



## **THE NEW COMPANIES ACT - DO YOU NEED AN AUDIT?**

The extent to which the annual financial statements of private companies will have to be professionally reviewed or audited will depend on the company's "Public Interest Score" (a measure of "economic or social significance"), which will be determined broadly as follows: -

1. 1 point per employee (take the average number of employees for the year)
2. 1 point for every R1m or part thereof turnover
3. 1 point for every R1m or part thereof "third party liability"
4. 1 point for every shareholder (and anyone else with a direct or indirect "beneficial interest" in the issued shares and other securities).

Where your score is -

- 350 or more - a full audit is required
- 100 - 349, and the financials are prepared internally by your staff - a full audit is required
- 100 - 349, and the financials are prepared independently - they are subject to "independent review" by an auditor or CA
- Under 100 - "independent review" is required, and it can be carried out by anyone qualified to be "accounting officer" of a close corporation.

Where all shareholders are also directors, you are - with a few exceptions - exempted from both audit and independent review.

Note that although audit will not be mandatory for the majority of companies, they may still elect to be audited, perhaps for governance reasons, or at the urging of shareholders and/or financiers. In this event they should consider opting for a "voluntary audit" - less costly and time-consuming than the statutory version.

This is new legislation - take advice before making any decisions based on it!

(GA)