

WHAT DOES ASSURANCE AND NON-ASSURANCE MEAN?

When you search for a Registered Auditor (RA) or an audit firm you will find that they are indicated as being “assurance” or “non-assurance”.

What does “assurance” and “audit” actually mean?

Assurance in the context of the auditing environment means, in terms of the Code of Professional Conduct, all work in which an RA expresses a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the evaluation or measurement of a subject matter against criteria.

If an RA has an “assurance status” it means that he or she is performing audits and may be performing certain other assurance work.

An audit is, in terms of the Auditing Profession Act, 26 of 2006 (APA), an examination of financial statements and the expressing of an opinion as to their fairness and compliance with an identified financial reporting framework and any applicable statutory requirements.

If one looks at a report and it is headed “Report of the independent auditor” and further down it expresses an opinion as to the set of financial statements, that is an audit and it can only be performed by an individual registered with the IRBA.

It is important to note here that we are not talking about independent review, accounting officer reports, internal audit, forensic audit, IT audit or environmental audit. Those types of work do not need to be performed by an RA. The type of audit referred to above is commonly known as an external audit or a statutory audit which must be performed by an RA in terms of legislation.

What does it mean if I search for an RA or firm and he has an assurance or non-assurance status?

What this means is that the RA has informed the IRBA that he or she is or is not performing assurance work.

Every year, all RAs have to submit an Annual Return in which they are asked if they are performing assurance work. The IRBA updates the status on their database according to these Annual Returns. Those returns are filed so we have a record on file of the RA's assurance status history.

The assurance status you see reflected on the RAs profile is what the RA has told us himself and is his current status.

An audit firm registered with the IRBA takes its assurance status from the assurance status of the individual RAs linked to that firm.

Why would some RAs not perform assurance work? Is that not why they are registered with the IRBA?

The APA has certain requirements for audit firms.

There are only three types of firms that can be registered with the IRBA as audit firms:

1. A sole proprietorship in which the sole proprietor is an individual RA;
2. A partnership in which all the partners are individual RAs; and
3. An incorporated company in which all the shareholders are individual RAs, all the shareholders are directors and all the directors are shareholders.

So in order to be a partner or a shareholder and director in an audit firm, one must be an RA. But not all the partners or shareholder and directors in the audit firm will in fact be performing assurance work as they will be appointed in different capacities. Therefore the need for a non-assurance registration status.

There are also RAs who are not in public practice but who, being entitled to register with the IRBA, prefer to be registered as non-assurance RAs. Certain academics, for example, prefer to be registered with the IRBA.

Some corporate entities prefer certain of their financial staff to be registered with the IRBA, and they are likewise registered as non-assurance.

Why does the IRBA need to know who is doing assurance work? Why does it matter?

The IRBA needs to know who performs assurance work for the following reasons:

- The IRBA performs Inspections on certain RAs and firms, depending on their risk profile. If the IRBA does not know which RAs and firms perform assurance work, it does not know which RAs and firms to inspect.
- Every year, the IRBA requests all audit firms to submit an Assurance Work Affidavit and bases the invoices for assurance fees on the contents of that affidavit.

It matters because:

- There are certain criteria that the IRBA has set that must be met before an RA can perform assurance work, particularly if the RA has been out of practice or has not been performing assurance work for a long time. The IRBA needs to know, as best it can, that RAs who are performing assurance work are competent to do so and that the IRBA has done its due diligence in ensuring,

as much as it can, that RAs who perform assurance work will produce work of an appropriate quality.

- If an RA performs assurance work (performs an audit) and a complaint is lodged with the IRBA in this regard, the IRBA can see from its records whether this individual has informed the IRBA that he is performing assurance work. If the RA has indicated to the IRBA that he is not performing assurance work and has in fact signed an audit report, the audit report is not invalid but it may constitute a disciplinary offence and the RA may be subject to a disciplinary investigation by the IRBA.

What should I do if my auditor, who has already done my audit, is indicated on your website as non-assurance?

The audit is not invalid or illegal.

However, certain statutory bodies such as the Law Societies or the Estate Agency Affairs Board may not accept an audit performed by a non-assurance RA.

We would encourage you to contact the IRBA to discuss the matter. We may ask you to provide us with a copy of the audit report for purposes of a disciplinary investigation.

We would also encourage you to either ensure that your RA has changed his or her status to assurance before engaging his services again, or to move to another RA with an assurance status.

If you believe that the quality of work that was performed by the RA was inferior and you have written evidence to substantiate your belief, you may lodge a complaint with the IRBA by following the procedures at [“How to Lodge a Complaint”](#).

If you have any further queries, please contact the Manager: Registrations, Caroline Garbutt, at 087-940-8800 or cgarbutt@irba.co.za.