
INDEPENDENT REGULATORY BOARD FOR AUDITORS

INSPECTIONS DEPARTMENT

PRACTICE ALERT:

PROHIBITION OF THE COMPANY SECRETARY FROM BEING APPOINTED AS THE COMPANY AUDITOR AND/OR FOR THE AUDITOR TO PERFORM PROHIBITED RELATED SECRETARIAL WORK

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The IRBA Inspections Department continues to identify auditors (including individual auditors, audit firms and network firms) who are also the appointed Company Secretary for companies that they audit. In many instances, though, the company is not required by the Companies Act, Act 71 of 2008 (Companies Act), to appoint a Company Secretary. Auditors are reminded that Section 90(2)(b)(iii) of the Companies Act prohibits the Company Secretary from being appointed as the company's auditor, making it illegal for the auditor to accept such an appointment.

Therefore, auditors are strongly advised to scrutinise their company client base, and immediately address any independence and legal breach by either formally lodging their resignation notice as Company Secretary with the Companies and Intellectual Property Commission (CIPC), or resigning from the audit without delay. Company auditors are also reminded to refrain from providing prohibited related secretarial work to their audit clients (even if they have not been appointed as the Company Secretary) in terms of Section 90(2)(b)(iv).

Where allowable secretarial work of an administrative nature is provided to clients, auditors are further reminded to consider threats to their independence in terms of the IRBA Code of Professional Conduct for Registered Auditors.

Auditors are also required to comply with all the provisions of Section 90(2) of the Companies Act and the *IRBA/SAICA Guidance on the provision of non-audit services by the auditor of a company (2015)*, which is available at www.irba.co.za.

Any transgression of these requirements that is detected during inspections will be seen in a very serious light and result in a referral for investigation, with substantial sanctions likely to be imposed.

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.