



FSCA DRAFT PRUDENTIAL STANDARD

**REQUIREMENTS RELATED TO REGULATORY
REPORTING AND AUDITED FINANCIAL STATEMENTS
FOR PENSION FUNDS**

Comments Template

PRIVACY STATEMENT

Please take note that information collected in this template will be used for the purposes outlined in the template. In so doing, the identities of the entities and persons commenting on behalf of the entity will be identifiable.

The Financial Sector Conduct Authority(FSCA) publishes all comments received and responses on its website with the names of persons that commented, and entities they represent. This is to ensure transparency and openness in the response to comment process. All collected information will be processed in line with the FSCA's Privacy Policy which can be found on www.fsc.co.za.

IMPORTANT INSTRUCTIONS

Please note the following instructions for completing the template:

- For referencing purposes please use the numbering as contained in the draft Prudential Standard.
- Commentators are requested to answer the questions relating to the expected impact of the draft Prudential Standard under Section C. If you wish to provide a qualitative response in this regard, please attach the response to the template as an Annexure.
- For any other general comments, please use Section D.
- Please send the completed template, in word format, to: FSCA.RFDStandards@fsc.co.za on or before **18 January 2023**.

Please note that no PDF or scanned documents or late submissions will be accepted unless agreed to in writing by the FSCA.

SECTION A - DETAILS OF COMMENTATOR

Name of organisation/individual:	SAICA
If the commentator is an organisation, provide the name and designation of the contact person:	Kedibone Pilusa
Email address:	Kedibonep@saica.co.za
Contact number:	

SECTION B - COMMENTS ON THE DRAFT PRUDENTIAL STANDARD

No	Section of the Prudential Standard	Comment
1. DEFINITIONS		
1.	1.e.g. section 1, definition of “conceptual framework”	(please add more rows if required)
	1(1) section 1, definition of “material”, “materiality and “materiality”	The “materiality is a duplication, unless there is an omission and it was meant to be expanded. The definition refers to “...influence the economic decisions taken by users based on the financial statements” and the document indicates that the funds are preparing financial statements for the Authority, kindly clarify who are the users and/or amend the section 2(4) under reporting concepts.
2. APPLICATION		
2.	2	
3.	2(1)	
4.	2(2)	
5.	2(3)	The section refers to fund financial statements being prepared in accordance with IFRS whilst there are deviations from IFRS requirements. The statement “The financial statements of a fund must, unless indicated to the contrary herein, be prepared in accordance with IFRS.” should be amended. Although some elements of IFRS have been adopted to enhance reporting, the financial statements are prepared in accordance to a specific accounting framework adopted by the regulator i.e. Reporting Reporting FRequirements (RRR)
	2(3)	Reference of the financial statements being prepared in accordance with IFRS will have a negative impact on the opinion provided by auditors should they note non compliance with IFRS. This would potentially create a perpetual issue as the full IFRS is not applicable to retirement funds but rather a specific reporting framework.
3. REGULATORY REPORTING REQUIREMENTS FOR FUNDS		
3.	3 (1)	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
	3(4)	The statement “Reconciliations of the opening to the closing balance of investment and owner-occupied property is disclosed in the notes.” creates confusion as there is no reconciliation from opening to closing balances for investments, only for owner occupied property and investment in participating employer.
4. FINANCIAL STATEMENTS		
4.	4.	
5.	4(1)	
6.	Schedule A – Regulatory information	
7.	Schedule D – Report by the independent auditor	
8.	Schedule E – Report by board of fund	
9.	Schedule HA – 1.3 Plant & Equipment (subject to operating lease) (Current period)	
10.	Schedule HA – 1.4 Plant & Equipment (Right of use assets) (Current period)	
11.	Schedule HA – 1.5 Plant & Equipment (subject to operating lease)(previous period)	
12.	Schedule HA – 1.6 Plant & Equipment (Right of use of assets)(previous period)	
13.	Schedule HA 1.7 Impairment	
14.	Schedule HA – 8.1 Benefits – current members	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
15.	Schedule HA – 8.2 Benefits – Benefits in terms of surplus apportionment	
16.	Schedule HA – 8.3 Reconciliation of membership	
17.	Schedule HA – 9 Unclaimed benefits	
18.	Schedule HA – 13 Net investment income	
19.	Schedule HA – 13.1 Other income	
20..	Schedule HA – 14.1 Board of fund expenses	
21.	Schedule HA – 14.4 Deputy principal officer expenses	
22.	Schedule HA -16.1 Financial liabilities	
23.	Schedule HA – 16.2 Provisions	
24.	Schedule HA –24 Cash at bank	
25.	Schedule I – Report of independent auditor	
26.	Schedule IA – F Security Lending	
27.	Schedule IA – G1 Derivative positions without residual risk	
28	Schedule IA – G2 Derivative positions without residual risk	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
29.	Schedule IA – J. Hedge funds	
30.	Schedule IA – P Reconciliation between the investments in Schedule H2 and Schedule IA	
31.	Schedule IB - Regulation 28(8) Exclusions	
32.	Schedule IB – 8.1 Hedge funds	
33.	Schedule IB – 9.1 Private equity funds	
34.	Schedule IB – 10.1 Other assets not referred to in this schedule	
35.	Schedule IB – 11.1 Overall limit for infrastructure across all classes	
36.	Schedule IB – 11.2 Overall limit for all instruments per entity/Issuer	
37.	Schedule IB – New Table for Infrastructure	
38.	Schedule IB – Report of the independent auditor on compliance with Regulation 28	
5. SHORT TITLE, COMMENCEMENT AND REPEAL		
39.	5(1)	
40.	5(2)	
ANNEXURE 1. REGULATORY REPORTING FOR RETIREMENT FUNDS		

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
1. FINANCIAL STATEMENTS		
41.	1	
42.	1(1)	
43.	1(2)	
44.	1(3)	
45.	1(4)	
2. REPORTING CONCEPTS		
46.	2	
47.	2(1)	This section states that a specific section of the conduct standard prevails over any conflicting concepts, with the adaptation of some of the IFRS concepts and the sections not being detailed there is a potential of unintended consequences in deviating submission by industry due to the standard not being clear on the detail of disclosures to be included. This has been highlighted on some of the relevant sections such as those dealing with Investments.
48.	2(2)	
49.	2(3)	
50.	2(4)	
51.	2(5)	
52.	2(6)	
53.	2(7)	
54.	2(8)	
55.	2(9)	
56.	2(10)	
57.	2(11)	
58.	2(12)	
59.	2(13)	
60.	2(14)	
61.	2(15)	
62.	2(16)	
63.	2(17)	
64.	2(18)	
65.	2(19)	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
3. INVESTMENTS		
66.	3	
67.	3(1)	Clarity is required as there is no reference to IFRS 7 which guides the disclosure of IFRS 9 financial instruments and there appears to be no application of IFRS 9 section 5.5. Impairment requirements. Therefore there is an assumption that IFRS 7 is not going to be adopted as there is extensive disclosure requirements, this could cause varied industry interpretation and reporting deviations.
68.	3(2)	Guidance is required on categorisation and measurement. Granted the blended reporting between IFRS and RRR we would recommend that the specific adopted IFRS disclosures be included in the framework to avoid interpretation differences by funds that could potentially result in deviating disclosures from each.
69.	3(3)	
70.	3(4)	The statement “Reconciliations of the opening to the closing balance of investment and owner-occupied property is disclosed in the notes.” creates confusion as there is no reconciliation from opening to closing balances for investments, only for owner occupied property and investment in participating employer. Clarity is required as to when such reconciliation are required.
71.	3(5)	Section 3.1.1. of IFRS 9 makes reference to paragraph 4.1.1 which is the classification of financial assets. One of the classifications referred to here is “Fair value through Other comprehensive income”. Funds do not have “other comprehensive income” and all fair value gains and losses are recognised in the statement of changes in net assets and funds. Guidance should be provided on the classification of financial assets to align to the reporting requirements for the FSCA.
72.	3(6)	
73.	3(7)	
74.	3(8)	IFRS 7 requires disclosures regarding offsetting, however there is no referral to IFRS7 and no guidance on how offsetting should be disclosed in the financial statements. It is recommended that disclosure guidance is provided.
4. HOUSING LOAN FACILITIES		
75.	4	
76.	4(1)	
77.	4(2)	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
78.	4(3)	
79.	4(4)	
80.	4(5)	
81.	4(6)	
82.	4(7)	
83.	4(8)	
84.	4(9)	
5. RESERVES		
85.	5	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
86.	5(1)	
87.	5(2)	
88.	5(3)	
89.	5(4)	
90.	5(5)	
6. SURPLUS		
91.	6	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
93.	6(1)	This section only refers to section15B surplus and there is no mention around how to account for Section 15C surplus. Clarity is required on how to deal with section 15C surplus
94.	6(2)	Not all surplus are approved by the FSCA and thus mentioned, there should be a clear separation between section 15B and Section 15C (future surplus distributions)
95.	6(3)	
96.	6(4)	
97.	6(5)	
98.	6(6)	
99.	6(7)	
100.	6(8)	
101.	6(9)	

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No	Section of the Prudential Standard	Comment
102.	6(10)	How is this disclosed in the AFS? do not see this clearly - should it be split in the note to the unclaimed to separate normal unclaimed and surplus apportionment unclaimed. For normal unclaimed benefits, the administrators deduct admin fees?
103.	6(11)	
104.	6(12)	
105.	6(13)	
106.	6(14)	
7. TRANSFERS		
107.	7.	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
108.	7(1)	
109.	7(2)	
110.	7(3)	
111.	7(4)	Clarity is required on the treatment of other transfers as this section deals specifically with section 14(1) transfers. Please also include specific detail of when 'other' transfers should be recognised, as well as section 14(8) transfers as no section 14(1)(e) certificate would be provided in such a case. Individual transfers are also not dealt with in the section, guidance is required on the treatment thereof.
112.	7(5)	
113.	7(6)	
114.	7(7)	
115.	7(8)	
116.	7(9)	
117.	7(10)	
118.	7(11)	
119.	7(12)	
120.	7(13)	
8. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE		

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
121.	8	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
122.	8(1)	
123.	8(2)	To confirm, similar to the comment raised above - For IFRS 9 measurements, the framework does not require the application of section 5.5. impairment? Clarity is required to avoid deviation in treatment by funds.
124.	8(3)	
125.	8(4)	
9. PLANT AND EQUIPMENT		
126.	9	Disclosures specific to the revaluation model and judgment in reassessing the useful and residual lives are missing in the Annual Financial Statements. Not all disclosure requirements are included and the FSCA needs to consider to what extent they require these and provide specifics.
D		
10. IMPAIRMENT		
127.	10	Impairment disclosure overall not included in the example statements. FSCA to consider if they require full compliance to this standard and update the template or example financial statements to demonstrate. Alternatively specific references to the sections required should be noted
11. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES		
128.	11	
12. CONTRIBUTIONS		
129.	12	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
130.	12(1)	
131.	12(2)	
132.	12(3)	
133.	12(4)	
134.	12(6)	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
135.	12(5)	
136.	12(6)	
137.	12(7)	
138.	12(8)	
139.	12(9)	
140.	12(10)	
141.	12(11)	
142.	12(12)	
143.	12(13)	
144.	12(14)	
145.	12(15)	
146.	12(16)	
147.	12(17)	
148.	12(18)	
149.	12(19)	
150.	12(20)	
151.	12(21)	
13. BENEFITS		
152.	13	It will assist funds if the section includes sub headings for Classification, Initial recognition, Measurement and Disclosure
153.	13(1)	
154.	13(2)	
155.	13(3)	Living annuities to be addressed as well. no reference is made in the RRR relating to Living annuities as these are accounted for seperately.
	13(3)	This line under Insoourced benefits: “Benefits and transfers out if the cash flows through the fund bank account.’ Why is this important if flowing through fund bank account?
156.	13(4)	
157.	13(5)	

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No	Section of the Prudential Standard	Comment
158.	13(6)	
159.	13(7)	
160.	13(8)	
161.	13(9)	
162.	13(10)	
163.	13(11)	
164.	13(12)	
14. INVESTMENT INCOME		
165.	14	
166.	14(1)	
167.	14(2)	
168.	14(3)	
15. OTHER INCOME		
169.	15	
170.	15(1)	
171.	15(2)	
172.	15(3)	
174.	15(4)	
16. EXPENSES		
175.	16	
176.	16(1)	
177.	16(2)	
178.	16(3)	
179.	16(4)	
180.	16(5)	
181.	16(6)	
182.	16(7)	

COMMENT TEMPLATE – DRAFT PRUDENTIAL STANDARD – REQUIREMENTS RELATED TO REGULATORY REPORTING AND AUDITED FINANCIAL STATEMENTS FOR PENSION FUNDS

No	Section of the Prudential Standard	Comment
183.	16(8)	
184.	16(9)	
185.	16(10)	
186.	16(11)	
187.	16(12)	
17. OPERATING LEASES		
188.	17	
18. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS		
189.	18	There is no specific disclosure if there were a change in accounting policy, error, etc. The FSCA to consider adding such an example.
19. RELATED PARTIES		
190.	19	Example disclosure is incomplete in the Annual Financial Statements, more disclosure is required per IAS 24
20. EVENTS AFTER THE REPORTING PERIOD		
191.	20	
21. FAIR VALUE MEASUREMENT		
192.	21	Overall comment, the example disclosure in terms of IFRS 13 is incomplete. IFRS 13 requires disclosure at various levels for example Level 1 - listed etc. The current disclosure and examples is not in line with IFRS 13 – we would like to note for the attention for the FSCA to align in full to this standard. If not please can specific references be made.
		There is missing information or clarity required in above for: Member individual accounts, Living annuities and Paid up members.

SECTION C - QUESTIONS RELATING TO THE ANTICIPATED IMPACT OF THE PRUDENTIAL STANDARD

No.	Question	Responses
1.	Will the Prudential Standard impose additional compliance costs on the business? If yes, please provide details including the expected costs.	
2.	How do you anticipate the Prudential Standard affecting the operational cost of the business, if at all?	
3.	Will the Prudential Standard result in termination of existing arrangements? If yes, please be specific and make reference to specific aspects of the draft Prudential Standard that will lead to such a termination.	
4.	If the answer to question 3 is yes, how many arrangements will be impacted and what is the expected cost implication thereof?	
5.	Are any other transitional arrangements necessary to implement the Prudential Standard? If yes, what transitional arrangements do you propose and for which section of the Prudential Standard? (Please provide a justification for your response and details on timeframes to comply with the relevant section)	

SECTION D - GENERAL COMMENTS

No.	Question	Responses
FORMAT OF THE PRUDENTIAL STANDARD		
1.	Do you find the format of the draft Prudential Standard user friendly and simple to understand? If no, please provide suggestions for improvement.	

No.	Issue	Comment/input
ANY OTHER GENERAL COMMENTS		
1.		
2.		
3.		