

Guidance on 'audit certificates' proposed

By Geraldene Göldner and Louis van Manen

A Public Benefit Organisations (PBOs), which is approved to issue section 18A certificates for donations received, and which carries on a mix of section 18A and non-section 18A activities, is required to obtain an 'audit certificate' on an annual basis.

Such an audit certificate is supposed to confirm that all donations received by or accrued to the PBO in respect of which it issued the section 18A certificates, were utilised solely for section 18A activities.

SARS issued Interpretation Note 122 (IN122) on 31 October 2023, to provide guidance on the requirements for such an audit certificate. IN122 confirms that an audit certificate in this context is a physical document which must confirm the sole use of section 18A donations for section 18A activities.

The words 'audit certificate' implies complete assurance. An auditor can, dependant on the extent of the procedures performed, provide different levels of assurance. However, an auditor can never provide a complete level of assurance, such as the concept of 'certification' requires. It is accordingly not possible for any PBO to comply with this requirement given the concept of a 'certificate' and the limitations on the level of assurance an auditor can provide.

Any exercise an auditor would need to undertake to provide a high level of assurance (still not at a 'certificate' level), would come at a great cost to a PBO. PBO's by their very nature have limited funds available for anything outside of such earmarked for undertaking its philanthropic objectives. As a result, PBOs and auditors alike have been grappling with this legislative requirement for years.

In the revised 2025 budget, the Minister of Finance, Enoch Godongwana announced that the meaning of the term 'audit certificate' must be clarified in the context of section 18A due to the uncertainty on how the term 'audit certificate' must be interpreted.

This is a welcome announcement for PBOs and auditors alike and we would welcome a revised requirement that would be practicably and affordably achievable, while still providing comfort to SARS and donors alike.