



## **JSE/ SAICA MEDIA RELEASE: PRO ACTIVE MONITORING OF FINANCIAL RESULTS**

**Johannesburg, 16 February 2011** – South African market securities regulation, already judged the best in the world, is to improve further this year owing to the JSE’s decision to monitor proactively the financial statements of all listed companies, in a bid to pick up any non-compliance with globally recognised International Financial Reporting Standards (IFRS). This means that all company results could be proactively reviewed and possibly investigated at any time.

Under the new proactive review and monitoring process, the financial statements of every listed company will be reviewed at least once every five years, in addition to any other queries arising from public or other complaints. Previously reviews were conducted on the JSE’s own initiative or upon the JSE receiving a query or complaint.

This additional monitoring will give shareholders the benefits of a better regulated market. There are currently 406 companies listed on the JSE and this will mean that approximately 80 companies will be reviewed each year. The JSE will drive the process with the Financial Reporting Investigation Panel (FRIP) and the initial assistance of the University of Johannesburg. In due course the review process may be expanded with the assistance of other universities. The FRIP, previously known as the GAAP Monitoring Panel (GMP) is an advisory panel of 16 accounting experts first formed in 2002 as a joint initiative of the JSE and SAICA. The role of the FRIP is to investigate and to advise the JSE on alleged cases of non-compliance with financial reporting standards in annual and interim reports and any other company publications.

The proactive monitoring of compliance with IFRS, the financial reporting standards set by the International Accounting Standards Board, is not new to the international landscape. “The steps the JSE is taking are due to the exchange’s focus on protecting the interests of investors,” comments Russell Loubser, CEO of the JSE.

The JSE has initially partnered with the Department of Accountancy at the University of Johannesburg (UJ) whose academic staff will assist with the initial review process. The new process involves the JSE identifying the companies to be reviewed during a particular calendar year and providing the names of these companies and the appropriate financial information to the UJ Team. The JSE and UJ have jointly developed a framework under which each review will then be conducted. The reviewed reports will then be considered by the staff of the JSE who, depending on the results, will engage with the listed company. In certain more complex matters, the JSE will, as in the past, refer the matters to the FRIP for their advice.

“Additional monitoring will give shareholders the benefits of a better regulated market and underline the accolade recently received for the best exchange in the world through regulation in the World Economic Forum (WEF)’s *Global Competitiveness Report 2010-2011*. This is a tremendous place to have ended 2010, but the JSE will continue to strive for more,” adds Loubser.

In the historic GMP process, based on the advice of the GMP, where IFRS had been breached, the JSE also referred the matters to SAICA and The Independent Regulatory Board for Auditors who considered whether or not to institute disciplinary procedures against the chartered accountants and auditors involved. The JSE will continue to refer appropriate matters to the professional and statutory bodies for possible disciplinary action.

“Since its launch in 2002, the GMP has fulfilled a valuable role in the monitoring and compliance of IFRS standards. The FRIP will continue to play an important role as an advisory body to the JSE. The additional process in partnership with UJ enhances our ability to provide a fair and structured regulatory service to the market and Issuers will find it’s a good way to ensure that they are complying with the reporting requirements” adds Loubser.

Ewald Müller, Senior Executive: Standards at SAICA, commented: “We are delighted that the JSE has taken this proactive step because it will improve the standards of financial reporting in South Africa. It is vital that all investors understand that South Africa’s adherence to international accounting standards means they can be confident a company’s financial statements give a true and fair account of their financial position. This latest innovation explains why South Africa is also ranked number one in the world by the WEF for the strength of its Accounting and Auditing standards.”

“UJ is proud of its association with the JSE. Our involvement in the review process is possible because of the high level of scholarly activity performed by academics in the Department of Accountancy” says Prof Angina Parekh, Deputy Vice Chancellor (Academic) at UJ.

Prof Harvey Wainer, the chairman of the FRIP, says: “The move to proactive IFRS monitoring puts South Africa in step with the major international markets. The involvement of universities to assist in the initial review process is a practical response to resource constraints and avoids the expensive infrastructure and significant running costs of similar bodies elsewhere in the world.”

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**ABOUT SAICA:**

The South African Institute of Chartered Accountants (SAICA), South Africa’s pre-eminent accountancy body, is widely recognised as one of the world’s leading accounting institutes. The Institute provides a wide range of support services to more than 30 000 members who are Chartered Accountants and hold positions as CEOs, MDs, board directors, business owners, chief financial officers, auditors and leaders in their spheres of business operation. SAICA

members serve on international accounting bodies including; the Trustees of the International Financial Reporting (IFRS) Foundation, the International Accounting Standards Board (IASB), the IFRS Interpretations Committee, the IFRS Advisory Council and the Council of the International Federation of Accountants (IFAC). SAICA is also a member of The Global Accounting Alliance (GAA).

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