

REF #774565

5 June 2023

Per email: alwynf@jse.co.za

Dear Alwyn,

SAICA SUBMISSION ON THE PROPOSED AMENDMENTS TO THE JSE LISTINGS REQUIREMENTS AND JSE DEBT LISTINGS REQUIREMENTS – MAY 2023

The South African Institute of Chartered Accountants (SAICA) appreciates the opportunity to provide comments on the proposed amendments to the JSE Listings Requirements and JSE Debt Listings Requirements pertaining to the auditor accreditation model.

Our submission was informed by comments made by participants at a roundtable discussion on the proposals, hosted by SAICA. Participants at the roundtable discussion included representatives from audit firms and academia.

In keeping with our comments on the JSE's consultation in 2022 regarding the possible removal of the auditor accreditation model, we remain supportive of such removal as it results in appropriately assigning the responsibilities of i) regulation of auditors and ii) assessment of the appropriateness of appointment of auditors to the appropriate role players in the financial ecosystem, namely the Independent Regulatory Board for Auditors and the audit committee, respectively.

We have categorised our comments as follows:

- A. JSE Listings Requirements
- B. Debt Listings Requirements
- C. Other editorial comments

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Thandokuhle Myoli (thandokuhlem@saica.co.za) or Annerie Pretorius (anneriep@saica.co.za).

Kind regards



Thandokuhle Myoli

Executive: Audit and Assurance

A. JSE LISTINGS REQUIREMENTS

1. We reflect extracts from the proposed amendments in grey blocks. We have only reproduced the “clean” proposed amended text, i.e. without showing mark-up text.

COMMENTS IN PRINCIPLE

Combining the concepts of “individual auditor” and “reporting accountant specialist”

2. The proposed amendments combine the extant concepts of “auditor”, “individual auditor”, “reporting accountant” and “reporting accountant specialist” in the proposed revised definition of “auditor”.
3. The proposed amendments however acknowledge the need for the continued involvement of specialists in the engagements described in paragraph 8.45 of the Listings Requirements. For example, the required confirmations of extant paragraph 8.56 have been retained, albeit by replacing extant references to “reporting accountant specialist” with “individual auditor”.
4. While we acknowledge the JSE’s aim of simplifying the Listings Requirements, we found the articulation of the proposed amendments hard to follow in this regard. In our view, the distinction that is made in the extant Listings Requirements between “individual auditor” and “reporting accountant specialist” facilitates the application of the Listings Requirements.
5. The proposals may also lead to unintended consequences. For example, the notifications to the JSE required by section 3.75 would apply to the appointment, termination, non-reappointment or resignation of individuals assigned responsibility for the assurance reports envisioned in paragraph 8.45, which may not have been the JSE’s intention.
6. We suggest that the JSE may need to consider retaining the definition of “reporting accountant specialist”. We have suggested amendments to the definitions contained in the proposed amendments below.
7. If our suggestion is accepted, consequential amendments to the proposed amended Listings Requirements would be necessary to effect these changes.

Suggested wording amendments

Definitions

Audit firm – the partnership or incorporated company registered with the IRBA, or a similar regulatory or professional body for auditors in another jurisdiction.

Auditor - includes the audit firm and the individual auditor ~~assigned and/or appointed to perform audits or reviews of financial statements or other assurance engagements~~ of an applicant issuer.

Individual auditor – an individual auditor registered with the IRBA or similar regulatory or professional body for auditors in another jurisdiction, who is a director or partner of an audit firm appointed to the issuer, assigned and/or appointed to perform a statutory audit or a review as required by paragraph 3.18.

Reporting accountant specialist - an individual registered with the IRBA or similar regulatory or professional body for auditors in another jurisdiction, who is an employee, director or partner of the audit firm responsible for the assurance report, as described in paragraph 8.45 of the Listings Requirements.

DETAILED COMMENTS ON THE PROPOSED AMENDMENTS

Section 3: Continuing Obligations

3.76 The notification required by paragraph 3.75 must be accompanied by a letter from its auditor including:

...

(b) details of any reportable irregularities that were reported by the auditor to its regulator in the last 12 months;

Comments and recommendations

8. The articulation of paragraph 3.76 (b) assumes that “reportable irregularities” is a term that is applied in jurisdictions other than South Africa. It also assumes that a similar reporting mechanism to what is followed in South Africa with regard to reportable irregularities (i.e. where the auditor reports to an audit regulator, instead of, for example, reporting to an authoritative body that regulates the issuer) applies in jurisdictions outside South Africa.
9. We suggest that paragraph (b) should be articulated more broadly, to refer to non-compliance with laws and regulations that were reported by the auditor to an appropriate authority. The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code), which is applied by auditors in many territories, addresses non-compliance with laws and regulations. Reporting non-compliance with laws and regulations to an appropriate authority may be an appropriate response by the auditor in certain circumstances, as

described in the IESBA Code. Note that the IRBA Code of Professional Conduct for Registered Auditors is aligned with the IESBA Code.

10. Paragraph 3.76 furthermore appears to be asking for *all* reportable irregularities that were reported by the auditor in the last 12 months, and not only matters that related to the issuer in question.
11. We suggest that the notification should be limited to matters *regarding the issuer in question* that were reported by the auditor to an appropriate authority.

Suggested wording amendments

12. Suggested wording:

(b) details of any matters of non-compliance with laws and regulations ~~reportable irregularities regarding the issuer~~ that were reported by the auditor to ~~its regulator~~ an appropriate authority in the last 12 months. This includes details of any reportable irregularities regarding the issuer reported by the auditor to the Independent Regulatory Board for Auditors in the last 12 months.

Section 3: Corporate Governance

3.84 (g) the audit committee must, notwithstanding its duties pursuant to Section 94 of the Companies Act:

(iii) consider the following information in the assessment of the suitability of appointment of the auditor:

(aa) the latest results (including related remedial action plan) of all inspections performed by its regulator. The audit committee may accept reports with the identity of specific entities redacted provided that such redaction does not limit the understanding of their content;

(bb) any new inspection result of an inspection performed by its regulator, between the date of appointment of the auditor and the date of signature of the audit report on the annual financial statements;

(cc) ...

(dd) a summary of any legal or disciplinary proceedings completed or pending, as determined by the head of risk or a person with similar authority within the past seven years. Legal or disciplinary proceedings include those instituted through any legislation or by any regulatory/professional body;

Comments and recommendations

13. Paragraphs 3.84(g)(iii)(aa) and (bb) requires a consideration by the audit committee of the results of *all* inspections performed by the regulator, i.e. inspections performed on all audit firms and individual auditors. We recommend the JSE to consider if the intention was to refer to inspections performed on the particular audit firm and the individual auditor only (i.e. the “auditor” as defined in the Listings Requirements.)
14. Paragraph 3.84(g)(iii)(dd) removed wording from the extant paragraph 22.4(j)(1) which provided more clarity regarding the description of the person responsible for the summary of legal or disciplinary proceedings.
15. Paragraph 3.84(g)(iii)(dd) asks for the reporting of completed legal or disciplinary proceedings within the past seven years. We suggest that the JSE should consider whether reporting of completed legal or disciplinary proceedings for seven years remains appropriate, and whether a shorter period may suffice. Practice in other jurisdictions may be helpful for deliberations in this regard.

Suggested wording

16. Suggested wording:

(aa) the latest results (including related remedial action plan) of all inspections performed by its regulator on the auditor. The audit committee may accept reports with the identity of specific entities redacted provided that such redaction does not limit the understanding of their content;

(bb) any new inspection result of an inspection performed by its regulator on the auditor, between the date of appointment of the auditor and the date of signature of the audit report on the annual financial statements;

(cc) ...

(dd) a summary of any legal or disciplinary proceedings completed or pending, as determined by the head of risk or a similar senior person within the audit firm who is tasked with the responsibility of risk management ~~with similar authority~~ within the past seven years. Legal or disciplinary proceedings include those instituted through any legislation or by any regulatory/professional body;

Section 3: Appointment of auditors

3.87 The following applies to the appointment of the auditor:

- (a) the auditor must have demonstrated to the issuer that it has the necessary resources to carry out the relevant engagement, as described in paragraph 30 of ISQM 1;
- (b) the auditor must not be prohibited by its regulator from performing the relevant assurance engagement;
- (c) where the assurance engagement is performed in terms of paragraph 8.45, the auditor of the issuer may sign the relevant assurance opinion, provided that the auditor has performed such an assurance engagement or has completed the JSE approved training and has passed an examination, as approved by the JSE from time to time, within the last 12 months of the date of the assurance engagement.

Where this is not the case, the issuer must ensure that an additional individual auditor is appointed meeting the above provisions.

Comments and recommendations

17. Paragraph 3.87 appears to address matters that should be considered by the issuer and the audit committee in relation to the assessment of the suitability of appointment of the auditor. To enhance a reader's navigation of the listings requirements, we suggest that paragraph 3.87 should be combined with paragraph 3.84 (g).

18. If our suggestion of retaining the concept of reporting accountant specialist is not accepted, we suggest the following wording changes to paragraphs 3.87(c) and 8.56(b), to clarify the requirements. Our understanding of the proposed operation of paragraphs 3.87 (c) and 8.56(b) is that an individual auditor may sign an assurance report on an engagement performed in terms of paragraph 8.45 if the individual auditor meets the requisite qualification criteria or where an additional individual auditor, who meets the requisite qualification criteria, is appointed to advise the individual auditor. Where an additional individual auditor is appointed, paragraph 3.87(c) permits either the individual auditor or the additional individual auditor to sign the report. If the additional individual auditor will not be signing the report, the additional individual auditor is required to provide the confirmations required by paragraph 8.56. Our suggested wording below reflects our understanding of the operation of paragraphs 3.87(c) and 8.56(b):

3.87 The following applies to the appointment of the auditor:

(a) ...

(b) ...

(c) where the assurance engagement is performed in terms of paragraph 8.45, the individual auditor of the issuer or an additional individual auditor appointed to the issuer, may sign the relevant assurance ~~opinion~~ report, provided that:

- (i) the individual auditor or additional individual auditor has performed such an assurance engagement within the last 12 months of the date of the assurance engagement; or
- (ii) has completed the JSE approved training and has passed an examination, as approved by the JSE from time to time, within the last 12 months of the date of the assurance engagement.

~~Where this is not the case, the issuer must ensure that an additional individual auditor is appointed meeting the above provisions.~~

8.56 The additional individual auditor appointed in terms of 3.87(c) must:

(a)...

(b) in instances where he/she does not sign off on the auditor's report itself, on the formal submission, provide the JSE with a letter (dated the same date as the auditor's report) confirming that he/she has performed a review of the work performed by the individual auditor and is satisfied that the Listings Requirements have been complied with.

Section 8: Financial Information

JSE assurance report

Comments and recommendations

19. The heading "JSE assurance report" may create the impression that the JSE is issuing the assurance report, or that the assurance report relates to financial information of the JSE. We suggest that the JSE should reconsider the heading, for example to read "Assurance reports" or "Assurance reports related to corporate transactions".

DEBT LISTINGS REQUIREMENTS

20. Our comments made on section 3.84 of the Listings Requirements apply similarly to Section 7.3 Corporate Governance of the Debt Listings Requirements.

OTHER EDITORIAL COMMENTS

21. In our understanding, the intention of the removal of the definitions of "IFRS advisor", "reporting accountant" and "reporting accountant specialist" was that these terms would no

longer be contained in any sections of the JSE Listings Requirements. We noted that references to “reporting accountant” were retained in some sections of the Listings Requirements that were not included in the proposed amendments, for example in the following sections. Kindly note that this is not a complete list and that we have not done a similar exercise on other terms deleted from the definitions section:

- 2.8(f)
- 4.30 (b)(i)
- 6.8 (b)