

# 2ND CSOS INDABA 2024



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**12-13  
SEPTEMBER 2024**



**BOLIVIA LODGE,  
POLOKWANE, LIMPOPO**



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## Promoting Well Governed, Empowered And Transformed Community Schemes.





## About the South African Institute of Chartered Accountants (SAICA)

- SAICA is the leading accountancy body in South Africa and one of the prominent institutes globally.
- Approximately 60 000 members and associates.
- Objectives:
  - Support the development of the South African economy and society.
  - Promote the interests of SAICA members and associates.
- SAICA achieves many of its objectives through the work performed by its structures (committees, forums, task groups) which often involves stakeholder (such as CSOS) outreach.
- SAICA and CSOS have collaborated on a number of projects.

MULALA RATSHITANGA





# Body Corporate Annual Financial Statements Illustrative Example

The Sectional Titles Schemes Management Act (STSMA) and the Regulations do not require the use of a specific financial reporting framework.

## Prescribed Management Rules 26 – Financial Management, Financial Records, Budgets, Report and Audit requires

A body corporate must:

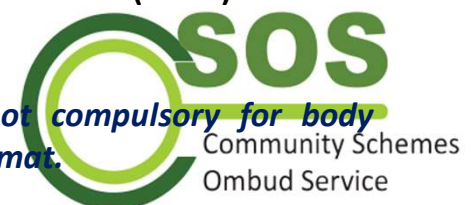
- (a) keep proper books of accounts that:
  - (i) record all its income, expenditure, assets and liabilities;
  - (ii) disclose all amounts recovered from members by the body corporate or any managing agent or other service provider acting on its behalf;
  - (iii) include individual accounts for each member; and
  - (iv) contain all other information necessary to allow members to assess the body corporate's financial situation and their financial situation in regard to the body corporate.

SAICA has prepared an example of the annual financial statements for body corporates using IFRS for SMEs. The IFRS for SMEs is intended for use by small and medium-sized entities (SMEs).

### *Disclaimer*

*This example is an example and it is not compulsory for body corporates to use IFRS for SMEs and this format.*

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# Body Corporate Annual Financial Statements Illustrative index

General information  
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## General information

This information is not required to be presented either by **IFRS for SMEs** or by **Prescribed Management Rules (PMR) 26(1)**. Presentation of such general information is thus optional.

## Trustees Report

In terms of PMR 26(1)(f), a body corporate is required to prepare a report adopted by the trustees reviewing the affairs of the body corporate during the financial year, for presentation at the annual general meeting (AGM). The Trustee's report does not form part of the body corporate's annual financial statements (AFS) but is required to be presented at the AGM.

### **Insurance policy details:**

In terms of PMR 26(1)(c)(v), a body corporate's AFS must include premiums and other amounts paid and payments received by the body corporate and any member in terms of the insurance policies of the body corporate and the expiry date of each policy.

It is not a requirement to include the information that is set out in the notes of financial statements in the Trustees report. The information required by PMR 26(1)(c)(v) is however required to be included in the annual financial statements

# Statement of Financial Position



**BODY CORPORATE TEMPLATE 2022**  
(Scheme number: #####)  
Annual Financial Statements for the year ended 30 September 2022

**SAICA** DIFFERENCE MAKERS™

**Statement of Financial Position as at 30 September 2022**

Figures in Rand	Note(s)	2022	2021
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	473 331	484 165
Investment property at fair value	3	750 000	750 000
Municipal deposits	4	5 204	5 204
		<b>1 228 535</b>	<b>1 239 369</b>
<b>Current Assets</b>			
Trade and other receivables	5	32 113	16 797
Loans to employees	6	-	2 016
Cash and cash equivalents	7	106 928	46 926
Prepayments	8	-	16 020
		<b>139 041</b>	<b>81 759</b>
		<b>1 367 576</b>	<b>1 321 128</b>
<b>Total Assets</b>			
<b>Reserves and Liabilities</b>			
<b>Owner's funds and reserves</b>			
Reserves	9	96 862	50 320
Accumulated surplus		1 235 979	1 242 031
		<b>1 332 841</b>	<b>1 292 351</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	34 735	28 777
		<b>1 367 576</b>	<b>1 321 128</b>
<b>Total Reserves and Liabilities</b>			



## Non – current and current distinction in the Statement of Financial Position

**IFRS for SMEs par 4.4** : An entity shall present current and non-current assets, and current and non-current liabilities as separate classifications in its statement of financial position.

**IFRS for SMEs par 4.5** : An entity shall classify an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting date; or
- the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

**IFRS for SMEs par 4.6** : An entity shall classify all other assets as non-current. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.



## Non – current and current distinction in the Statement of Financial Position

**IFRS for SMEs par 4.7** : An entity shall classify a liability as current when:

- it expects to settle the liability in the entity's normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

**IFRS for SMEs par 4.8** : An entity shall classify all other liabilities as non-current.



# Statement of Financial Position continues

## Trade and other receivables

In terms of **PMR 26(1)(c)(i)**, the annual financial statements must include analyses of the amounts due to the body corporate in respect of contributions, special contributions and other charges, classified by member and the periods for which such amounts were owed.

### 5. Trade and other receivables

Trade receivables	32 113	16 797
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#### Trade receivables - age analysis by unitholders

	2022				2021	
	Current	30 days	60 days	90 days +	Total	Total
Unit 101	-	-	-	-	-	23
Unit 102	1 246	232	-	-	1 478	1 307
Unit 103	1 245	1 250	1 500	1 250	5 245	3 14
Unit 104	1 584	1 455	-	-	3 039	1 927
Unit 105	1 675	-	-	-	1 675	767
Unit 201	1 570	1 487	1 798	-	4 855	1 463
Unit 202	1 245	-	-	-	1 245	1 494
Unit 203	250	-	-	-	250	1 174
Unit 204	1 520	-	-	-	1 520	1 590
Unit 205	1 844	1 256	-	-	3 100	3 071
Unit 301	1 656	51	-	-	1 707	-
Unit 302	1 225	-	-	-	1 225	1 134
Unit 303	1 216	-	-	-	1 216	-
Unit 304	1 264	1 067	1 476	1 751	5 558	1 140
Unit 305	-	-	-	-	-	1 393
<b>Total</b>	<b>17 540</b>	<b>6 798</b>	<b>4 774</b>	<b>3 001</b>	<b>32 113</b>	<b>16 797</b>



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# Statement of Financial Position continues

## Reserves

In terms of **PMR 26(1)(c)(iv)**, the annual financial statements are required to include analyses of the amounts in the reserve fund showing the amount available for maintenance, repair and replacement of each major capital item as a percentage of the accrued estimated cost and the rand value of any shortfall.

**The template does not contain an illustration of a maintenance, repair and replacement plan in accordance with rule 22 required by the PMR to be presented at the Annual General Meeting.**

## 9. Maintenance Reserve fund

### Reserve fund summary - 2022

	Available reserve (as % of cost)	Accrued estimated cost	Amounts available for maintenance, repair and replacement	Surplus (deficit)
Electric fences	29.48 %	20 000	5 896	(14 104)
Perimeter walls	121.90 %	52 500	63 999	11 499
Generator	102.78 %	24 000	24 667	667
Interest	- %	-	2 300	2 300
<b>Total</b>		<b>96 500</b>	<b>96 862</b>	<b>362</b>

The trustees are aware of the shortfall and have accordingly adjusted the budgeted maintenance reserve fund levy contributions from the next financial year to eliminate the deficit within the estimated timeframe of the expected outflows identified in the approved 10 year maintenance plan.

The Maintenance Reserve fund is maintained in compliance with section 24 of the Sectional Title Schemes Management Act, No. 8 of 2011 Management Rules.

### Reserve fund summary - 2021

	Available reserve (as % of cost)	Accrued estimated cost	Amounts available for maintenance, repair and replacement	Surplus (deficit)
Electric fences	7.00 %	20 000	1 400	(18 600)
Perimeter walls	55.24 %	52 500	28 999	(23 501)
Generator	5.28 %	24 000	1 267	(22 733)
Interest	- %	-	758	758
<b>Total</b>		<b>96 500</b>	<b>32 424</b>	<b>(64 076)</b>

### Reconciliation of the maintenance reserve fund - 2022

	Opening balance	Levy allocated to fund	Closing balance
Electric fences	1 400	4 496	5 896
Perimeter walls	28 999	35 000	63 999
Generator	1 267	23 400	24 667
Interest	758	1 542	2 300
<b>Total</b>	<b>32 424</b>	<b>64 438</b>	<b>96 862</b>



9. Maintenance Reserve fund (continued)

Reconciliation of the maintenance reserve fund - 2021

Electric fences  
 Perimeter walls  
 Generator  
 Interest  
 Total

Opening balance	Levy allocated to fund	Repairs	Closing balance
1 400	-	-	1 400
4 000	35 000	(10 001)	28 999
-	1 267	-	1 267
20	738	-	758
<b>5 420</b>	<b>37 005</b>	<b>(10 001)</b>	<b>32 424</b>

## Trade and other payables

In terms of **PMR 26(1)(c)(ii)**, the annual financial statements are required to include analyses of the amounts due by the body corporate to its creditors generally and prominently disclosing amounts due to any public authority, local municipality or other entity for services including, without limitation, water, electricity, gas, sewage and refuse removal, classified by creditor and the periods for which such amounts were owed.

### 10. Trade and other payables

Trade payables	16 588	12 279
Amounts received in advance	18 147	16 498
	<b>34 735</b>	<b>28 777</b>

### Trade and other payables - age analysis by category

	2022					2021
	Current	30 days	60 days	90 days +	Total	Total
Trade payables	13 770	216	216	2 386	16 588	12 279
Prepaid levies	18 147	-	-	-	18 147	16 499
<b>Total</b>	<b>31 917</b>	<b>216</b>	<b>216</b>	<b>2 386</b>	<b>34 735</b>	<b>28 778</b>

### Trade payables - age analysis by creditor

	2022					2021
	Current	30 days	60 days	90 days +	Total	Total
CSOS	250	-	-	-	250	275
Eskom Holdings SOC Limited - electricity	13 520	216	216	-	13 952	6 637
Ugu District Municipality - water	-	-	-	2 386	2 386	5 367
Unit 101	9 000	-	-	-	9 000	-
Unit 301	-	-	-	-	-	7 150
Unit 303	-	-	-	-	-	9 349
Unit 305	9 147	-	-	-	9 147	-
<b>Total</b>	<b>31 917</b>	<b>216</b>	<b>216</b>	<b>2 386</b>	<b>34 735</b>	<b>28 778</b>



# Statement of comprehensive income

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2022	2021
Revenue	11	255 663	272 140
Other income		25 994	25 204
Operating expenses		(243 811)	(258 588)
<b>Operating surplus</b>		<b>37 846</b>	<b>38 756</b>
Investment income	14	2 644	2 010
<b>Surplus for the year</b>		<b>40 490</b>	<b>40 766</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>40 490</b>	<b>40 766</b>



Community Schemes  
Ombud Service

Affordable Reliable Justice

# GOVERNANCE

## Statement of changes in reserves

### Statement of Changes in Reserves

	Special Levy	Reserve - Maintenance fund	Total reserves	Accumulated surplus	Total funds and reserves
Figures in Rand					
<b>Balance at 01 October 2020</b>	-	<b>5 420</b>	<b>5 420</b>	<b>1 246 165</b>	<b>1 251 585</b>
Surplus for the year	-	-	-	40 766	40 766
<b>Total comprehensive income for the year</b>	-	-	-	<b>40 766</b>	<b>40 766</b>
Maintenance Reserve levy transferred	-	36 267	36 267	(36 267)	-
Maintenance Reserve interest transferred	-	738	738	(738)	-
Reserve fund withdrawal	-	(10 001)	(10 001)	10 001	-
Special levy held	17 896	-	17 896	(17 896)	-
<b>Total changes</b>	<b>17 896</b>	<b>27 004</b>	<b>44 900</b>	<b>(44 900)</b>	<b>-</b>
<b>Balance at 01 October 2021</b>	<b>17 896</b>	<b>32 424</b>	<b>50 320</b>	<b>1 242 031</b>	<b>1 292 351</b>
Surplus for the year	-	-	-	40 490	40 490
<b>Total comprehensive income for the year</b>	-	-	-	<b>40 490</b>	<b>40 490</b>
Transfer between reserves	-	23 400	23 400	(23 400)	-
Maintenance Reserve interest transferred	-	1 542	1 542	(1 542)	-
Maintenance Reserve levy transferred	-	39 496	39 496	(39 496)	-
Special levy utilised	(17 896)	-	(17 896)	17 896	-
<b>Total changes</b>	<b>(17 896)</b>	<b>64 438</b>	<b>46 542</b>	<b>(46 542)</b>	<b>-</b>
<b>Balance at 30 September 2022</b>	<b>-</b>	<b>96 862</b>	<b>96 862</b>	<b>1 235 979</b>	<b>1 332 841</b>



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# Statement of cash flows

## Statement of Cash Flows

Figures in Rand	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
Cash receipts from customers		284 377	276 589
Cash paid to suppliers and employees		(226 391)	(234 194)
Cash generated from operations	16	57 986	42 395
<b>Net cash from operating activities</b>		<b>57 986</b>	<b>42 395</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	-	(5 038)
Advances to employee loans		-	(2 016)
Repayment of employee loans		2 016	-
<b>Net cash from investing activities</b>		<b>2 016</b>	<b>(7 054)</b>
<b>Total cash movement for the year</b>		<b>60 002</b>	<b>35 341</b>
Cash at the beginning of the year		46 926	11 585
<b>Total cash at end of the year</b>	7	<b>106 928</b>	<b>46 926</b>





# Insurance policy

In terms of **PMR 26(1)(c)(v)**, the annual financial statements must include analyses of the premiums and other amounts paid and payments received by the body corporate and any member in terms of the insurance policies of the body corporate and the expiry date of each policy.

## 13. Insurance policy details

### Fidelity cover (PMR23(7) and Reg 15 of CSOSA)

Insurance company	Insurance Company
Policy Number	123456789
Expiry date	2022/11/01
Premiums paid for the year	R 2 320
Value insured per the insurance policy	R 10 000 000

### Buildings insurance (Sec 3 (iii) of the STSMA)

Insurance company	Insurance Company
Policy Number	123456789
Expiry date	2022/11/30
Premiums paid for the year	R 15 550
Claims received for the year	R 1 000
Total replacement value as per insurance policy	R 15 000 000

### Public Liability Insurance (PMR23(6))

Insurance company	Insurance Company
Policy Number	123456789
Expiry date	2022/12/31
Premiums paid for the year	R 4 500
Value insured per the insurance policy	R 10 000 000

# Other documents

## Budgets

In terms of PMR 26(1)(e): Body corporate is required to prepare budgets for both the administrative and reserve funds for presentation at the AGM.

### Budget Forecast

Figures in Rand	2023	2022
<b>Revenue</b>		
Ordinary levy	231 299	216 167
Maintenance reserve levy	41 866	39 496
	<b>273 165</b>	<b>255 663</b>
<b>Other income</b>		
Interest received - current account	700	650
Municipal recoveries	26 500	25 000
	<b>27 200</b>	<b>25 650</b>
<b>Operating expenses</b>		
Accounting fees	21 000	19 900
Auditor's remuneration	5 000	4 750
Bank charges	2 320	2 200
Cleaning	2 100	2 000
Compensation Commissioner	1 100	1 000
Depreciation	835	831
Employee costs	51 000	50 000
Insurance	24 200	22 300
Legal expenses	200	1 500
Municipal expenses	80 250	77 500
Printing and stationery	1 000	900
Repairs and maintenance	57 794	47 536
Security	7 500	7 000
Staff welfare	2 500	3 000
Telephone and fax	1 700	1 400
	<b>258 499</b>	<b>241 817</b>
<b>Transfer to reserves</b>		
Maintenance reserve levy	(41 866)	(39 496)
	<b>(41 866)</b>	<b>(39 496)</b>
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>



## Questions related to the financial statements

**Is the CSOS levy viewed as income for the body corporate and then paid as an expense or rather a levy that is collected and paid over to CSOS, therefore the body corporate is acting as an agent?**

The SAICA annual financial statements were prepared with the view that the body corporate acts as an agent in the collection of the CSOS levy.

**How much detail must be included on the trade payable and trade receivables notes in the annual financial statements. In some cases where there are a large number of trade payable / receivable, can the body corporate only disclose the major debtors / creditors with a note that more detail is available on request?**

The SAICA annual financial statements requires that all creditors and debtors must be disclosed as per PMR 26(c). The disclosure of all creditors will assist the CSOS as many disputes arise due to non-disclosure of information.

**How do you disclose the reserve fund levy income, interest received and major repair expenses for a body corporate. Is it in the income statement or in the statement of changes in reserves?**

You will account for the revenue and interest in line with the relevant accounting framework, i.e IFRS or IFRS for SMEs. It is then allocated in the Statement of Reserves between your retained earnings to the maintenance reserve fund.



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# How to access the Illustrative Body Corporates Financial Statements

Access the SAICA Body Corporate Template – Illustrative Financial Statements

<https://saicawebprstorage.blob.core.windows.net/uploads/resources/SAICA-Body-Corporate-Template-Annual-Financial-Statements.pdf>

SAICA Body Corporate Template – Illustrative Financial Statements – Explanatory

<https://saicawebprstorage.blob.core.windows.net/uploads/resources/SAICA-Body-Corporate-Annual-Financial-Statements-Explanatory-Commentary.pdf>



## Opinions required of the auditor: Sectional Titles

- SAICA, the Independent Regulatory Board for Auditors (IRBA) and CSOS collaborated on guidance regarding the opinions required of the auditor in terms of Management Rule 26(5) of the Sectional Titles Schemes Management Rules, 2016.
- SAICA issued a communication in 2017 which explained the reporting obligations on the auditor imposed by the Management Rules. The guidance document contains two illustrative auditor's reports.
- The SAICA guidance document was revised in 2022 and in 2024.
- [www.saica.org.za/resources/89141](http://www.saica.org.za/resources/89141)



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## Opinions from the auditor required by Management Rule 26(5)(c)

- Opinions as to whether or not
  - (i) The annual financial statements accurately reflect the financial position of the body corporate for the financial year under review, with such qualifications and reservations as the auditor considers necessary;
  - (ii) The body corporate has complied with the accounting requirements set out in rules 21, 24 and 26, with a specific description of any failure to comply with such requirements;
  - (iii) The books of account of the body corporate have been kept and its funds have been managed so as to provide a reasonable level of protection against theft or fraud; and
  - (iv) The financial affairs of the body corporate appear to be effectively managed.



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## Auditor's opinion on the annual financial statements (AFS) – Management Rule 26(5)(c)(i)

- Chief Ombud's Circular No. 1 of 2017: Body corporate may decide to prepare the AFS on any recognised financial reporting standards or may use a basis of accounting as determined by the body corporate.
- In addition, Management Rule 26(1)(c) prescribes matters that must be included in the AFS – these matters are covered by the auditor's opinion on the annual financial statements.
- The SAICA guidance contains illustrative auditor's reports for the following scenarios:
  - The AFS were prepared in accordance with the IFRS for SMEs Accounting Standard; and
  - The AFS were prepared in accordance with a basis of accounting as determined by the body corporate.



## Independent Auditor's Report

To the Members of ABC Body Corporate

### Report on the Audit of the Annual Financial Statements

#### Opinion

We have audited the annual financial statements of ABC Body Corporate set out on pages ... to ..., which comprise the statement of financial position as at 30 September 20X1, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.<sup>13</sup>

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of ABC Body Corporate as at 30 September 20X1, and its financial performance and cash flows for the year then ended in accordance with the IFRS for SMEs Accounting Standard as issued by the International Accounting Standards Board and the requirements of the Sectional Titles Schemes Management Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report. We are independent of the body corporate in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The trustees are responsible for the other information. The other information comprises the information included in the document titled "ABC Body Corporate Annual Report for the year ended 30 September 20X1", but does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





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## Auditor's opinion on compliance with Management Rules 21, 24 and 26 – Management Rule 26(5)(c)(ii)

- Addressed in the auditor's report on the annual financial statements in a separate section in the auditor's report titled: **Report on Other Legal and Regulatory Requirements**
- Instances of non-compliance with Rules 21, 24 and 26 identified during the course of the audit of the annual financial statements are described in the auditor's report or a statement is made that the auditor has nothing to report in this regard.



## Report on Other Legal and Regulatory Requirements

In accordance with the Management Rules of the body corporate as adopted in terms of Regulation 6 of the Sectional Titles Schemes Management Regulations, 2016, Management Rules 26(5)(c)(ii), (iii) and (iv), we report as follows:

### *Compliance findings with accounting requirements (Management Rule 26(5)(c)(ii))*

The trustees are responsible to ensure that the body corporate complies with Management Rules 21, 24 and 26 adopted in terms of the Sectional Titles Schemes Management Regulations, 2016, including the implementation of systems, processes and internal control the trustees determine are necessary in the circumstances.

If during the course of our audit of the annual financial statements of the body corporate we become aware of any instances of non-compliance with the accounting requirements set out in Management Rules 21, 24 and 26, we are required to report our findings. We have nothing to report in this regard.

### *Management of the body corporate's financial affairs and funds (Management Rules 26(5)(c)(iii) and (iv))*

The assurance engagements, or part of an assurance engagement, as contemplated in Management Rules 26(5)(c)(iii) and (iv) do not meet the preconditions for an assurance engagement as determined by the relevant International Standards applicable to audit, review and other assurance engagements: The subject matters are not appropriate and there are no suitable criteria for their evaluation or measurement. We were therefore unable to accept an assurance engagement relating to whether the books of account of the body corporate have been kept and its funds have been managed so as to provide a reasonable level of protection against theft or fraud, and whether the financial affairs of the body corporate appear to be effectively managed, as required by Management Rules 26(5)(c)(iii) and (iv). We have not performed any audit, review or other assurance engagement in relation to these matters and accordingly we do not express any assurance opinion or conclusion thereon.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of the auditor's report]

[Auditor's address]



## Auditor's opinion on the management of the body corporate's financial affairs and funds – Management Rule 26(5)(c) (iii) and (iv)

- Addressed in the auditor's report on the annual financial statements in a separate section in the auditor's report titled: **Report on Other Legal and Regulatory Requirements**
- The preconditions that have to be met before an auditor may accept an assurance engagement include having “appropriate subject matter” and “suitable criteria”.
- Preconditions for accepting this assurance engagement are not met → auditor not in a position to accept this assurance engagement.
- A statement to this effect is made in the auditor's report.



## Report on Other Legal and Regulatory Requirements

In accordance with the Management Rules of the body corporate as adopted in terms of Regulation 6 of the Sectional Titles Schemes Management Regulations, 2016, Management Rules 26(5)(c)(ii), (iii) and (iv), we report as follows:

### *Compliance findings with accounting requirements (Management Rule 26(5)(c)(ii))*

The trustees are responsible to ensure that the body corporate complies with Management Rules 21, 24 and 26 adopted in terms of the Sectional Titles Schemes Management Regulations, 2016, including the implementation of systems, processes and internal control the trustees determine are necessary in the circumstances.

If during the course of our audit of the annual financial statements of the body corporate we become aware of any instances of non-compliance with the accounting requirements set out in Management Rules 21, 24 and 26, we are required to report our findings. We have nothing to report in this regard.

### *Management of the body corporate's financial affairs and funds (Management Rules 26(5)(c)(iii) and (iv))*

The assurance engagements, or part of an assurance engagement, as contemplated in Management Rules 26(5)(c)(iii) and (iv) do not meet the preconditions for an assurance engagement as determined by the relevant International Standards applicable to audit, review and other assurance engagements: The subject matters are not appropriate and there are no suitable criteria for their evaluation or measurement. We were therefore unable to accept an assurance engagement relating to whether the books of account of the body corporate have been kept and its funds have been managed so as to provide a reasonable level of protection against theft or fraud, and whether the financial affairs of the body corporate appear to be effectively managed, as required by Management Rules 26(5)(c)(iii) and (iv). We have not performed any audit, review or other assurance engagement in relation to these matters and accordingly we do not express any assurance opinion or conclusion thereon.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of the auditor's report]

[Auditor's address]



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## Challenges experienced by auditors in practice

- Lack of understanding between trustees and management agents regarding the responsibility for governance of a sectional title.
- Audit requirement for sectional titles (Management Rule 26(4)) – audit required unless all the sections are registered in the name of one person)



ANNERIE PRETORIUS

