AUDIT REQUIREMENTS
&
TRUST ACCOUNT EXEMPTIONS

FOR

BUSINESS PROPERTY PRACTITIONERS

PPRA
PROPERTY PRACTITIONERS
REGULATORY AUTHORITY

WHOSE AUDITOR IS REQUIRED TO ANNUALLY SUBMIT AN AUDIT REPORT ON TRUST ACCOUNTS?

Only auditors of business property practitioners that DO NOT HAVE the PPRA-issued trust account exemption letter as shown here

are required to annually submit an audit report on trust account to PPRA on the Auditors Portal

Only an IRBA registered auditor can audit a trust account

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Date

The Principal
Name:
Firm PIN:

Dear Principal

EXEMPTION FROM KEEPING A TRUST ACCOUNT

This letter serves to acknowledge receipt of the documents submitted for the above-mentioned entity in support of the exemption from keeping a trust account as per section 23(2)(b) of the Property Practitioners Act 22 of 2019 and Regulation 2 of the Property Practitioners Regulation, 2022.

Your submitted documents confirm the following:

You have never received trust monies	
You no longer receive trust monies	
You have mandated the following payment processing agent to process trust monies on your behalf: Name: Firm PIN Number:	
You are a managing agent and all funds for your body corporate clients are held in the bank accounts opened by your body corporate clients in terms of section 21(4) of the Sectional Title Schemes Management Act	

You are required to comply with the undertakings made in your submitted affidavit. Your exemption is applicable from the date of this letter.

SIGNED AND ISSUED FOR AND ON BEHALF OF THE PPRA

WHO IS REQUIRED TO HAVE THEIR ANNUAL FINANCIAL STATEMENTS AUDITED?

All business property practitioners whose annual revenue is R2,5 million or above must have their financial statements audited, unless they have a PPRA-issued trust account exemption letter in which case they can have their financial statements independently-reviewed.

1. The financial statements need to be audited within six months of the financial year-end of the business property practitioner;
2. The audited financial statements DO NOT need to be submitted to the PPRA, but should be readily available if requested by PPRA or during an inspection.

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WHO IS REQUIRED TO HAVE THEIR ANNUAL FINANCIAL STATEMENTS INDEPENDENTLY-REVIEWED?

All business property practitioners whose annual revenue is below R2,5 million may have their financial statements independently-reviewed instead of having a full audit; or

All business property practitioners who are in possession of a PPRA-issued trust account exemption letter and meets the Public Interest Score (PIS) in terms of the Companies Act for an independent review may also have their financial statements independently-reviewed instead of having a full audit

1. The financial statements need to be independently-reviewed within six months of the financial year-end of the business property practitioner;
2. The independently-reviewed financial statements DO NOT need to be submitted to the PPRA, but should be readily available if requested by PPRA or during an inspection

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DO I NEED TO APPLY TO THE PPRA TO HAVE AN INDEPENDENT REVIEW OF MY FINANCIAL STATEMENTS, INSTEAD OF AN AUDIT?

NO, if you meet the requirements of an independent review in terms of the PPA and the Companies Act, you can have your financial statements independently reviewed and you do not require any written permission from the PPRA.

For those who operate as companies, the formula for calculating your Public Interest Score is as follows:

- 1 point for every employee;
- 1 point for every R1 million of third party liability at year-end;
- 1 point for every R1 million of revenue for the year;
- 1 point for every individual with a beneficial interest in the company's shares

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WHO QUALIFIES TO DO AN INDEPENDENT REVIEW OF FINANCIAL STATEMENTS?

1. A Registered Auditor, if the business property practitioner does not have a trust account exemption letter; or
2. A Registered Auditor or Chartered Accountant, if the business property practitioner is a company with a trust account exemption letter and its Public Interest Score (PIS) is 100 or above; or
3. A Registered Auditor, Chartered Accountant or any person qualified to be an accounting officer of a close corporation, if the business property practitioner has a trust account exemption letter and is a company with PIS of below 100 or is not a company

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SUMMARY OF AUDIT REQUIREMENTS

	FINANCIAL STATEMENTS	TRUST ACCOUNTS
Property practitioners in possession of a PPRA trust account exemption letter	Independently-reviewed financial statements, unless Companies Act require them to have an audit	No audit or submission on Auditors Portal required
Property practitioners without a PPRA trust account exemption letter	Revenue below R2,5 million - independently-reviewed financial statements	Audit report on trust accounts to be submitted within 6 months on the Auditors Portal
	Revenue above R2,5 million - audited financial statements	
Payment processing agents	Revenue below R2,5 million - independently-reviewed financial statements	Audit report on trust accounts to be submitted within 6 months on the Auditors Portal
	Revenue above R2,5 million - audited financial statements	Audit report on trust environment to be submitted within 6 months on the Auditors Portal
		Audit report on list of clients (property practitioners) to be submitted within 6 months on the Auditors Portal

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WHICH BUSINESS PROPERTY PRACTITIONERS QUALIFY FOR A TRUST ACCOUNT EXEMPTION?

1. Business property practitioners that have never received trust monies
2. Business property practitioners that no longer receive trust monies
3. Business property practitioners that mandates Payment Processing Agents to handle all their trust monies, provided:
    - The Payment Processing Agent is registered with the PPRA and has a valid FFC;
    - The Payment Processing Agent operates a trust account environment that complies with the PPA
    - The Payment Processing Agent is audited annually and submits the 3 required reports to the PPRA

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HOW DO YOU APPLY FOR A TRUST ACCOUNT EXEMPTION IF YOU ARE A NEW PROPERTY PRACTITIONER?

1. First apply for your firm registration on the MyPPRA Agents Portal and obtain a firm reference number that starts with the letter "F"
2. Complete the Affidavit as per the format prescribed in Regulation 2 of the Property Practitioners Regulations;
3. Have the Affidavit signed and stamped by a Commissioner of Oaths;
4. Email the signed Affidavit to audit@theppra.org.za;
5. You will be emailed a trust account exemption letter that you then need to submit to Licensing Department for the finalization of your firm registration

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HOW DO YOU APPLY FOR A TRUST ACCOUNT EXEMPTION IF YOU ARE AN EXISTING PROPERTY PRACTITIONER WHO DOES NOT NEED A TRUST ACCOUNT AND DOES NOT WANT TO MANDATE A PAYMENT PROCESSING AGENT?

1. Disburse all the trust money in your trust account, if any, and close the trust account;
2. Request your auditor to audit the winding up process, and submit a winding up audit report online on the Auditors Portal
3. Complete the Affidavit as per the format prescribed in Regulation 2 of the Property Practitioners Regulations, and have it signed and stamped by a Commissioner of Oaths;
4. Email the signed Affidavit and the bank letters confirming closure of trust accounts to audit@theppra.org.za;
5. You will receive a trust account exemption letter from the audit@theppra.org.za email address and your trust account exemption will be effective from the date on that letter and from that date your auditor IS NOT REQUIRED to submit an audit report on trust accounts.

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HOW DO YOU APPLY FOR A TRUST ACCOUNT EXEMPTION IF YOU ARE AN EXISTING MANAGING AGENT WHO DOES NOT NEED A TRUST ACCOUNT AND DOES NOT WANT TO MANDATE A PAYMENT PROCESSING AGENT?

1. Disburse all the trust money in your trust account, if any, and close the trust account;
2. Request your auditor to audit the winding up process, and submit a winding up audit report online on the Auditors Portal;
3. Request all your body corporate clients to issue you with letters as per Annexure 7 of the Guidelines on the landing page of the Auditors Portal
4. Complete the Affidavit as per the format prescribed in Regulation 2 of the Property Practitioners Regulations, and have it signed and stamped by a Commissioner of Oaths;
5. Email the signed Affidavit, your body corporate letters, the list of all your body corporate clients and the bank letters confirming closure of trust accounts to audit@theppra.org.za;
6. You will receive a trust account exemption letter from the audit@theppra.org.za email address and your trust account exemption will be effective from the date on that letter and from that date your auditor IS NOT REQUIRED to submit an audit report on trust accounts.

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HOW DO YOU APPLY FOR A TRUST ACCOUNT EXEMPTION IF YOU ARE AN EXISTING PROPERTY PRACTITIONER WHO DOES NOT NEED A TRUST ACCOUNT AND WANTS TO MANDATE A PAYMENT PROCESSING AGENT?

1. Approach the Payment Processing Agent to sign a mandate with them and thereafter transfer all the trust money in your trust account, if any, to the Payment Processing Agent and close your own trust account;
2. Request your auditor to audit the winding up process, and submit a winding up audit report online on the Auditors Portal;
3. Request your Payment Processing Agent to issue you with a letter as per Annexure 6 of the Guidelines on the landing page of the Auditors Portal
4. Complete the Affidavit as per the format prescribed in Regulation 2 of the Property Practitioners Regulations, and have it signed and stamped by a Commissioner of Oaths;
5. Email the signed Affidavit, your letter from the Payment Processing Agent and the bank letters confirming closure of trust accounts to audit@theppra.org.za;
6. You will receive a trust account exemption letter from the audit@theppra.org.za email address and your trust account exemption will be effective from the date on that letter and from that date your auditor IS NOT REQUIRED to submit an audit report on trust accounts going forward.

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SUMMARY OF TRUST ACCOUNT EXEMPTION REQUIREMENTS

	Business Property Practitioners Not Previously Registered As Estate Agencies	Business Property Practitioners Previously Registered As Estate Agencies	Business Property Practitioners Previously Registered As Estate Agencies Using/Intending to Payment Processing Agents	Managing Agents Previously Registered As Estate Agencies And Holding Trust Monies But Now Intending to Use the Bodies Corporate Bank Accounts
Affidavit signed by the principal(s) of the business in the format in Regulation 2	✔	✔	✔	✔
Disbursements of all trust monies held, if any, in accordance with the requirement of the law		✔		✔
Closure of all previously existing trust accounts held		✔	✔	✔
Winding up audit report		✔	✔	✔
Letter(s) from the bank confirming closure of all trust account(s)		✔	✔	✔
Transfer of all trust monies held, if any, to the trust account held with the Payment Processing Agent			✔	
Letter from the Payment Processing Agent confirming the trust account.			✔	
Full list of the Managing Agent's Body Corporate clients				✔
Letters from each of the Body Corporate client confirming that the funds are held in a bank account opened in the name of the body corporate in terms of section 21(4)(a) of the Sectional Titles Management Act and that no funds of the body corporate are deposited in a trust account opened in the name of the managing agent.				✔

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WHEN ARE AUDIT REPORTS ON TRUST ACCOUNTS DUE FOR SUBMISSION TO THE PPRA AND WHAT IF I MISS THE SUBMISSION DEADLINE?

1. Audit reports for property practitioners without trust account exemption letters are due for submission within 6 months of the property practitioner’s financial year-end
2. The auditor of the property practitioner need to register and log in on the Auditors Portal and submit the audit report
3. Reports not submitted within six months of financial year-end attract a penalty of R20/day for a period of three months and property practitioners whose auditors fail to meet the submission deadline should expect an invoice for the penalty
4. Reports not submitted after 3 months of the submission deadline attract R25 000 fine and property practitioners whose auditors fail to submit the reports within 3 months of the submission deadline should expect a Compliance Notice from Inspections Department with a fine of R25 000. This is in addition to the R20/day penalty for the first 3 months.

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WHAT HAPPENS IF MY AUDITOR REPORTS CONTRAVENTIONS OF THE ACT WHEN THEY SUBMIT THE AUDIT REPORT?

You should expect to receive a Compliance Notice from Inspections Department with any of the following fines which you need to pay if your auditor reports any of the below contraventions when they submit your audit report on trust accounts:

1. Trust account not properly referenced/designated as section 54(1) trust account – R7 500
2. Trust accounting records not kept separate from business accounting records – R25 000
3. Trust accounting records not reconciled and balanced on a monthly basis – R25 000
4. Shortfall/deficits of trust monies – R25 000
5. Practicing without a valid FFC – R25 000

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WHAT HAPPENS IF I RECEIVE A COMPLIANCE NOTICE FOR FAILURE TO SUBMIT AN AUDIT REPORT BUT I HAVE PROOF THAT MY AUDITOR SUBMITTED ON TIME?

1. Request your auditor to resubmit the report on the Auditors Portal

2. After the auditor has resubmitted, please email your proof of original submission (before the deadline) and proof of the new submission to compliancenotices@theppra.org.za to enable Inspections Department to reconsider the fine

3. Once your matter has been successfully reconsidered by Inspections Department, you will receive a Credit Note from Finance Department to cancel the invoice issued so that you do not need to pay any fine

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WHAT HAPPENS IF I RECEIVE A COMPLIANCE NOTICE FOR A CONTRAVENTION IN THE AUDIT REPORT BUT MY AUDITOR MADE A MISTAKE?

1. Request your auditor to correct the mistake by submitting a new report on the Auditors Portal, and also attaching on the Auditors Portal a letter on the auditors letterhead explaining the reasons why they are changing their original audit report

2. After the auditor has submitted a new report, please email proof of the new submission to compliancenotices@theppra.org.za to enable Inspections Department to reconsider the fine

3. Once your matter has been successfully reconsidered by Inspections Department, you will receive a Credit Note from Finance Department to cancel the invoice issued so that you do not need to pay any fine

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WHAT HAPPENS IF I RECEIVE A COMPLIANCE NOTICE FOR FAILURE TO SUBMIT AN AUDIT REPORT BUT I HAD ACTUALLY CLOSED DOWN THE FIRM?

1. If not already done, request your auditor to submit a winding up audit report (up to the date of closure of your trust account) on the Auditors Portal

2. After the auditor has submitted a winding up report, please email proof of the submission to compliancenotices@theppra.org.za to enable Inspections Department to escalate your matter to Licensing Department to finalise the deregistration

3. Once your matter has been successfully reconsidered by Inspections Department, you will receive a Credit Note from Finance Department to cancel the invoice issued so that you do not need to pay any fine if your deregistration related to a period before the due date of the audit report

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WHAT IF I CANNOT AFFORD THE FINE IN THE COMPLIANCE NOTICE AND WANT IT REDUCED?

Unfortunately, no requests for reduction of a fine for whatever reason will be entertained and no extensions of submission deadline of audit reports will be granted.

1. However, you can request a payment arrangement for the fine to be paid over a period of 6 months by emailing the request to compliancenotices@theppra.org.za

2. Once your matter has been successfully reconsidered by Inspections Department, you will receive an Acknowledgement of Debt that you will need to sign and email back.

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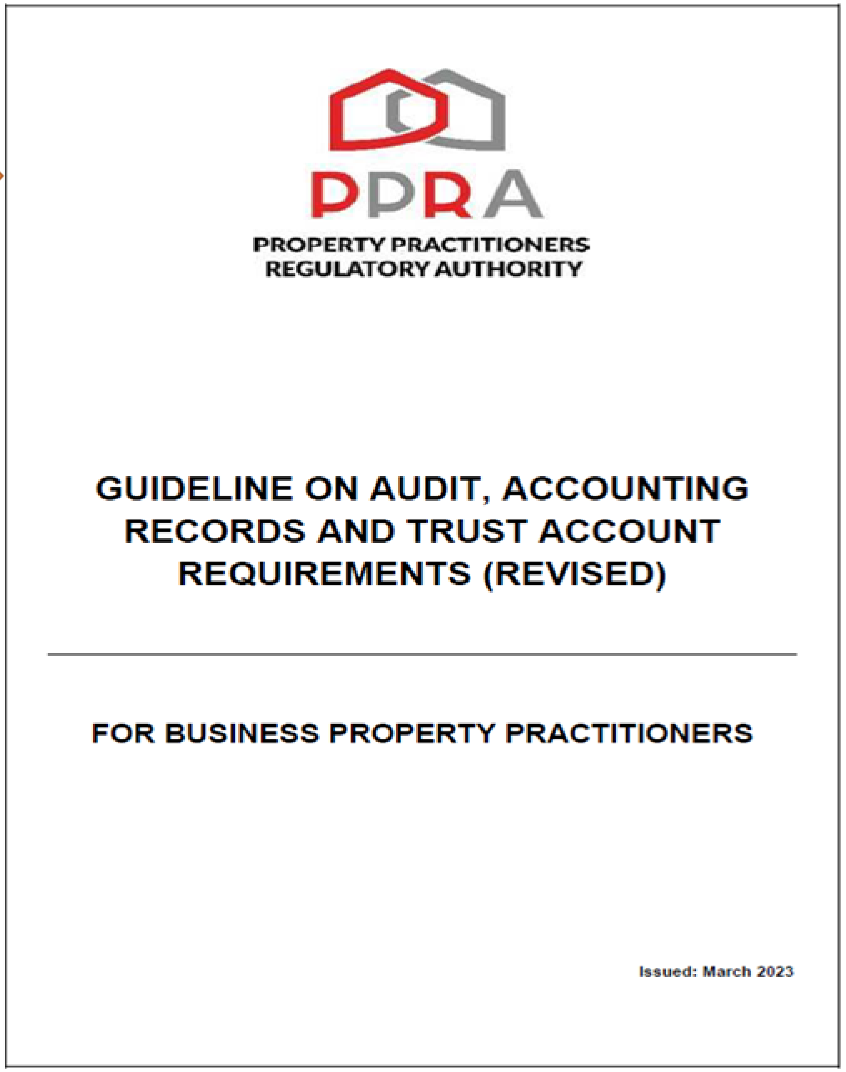
WHERE CAN I GET MORE INFORMATION ON AUDITS AND TRUST ACCOUNT EXEMPTIONS?

1. Access the Guidelines on Audit, Accounting Records and Trust Accounting Requirements on the Auditors Portal landing page

2. Email queries on audit compliance and trust account exemptions to Audit Compliance Department at audit@theppra.org.za

3. Email queries relating to compliance notices received to Inspections Department at compliancenotices@theppra.org.za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GUIDELINE ON AUDIT, ACCOUNTING RECORDS AND TRUST ACCOUNT REQUIREMENTS (REVISED)

FOR BUSINESS PROPERTY PRACTITIONERS

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