



ESTATE AGENCY AFFAIRS BOARD
OF SOUTH AFRICA

CLARIFICATION STATEMENT REGARDING THE NON-ISSUE OF FIDELITY FUND CERTIFICATES DUE TO AUDIT REPORTING NON-COMPLIANCE

23 MAY 2014

The Estate Agency Affairs Board (EAAB) is mindful of the legitimate concerns of the estate agency firms and practitioners who have not yet received their Fidelity Fund Certificates for 2014 as a result of audit reporting non-compliance issues.

Estate agents are however reminded that the EAAB is precluded by the provisions of the Estate Agency Affairs Act from issuing Fidelity Fund Certificates under such circumstances.

Estate agents that have been rendered disqualified by virtue of non-audit compliance are required to go through a formal process before the Fidelity Fund Certificate/s can be issued even after the outstanding audit reports have been duly received. The EAAB is doing everything possible to expedite the issue of Fidelity Fund Certificates once the disqualification has been removed. A substantial number of Fidelity Fund Certificates have already been issued under circumstances where the non-audit compliance has been satisfactorily remediated.

Principal estate agents who have not yet endeavoured to secure compliance with audit requirements are earnestly reminded to do so immediately since the qualification does not only apply to the estate agency enterprise, but also to all estate agents, whether principal or non-principal within the service of that firm.

Non-principal estate agents are frequently disconcerted to ascertain that they have been rendered disqualified by reason that the principal has neglected to comply within the mandatory audit requirements.

PLEASE NOTE:

Estate agency firms seeking to regularise their position are requested to communicate with the EAAB addressed to audit@eaab.org.za. One email in this respect will suffice, since the continuous sending of further emails far from expediting the process, merely delays it further. Estate agents are in addition prevailed not to copy any other employees within the EAAB in their correspondence since this again is not only confusing, but delays the process in that different staff members believe that the matter is being attended to by their colleagues when, this in fact might not be the case.

The EAAB firmly believes that with the active co-operation of all affected parties this matter can be speedily resolved and outstanding Fidelity Fund Certificates issued once due process has been followed.

The correct procedure to be followed is outlined below as well as some of the non-audit compliance issues. This notification will also be available on the EAAB website www.eaab.org.za under the Audit Compliance menu bar.

PROCESS FOLLOWED BY THE EAAB IF AUDIT REPORT IS FOUND NON-COMPLIANT

1. Once the audit report has been considered and processed due to a section 27 (aA) (i) disqualification, the principal estate agent may be liable for a fine.
2. If the audit report cannot be processed due to serious contraventions, the matter may be referred to our legal department for further investigation and consideration, the matter will therefore take an extended time to be finalised.
3. Once the audit report has been processed (i.e, compliant audit report), our legal department will draft a letter of demand with the amount payable, the principal estate agent has 30 days in which to pay the penalty.
4. Once the EAAB has received payment of the fine, the firm and the principal estate agent will be unblocked. The EAAB will further check and advise if no other principal is linked to the firm in a dispute, as it may impact on the issuing of the Fidelity Fund Certificate. If it is found that another principal is linked, the EAAB will advise accordingly the outstanding requirements in order to resolve.
5. The EAAB also confirms that payment of the relevant renewal fee for the issue of the fidelity fund certificate has been received. Once payment of the fine and the relevant renewal fees have been paid, our registration department will be advised to assist with issuing of the cancelled or outstanding Fidelity Fund Certificates.
6. The Fidelity Fund Certificate will be scanned and emailed, the original will be sent by post if not arranged to be collected from the EAAB offices.

AUDIT REPORT SUBMISSIONS AND THE CHALLENGES

- Submission of incomplete audit reports;
- Name of the auditor is different from the one stated on our records;
- Bank details are different from the one stated on our records;
- Failure to do a full audit on the accounting records;
- Fidelity fund certificate not verified by the auditor;
- Failure to declare the FIC number in the audit report;
- Failure to submit the IT3b certificate reflecting interest earned on the trust account;
- Failure by the auditor to express an opinion on the audit report;

PRINCIPAL ESTATE AGENTS MUST ENSURE THE FOLLOWING:

- Submit sufficient accounting records to the auditor;
- Ensure the auditor is registered i.t.o. the Public Accountants' and Auditors' Act 51 of 1951;
- Ensure a full audit is conducted whether the trust account is in use or not;
- Register with the FIC, and obtain your registration number;
- It is the Principal's responsibility to ensure that the audit report is submitted timeously;

AUDIT COMPLIANCE - ACCOUNTING RECORDS (SEC 29(a) & (b))

- Every Principal estate agent must keep accounting records;
 - All monies received and expended by him/her;
 - Assets and liabilities;
 - All financial transactions and the financial position of the business;
- Must be audited by an auditor registered with the Independent Regulatory Board of Auditors (IRBA) within four months after the firm's final financial year end date.

AUDIT COMPLIANCE - SEPARATE RECORDS (SEC 32(3)(b))

- Separate accounting records must be kept of all monies deposited into a trust account; and
- All monies invested in a savings or other interest-bearing account;
- Principal estate agents to ensure that the firm details noted on the report are correct;
- That they are aware of the financial year and their submission date;

- They provide correct and accurate details when the audit is conducted;
- Ensure that their audit report and audited financial statements are completed by an auditor not an accounting officer;
- They ensure that material provisions are completed properly and they obtain a copy of the report before it can be submitted to the EAAB so that they can clarify and correct before submission to avoid delays in the processing of the audit report.