the Agricultural Produce Agents Council (the Council), fresh produce agents' clients and members of the public that auditors of fresh produce agents' trust accounts will detect fraud and theft, whereas the main purpose of an engagement on a fresh produce agent's trust account is for the auditor to evaluate the compliance of a fresh produce agent's trust accounts with the Act and the Rules. Accordingly, the Guide contains some considerations applicable to fraud and theft in the circumstances of engagements on fresh produce agents' trust accounts.

This proposed *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* may be downloaded free-of-charge in PDF format from the IRBA website ([IRBA website](#)).

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**PROPOSED GUIDE FOR REGISTERED AUDITORS:
ASSURANCE ENGAGEMENTS ON FRESH PRODUCE AGENTS' TRUST ACCOUNTS**
(Effective for financial year-ends ending on or after 31 December 2020)

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This proposed *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* provides guidance to registered auditors (auditors) in implementing the requirements of the International Standards on Assurance Engagements (ISAEs) and relevant International Standards on Auditing (ISAs). It also provides guidance for reporting in the special circumstances applicable to engagements on fresh produce agents' trust accounts as required by the Agricultural Produce Agents Act, No. 12 of 1992, and the Rules in respect of Fresh Produce Agents.

Guides are developed and issued by the IRBA to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. They do not impose requirements on auditors beyond those included in the international or South African Standard/s or South African regulatory requirements. Guides also do not change an auditor's responsibility to comply, in all material respects, with the requirements of the international or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagements.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement; and if so, to enable the auditor to apply properly the requirements of the particular international or South African Standard(s) to which the Guide relates.

In terms of Section 1 of the Auditing Profession Act, No. 26 of 2005, a Guide is included in the definition of "auditing pronouncements", and the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

Introduction

Scope of this Guide

1. The scope of this Guide is to provide guidance to registered auditors conducting assurance engagements on fresh produce agents' trust accounts.
2. The guidance relates to understanding the nature and characteristics of fresh produce agents' trust accounts and the nature and extent of work in the engagement; and it emphasises professional competencies, professional scepticism and professional judgement.
3. The Guide also provides illustrative auditor's reports on reporting compliance with sections 18(1), 19(1), 19(3), 19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Agricultural Produce Agents Act, No. 12 of 1992 (the Act), and the Rules¹ in respect of Fresh Produce Agents (the Rules).
4. This Guide has been prepared based on the Agricultural Produce Agents Council's Rules in respect of Fresh Produce Agents made in terms of Section 10(b) read with Section 22(2) and (3) of the Act.
5. This Guide does not provide guidance on the audit of the business account of the agricultural fresh produce agents. However, it must be noted that the Act in terms of section 18(2)(a) and 19(5) read together, requires both the audit of the business account and trust account to be performed by the same auditor.
6. There is an expectation by the Fresh Produce Agents Fidelity Fund, the Agricultural Produce Agents Council (the Council), fresh produce agents' clients and members of the public that auditors of fresh produce agents' trust accounts will detect fraud and theft, whereas the main purpose of an engagement on a fresh produce agent's trust account is for the auditor to evaluate the compliance of a fresh produce agent's trust accounts with the Act and the Rules. Accordingly, the Guide contains some considerations applicable to fraud and theft in the circumstances of engagements on fresh produce agents' trust accounts.

Purpose of an Engagement on Fresh Produce Agents' Trust Accounts

7. The main purpose of an engagement on fresh produce agents' trust accounts is for the auditor to express a reasonable assurance opinion on whether, for the relevant financial year, the fresh produce agent kept full and correct trust accounting records, in all material respects, in compliance with the Act and the Rules².

Nature of an Engagement on Fresh Produce Agents' Trust Accounts

8. An engagement on fresh produce agents' trust accounts to report compliance with the Act and the Rules is a reasonable assurance engagement within the scope of ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)). Although International Standards on

¹ Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35.

² Rule 27.3.

Auditing (ISAs) and International Standards on Review Engagements (ISREs) do not apply to engagements covered by ISAEs, they may nevertheless provide guidance to an auditor in this engagement³.

Effective date

9. This Guide is effective for assurance engagements of financial year-ends ending on or after 31 December 2020.

Definitions

10. For purposes of this Guide, unless stated otherwise, the following terms are defined in the ISAs and reflected in the *Glossary of Terms* (2017) and have the meanings attributed below:
- a) Act: The Agricultural Produce Agents Act, No. 12 of 1992.
 - b) Assurance report: The assurance report contemplated in ISAE 3000 (Revised), which is prepared and signed off by a registered auditor.
 - c) IRBA Code: The *IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)*.
 - d) Engagement risk: The risk that the auditor expresses an inappropriate opinion when the fresh produce agents' trust accounts are not kept, in all material respects, in compliance with the Act and the Rules.
 - e) Fraud: An intentional act by one or more individuals among management, those charged with governance, employees, or third parties involving the use of deception to obtain an unjust or illegal advantage.⁴
 - f) Fraud risk factors: Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.⁵
 - g) Fresh produce agent: Means an agent acting as such with regard to any agricultural product specified in Part A of Schedule 1 of the Act on the basis that the risk of profit and loss at all times remains with the principal, and –
 - (i) For the purposes of Section 3(1)(a) of the Act, includes any director of a company, trustee of a trust or a member of a close corporation who acts as a fresh produce agent as aforesaid;
 - (ii) For the purposes of sections 12(5), 13(3)(b), 13(3)(c), 13(3)(d), 13(4), 14(5)(a), 16(6)(f), 16(6A), 22, 23, 24, 25, 26, 27 and 30 of the Act, includes:
 - Any director of a company, or a member of a close corporation or a trustee of a trust who acts as a fresh produce agent as aforesaid; and
 - Any person who is employed by a fresh produce agent and who acts as a fresh produce agent as aforesaid for the employer.⁶

³ ISAE 3000 (Revised), paragraph A22.

⁴ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 11(a).

⁵ ISA 240 (Revised), paragraph 11(b).

- h) Management: The fresh produce agent(s) and other persons responsible for the conduct of the fresh produce agent's operations.
- i) Misstatement: A difference between the fresh produce agents' trust accounts and the appropriate measurement or evaluation thereof in accordance with the Act and the Rules. Misstatements can be intentional or unintentional, qualitative or quantitative, and include instances of non-compliance, i.e. instances where an action or event or transaction in relation to the fresh produce agents' trust accounts is not, or has not occurred, in compliance with those requirements from the Act and the Rules that are applicable for purposes of the assurance engagement.
- j) Professional judgement: The application of relevant training, knowledge and experience within the context provided by assurance and ethical standards in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
- k) Professional scepticism: An attitude that includes a questioning mind, being alert to conditions, which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
- l) Registered auditor: A registered auditor as defined in the Auditing Profession Act, 2005 (Act No. 26 of 2005) and referred to as the "auditor".
- m) Reasonable assurance engagement: An assurance engagement in which the auditor reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the auditor's opinion. The auditor's opinion is expressed in a form that conveys his/her opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.
- n) Rules: The Rules in respect of Fresh Produce Agents made in terms of Section 10(b) read with Section 22(2) and (3) of the Act.
- o) Rules Regarding Improper Conduct: The IRBA *Rules Regarding Improper Conduct*.
- p) Trust accounts: In relation to an agricultural fresh produce agent, this means an account comprising –
 - (i) The trust banking account(s) referred to in Section 19(1) of the Act; or
 - (ii) Any trust savings or other interest-bearing account referred to in Section 19(3) of the Act; and
 - (iii) Any agricultural produce received by a fresh produce agent shall, until it is sold or lawfully destroyed, be deemed to form part of the trust account in terms of Section 19(4) of the Act.
- q) Trust account transactions: The transactions in an agricultural fresh produce agent's trust accounts that comprise receipts, payments and transfers, non-recurring and unusual transactions or adjustments, agricultural produce received, kept, sold or lawfully destroyed in accordance with the Act and the Rules.

⁶ Agricultural Produce Agents Act, No. 12 of 1992, Definitions section.

- r) Trust account balance(s): The balance(s) due to trust creditors after recording the trust account transactions.

The Act and the Rules

11. The requirements of Sections 18(1), 19(1), 19(3), 19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Act are intended to ensure that proper accounting records are kept by a fresh produce agent in relation to that fresh produce agent's trust accounts. The Rules impose duties on a fresh produce agent to ensure that the necessary accounting records relative to the fresh produce agent's trust accounts are kept properly, and that an auditor, who is required to report to the Council in accordance with the duties assigned to the auditor, is appointed.⁷
12. Relevant extracts from the Act affecting trust accounts, and a summary of the Rules affecting the appointment of the auditor, the auditor's right of access to the accounting records and the duties of the auditor are given in Appendix 6. Reading these extracts is not a substitute for reading and understanding the requirements of the Act and the Rules, in their entirety.
13. The applicable sections of the Act and the Rules, the identified assurance engagement risk and audit considerations and/or illustrative procedures are given in Appendix 3.

Characteristics of a fresh produce agent's trust account and compliance with the Act and the Rules

14. The accounting records of a fresh produce agent's trust account relate to all moneys deposited to a trust account or invested in a savings or other interest-bearing account, and all transactions relating to the fresh produce agent's trust account.
15. The Rules require the keeping of identified accounting records that relate to a fresh produce agent's trust accounts⁸ and the procedures applicable to keeping those records, including adequate narratives (explanations) so that trust transactions may be understood by persons not familiar with the transactions.
16. The auditor of fresh produce agent's trust accounts performs sufficient work to evaluate whether the identified records were kept, in all material respects, in compliance with the Act and the Rules; and whether trust account transactions were in accordance with the instructions of the principal, including whether transactions were supported by adequate documentation or explanation.

The engagement and the auditor

17. The Act requires a fresh produce agent to appoint a registered auditor to discharge the duties assigned to the auditor in terms of the Act and the Rules. This "appointment" has the same meaning as the "auditor of the entity", as contemplated in Section 44(1)(a) of the Auditing Profession Act, 2005.
18. The auditor undertaking an engagement on a fresh produce agent's trust accounts requires access to the accounting records relative to the fresh produce agent's

⁷ Refer to Rule 33.3.

⁸ Rules 27.3 and 27.4.

business and trust account transactions to evaluate whether the fresh produce agent's trust accounts were kept in compliance with the Act and the Rules.

19. An auditor accepting an engagement to report on a fresh produce agent's trust accounts obtains an understanding of the Act, the Rules and the engagement circumstances.⁹
20. An auditor who is professionally competent to audit financial statements considers whether such an auditor has the specialised skills and knowledge necessary to undertake an engagement on fresh produce agents' trust accounts.
21. An engagement on the compliance of fresh produce agents' trust accounts with the Act and the Rules, undertaken by the individual registered auditor of the fresh produce agent¹⁰, comprises an ISAE 3000 (Revised) reasonable assurance engagement on which an opinion (as opposed to a conclusion in the case of a limited assurance engagement) is expressed and consequently meets part (b) of the definition of "audit" contained in the Auditing Profession Act, 2005. In such cases, the auditor undertaking an engagement on fresh produce agents' trust accounts is subject to the requirements of Section 45, *Duty to Report on Irregularities*, in the Auditing Profession Act, 2005.¹¹

Respective Roles and Responsibilities

Fresh Produce Agent

22. The fresh produce agent is responsible for ensuring that the fresh produce agent's trust accounts are kept in compliance with the Act and the Rules; and that the internal controls that the fresh produce agent determines are necessary to keep the integrity of the trust accounts – in accordance with the relevant instructions of the principal, including such controls as the fresh produce agent determines are necessary to prevent and detect fraud and theft – are maintained.

Auditor

23. The auditor is responsible for expressing a reasonable assurance opinion on the compliance of fresh produce agent's trust accounts, in all material respects, with the Act and the Rules, based on the auditor's procedures performed; reporting the auditor's findings to the Council; and furnishing a copy of the audit report to the fresh produce agent.
24. The involvement of the engagement partner is required throughout the engagement to provide adequate direction and supervision to the engagement team in the circumstances of the engagement.

⁹ ISAE 3000 (Revised), Paragraph 46R.

¹⁰ Section 44(1)(a) of the Auditing Profession Act, 2005.

¹¹ Refer to the *Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act* issued by the IRBA.

The Agricultural Produce Agents Council (the Council)

25. The objects of the Council shall be to regulate the occupations of fresh produce agents, and to maintain and enhance the status and dignity of those occupations and the integrity of persons practising those occupations.¹²

Fresh Produce Agents Fidelity Fund

26. The Fresh Produce Agents Fidelity Fund¹³, inter alia, is the recipient of claims made against the Fund for compensation for losses allegedly arising from theft of money or fresh produce entrusted to a fresh produce agent.

Internal control

27. Internal controls are the processes designed, implemented and maintained by a fresh produce agent to provide reasonable assurance about the achievement of the entities' objectives regarding reliable financial reporting and compliance with the Act and the Rules; while a compliance engagement is to ascertain whether the fresh produce agent complied specifically with the requirements of the Act and the Rules.
28. The auditor is currently not required, as per the Act or the Rules, to report on significant deficiencies in internal control that have come to the auditor's attention during the auditor's engagement on a fresh produce agent's trust accounts.
29. The auditor does not express an opinion on the fresh produce agent's internal control relevant to the application of the Rules. However, the auditor is still required by ISAE 3000 (Revised)¹⁴ to obtain an understanding of internal control over the preparation of the fresh produce agent's trust accounts relevant to the engagement. This includes evaluating the design of those controls relevant to the engagement and determining whether they have been implemented and were effective by performing procedures in addition to inquiry of the personnel responsible for the fresh produce agent's trust accounts.
30. The auditor further draws from ISA 260 (Revised), *Communication with Those Charged with Governance*, and ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, which apply to an audit of financial statements, and communicates appropriately to the directors and management (those charged with governance) any deficiencies in internal control that have come to the auditor's attention.

Nature and Extent of the Auditor's Work

31. The nature and extent of work performed is what is required to express a reasonable assurance opinion on the compliance of a fresh produce agent's trust accounts with the Act and the Rules. Any non-compliance identified by the auditor, with respect to the compliance of a fresh produce agent's trust accounts with the Act and the Rules, is

¹² Section 9 of the Act.

¹³ Refer to the Act, Section 12 for the responsibilities of the Fresh Produce Agents Fidelity Fund.

¹⁴ ISAE 3000 (Revised), Paragraphs 46R-47R.

listed in the auditor's qualified report (Appendix 5) or an explanation is provided as to why the auditor is unable to express an opinion (refer to paragraphs 71-72).

32. In an engagement on fresh produce agents' trust accounts, the auditor may design and perform tests of controls following the auditor's evaluation of internal control. Notwithstanding that the auditor may choose to rely on controls, the extent of testing for compliance through substantive procedures is likely to be greater, as the auditor is evaluating compliance with all the applicable Rules and because trust account transactions are not necessarily homogenous. Accordingly, in order to achieve the requirements of the Rules, the performance of control testing, where applicable, and the performance of substantive testing covers all significant trust account activities.

Ethical requirements¹⁵ and quality control¹⁶

33. The auditor is required to comply with the requirements of the IRBA *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code)¹⁷, which is consistent with the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B). The auditor should be especially aware of the requirements for independence (Part 4B) as well as professional competence and due care (Section 113) in the context of engagements on fresh produce agents' trust accounts.
34. Threats to independence could arise from the rendering of services by the fresh produce agent to the auditor, or the rendering of non-audit services by the auditor to the fresh produce agent. Also, threats to independence could arise from long association and/or close relationships between the auditor and the client. The IRBA Code provides requirements in this regard.
35. The auditor is also required to implement quality control procedures that are applicable to this engagement, in accordance with the International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*. These include ensuring that:
- a) The engagement partner and the assigned engagement team have the required competence and capabilities to perform the engagement;
 - b) The engagement partner will be sufficiently involved so as to be able to accept responsibility for the conclusion on the fresh produce agent's trust accounts;
 - c) The engagement partner takes full responsibility for overall quality on the engagement, considers all possible ethical breaches by members of the engagement team and considers the latest results of the firm's monitoring process that are possibly relevant to the engagement; and
 - d) An engagement quality control review is performed in appropriate circumstances.

¹⁵ ISAE 3000 (Revised), paragraphs 20 and A30-A34.

¹⁶ ISAE 3000 (Revised), paragraphs 31-31 and A60-A68.

¹⁷ <https://www.irba.co.za/guidance-to-ras/ethics:-the-rules-and-the-code>.

Acceptance and continuance¹⁸

36. Similar to other assurance engagements, the engagement partner performs suitable procedures to determine whether the client relationship and assurance engagement can be accepted or continued with. A fresh produce agent's trust accounts assurance engagement can only be accepted or continued with when¹⁹:
- a) Ethical requirements, including independence, can be met;
 - b) The engagement team collectively has the appropriate competence and capabilities; and
 - c) The terms of the engagement are agreed upon and the preconditions for the engagement have been met, including suitable roles and responsibilities of all parties and the availability of evidence needed to support the auditor's opinion.
37. If the preconditions are not met and further discussions with the potential client do not resolve the issues, the auditor cannot accept the engagement.²⁰ Likewise, if new information comes to light that would have caused the auditor to decline the engagement had that information been available earlier, the auditor will communicate this to the client and take appropriate action.

Agreeing to the terms of the engagement²¹

38. The auditor agrees to the terms of the engagement with the fresh produce agent in an engagement letter or another suitable form of contract. Refer to Appendix 1 for an illustrative engagement letter.

Emphasis on professional competencies²²

39. The professional competencies of an auditor who accepts an engagement to report on fresh produce agents' trust accounts, and the professional competencies of the auditor's staff assigned to the engagement, include knowledge of the Act and the Rules to sufficiently enable the auditor to conduct the engagement. This includes an ability to evaluate whether there has been compliance with the Act and the Rules, and an understanding of the risks of fraud and theft relative to a fresh produce agent's trust accounts.

Emphasis on professional scepticism and professional judgement²³

40. The auditor exercises professional scepticism throughout the engagement, with emphasis on:
- a) Assessing the risks of fraud and theft;

¹⁸ ISAE 3000 (Revised), paragraphs 21-25 and A30-A56.

¹⁹ ISAE 3000 (Revised), paragraph 22.

²⁰ ISAE 3000 (Revised), paragraphs 24-25.

²¹ ISAE 3000 (Revised), paragraphs 27-28 and A57-A58.

²² ISAE 3000 (Revised), paragraph 39.

²³ ISAE 3000 (Revised), paragraphs 37-38 and A76-A85.

- b) Determining whether there is any suspicion of misappropriation arising from fraud and theft; and
 - c) Performing relevant procedures in response to such suspicion.
41. The auditor recognises the possibility that misappropriation due to fraud or theft may exist, notwithstanding the auditor's experience with respect to the honesty and integrity of the fresh produce agent (which includes management and staff). Consequently, the auditor remains alert for evidence of fraud risk factors, for example, where there are changes in circumstances during the period of the engagement or where the service activities of the fresh produce agent may indicate the existence of fraud risk factors.
42. The auditor exercises professional judgement in conducting the engagement. The auditor uses professional judgement to determine the extent of the understanding of the fresh produce agent and the nature, timing and extent of procedures to identify and assess risks of misstatement in order to provide a reasonable level of assurance.

Special considerations applicable to fraud and theft

43. The guidance in ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, may be adapted and used by the auditor in an engagement on fresh produce agents' trust accounts. The auditor is advised to consider the Appendices to ISA 240 (Revised) in identifying and assessing fraud risk factors and further examples that may be encountered in engagements on fresh produce agents' trust accounts (refer to paragraph 48).
44. The auditor's inquiries include obtaining knowledge of the fresh produce agent's understanding regarding the accounting and internal control systems in place to prevent or detect and correct fraud and error; assessing how the fresh produce agent is discharging those responsibilities; and whether the fresh produce agent is aware of any known fraud that has affected the fresh produce agent or suspected fraud affecting the fresh produce agent and that is under investigation.
45. The nature, timing and extent of the fresh produce agent's assessment of the risk of fraud and error are relevant to the auditor's understanding of the control environment. When the fresh produce agent has not assessed the risk of fraud and error, it may be indicative of the lack of importance attached by that fresh produce agent to internal controls.
46. When a fresh produce agent places undue reliance on trusted individuals with poor or non-existent segregation of duties and an absence of independent review over the accounting records and trust accounts, experience has shown that it is easy for dishonest persons to misappropriate funds and to avoid detection.
47. In addition to inquiries of the fresh produce agent, the auditor makes inquiries of internal audit (if applicable) and employees within the fresh produce agent to determine whether they have any knowledge of any actual, suspected or alleged fraud affecting the fresh produce agent. It should be noted that, although the auditor's inquiries of the fresh produce agent may provide useful information concerning the risks of misappropriations from the fresh produce agent's trust accounts, resulting in employee fraud, such inquiries are unlikely to provide useful information regarding the risks of misappropriations resulting from management fraud. Making inquiries of persons within the entity other than management, in addition to the fresh produce

agent, may be useful in providing the auditor with a perspective that is different from that provided by the fresh produce agent.

48. The fraud risk factors identified below are further examples of factors that may be encountered by auditors in engagements on fresh produce agents' trust accounts. Not all are relevant in all circumstances, and some may be of greater or lesser significance in fresh produce agents' entities of different sizes or those with different ownership characteristics or circumstances. Also, the order is not intended to reflect their relative importance or frequency of occurrence.
- Fresh produce agents that do not have a good reputation.
 - Fresh produce agents that receive adverse media reporting.
 - Fresh produce agents managed by a sole proprietor.
 - Long and unexplained absences by fresh produce agents.
 - Sole agents lacking financial and administration skills, or not having the time to perform the control functions for which they are responsible.
 - Failure to distinguish between trust moneys and business moneys.
 - Failure to keep proper accounting records, which include a proper narrative (description) for each transaction (so that transactions and balances may be identified by persons not familiar with the transactions).
 - Incomplete accounting records and incomplete records relating to trust transactions and poor filing procedures.
 - Unauthorised journal entries passed through a fresh produce agent's trust accounts.
 - Journal entries that are passed over weekends, on public holidays or in a relatively large volume at period-end.
 - A high volume of unidentifiable receipts.
 - Transfers in rounded amounts, especially at period-end.
 - Unusual transactions.
 - Unusual service activities.
 - Poor segregation of duties within the entity and reliance on key persons.
 - Contravention of any relevant legislation, for example:
 - Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) (FICA);
 - Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) (FAIS);
 - Prevention of Organised Crimes Act, 1998 (Act No. 121 of 1998) (POCA);
 - Tax Administration Act (Act No. 28 of 2011);
 - Income Tax Act, 1962 (Act No. 58 of 1962);
 - Value-Added Tax (VAT) Act, 1991 (Act No. 89 of 1991); and
 - Foreign exchange regulations.

- Any other unusual behaviour observed.
49. The auditor uses professional judgement and applies professional scepticism in deciding when it is necessary to corroborate responses to inquiries with other information. When responses to inquiries are inconsistent, the auditor seeks to resolve the inconsistencies.
 50. The auditor may consider inquiring from the Council and/or the Fresh Produce Agents Fidelity Fund regarding any complaints that may have been received in respect of the management of trust moneys by the fresh produce agent.
 51. Where instances of potential or alleged fraud have been identified, the auditor considers whether the circumstances indicate a possible reportable irregularity that requires investigation.

Materiality²⁴, Obtaining Evidence²⁵, and Forming an assurance conclusion²⁶

52. The auditor's determination of materiality is a matter of professional judgement. The auditor considers materiality during planning when determining the nature, timing and extent of the evidence gathering (sampling) procedures. Materiality for sampling purposes in the context of a compliance engagement on fresh produce agents' trust accounts is considered taking into account the engagement specific risks.
53. The auditor considers qualitative and quantitative materiality for sampling purposes, for example the auditor may consider materiality depending on the nature of the transaction (qualitative materiality) or the amount of the transaction (quantitative materiality).
54. Where instances of non-compliance arise from testing a sample, the auditor considers the impact thereof on the entire population and modifies the planned procedures accordingly, including the possibility of extending the sample size.
55. The auditor also considers materiality to evaluate whether the fresh produce agent's trust accounts are free from material misstatement. In the context of an engagement on fresh produce agents' trust accounts, the Rules require compliance. The trust accounts are not audited to the same materiality considerations as envisioned in an audit of financial statements, which are prepared and presented based on materiality.
56. Any instances of non-compliance of fresh produce agents' trust accounts that come to the auditor's attention, whether appropriately accounted for or resolved by management, are considered qualitatively material and are listed in the auditor's qualified report for APAC's attention. Instances of non-compliance that have been reported and resolved are indicated accordingly.

²⁴ ISAE 3000 (Revised), paragraphs 44 and A92-A100.

²⁵ ISAE 3000 (Revised), paragraphs 48R-49R, A108-A110, A112, 50-51 and A118-A119.

²⁶ ISAE 3000 (Revised), paragraphs 64-66 and A146-A157.

Compliance with laws and regulations

57. The auditor also considers the guidance in ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. Any instances of non-compliance identified are reported as matters coming to the attention of the auditor.
58. As part of obtaining an understanding of the fresh produce agent and its environment, the auditor, including the engagement team, obtains a general understanding of:
- (a) The legal and regulatory framework applicable to the profession and the service activities provided by the fresh produce agent; and
 - (b) How the fresh produce agent is complying with that framework.²⁷
59. The auditor may, for example:
- Use the auditor's existing understanding of the fresh produce agents' profession and regulatory and other external factors;
 - Update the understanding of those laws and regulations that directly affect matters included in the auditor's assurance report;
 - Inquire of management as to other laws or regulations that may be expected to have a material effect on transactions in the fresh produce agent's trust account; and
 - Inquire of the fresh produce agent concerning the fresh produce agent's policies and procedures to ensure compliance with the Act, the Rules and other relevant laws and regulations.
60. If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with the Act, the Rules and other laws and regulations, the auditor obtains:
- (a) An understanding of the nature of the non-compliance and the circumstances in which it has occurred; and
 - (b) Further information to evaluate the possible effect on fund transactions reflected in the fresh produce agent's trust account.
61. If the auditor becomes aware of the existence of, or information about, the following matters, it may be an indication of non-compliance with laws and regulations:
- Investigations of the fresh produce agent by the Council, any regulatory organisations, government departments or evidence of payment of fines or penalties;
 - Payments for unspecified services or making of loans to consultants, related parties, employees or government employees not in accordance with the relevant service activity or instructions from the principal;
 - Payments in cash, or in the form of cash cheques payable to bearer, or electronic fund transfers to numbered bank accounts, where the payee is not identified;

²⁷ ISA 250, paragraph 12, A7-A8 and A9, in particular, regarding legal and regulatory implications affecting different service lines and instructions from the principal that might result in the auditor becoming aware of instances of non-compliance of a fresh produce agent's trust accounts with the Act and the Rules.

- Unusual offshore or cross-border transactions in the fresh produce agent's trust accounts with entities in other jurisdictions (including tax havens);
 - Payments for goods or services made other than to the country from which the goods or services originated;
 - Payments without proper exchange control documentation;
 - Existence of an information system which, whether by design or accident, fails to provide an adequate audit trail or sufficient evidence;
 - Unauthorised transactions or improperly recorded transactions; and
 - Adverse media comment.
62. In December 2016, the IRBA adopted ethics requirements and guidance to assist registered auditors in dealing with non-compliance with laws and regulations (NOCLAR). Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client which are contrary to the prevailing laws or regulations. Section 360 of the IRBA Code sets out the registered auditor's responsibilities in responding to NOCLAR or suspected NOCLAR. These sections are effective as of 15 July 2017.

Written representations by a fresh produce agent²⁸

63. The auditor obtains written representations in respect of the fresh produce agents' trust accounts from the fresh produce agent or management. It should be noted that the representations from the fresh produce agent or management do not replace other evidence the auditor reasonably expects to be available. The auditor evaluates the reliability of written representations and their consistency with other evidence obtained. When the availability or reliability of written representations comes into question, the auditor considers the impact thereof on other evidence obtained and the conclusion in the assurance report. The date of the written representations shall be as near as practical to, but not after, the date of the auditor's report. Refer to Appendix 2 for an illustrative representation letter.

Subsequent events²⁹

64. The auditor considers the effect on the fresh produce agent's trust accounts and assurance report of events up to the date of the auditor's report. The extent of consideration of subsequent events depends on the potential for such events to affect the fresh produce agent's trust accounts and to affect the appropriateness of the auditor's conclusion. The auditor considers transactions recorded after the period/year-end, but before the date of the auditor's report, that may influence the auditor's previous consideration of compliance. Furthermore, the auditor has no responsibility to perform any procedures regarding the fresh produce agent's trust accounts after the date of the auditor's report.

²⁸ ISAE 3000 (Revised), paragraphs 56-60, A54-A55 and A136-A139.

²⁹ ISAE 3000 (Revised), paragraphs 61 and A140-A141.

Auditor's documentation³⁰

65. The auditor records matters that are significant in providing evidence that supports the auditor's report. This includes a record of the auditor's reasoning on all significant matters that require the exercise of judgement and related conclusions. The existence of difficult questions of principle or judgement, calls for the documentation to include the relevant facts that were known by the auditor at the time the conclusion was reached.
66. The auditor documents work performed on opening trust balances (as per the trust accounting system) in both initial³¹ and continuing engagements.

Auditor Reporting

Assurance report content

67. The auditor's assurance report content follows the guidance in paragraphs 69-71 of ISAE 3000 (Revised).
68. For the auditor's opinion to be understood in the context of the engagement, the auditor's responsibility paragraph states, inter alia, that:

"A reasonable assurance report in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the compliance of the fresh produce agent's trust accounts with the Act and the Rules. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with the Act and the Rules, whether due to fraud and error. In making those risk assessments, we considered internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our reasonable assurance engagement included the following procedures:

 - a) Considering and applying, when considered applicable in the engagement circumstances, the guidance in the *Guide for Registered Auditors, Engagements on Fresh Produce Agents' Trust Accounts*.
 - b) Making inquiries of the fresh produce agent and the fresh produce agent's staff.
 - c) Testing transactions for all activities with the objective of evaluating whether:
 - i) transactions were appropriately identified as trust transactions;
 - ii) trust transactions were in accordance with instructions from the principal and supported by adequate documentation and narrative to identify from whom funds were received, and for whose credit;
 - iii) deposits and withdrawals from the trust bank account were to, or for, a trust creditor; and
 - iv) transfers to the fresh produce agent's business account were only in respect of moneys due to the fresh produce agent.

³⁰ ISAE 3000 (Revised), paragraphs 79-83 and A193-A200.

³¹ Refer to ISA 510, *Initial Audit Engagements – Opening Balances*.

- d) Testing and/or scrutinising bank reconciliations, as considered appropriate in the engagement circumstances, and evaluating whether confirmations from financial institutions were in support of the records made available to us.”³²

Illustrative reasonable assurance reports

69. Rule 33.5(b) requires that the annual audit report should be submitted not later than four months after the agency's financial year-end. Appendix 4 contains an illustrative report in respect of an unmodified opinion when the auditor has concluded that the fresh produce agent's trust accounts were in compliance with the Act and the Rules.
70. Rule 33.5(a) requires that the interim audit report period should start two months after the financial year-end and end not later than 10 months after the said financial year-end. The interim audit report should be submitted not later than 10 months after the agency's financial year-end. Appendix 5 contains an interim illustrative report in respect of a qualified opinion when the auditor has concluded that the fresh produce agent's trust accounts were not kept in compliance with the Act and the Rules. The auditor discloses, in the Basis for Qualified Opinion paragraph of the auditor's report, details of contraventions of the Act and the Rules in sufficient detail to enable the Council to exercise oversight should it wish to do so.
71. An illustrative report is not provided for instances when:
- (a) The auditor is unable to report compliance, due to the significance of identified contraventions (adverse opinion); or
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence (qualified or disclaimer of opinion).
72. In such circumstances the auditor adapts the guidance on the layout and wording from the appropriate illustrative reports in ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, and considers other reporting responsibilities. The auditor also refers to ISAE 3000 (Revised), paragraphs 64-66 and A146-A157.

Report on other legal and regulatory requirements

73. When the auditor has reported a reportable irregularity to the IRBA, the auditor includes a paragraph on “*Report on Other Legal and Regulatory Requirements*” in his report that discloses the information relating to the reportable irregularity. Illustrative wording, adapted as necessary to the circumstances, may be as follows:

In accordance with our responsibilities in terms of Sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The reportable irregularity/ies is/are as follows: <describe...>.

Other reporting responsibilities

74. The auditor considers other reporting responsibilities, including the appropriateness of communicating relevant matters of governance arising from the assurance

³² See SAAPS 6, *External Confirmations from Financial Institutions*.

engagement with those charged with governance. The auditor considers ISAE 3000 (Revised) paragraph 78. Refer to paragraph 62 for the auditor's responsibilities regarding NOCLAR.

75. "*Governance*" describes the role of persons entrusted with the supervision, control and direction of a responsible party. Those charged with governance are ordinarily accountable for ensuring that a fresh produce agent achieves its objectives and for reporting to interested parties.

Appendix 1: Illustrative Engagement Letter³³

(Auditor's letterhead)

(To agent/partner(s)/director(s))

(Address)

(Date)

Dear Agent/Partner(s)/Director(s)

Independent Auditor's Reasonable Assurance Engagement on the Fresh Produce Agent's Trust Accounts³⁴

You have requested that we undertake a reasonable assurance engagement on the compliance of the fresh produce agent's trust accounts of *<insert the name of the agent or agency>* with sections 18(1), 19(1), 19(3),19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Agricultural Produce Agents Act, No. 12 of 1992 (the Act), and the Rules³⁵ in respect of Fresh Produce Agents (the Rules) for the *<period from <insert date> to <insert date>> /<year ended <insert date>*.

<Agent's/Partners'/Director's/ Directors'> responsibility for the trust accounts

You are responsible for ensuring that your trust accounts are kept in compliance with the Act and the Rules, and for such internal control as you determine is necessary to maintain the integrity of those trust accounts in accordance with the relevant instructions from the principal, including such controls as you determine are necessary to prevent and detect fraud and theft. You are also responsible for providing us with:

- Access to all information that the *<agent/partners/directors>* is/are aware and that is relevant to our engagement, including such business account records as we consider necessary;
- Additional information that we may request from the *<agent/partners/directors>* for the purpose of our engagement; and
- Unrestricted access to persons within the agency from whom we determine it necessary to obtain audit evidence.

You are responsible for ensuring that the agency complies with relevant legislation.

As part of our engagement, we will request from you written confirmation concerning representations made to us in connection with our engagement. We will also ask you to confirm in that letter that all important and relevant information has been brought to our attention.

³³ This illustrative engagement letter does not address financial statement audit of the business account for which a separate engagement letter is issued.

³⁴ This illustrative engagement letter is based on the guidance in ISA 210 (Revised), *Agreeing the Terms of Audit Engagements*, applied to an engagement of this nature. It should be adapted as necessary to accommodate individual firm's terms and conditions for such assurance engagements.

³⁵ Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35.

Our independence and quality control

We are required to comply with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered (Revised November 2018)* (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B).

(Name of firm)/(The firm) applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a reasonable assurance opinion on the compliance of your fresh produce agent's trust accounts with the Act and the Rules, based on our assurance procedures performed.

We will conduct our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform the engagement to obtain reasonable assurance about the compliance of your trust accounts, in all material respects, with the Act and the Rules, based on our assurance procedures to be performed.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the compliance of the fresh produce agent's trust accounts with the Act and the Rules. The nature, timing and extent of the procedures selected depend on our judgement, including the assessment of the risks of non-compliance with the Act and Rules, whether due to fraud and error. In making those risk assessments, we will consider internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our engagement will include the following procedures:

- Considering and applying, when applicable in the engagement circumstances, the guidance in the *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* issued by the Independent Regulatory Board for Auditors.
- Making inquiries of the agent and the agent's staff.
- Testing of transactions for all activities, with the objective of evaluating whether:
 - Transactions were appropriately identified as trust transactions;
 - Trust transactions were in accordance with instructions from the principal and supported by adequate documentation and narrative to identify from whom funds were received and for whose credit;

- Deposits and withdrawals from the trust bank account were to, or for, a trust creditor; and
- Transfers to the agent's business account were only in respect of moneys due to the fresh produce agent.
- Testing and/or scrutinising bank reconciliations, as we consider appropriate in the engagement circumstances, and evaluating whether external confirmations requested from financial institutions are in support of the trust records made available to us.

Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with ISAEs will always detect a material misstatement when it exists. Misstatements can arise from actions or omissions to act due to fraud or error and are considered material if they, individually or in aggregate, could reasonably be expected to influence relevant decisions of users taken on the basis of the subject matter information.

Due to the inherent limitations of an assurance engagement, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the engagement is properly planned and performed in accordance with ISAE 3000 (Revised).

We shall not be responsible for reporting on any relevant events or transactions beyond the period covered by our reasonable assurance engagement. As part of an assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the engagement.

Other matters

<Insert other information, such as fee arrangements, invoicing and other agency specific terms and conditions, as appropriate>

Our report

We expect to issue a report containing an opinion that the fresh produce agent's trust accounts of *(insert the name of the agent or agency)* for the period/year ended *<insert date>* were kept, in all material respects, in compliance with the specified sections of the Act and the Rules. However, should our evidence obtained not support that opinion, we are obliged by ISAE 3000 (Revised) to modify our opinion, listing exceptions and instances of non-compliance identified, or giving an explanation for reporting non-compliance.

Reportable irregularities

Please note that this assurance engagement meets the definition of audit as contained in the Auditing Profession Act, 2005, and we are subject to the requirements of Section 45 of that Act and have a duty to report to the IRBA on reportable irregularities, as defined in that Act, that may be identified in the course of our engagement.

Where a reportable irregularity has been reported to the IRBA, we are required to include a paragraph on "Report on Other Legal and Regulatory Requirements" in our report, disclosing information relating to the reportable irregularity.

Non-compliance with Laws and Regulations

We wish to draw your attention to the professional obligation of the partners and employees of the audit firm to respond to identified or suspected Non-compliance with Laws and

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Regulations, as required in terms of Section 360 of the IRBA Code, and this may include the reporting of the non-compliance or suspected non-compliance to an appropriate authority under the appropriate circumstances.

Restriction on use and distribution of our report

Our report will state that it is provided for the purpose indicated in the report and not suitable for any other purpose; and that it is intended solely for your use and the Agricultural Produce Agents Council, and should not be distributed to or used by other parties.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our reasonable assurance engagement on the compliance of your trust accounts with the Act and the Rules.

Registered Auditor's Signature

<Name of individual registered auditor responsible for the engagement>

<IRBA registration number of firm and/or auditor>

<Registered audit firm>

Acknowledged and agreed on behalf of the (agent/partner(s)/director(s))

Yours faithfully,

<Agent/Partner(s)/Director(s)>

Date:

Appendix 2: Illustrative Representation Letter

(Fresh produce agent's letterhead)

(To the Registered Auditor)

(Address)

(Date)

Dear Sir(s)

Engagement on Fresh Produce Agent's Trust Accounts

This representation letter is provided in connection with your engagement on the fresh produce agent's trust accounts of *<insert the name of the agent or agency>* ("the agent") for the purpose of evaluating whether the trust accounts were maintained in compliance with sections 18(1), 19(1), 19(3),19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Agricultural Produce Agents Act, No. 12 of 1992 (the Act), and the Rules³⁶ in respect of Fresh Produce Agents (the Rules) for the *<period from <insert date> to <insert date>> /<year ended <insert date>*.

We confirm that we have performed such internal assessment as we considered necessary to enable us to conclude that the relevant sections of the Act and the Rules have been complied with.

We also confirm to the best of our knowledge and belief the following representations made to you during the performance of your engagement for the purposes of reporting to the Agricultural Produce Agents Council:

- We have provided you with:
 - Access to all information of which we are aware that is relevant, such as business accounting records, clients' files, trust accounting records and underlying data;
 - Additional information that you have requested from us for the purpose of the engagement; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- Accounting records have been kept as required by the Act and the Rules.
- All transactions have been recorded and are reflected in the trust accounts.
- All trust money received has been promptly banked in properly designated separate trust bank accounts.
- Money has only been transferred from the trust banking account to the business banking account in respect of fees and disbursements due and only when permitted, in terms of the Rules.

³⁶ Rules 21; 22.1; 23 -25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35.

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- At no stage during the year under review did the total amount of money in trust bank accounts, trust investment accounts and trust cash not equal the total amount of trust creditors, other than fees that were transferable but had not yet been transferred.
- The disclosure of facts relating to any fraud or possible fraud known to us that may have affected the agency, involving:
 - Management.
 - Employees who have significant roles in internal control.
 - Others where the fraud could have a material effect on the trust accounts.
- We acknowledge that it is our responsibility to design, implement and maintain internal controls to prevent and detect fraud.
- We have disclosed to you the results of management's assessment of the risk that the trust accounts may be materially misstated as a result of fraud or may have been misappropriated.
- We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's trust accounts communicated by employees, former employees, regulators or others.
- All known instances of non-compliance or suspected non-compliance with laws and regulations, the effects of which should be considered when preparing the trust account records, have been disclosed to you.
- All events occurring subsequent to the date of the report which may affect the trust accounts and the appropriateness of your conclusion have been disclosed to you.
- The following changes occurred in the composition of the agency during the year under review:

<Insert list indicating names of agents/partners/directors that joined the agency and names of agents/partners/directors that resigned from the agency>

Yours faithfully,

<Agent/Partners/Director>

Date

<Senior Financial Officer>

Date

Appendix 3: Auditors' Considerations/Illustrative Procedures with respect to the Compliance of the Fresh Produce Agent's Trust Account with the Act³⁷ and the Rules³⁸

Note: The control environment, risks and systems will differ from entity to entity. Accordingly, auditors are advised to adapt the following audit considerations/illustrative procedures accordingly. The audit considerations/illustrative procedures are not exhaustive and not necessarily the only appropriate considerations. The auditor develops appropriate procedures as necessary in the circumstances of the engagement. Further, the auditor should comply with ISAE 3000 (Revised).

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
Register of fresh produce received				
1	Rule 21.1	Each fresh produce agent shall keep a register at his business address in which he shall record the following particulars in respect of each consignment of fresh produce received by him for sale: a) The date of receipt of the consignment. b) The name and address of the principal from whom it was received. c) The number of the delivery note which	<ul style="list-style-type: none"> • Misappropriation of the principal's fresh produce. • Poor record keeping. • Poor control environment. 	✓ Inspect the register of the fresh produce agent to consider whether it contains particulars as per Rule 21.1 throughout the period.

³⁷ Compliance with Sections 18(1), 19(1), 19(3),19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Act.

³⁸ Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable,34-35.

³⁹ In certain instances, under the audit considerations / illustrative procedures, reference is made to all payments, transactions and receipts. This wording is extracted from the Act and Rules and does not require the auditor to test 100% of the population but rather to design and perform procedures to respond to the assessed risk and obtain reasonable assurance to support the auditor's conclusion on whether compliance with the Act and Rules has been achieved. Where instances of non-compliance arise from testing a sample, the auditor considers the impact thereof on the entire population and modifies the planned procedures accordingly, including the possibility of extending the sample size.

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No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>accompanied it.</p> <p>d) The kind and class or grade of fresh product received.</p> <p>e) The quantity received.</p>		
2	Rule 21.2	<p>The particulars referred to in rule 21.1 shall –</p> <p>a) be recorded in such register in chronological order of receipt of the consignments concerned; and</p> <p>b) be thus recorded not later than the business day first following the day of receipt of the consignment concerned.</p>	Refer to Rule 21.1 above.	<p>✓ Inspect the register to consider whether it's in chronological order of receipt of the consignments concerned.</p> <p>✓ Inspect supporting documentation to ensure that all the produce was recorded in the register within one business day from date of receipt.</p>
3	Rule 21.3	If a fresh produce agent uses more than one register simultaneously, he shall notify the Council in writing of the number of registers that are in use.	Refer to Rule 21.1 above.	✓ If a fresh produce agent uses more than one register simultaneously, inspect the notification presented to the Council, and consider impact on audit process.
4	Rule 21.4	Records kept in terms of this rule may be kept in the electronic format approved of by the Council.	Refer to Rule 21.1 above.	<p>✓ Enquire of the fresh produce agent as to whether the records kept in terms of Rule 21 are kept in electronic format.</p> <p>✓ If applicable, inspect supporting documentation to confirm that approval for keeping records in the electronic format has been obtained from Council.</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				✓ Consider impact on planned audit procedures.
Marking of packed fresh produce				
5	Rule 22.1	If the containers in a consignment of packed fresh produce has not been thus marked by a principal, the fresh produce agent to whom it has been entrusted for sale shall indicate the name and address of such principal on each container or on a label affixed thereto before presenting it for sale.	Misappropriation of the principal's fresh produce.	✓ Inspect the containers in a consignment of packed fresh produce to ensure there are appropriately marked as required by Rule 22.1. ✓ Enquire about the controls to comply with Rule 22.1.
Sales notes				
6	Rule 23.1	A fresh produce agent shall forthwith after each sales transaction and before the fresh produce concerned is removed from his custody, issue a sales note to the purchaser thereof.	<ul style="list-style-type: none"> • Misappropriation of the principal's fresh produce. • Completeness of recording of sales. 	✓ Inspect supporting documentation to ensure that the fresh produce agent issued a sales note for each transaction.
7	Rule 23.2	The following particulars shall be indicated on a sales note: a) A serial number. b) The name or code mark of the fresh produce agent concerned. c) The date of the sale concerned. d) The name of the principal concerned. e) In the case of a credit sale, the name and physical and postal address of the purchaser concerned.	Refer to Rule 23.1 above.	✓ Inspect the sales notes issued to ensure that they conform to the requirements as set out in Rule 23.2.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		f) The kind and class or grade of fresh product sold, and the quantity or mass so sold. g) The price at which each such quantity or mass was sold. h) The designation of the market or other premises at which such sale took place.		
8	Rule 23.3	The sales note referred to in rule 23.1 may be produced in electronic form approved of by the Council and may be produced by a market authority on behalf of the fresh produce agent concerned.	Refer to Rule 23.1.	✓ Inspect the sales notes to ensure that they are produced in electronic form approved of by the Council or produced by a market authority on behalf of the fresh produce agent.
Payments for sales				
9	Rule 24.1	A cheque that is presented to a fresh produce agent as payment for fresh produce sold by him shall be made out in favour of the trust account of the fresh produce agent concerned, be crossed and be endorsed with the expression "not transferable" or "nie oordraagbaar".	The cheque may not be made out in favour of the trust account of the fresh produce agent concerned and this may lead to misappropriation of a principal's moneys.	✓ Inspect cheques presented to a fresh produce agent as payment for fresh produce sold by him to ensure that: <ul style="list-style-type: none"> • it is made out in favour of the trust account of the fresh produce agent concerned, and • it is crossed and is endorsed with the expression "not transferable" or "nie oordraagbaar".
10	Rule 24.2	If a cheque does not comply with the requirements set out in rule 24.1, the fresh produce agent concerned shall forthwith cross	Refer to Rule 24.1 above.	✓ Inspect cheques that don't comply with Rule 24.1 and ensure that the fresh produce agent concerned has

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		it, endorse it thus and indicate thereon that it is for the credit of his trust account.		crossed it, endorsed it thus and indicated thereon that it is for the credit of his trust account.
Reports of unsold fresh produce				
11	Rule 25.1	If a consignment of fresh produce is not fully sold within three business days after the receipt thereof, the fresh produce agent concerned shall forthwith inform his principal of the extent and condition of the unsold quantity.	Obsolescence of the principal's fresh produce.	✓ Inspect supporting documentation to ensure that the agency reported to the principals, on all unsold produce, as required by Rules 25.1 and 25.2.
12	Rule 25.2	Similar reports shall thereafter be provided to a principal on a weekly basis until the full consignment has been sold or otherwise disposed of.	Refer to Rule 25.1 above.	✓ Inspect supporting documentation to consider whether the agency reported to the principals, on all unsold produce, as required by Rules 25.1 and 25.2.
Accounting to principals				
13	Rule 26.1	A fresh produce agent shall within 5 business days after having sold or otherwise disposed of fresh produce, issue a statement to his principal on which the following particulars are indicated: a) A serial number. b) The name of the fresh produce agent concerned. c) The name and address of the principal concerned. d) The date of receipt of the consignment	The fresh produce agent may not issue a statement to the principal within 5 business days after having sold or otherwise disposed of fresh produce and this may lead to this may lead to misappropriation of a principal's fresh produce and moneys.	✓ Inspect supporting documentation to consider whether the agency reported within 5 business days after having sold or otherwise disposed of the principals as required per Rule 26.1. ✓ Inspect the statement issued by the fresh produce agent to the principle to consider whether that it contains all the information as required by

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No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>concerned.</p> <p>e) The number of the delivery note that accompanied the consignment.</p> <p>f) The kind and class or grade of fresh produce received, the quantity thereof that has been sold, and the selling price and gross amount realised.</p> <p>g) Subject to the provisions of rule 26.3 (a), the number of the relevant sales notes referred to in rule 23, in sequence of the date of issue thereof.</p> <p>h) The amount and nature of each deduction in respect of expenses incurred in connection with the sale of the fresh produce concerned.</p> <p>i) The amount, rate or scale at which remuneration was claimed, and the amount of such remuneration.</p> <p>j) Particulars of fresh produce that have in terms of some or other law been found to be unsuitable to be presented for sale or have for another reason been withdrawn from sale.</p>		<p>Rule 26.1.</p>
14	Rule 26.3	If a fresh produce agent conducts business at a fresh produce market where the market authority allocates a reference number to each consignment of fresh produce that is received	Refer to Rule 26.1 above.	<p>✓ If applicable, inspect the statement sent to the principals to consider whether it conforms to the requirements of Rule 26.3.</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>there, such fresh produce is sold under the control of the market authority, and the proceeds of sales is collected by the market authority on behalf of the fresh produce agent concerned—</p> <p>a) such reference number may be indicated on a statement referred to in rule 26.1 instead of the numbers of the relevant sales notes; and</p> <p>b) copies of the relevant sales notes need not accompany the statement concerned.</p>		
15	Rule 26.4	<p>The serial number indicated on a statement in terms of rule 26.1(a) shall not later than the business day first following the date of issue of the statement concerned, be recorded in the relevant register referred to in rule 21 opposite the particulars of the consignment concerned.</p>	Refer to Rule 26.1 above.	<p>✓ Inspect the register referred to in Rule 21 to consider whether the serial number indicated on the statement in terms of Rule 26.1(a) has been recorded no later than the business day first following the date of the issue of the statement concerned.</p>
16	Rule 26.5	<p>If a fresh produce agent intends to recover any amount other than a deduction referred to in rule 26.1(i) from the proceeds of a sale, he shall —</p> <p>a) be in possession of a written consent from the principal concerned in which such deduction is authorised; and</p> <p>b) indicate full particulars of such recovery on</p>	Refer to Rule 26.1 above.	<p>✓ Inspect statements for instances where the fresh produce agent intends to recover any amount other than a deduction referred to in rule 26.1(i) from the proceeds of a sale and inspect the supporting documentation to ensure that written consent has been obtained from the</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		the relevant statement referred to in rule 26.1.		principal.
17	Rule 26.6	When a fresh produce agent indicates particulars referred to in rule 26.1 (j) on a statement, he shall, when requested thereto by his principal, provide him with a copy of the order by the appropriate authority that the fresh produce concerned has in terms of some or other law been found to be unsuitable to be presented for sale.	Refer to Rule 26.1 above.	<ul style="list-style-type: none"> ✓ Inspect the statement issued in terms of 26(1) for instances of fresh produce that have been found unsuitable for sale or otherwise withdrawn from sale. ✓ If applicable, inspect supporting documentation to ensure that the agency is in possession of the discard note used by the health inspector for the produce that was condemned.
Addresses at which accounting records are kept				
18	Rule 27.1	The accounting records referred to in section 18 of the Act shall be kept at the business address of a fresh produce agent as entered in the records of the Council.	General	<ul style="list-style-type: none"> ✓ Ensure that all the accounting records of the agency are kept at the business address of the agency. ✓ Inspect supporting documentation regarding whether the business address agrees to the records submitted to the Council.
19	Rule 27.2	Notwithstanding the provisions of rule 27.1, the Council may at the request of a fresh produce agent grant written approval that such records may be kept at another address specified in the approval concerned.	General	<ul style="list-style-type: none"> ✓ If applicable, inspect written approval obtained from Council that such records may be kept at another address specified in the approval concerned.

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No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
20	Rule 27.3	Such accounting records shall represent fully and accurately in accordance with generally accepted accounting practice the state of affairs and business of the fresh produce agent and explain the transactions and financial position of the fresh produce agent.	General	<ul style="list-style-type: none"> ✓ Ensure that such accounting records represents fully and accurately in accordance with generally accepted accounting practice the state of affairs and business of the fresh produce agent and explains the transactions and financial position of the fresh produce agent. ✓ Ensure that, for the period under review, the agency has kept full and correct accounting records of all monies received, kept or expended, assets and liabilities, financial transactions and agricultural produce received, kept, sold or lawfully destroyed.
21	Rule 27.4	In determining what is meant by “generally accepted accounting practice” regard shall be had, inter alia, to any rulings of the Council published to fresh produce agents.	General	<ul style="list-style-type: none"> ✓ Consider any rulings of the Council published to fresh produce agents in determining what is meant by “generally accepted accounting practice” and ensure that the rulings were applied.
22	Rule 27.5	The accounting records shall distinguish in readily discernible form between business account transactions and trust account transactions.	The agency’s accounting records may not distinguish between the business account transactions and the trust account transactions and this	<ul style="list-style-type: none"> ✓ Inspect the accounting records to consider whether they distinguish between business account transactions and trust account

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
			could potentially lead to inaccurate and incomplete accounting for the trust account transactions.	transactions.
23	Rule 27.6	<p>Trust money shall in no circumstances be deposited in or credited to a business banking account, while money other than trust money at any time found in a trust banking account shall be transferred to a business account without undue delay; provided that a fresh produce agent which-</p> <p>a) makes transfer from its trust banking account to its business banking account at least once a month; and</p> <p>b) ensures that each such transfer covers the total amount due to it and debited as at a date not earlier than one week prior to the date of transfer shall be deemed to have complied with this rule.</p>	<p>Trust money must be kept separate from other money.</p> <p>Not keeping trust money separate may lead to misappropriation of the trust money, which may go undetected.</p> <p>Money other than trust money was not transferred to the business banking account at least once a month.</p>	<p>✓ Inspect the business account bank statements to ensure that no transactions relating to trust money have taken place.</p> <p>✓ In relation to business money included in the trust account, inspect supporting documentation to ensure that:</p> <ul style="list-style-type: none"> • these funds are transferred to the business account at least once a month, and • each such transfer covers the total amount due to it and debited as at a date not earlier than one week prior to the date of transfer.
Opening and keeping of trust accounts				
24	Rule 28.1	The trust account kept and held by a fresh produce agent in terms of section 19(1)(a) of the Act at a bank shall be a cheque account.	The trust account has an overdraft facility which may result in the trust account being overdrawn resulting in possible misappropriation of the principal's moneys.	<p>✓ Inspect supporting documentation that the account used for receiving principal money, is a trust cheque account.</p> <p>✓ Consider whether any of the bank</p>

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No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				accounts held by the fresh produce agent, has an overdraft facility available or is currently in use.
25	Rule 28.2	When a fresh produce agent opens such cheque account, he shall provide the bank concerned with a notice in the form set out in Annexure A.	The fresh produce agent may not promptly notify the Council of the firm's banking particulars and some bank accounts may not be shown in the fresh produce agent's records.	✓ For all new cheque accounts opened by the fresh produce agent for the period under review, inspect supporting documentation to ensure that Council was provided with notice in the form set out in Annexure A as issued by Council.
26	Rule 28.3	A fresh produce agent shall within seven days after an account has been opened thus, provide the Council with a copy of such form on which the bank concerned has recorded the applicable particulars and acknowledged receipt thereof.	Refer to Rule 28.2 above.	✓ For all new cheque accounts opened by the fresh produce agent for the period under review, inspect supporting documentation to ensure that the agent has provided the Council with a copy of the form so required in accordance with Rule 28.3.
27	Rule 28.4	The provisions of rules 28.2 and 28.3 shall mutatis mutandis apply when a separate savings or other interest-bearing account is opened by a fresh produce agent in terms of section 19 (3) (a) of the Act to invest money paid into his trust account: Provided that – a) such savings or other interest-bearing account shall be opened and kept at the	Savings or other interest-bearing may be made in contravention of the Rule and this could lead to a client's moneys being used for other purposes other than what was intended. Transfers from a savings or	✓ For all new savings or other interest-bearing accounts opened by the fresh produce agent for the period under review, inspect supporting documentation to ensure that Council was provided with notice in the form set out in Annexure A as issued by Council.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>same branch of the bank where the cheque account of the fresh produce agent concerned is kept; and</p> <p>b) the amount in such savings or other interest bearing account shall be available for use in the cheque account of the fresh produce agent concerned.</p>	<p>other interest-bearing to a trust banking account may not be in accordance with the Rule, resulting in some trust moneys not being appropriately accounted for.</p>	<ul style="list-style-type: none"> ✓ For all new savings or other interest-bearing accounts opened by the fresh produce agent for the period under review, inspect supporting documentation to ensure that the agent has provided the Council with a copy of the form so required in accordance with Rule 28.3. ✓ Consider whether there are other account/s used by the agency for trust money and ensure that such savings or other interest-bearing account was opened and kept at the same branch of the bank where the cheque account of the fresh produce agent concerned is kept. ✓ Consider whether the amount in such savings or other interest-bearing accounts are available for use.
Changes in connection with trust accounts				
28	Rule 29	<p>Any change in connection with a cheque account or a savings or other interest-bearing account referred to in rule 28.4 shall be brought to the attention of the bank concerned and be reported to the Council in a manner similar to that set out in rules 28.2 and 28.3.</p>	<p>Cheque, savings or other interest-bearing may be made in contravention of the Rule and this could lead to a client's moneys being used for other purposes other than what was</p>	<ul style="list-style-type: none"> ✓ For any changes to cheque, savings or other interest-bearing accounts for the period under review, inspect supporting documentation to ensure that Council was provided with notice in the form set out in

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
			intended.	Annexure A as issued by Council. ✓ For any changes to cheque, savings or other interest-bearing accounts for the period under review, inspect supporting documentation to ensure that the agent has provided the Council with a copy of the form so required in accordance with Rule 28.3.
Deposits in trust accounts				
29	Rule 30.1	The proceeds of the sale of fresh produce to be deposited into the trust account of a fresh produce agent in terms of section 19(1)(b) of the Act shall be deposited in his cheque account.	Trust money may not be promptly deposited and this may lead to misappropriation of trust money or trust money being used for purposes for which it was not intended.	✓ Inspect supporting documentation to ensure that the proceeds from the sale of the fresh produce have been deposited into the trust bank account only.
30	Rule 30.2	The name and number of the cheque account concerned and the expression "Trust Account" or "Trustrekening" shall be indicated on each deposit slip or other document by means of which such deposit is made.	Refer to Rule 30.1 above.	✓ Inspect deposit slips to ensure that the name and number of the cheque account concerned and the expression "Trust Account" or "Trustrekening" is indicated on each deposit slip or other document by means of which such deposit is made.
31	Rule 30.3	When the market regulations or other rules that are in force at a fresh produce market authorise	Refer to Rule 30.1 above.	Refer to the illustrative procedure under Rule 30.1.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		the market authority to claim a market fee or other statutory amount from principals, and the proceeds of sales are collected by the market authority on behalf of fresh produce agents, the balance payable to a fresh produce agent after deduction of such market fee or statutory amount shall in such case for the purposes of section 19(1)(b) of the Act, be deemed to be the proceeds of the sale of fresh produce.		
Withdrawals and transfers from trust accounts				
32	Rule 31.1	<p>Subject to the provisions of rule 31.2, a payment or deduction from a trust account in terms of section 20 of the Act shall –</p> <p>a) in the case of a cheque account, not be made otherwise than by means of the issuing of a cheque or an electronic transfer; and</p> <p>b) in the case of a savings or other interest-bearing account referred to in rule 28.4, not be made otherwise than by means of an in-house transfer to the cheque account of the fresh produce agent concerned.</p> <p>c) be made only to or for or on behalf of a trust creditor.</p>	<p>Withdrawals from the trust account may not be made in accordance with the Rule, which could lead to misappropriation of the trust funds.</p> <p>Transfers from the trust account may not be in compliance with the provisions of the Rules.</p> <p>This may lead to irreconcilable differences in the trust account and debit balances.</p>	<p>✓ Inspect payments from the trust account and consider whether they been made in accordance with the requirements of Rule 31.1.</p>
33	Rule 31.2	Fees deductible from such accounts by the bank at which they are kept, and interest earned on such accounts shall respectively be	Refer to Rule 31.1 above.	<p>✓ Inspect the bank statements to ensure that the fees deductible from the trust accounts and interest</p>

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		debited and credited against the business account of the fresh produce agent concerned.		earned on such accounts are debited and credited against the business account of the fresh produce agent.
34	Rule 31.3	<p>No fresh produce agent shall withdraw any amount from his trust account in terms of section 20(1) of the Act in respect of his remuneration as a fresh produce agent or for other expenses incurred by him in connection with the sale of fresh produce unless –</p> <p>a) the proceeds of the sale of the fresh produce concerned has already been deposited in such account;</p> <p>b) in the case of such other expenses, it has already been incurred by him; and</p> <p>c) he is in possession of documentary proof to substantiate such withdrawal.</p> <p>d) the remuneration or expense has been correctly debited in his accounting records.</p>	Refer to Rule 31.1 above.	✓ Inspect withdrawals made from the trust accounts in respect of remuneration or other expenses incurred by the fresh produce agent and ensure that these withdraws comply with the requirements of Rule 31.3.
35	Rule 31.4	<p>When making a transfer from its trust banking account to its business banking account, a fresh produce agent shall ensure that-</p> <p>a) the amount transferred is identifiable with and does not exceed the amount due to it; and</p> <p>b) the balance of any amount due to it</p>	Refer to Rule 31.1 above.	✓ Inspect bank statements for transfers from trust bank account and consider whether the transfers were made in terms of Rule 31.4.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		remaining in its trust banking account is capable of identification with corresponding entries appearing in its trust ledger.		
36	Rule 31.5	Any cheque drawn on the trust banking account of a fresh produce agent shall be made payable to or to the order of a payee specifically designated.	<p>In the case where cheques are issued to effect payments, trust cheques may be issued irresponsibly.</p> <p>Un-issued cheques may not be subject to strong stationery controls.</p> <p>All the above circumstances may lead to misappropriation of trust funds.</p>	<p>✓ Inspect cheques drawn on the trust banking account of a fresh produce agent and consider whether they were made payable to or to the order of a payee specifically designated.</p>
37	Rule 31.6	<p>A fresh produce agent shall –</p> <p>a) ensure that the total amount of money in its trust banking account, trust savings or interest-bearing account referred to in Section 19[1] and 19[3][a] of the Act at any date shall not be less than the total amount of the credit balances of its trust credits;</p> <p>b) ensure that no account of any trust creditor is in debit; and</p> <p>c) employ and maintain a system to ensure that the requirements of rules 31.6.(a) and 31.6.(b) are not infringed when amounts are transferred from its trust banking account to</p>	<p>The total amount of money in the fresh produce agent's trust banking account, trust savings or interest-bearing account may be less than the total amount of credit balances of the trust creditors.</p> <p>This may bring about unreconciled differences in the trust accounting records.</p> <p>Individual trust creditors may not go into debit.</p> <p>The list of trust creditors may</p>	<p>✓ Through inspection of bank statements and recalculations, confirm that the total amount of money held in its trust banking account, trust savings or interest-bearing account, at any date, is not less than the total amount of credit balances of the trust credits.</p> <p>✓ Inspect the accounting records to ensure that no account of any trust creditor is in debit.</p> <p>✓ Examine the system employed to transfer amounts from the agent's trust account to the business</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		its business banking account.	be inaccurate or incomplete	account to ensure the trust account remains in credit.
Payments to principals				
38	Rule 32.1	A fresh produce agent shall effect the electronic transfer of money or forward the cheque by means whereof a payment is made to a principal in terms of section 20(1) of the Act, to the principal concerned not later than 5 business days after the fresh produce concerned has been sold.	Payments to principals may be made in contravention of the Rule. Surplus trust funds may be misappropriated.	✓ Confirm, through inspection of bank statements whether all the payments were effected within 5 business days after the fresh produce concerned has been sold.
39	Rule 32.2	<p>The amount of such electronic transfer or of such cheque shall correspond with the amount due indicated on the relevant statement issued to the principal concerned in terms of rule 26: Provided that the amounts due as indicated on two or more such statements may be combined for the purpose of payment with a single cheque or a single electronic transfer, in which case the fresh produce agent concerned shall also issue a summarized statement to his principal on which the following particulars are indicated:</p> <p>a) The serial numbers of each of the statements referred to in rule 26.1, as well as the nett amount due in terms of each such statement.</p> <p>b) The total nett amount owing.</p>	Non-disclosure to principal, which may result in misappropriation of the principal's money.	<p>✓ Consider whether the payment made agrees to the amount indicated on the statement issued to the principal in accordance with Rule 26.</p> <p>✓ If applicable, consider whether the fresh produce agent has issued a summarized statement in compliance with Rule 32.2.</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		c) The number of the cheque or reference of the electronic transfer concerned.		
40	Rule 32.3	The date of issue indicated on such cheque or such electronic transfer shall not be later than the date on which it has to be forwarded to the principal concerned in terms of rule 32.1.	Refer to Rule 32.1.	✓ Inspect cheques or supporting documentation relating to electronic transfers to ensure that the date of issue indicated on such cheque or such electronic transfer was not later than the date on which it was forwarded to the principal concerned in terms of Rule 32.1.
41	Rule 32.4	A fresh produce agent shall not be entitled without first having obtained the written approval of his principal (which approval has been granted with reference to a specific purchaser, the identity of whom is disclosed in such approval), to sell his principal's fresh produce on the credit of his principal; provided however that such credit shall not be granted for a period which expires after the date on which the fresh produce agent has to account to his principal concerned in terms of rule 32.1.	Non-disclosure to principal.	✓ Inspect supporting documentation to consider whether a fresh produce agent has obtained the written approval of his principal to sell his principal's fresh produce on the credit in accordance with Rule 32.4.
Reconciliation of trust accounts				
42	Rule 33.1	If, at the time of the monthly balancing of the accounting records in respect of a trust account in terms of section 19(3)(c) of the Act, it appears that it does not reconcile with the corresponding bank statements, the fresh	The total amount of money in the fresh produce agent's trust banking account, trust savings or interest-bearing account may be less than the total amount of	✓ Through inspection of bank statements and supporting documentation, consider whether at any given point in time the accounting records in respect of a

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		produce agent shall forthwith report it to the Council in writing.	credit balances of the trust creditors. This may bring about un-reconciled differences in the trust accounting records. Individual trust creditors may not go into debit.	trust account in terms of section 19(3)(c) of the Act does not reconcile to the corresponding bank statements. ✓ If applicable, inspect supporting documentation to ensure that the fresh produce agent has reported this to the Council in writing.
43	Rule 33.8	A fresh produce agent shall before the end of each month provide the Council with – a) a reconciliation of every trust bank account held by him as at the date referred to in section 19(3)(c) of the Act and in the form as set out in Annexure D to these rules; b) a list of outstanding trust cheques including the number and date of each cheque which has not yet been honoured; and c) a copy of the last page of the bank statement of every trust bank account that is being held by him.	Refer to rule 33.1 above.	✓ Inspect supporting documentation to consider whether the fresh produce agent has complied with Rule 33.8.
Winding-up of trust accounts⁴⁰				
44	Rule 34.1	If the fidelity fund certificate of a fresh produce	General	✓ In the instance where the fidelity

⁴⁰ Rules 34.1-35.4 will only be considered by the auditor and the related procedures performed when the fidelity fund certificate of a fresh produce agent has been withdrawn by the Council or he has otherwise terminated his business as a fresh produce agent and therefore wound up/winding up his trust accounts.

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		agent has been withdrawn by the Council or he otherwise terminates his business as a fresh produce agent, he shall forthwith request the bank at which his trust account is kept, to suspend all payments from such trust account.		fund certificate of a fresh produce agent has been withdrawn by the Council or he otherwise terminates his business as a fresh produce agent, inspect the supporting documentation to ensure that the fresh produce agent's has requested the bank at which his trust account is kept, to suspend all payments from such trust account.
45	Rule 34.2	Such fresh produce agent shall— a) not later than the first business day following the date on which he made the request concerned, notify the Council thereof per telegram or fax; and b) if his business is terminated for any reason other than the withdrawal of his fidelity fund certificate— (i) notify the Council thereof by telegram or fax not later than the first business day following the date on which he performed his last activity as an agent; and (ii) return the fidelity fund certificate issued to him, to the Council within 30 days of such date.	General	<ul style="list-style-type: none"> ✓ Through enquiries and inspection of supporting documentation consider whether the fresh produce agent has notified the Council as required by Rule 34.2. ✓ If applicable, ensure that the fresh produce agent has returned the fidelity fund certificate to the Council within 30 days of the first business day following the date which he performed his last activity as an agent.
46	Rule 34.3	A fresh produce agent who thus suspended payments from his trust account shall forthwith,	General	<ul style="list-style-type: none"> ✓ Through enquiries and inspection of supporting documentation consider

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No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>for the purposes of the balancing of his accounting records in terms of section 18(4) of the Act –</p> <ul style="list-style-type: none"> a) collect all amounts due to him for the credit of his trust account, and deposit it in the relevant cheque account; b) transfer the balance in any savings or interest bearing account referred to in rule 28.4, to the relevant cheque account; c) compile all outstanding statements referred to in rule 26.1; and d) reconcile the accounting records relating to his trust account to reflect the state of affairs at the stage on which payments therefrom have been suspended. 		<p>whether the fresh produce agent has complied with Rule 34.3.</p>
47	Rule 34.4	<p>A reconciliation in terms of rule 34.3 (d) shall reflect the following particulars:</p> <p>34.4.1 The amount standing to the credit of the trust account concerned as made up of—</p> <ul style="list-style-type: none"> a) the balance of the relevant cheque account; b) the balance of any savings or other interest-bearing account referred to in rule 31.4 that has not yet been transferred to the relevant cheque account in terms of rule 34.3 (b); c) the proceeds of the sale of fresh produce that has already been received but not yet 	General	<p>✓ Through enquiries and inspection of supporting documentation consider whether the fresh produce agent has complied with Rule 34.4.</p>

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>been deposited in the relevant cheque account; and</p> <p>d) the proceeds of the sale of fresh produce that has not yet been collected in terms of rule 34.3 (a).</p> <p>34.4.2. The amount that has still to be paid out of the trust account concerned in terms of the Act and these rules, as made up of –</p> <p>a) cheques that have already been drawn on the relevant cheque account but have not yet been cashed;</p> <p>b) the amounts payable to principals by virtue of statements issued or still to be issued in terms of rule 26.1;</p> <p>c) the respective amounts which, by virtue of documentary proof referred to in rule 34.3, are payable to the fresh produce agent concerned in respect of–</p> <p>i. his remuneration as an agent; and</p> <p>ii. expenses incurred by him in connection with the sale of fresh produce; and</p> <p>d) any other amounts that may lawfully be paid out of the trust account concerned.</p>		
48	Rule 34.5	<p>Such reconciliation shall –</p> <p>a) commence on the business day first following the day on which payments from</p>	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 34.5 is complied with.

PROPOSED GUIDE FOR REGISTERED AUDITORS: ASSURANCE ENGAGEMENTS ON FRESH PRODUCE AGENTS' TRUST ACCOUNTS

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>the trust account concerned have been suspended in terms of rule 34.1; and</p> <p>b) thereafter be continued on a daily basis until the accounting records of the fresh produce agent concerned have been balanced in accordance with the provisions of section 18 (4) of the Act</p>		
49	Rule 34.6	<p>If, after the auditing of the financial records concerned in terms of section 18(4) of the Act, the Council is satisfied that the balance in such trust account is sufficient to pay all amounts referred to in rule 34.4.2 –</p> <p>a) the Council shall in writing authorise the bank concerned to lift the suspension of payments from the trust account concerned;</p> <p>b) the Council shall provide the fresh produce agent concerned with a copy of such authorisation; and</p> <p>c) the fresh produce agent concerned shall forthwith draw cheques for the amounts referred to in rule 34.4.2 on the relevant cheque account and forward such cheques to the beneficiaries concerned together with the applicable statements referred to in rule 26, or such other evidence as may be necessary to explain the payments</p>	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 34.6 is complied with.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		concerned.		
Deficits at the winding up of trust accounts				
50	Rule 35.1	If the financial records of a fresh produce agent as audited in terms of section 18(4) of the Act show a deficit, an authority in terms of rule 34.6 shall be issued by the Council only after the fresh produce agent concerned has deposited an amount equal to such deficit in the relevant cheque account.	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 35.1 is complied with.
51	Rule 35.2	If such, fresh produce agent refuses or fails to deposit the amount concerned in the relevant cheque account, the Council may issue an authority referred to in rule 34.6 subject to such restrictions as it may in each case determine: Provided that the payment of the amounts referred to in rule 34.4.2 (a) and (b) to the principals of a fresh produce agent shall at all times enjoy precedence.	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 35.2 is complied with.
52	Rule 35.3	If the balance in a trust account at the winding-up thereof is insufficient for the full settlement of the amounts referred to in rule 34.4.2(a) and (b) the fresh produce agent concerned shall, when an authority referred to in rule 34.6 is issued subject to conditions – a) divide such balance pro rata between the principals concerned; b) draw cheques for such pro rata amounts on	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 35.3 is complied with.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>the relevant cheque account and forward it to the beneficiaries concerned together with –</p> <ul style="list-style-type: none"> i. (i) the applicable statements referred to in rule 26.1; ii. an explanation setting out the extent of each such pro rata payment and notifying the principal concerned that he is entitled to lodge a claim with the Council in terms of section 14 of the Act for the reimbursement of his monetary loss; and <p>c) provide the Council with copies of all the documents referred to in paragraph (b).</p>		
53	Rule 35.4	Any amount referred to in rule 34.4.2(a) and (b) that is payable to the fresh produce agent concerned or, in the case of a juristic person, to a director thereof shall not be taken into consideration when the pro rata division of the balance or in the trust account concerned is made in terms of rule 35.3(a).	General	✓ Through enquiries and inspection of supporting documentation consider whether Rule 35.4 is complied with.
Additional audit considerations/ illustrative procedures				
55	Section 19(4)	Section 19(4): Any agricultural produce received by a fresh produce agent shall, until it is sold or lawfully destroyed, be deemed to form part of his or her trust account.	Misappropriation of the principal's fresh produce.	✓ Consider performing the stock count on a surprise basis by obtaining the list of products in stock as prepared by the Market Authority as at(date), being a date

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				<p>between the period selected and the date of the audit report, and confirm that the quantity of products listed corresponded with the record of the physical stock count carried out on that date.</p> <ul style="list-style-type: none"> ✓ Consider whether all stock entrusted to the agency has been identified and counted, irrespective of its location (market floor, cold rooms, ripening rooms, loading bays/ platforms). ✓ Obtain the stock sheet/ list of product balances from the Market Authority after all reservations, unpaid sales have been cancelled. ✓ Inspect supporting documentation to ensure that all produce has been counted per principal and per consignment, alternatively per principal per classification (no bulk counting). ✓ Inspect supporting documentation to ensure that all produce, irrespective of it being loaded onto the market system, being sold, lawfully destroyed or reserved, has been

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				<p>counted.</p> <ul style="list-style-type: none"> ✓ Consider whether all shortages and surpluses have been resolved through valid supporting documents (e.g. removal notes / sales notes).
56	Section 20	<p>Section 20(1): A fresh produce agent shall pay to his or her principal from his or her trust account the proceeds of sale of an agricultural produce after he or she has deducted from such proceeds his or her agreed remuneration and the other reasonable expenses incurred by him or her in connection with the sale of that agricultural product.</p> <p>Section 20(2)(a): If the amount to be paid by a fresh produce agent to his or her principal in term of subsection (1) has not been claimed by the principal within 200 days after the sale, that fresh produce agent shall pay the amount from his or her trust account to the council, and furnish the council with the particulars of required in the rules in connection therewith.</p> <p>Section 20(3): Any withdrawal from a trust account for the purposes of a payment or deduction referred to in subsection (1), the withdrawal of interest earned on a trust account or an interest-bearing account referred to in section 19(3)(a), and any payment to the</p>	General	<ul style="list-style-type: none"> ✓ Inspect reconciliations and supporting documentation (for example, bank statements) to ensure that the proceeds of the sale of agricultural product(s), were paid to the principal, after deductions from such proceeds the agreed remuneration and other reasonable expenses incurred by the agent. ✓ Inspect reconciliations and supporting documentation (for example, bank statements) to ensure that the unclaimed amounts by the principal has been paid over to the Council within 200 days after the sale.

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
		<p>council in terms of subsection 2 of this section, shall be made at the time and in the manner set out in the rules.</p> <p>Section 20(4): No withdrawals other than those specified in subsection (3) shall be made from a trust account or a savings on interest-bearing account referred to in section 19(3)(a): Provided that any fees charged by the institution at which they are kept shall be debited against the business account of the fresh produce agent.</p>		
57	Rules 24, 27, 31 & 32	Refer above for Rules 24, 27, 31 & 32.	General	<ul style="list-style-type: none"> ✓ Consider whether all the payments made to principals were accurately processed on the payment system. ✓ Consider whether the agency has an appropriate process in place for cheques presented for payment. ✓ Consider whether the remuneration claimed by the agent was: <ul style="list-style-type: none"> i) At a higher rate or scale than usually claimed. ii) Only included reasonable costs or expenses. ✓ Consider whether there were any business expenses paid from the trust account (e.g. farmers'

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				advances, rent, insurance).
58	Rule 27	Refer above for Rule 27.	The fresh produce agent'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.	<ul style="list-style-type: none"> ✓ Inspect supporting documentation to verify that no principal money was transferred to the business account. ✓ Test transfer between trust account and business account before and after year end and consider whether they were valid and have been correctly captured.
59	Rules 31 & 33	Refer above for Rules 31 & 33.	The fresh produce agent may process inappropriate and invalid journal entries resulting in the accounting records being incomplete or incorrect.	<ul style="list-style-type: none"> ✓ Identify any journals processed in the general ledger and consider the validity thereof.
Other Audit considerations/ illustrative procedures				
60	APAC Credit Sales Policy	N/A	General	<ul style="list-style-type: none"> ✓ For all debtor's transactions raised in the supply of credit (i.e. money is supplied to the buyer to effect produce sales transaction) consider the following: <ul style="list-style-type: none"> i) Whether the sales transactions reflect on the market system. ii) Whether the produce was paid for. iii) Whether all the buyers were valid.

PROPOSED GUIDE FOR REGISTERED AUDITORS: ASSURANCE ENGAGEMENTS ON FRESH PRODUCE AGENTS' TRUST ACCOUNTS

No	Section/ Rule	Rule/Act requirement	Identified assurance engagement risk	Audit considerations/ illustrative procedures ³⁹
				<ul style="list-style-type: none"> iv) Whether any “secret” profits have been made. v) Whether any administration cost in supplying the credit have been levied by the agency to the buyer.
61	Conformance to APAC Credit Sales Policy.	N/A	General	<ul style="list-style-type: none"> ✓ For all credit sales transactions taking place, consider whether the credit sales policy is adhered to in terms of: <ul style="list-style-type: none"> i) Producer credit sales; ii) Agents credit sales; And iii) Shortage sales.

Appendix 4: Illustrative Annual Auditor's Report (Unmodified opinion)

Circumstances

- ISAE 3000 (Revised) reasonable assurance engagement.
- Compliance of the fresh produce agent's trust accounts with the Act and the Rules.
- Unmodified auditor's opinion.

Independent Auditor's Reasonable Assurance Report on the Fresh Produce Agent's Trust Accounts

To the <Agent/Partners/Directors⁴¹> (insert the name of the agent or agency)

Report on Compliance of the Fresh Produce Agent's Trust Accounts with the Act and the Rules

We have undertaken a reasonable assurance engagement on the compliance of the fresh produce agent's trust accounts of <insert the name of the agent or agency> with Sections 18(1), 19(1), 19(3), 19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Agricultural Produce Agents Act, No. 12 of 1992 (the Act), and the Rules⁴² in respect of Fresh Produce Agents (the Rules) for the <period from <insert date> to <insert date>> /<year ended <insert date>.

<Agent's/Partners'/Director's/Directors'> responsibility for the trust accounts

The <agent/partners/directors> is/are responsible for ensuring that the fresh produce agent's trust accounts are kept in compliance with the Act and the Rules, and for such internal control as the <agent/partners/directors> determine(s) is necessary to keep the integrity of the trust accounts in accordance with the relevant instructions from the principal, including such controls as the <agent/partners/directors> determine(s) are also necessary to prevent and detect fraud and theft.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B).

(Name of firm)/(The firm) applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

⁴¹ Throughout the report delete whichever ["agent/partners/directors"] is "not applicable".

⁴² Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35.

Auditor's Responsibility

Our responsibility is to express a reasonable assurance opinion on the compliance of the fresh produce agent's trust accounts with the Act and the Rules, based on our assurance procedures performed.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform the engagement to obtain reasonable assurance about the compliance of the fresh produce agent's trust accounts, in all material respects, with the Act and the Rules.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the compliance of the fresh produce agents' trust accounts with the Act and the Rules. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with the Act and the Rules, whether due to fraud and error. In making those risk assessments we considered internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Our reasonable assurance engagement included the following summary of procedures performed:

- Considering and applying, when applicable in the engagement circumstances, the guidance in the *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* issued by the Independent Regulatory Board for Auditors;
- Making inquiries of the fresh produce agent and the fresh produce agent's staff.
- Testing transactions for all significant activities with the objective of evaluating whether:
 - Transactions were appropriately identified as trust transactions;
 - Trust transactions were in accordance with instructions from the principal and supported by adequate documentation and narrative to identify from whom funds were received, and for whose credit;
 - Deposits and withdrawals from the trust bank account were to, or for, a trust creditor; and
 - Transfers to the fresh produce agent's business account were only in respect of moneys due to the fresh produce agent.
- Testing and/or scrutinising bank reconciliations, as considered appropriate in the engagement circumstances, and evaluating whether confirmations from financial institutions were in support of the records made available to us.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the fresh produce agent's trust accounts of (*insert the name of the agent or agency*) for the period/year ended *<insert date>* were kept, in all material respects, in compliance with the specified sections of the Act and the Rules.

Report on Other Legal and Regulatory Requirements

*<The form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.>*⁴³

Restriction on distribution and use

This report is for the purpose of meeting the auditor reporting requirements of the Act and the Rules. Consequently, it is not suitable for any other purpose. It is intended solely for the use of the *<agent/partners/directors>* of the fresh produce agent and the Agricultural Produce Agents Council, and should not be distributed to or used by other parties.

Auditor's Signature

Name of individual registered auditor

IRBA registration number of the firm and/or auditor

Registered audit firm

Date of auditor's report

Auditor's address (if not on a firm letterhead)

⁴³ Refer to paragraph 73 of the Guide for illustrative wording to insert as *Report on Other Legal and Regulatory Requirements*, where a reportable irregularity has been reported.

Appendix 5: Illustrative Interim Auditor's Report (Qualified opinion)

Circumstances

- ISAE 3000 (Revised) reasonable assurance engagement.
- Any non-compliance identified with respect to the compliance of the fresh produce agent's trust accounts with the Act and the Rules.
- Qualified auditor's opinion.

Independent Auditor's Reasonable Assurance Report on the Fresh Produce Agent's Trust Accounts

To the <Agent/Partners/Directors⁴⁴> (insert the name of the agent or agency)

Report on the Compliance of the Fresh Produce Agent's Trust Accounts with the Act and the Rules

We have undertaken a reasonable assurance engagement on the compliance of the fresh produce agent's trust accounts of <insert the name of the agent or agency> with Sections 18(1), 19(1), 19(3), 19(4), 20(1), 20(2)(a), 20(3) and 20(4) of the Agricultural Produce Agents Act, No. 12 of 1992 (the Act), and the Rules⁴⁵ in respect of Fresh Produce Agents (the Rules) for the <period from <insert date> to <insert date>> /<year ended <insert date>.

<Agent's/Partners'/Director's/Directors'> responsibility for the trust accounts

The <agent/partners/directors> is/are responsible for ensuring that the fresh produce agent's trust accounts are kept in compliance with the Act and the Rules, and for such internal control as the <agent/partners/directors> determine(s) is necessary to keep the integrity of the trust accounts in accordance with the relevant instructions from the principal, including such controls as the <agent/partners/directors> determine(s) are also necessary to prevent and detect fraud and theft.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Parts 1, 3, 4A and 4B).

(Name of firm)/(The firm) applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

⁴⁴ Throughout the report delete whichever ["agent/partners/directors"] is "not applicable".

⁴⁵ Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35.

Our responsibility is to express a reasonable assurance opinion on the compliance of the fresh produce agent's trust accounts with the Act and the Rules, based on our assurance procedures performed.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform the engagement to obtain reasonable assurance about the compliance of the fresh produce agent's trust accounts, in all material respects, with the Act and the Rules.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the compliance of the fresh produce agent's trust accounts with the Act and the Rules. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with the Act and the Rules, whether due to fraud and error. In making those risk assessments we considered internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Our reasonable assurance engagement included the following summary of procedures performed:

- Considering and applying, when applicable in the engagement circumstances, the guidance in the *Guide for Registered Auditors: Assurance Engagements on Fresh Produce Agents' Trust Accounts* issued by the Independent Regulatory Board for Auditors.
- Making inquiries of the fresh produce agent and the fresh produce agent's staff.
- Testing transactions for all significant activities with the objective of evaluating whether:
 - Transactions were appropriately identified as trust transactions;
 - Trust transactions were in accordance with instructions from principals and supported by adequate documentation and narrative to identify from whom funds were received, and for whose credit;
 - Deposits and withdrawals from the trust bank account were to, or for, a trust creditor; and
 - Transfers to the fresh produce agent's business account were only in respect of moneys due to the fresh produce agent.
- Testing and/or scrutinising bank reconciliations, as considered appropriate in the engagement circumstances, and evaluating whether confirmations from financial institutions were in support of the records made available to us.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for qualified opinion

The fresh produce agent's trust accounts were not kept in compliance with the Act and the Rules as follows⁴⁶:

List ...<insert instances of non-compliance identified, including those subsequently resolved>

Qualified opinion

In our opinion, except for the instances of non-compliance listed in the preceding paragraph, the fresh produce agent's trust accounts of <insert the name of the agent or agency> for the period/year ended <insert date> were kept, in all material respects, in compliance with the specified sections of the Act and the Rules.

Report on Other Legal and Regulatory Requirements

<The form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.>⁴⁷

Restriction on distribution and use

This report is for the purpose of meeting the auditor reporting requirements of the Act and the Rules. Consequently, it is not suitable for any other purpose. It is intended solely for the use of the <agent/partners/directors> of the fresh produce agent and the Agricultural Produce Agents Council, and should not be distributed to or used by other parties.

Auditor's Signature

Name of individual registered auditor

IRBA registration number of the firm and/or auditor

Registered audit firm

Date of auditor's report

Auditor's address (if not on a firm letterhead)

⁴⁶ Any contravention of Sections 18(1), 19(1), 19(3), 19(4) and 20 of the Act, and any instance of contravention of Rules 21; 22.1; 23-25; 26.1; 26.3-26.6; 27-32; 33.1; 33.8; and if applicable, 34-35 identified during the engagement relating to trust accounts is regarded as material and should be reported.

⁴⁷ Insert paragraph on *Report on Other Legal and Regulatory Requirements* where a reportable irregularity has been reported (refer to paragraph 73 of the Guide for illustrative wording).

Appendix 6: Relevant Extracts from the Act and Summary of Rules Affecting Auditors' Appointment, Rights and Duties

The Act contains, inter alia, the following requirements:

1. Section 18(1): *Every fresh produce agent contemplated in paragraph (a) of the definition of 'fresh produce agent' in section 1 shall in respect of his or her activities as such, keep, at a place approved by the council, full and correct accounting records of:*
 - a) *All money received, kept or expended by him or her, including money deposited in a trust account referred to in section 19(1)(a) or invested in a savings or interest-bearing account referred to in section 19(3)(a);*
 - b) *All his or her assets and liabilities;*
 - c) *All his or her financial transactions; and*
 - d) *All agricultural produce received, kept, sold and lawfully destroyed.*
2. Section 19(1): *Subject to the provisions of subsection (2) each fresh produce agent other than an employee contemplated in the definition of 'fresh produce agent' in section 1 shall:*
 - a) *Open and keep a trust account at a deposit-taking institution; and*
 - b) *Forthwith deposit therein the proceeds of the sale of agricultural produce sold by him or her on the instructions of or on behalf of his or her principal.*
3. Section 19(3): *A fresh produce agent:*
 - a) *May invest any amount paid into his or her trust account with a view to payment as contemplated in section 20 and which is not immediately required for any particular purpose, in a separate savings or other interest-bearing account opened by him or her with any deposit-taking institution;*
 - b) *Shall forthwith after opening a trust account or any other account referred to in paragraph (a), or if any change occurs in connection with any such account, notify the council thereof in the manner determined by the council; and*
 - c) *Shall keep separate accounting records referred to in section 18 in respect of his or her trust account and savings or interest-bearing accounts referred to in paragraph (a) of this subsection, and shall balance such accounting records within 21 days after the end of each month.*
4. Section 19(4): *Any agricultural produce received by a fresh produce agent shall, until it is sold or lawfully destroyed, be deemed to form part of his or her trust account.*
5. Section 20(1): *A fresh produce agent shall pay to his or her principal from his or her trust account the proceeds of sale of an agricultural produce after he or she has deducted from such proceeds his or her agreed remuneration and the other reasonable expenses incurred by him or her in connection with the sale of that agricultural product.*

6. Section 20(2)(a): *If the amount to be paid by a fresh produce agent to his or her principal in terms of subsection (1) has not been claimed by the principal within 200 days after the sale, that fresh produce agent shall pay the amount from his or her trust account to the council, and furnish the council with the particulars required in the rules in connection therewith.*
7. Section 20(3): *Any withdrawal from a trust account for the purposes of a payment or deduction referred to in subsection (1), the withdrawal of interest earned on a trust account or an interest-bearing account referred to in section 19(3)(a), and any payment to the council in terms of subsection 2 of this section, shall be made at the time and in the manner set out in the rules.*
8. Section 20(4): *No withdrawals other than those specified in subsection (3) shall be made from a trust account or a savings on interest-bearing account referred to in section 19(3)(a): Provided that any fees charged by the institution at which they are kept shall be debited against the business account of the fresh produce agent.*
9. For additional regulatory requirements for fresh produce agents regarding the management of the fresh produce agent's trust accounts, please refer to the Act and the Rules.

Appointment of the auditor

10. Section 18(2)(a): Such fresh produce agent shall cause the said accounting records to be audited at his or her expense by an auditor within four months after the final date of every financial year of the fresh produce agent, which final date shall not be amended by him or her without the prior written approval of the Council.
11. Section 19(5): A fresh produce agent shall cause the auditor referred to in section 18(2), immediately after having completed an audit contemplated in that section, to transmit to the Council a report in the form determined by the Council regarding his or her findings, and a copy thereof to the fresh produce agent.

The auditor's right of access to the accounting records

12. Rule 33.3: A fresh produce agent shall allow the auditor access to such of the fresh produce agent's trust account records as the auditor may deem it necessary to examine for the purposes of discharging the auditor's duties; and shall furnish the auditor with any authority which may be required to enable the auditor to obtain such information, certificates or other evidence as the auditor may reasonably require for the purposes of this engagement.

Duties of the auditor

13. The Rules 33.5 (a), (b) and (c) (iii) require that every auditor who has accepted an appointment shall –

Not sooner than two months and not later than ten months after the final date of every financial year of the fresh produce concerned, furnish the Council with an interim report which shall be in the form as set out in Annexure B to these Rules.

PROPOSED GUIDE FOR REGISTERED AUDITORS: ASSURANCE ENGAGEMENTS ON FRESH PRODUCE AGENTS' TRUST ACCOUNTS

Within four months after the final date of every financial year of the fresh produce agent concerned, or at such other times as the Council may require, furnish the Council with a report in the form as set out in Annexure C to the Rules.

Without delay report in writing directly to the Council if, at any time during the discharge of his or her functions and duties –

- *It comes to his or her notice that at any date the total of the balances shown on trust accounts in the accounting records of the fresh produce agent exceeded the total amount of the funds in its trust banking account and its trust saving account or other interest bearing account;*
- *Any material queries regarding its accounting records which he or she has raised with the fresh produce agent have not been dealt with to his or her satisfaction; and*
- *Any reasonable request made by him or her for access to its records and supporting documents or for any authority referred to in Rule 33.3 has not been met to his or her satisfaction.*
