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Mr. Imran Vanker
Director: Standards
Independent Regulatory Board for Auditors
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Greenstone, 1616

Our ref Letter to Mr I
Vanker - Custody of
Client Assets

30 June 2016

Dear Mr. Vanker

KPMG comments on the proposed amendments to the Code of Professional Conduct for Registered Auditors addressing Custody of Client Assets

Thank you for the opportunity to comment on the proposed amendments to the Code of Professional Conduct for Registered Auditors (IRBA Code) issued in May 2016. We have provided our comments as responses to the specific questions that were raised in the Request for Comments issued by the IRBA, these questions are set out below.

1 Do you agree with the proposed amendments to Section 270.4?

We believe that the rationale for proposing the amendments is sound, however the proposed process is cumbersome for firms with a large number of clients on behalf of whom funds are held.

2 If 'No', please indicate what additional guidance is needed.

The proposed process seems to indicate that a separate bank account should be opened for each client and designated as such (opened in the client's name). An alternative should be considered for firms with a large number of clients on behalf of whom funds are held in order to reduce the administrative task and costs created by the need to open a separate bank account for each client. This naming requirement may also be problematic since each account will still have to be in the firm/auditor's name at a minimum.

Two proposed alternatives that could be considered for these amendments are:

- *Firstly to recommend that the client opens their own bank account and gives the auditor authority to release specified payments from this account, in line with the intended service. This would ensure that the funds are still the property of the client since the account belongs to the client.*

Policy Board
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), FA Karreem,
ME Magondo, F Mall, GM Pickering,
JN Pierce

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



Independent Regulatory Board for Auditors

KPMG comments on the proposed amendments to the Code of Professional Conduct for Registered Auditors addressing Public Interest Entities Custody of Client Assets
30 June 2016

- *The second alternative is that an umbrella account could be opened by the auditor, in the auditor's name, where sub-accounts can be created for each client. The opening of these sub-accounts is far less cumbersome than opening a new bank account for each client and the funds for each client will be clearly designated.*

Please feel free to contact me on the details indicated below should you require any clarification on our comments.

Yours faithfully

Steven Louw

Executive Partner: Risk Management

KPMG Inc

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