



Mr Imran Vanker
Director: Standards
The Independent Regulatory Board for Auditors

Email: standards@irba.co.za

15 March 2019

Dear Mr Vanker

Comment on the Proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts

We appreciate the opportunity to comment on the Committee for Auditing Standards' (CFAS) proposed Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts. This response summarises the views of the South African firm of PricewaterhouseCoopers.

We have provided our views on the matters on which comments were specifically requested.

If you would like to discuss our comments further, please do not hesitate to contact Natalie Terblanche on (011) 797 5723 or Mo'aaza Gathoo on (011) 797 4450.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Terblanche', written over a white background.

Natalie Terblanche
Director

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.



REQUEST FOR SPECIFIC COMMENTS

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

We agree with the principles contained within the proposed *Guide for Registered Auditors: Assurance Engagements on the Fresh Produce Agents' Trust Accounts* (the "Guide").

Question 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.

Yes, we believe the issues described below need further clarity:

- a. It is not clear whether the Guide is applicable to all fresh produce agents, including export agents. Our current understanding is that the Guide is only applicable to agents who market fresh produce in the local market and would not apply to those agents who export fresh produce. Additional guidance in relation to the scope of the the Guide should be considered.
- b. An "agent" is not clearly defined in the Guide, for example, it is not clear whether the Guide is applicable to every person that pools fresh produce.

We believe an "agent" should be clearly defined in the Guide, taking into account the following:

- the definition of an agent as per the Agricultural Produce Agents Act, No. 12 of 1992 ("the Act"); and
- the International Financial Reporting Standards ("IFRS").

Agents often purchase fresh produce from multiple farmers and then market and sell the produce on behalf of the farmers. They only charge a fee for this service. In terms of IFRS, such a person is considered to be a principal and this then brings the question of Agent vs Principal. Clarity is therefore required to be included in the Guide on the interpretation of principal vs agent.

- c. Point 60 of Appendix 3 of the Guide proposes the auditor to consider whether there are "secret" profits being made. Additional guidance or a definition of "secret profit" should be provided.
- d. Rule 22.1 requires that containers be marked to enable the identification of the principal. The proposed audit consideration requires inspection of the containers to ensure that they



have been marked as required. Containers are often consignments of pooled fresh produce from multiple principals making this proposed procedure impractical to perform. Additional guidance should be included to address pooled consignments.

- e. The significant issues raised within the Guide require further guidance to be issued as it relates to the audit of the business account. The Companies Act 71 of 2008 details the considerations and requirements for the audit of a registered company. The views of the Agricultural Produce Agents Council suggest the audit of both the business account and trust accounts be performed by the same auditor. The enforceability of section 18 (2) and 19 (5) of the Act is unclear as it appears to contradict the requirements of the Companies Act 71 of 2008.

Question 3: Are there further aspects that should be included in this proposed Guide? If so, please list those aspects and the guidance required.

Yes. We believe including the following in the proposed Guide would enhance the practical application of the Guide to align it to current industry practice.

- a. Rules 24.1 and 24.2 of the proposed Guide only makes reference to cheque payments. Electronic funds transfer ("EFT") should be included in the proposed audit considerations as most modern day transactions occur in this manner.
- b. Rule 31.6 is aimed at ensuring there is sufficient cash in the trust account to settle any trust creditor (rule 31.6 a) and that no creditor be in debit (rule 31.6 b). We agree with this and the audit considerations being proposed. However, within rule 31.6 c the ability to practically apply considerations in relation to the possible infringement is impractical and further guidelines and proposed procedures should be included within the Guide.