

- ◆ One point for every individual who, at the end of the financial year, is known by the company to directly or indirectly have a beneficial interest in the business.

If a close corporation has a PIS score below 100 it requires an accounting officer's report just the same as it did previously.

If the score is between 100 and 350, it would appear that close corporations need an accounting officer's report, *if* the financial statements were externally prepared, but these organisations will require an audit if statements are internally prepared.

A close corporation with a score over 350 now requires an audit and these statutory audits are restricted to registered auditors only. For companies with a score below 100 an independent review is required if it is not owner managed. However, if the company is owner-managed then there is no requirement for outside professional assistance.

Owner managed is when all shareholders are directors or in the case of a trust when at least one of the trustees is a director.

If a company is *not* owner-managed and obtains a PIS score of 100 – 350 then an audit is required if internally compiled, or an independent review if externally compiled. On the other hand, if the company is owner-managed with a score of 100-350 no professional intervention is required if reports are externally compiled, but an audit will be needed if internally compiled. If a company scores over 350 points, an audit is required regardless of whether the company is owner-managed or not.

Internally compiled is being interpreted by experts as meaning the preparation of books up to trial balance, including determination of accounting policies, and not just the preparation of year-end financial statements. It would therefore appear that **outside professional assistance is required** in order to avoid having financial statements 'internally compiled'.

Companies subject to an independent review or audit need to ensure their financial statements are compiled based on International Financial Reporting Standards (IFRS) or IFRS for SMEs. Close corporations and companies not requiring an audit or review will be subject to the reporting standard determined in the regulations attached to the Act.

Whilst the concept of an audit is well-known, the issue of an independent review is new to South Africa. Scott stresses that executives faced with a choice between an audit or independent review should carefully consider the relative costs, benefits and level of comfort of each option before concluding a decision.”