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Dear Accredited Auditors and Reporting Accountant Specialists

UPDATED TRAINING COURSES FOR AUDITORS AND REPORTING ACCOUNTANT SPECIALISTS

We refer to the JSE letter dated 30 May 2014 (the “**May letter**”) with regards to the recognised training courses for auditors and reporting accountant specialists. This letter provides an update on the content of that letter and therefore replaces the May letter.

The 2014 amendments to the JSE Listings Requirements (the “**Requirements**”) referred to in the May letter has been completed and the JSE recently issued Service Issue 18. Auditors and reporting accountants will be required to attend the updated JSE recognised training courses in order to remain accredited. Furthermore, all presenters that are providing the training must submit their presentations as well as their credentials to the JSE for official recognition before they schedule any presentations.

There are two different courses which auditors need to be aware of:

- The Auditors Reporting Accountant Specialist Course; and
- The Auditors General Listings Requirements Course.

We wish to draw your attention to the fact that both the content and target audience for the two courses are different.

The Auditors Reporting Accountant Specialist Course (“**RA Specialist Course**”)

Auditors must attend the RA Specialist Course if they wish to register as a reporting accountant specialist and do not have the necessary experience and knowledge as specified in Schedule 15.6 (e)(ii) of the Requirements. The JSE has, at this stage, only approved one vendor, KAR Presentations, who is authorised to present this course.

The Auditors General Listings Requirements Course (“GLR Course”)

The GLR Course is compulsory for all listed company auditors. The obligation to attend this course can be fulfilled in the following manner:

1. Audit firms may hold in-house courses, provided the JSE has approved both the content of the training and the specific presenters who will be presenting the course; or
2. Auditors may attend courses presented by certain external parties who have had both their content and specific presenters approved by the JSE.

Annexure 1 to this letter provides broad guidelines as to the areas that the GLR Course must cover.

Process of approval

In order for the training to be recognised by the JSE, the parties presenting must:

- (i) ensure their course material covers the minimum content detailed herein;
- (ii) submit the presentation to the JSE for recognition; and
- (iii) provide details of the credentials of the presenters including their experience as it relates to the application of the Requirements.

Please ensure that the above is submitted to auditorsadmin@jse.co.za. We will require a minimum of 7 days to review and/or approve the presenter and training material.

The JSE will recognise the training even if it is given in different parts e.g. training on Part A aspects may be given separately from the Part B aspects (see **Annexure 1**).

Updated GLR Courses

For new applications, the JSE will only recognise training on Part A if it incorporates the 2014 amendments. As it relates to existing accredited auditors, updated training must have been completed by all individuals by 31 May 2015 in order for their accreditation to be renewed. The annual declarations for 2015 will have to specifically include confirmation that the individual auditor attended an updated course based on the 2014 amendments.

As it relates to Part B, given that the Headline Earnings Circular of 2009 was updated in 2012 and August 2013 we will only accept training that occurs on the new Headline Earnings Circular. Therefore for all new applications for auditor accreditation, the JSE will only recognise training done on the SAICA Circular 2/2013- Headline Earnings. All existing accredited auditors will also be required to attend training on the SAICA Circular 2/2013- Headline Earnings and to provide details to the JSE of during the 2015 annual declaration process.

The Financial Markets Act No 19 of 2012 (“**FMA**”) replaced the Securities Services Act No 36 of 2004 (“**SSA**”) and therefore as it relates to new auditor accreditation training will only be accepted provided the auditor has attended training on the market abuse provisions of the FMA and not the SSA.

Please contact Bernardine Joubert if you have any further questions regarding the above.

Yours faithfully



**A F VISSER: GENERAL MANAGER
ISSUER REGULATION**

ANNEXURE 1

Auditors obligations

Auditors have the following obligation in terms Schedule 15.3(c) (iii) of the Requirements:

“The individual auditor must confirm to the JSE that it is familiar with the specific auditing and financial reporting requirements applicable to applicant issuers as detailed in Sections 3, 8, 13, 15 and 21. In support of this the individual auditor must demonstrate that it has successfully completed JSE recognised training on the Listings Requirements, or must undertake to successful complete such training within 6 months from the date of its application. In addition the individual auditor must undertake to successfully complete specific JSE recognised update courses as and when required and directed by the JSE.”

In their declaration the auditors confirm that they:

- “3. are familiar with the specific audit and financial reporting requirements applicable to applicant issuers, as set out in Sections 3, 8, 13, 15 and 21;
4. have kept up to date in all relevant areas of technical training in order to enable them to maintain the highest level of competence in performing the assurance work of an applicant issuer;
5. have successfully completed JSE recognised training on the JSE Listings Requirements with [please insert date of training and person providing the training] or they undertake to successfully complete JSE recognised training on the JSE Listings Requirements within 6 months from the date of this application and on completion they will forward prove thereof to the JSE;
- ...
11. are aware of the IFRS matters identified by the FRIP, as set out on the JSE and SAICA websites;
12. are aware of SAICA and/or IRBA guidance applicable to reporting accountants and auditors of applicant issuers;
13. have monitored compliance with the disclosure requirements of the JSE relating to interim, preliminary, provisional, abridged and annual reports, as set out in the Listings Requirements, and have, where applicable, reported any matters of non-compliance directly to the JSE;
14. have advised the JSE of any instances where the applicant issuer misrepresented the content of the auditors report as it relates to that applicant issuer (for example by indicating that the auditors opinion is unqualified when there was a modification of the auditors opinion);
15. agree to discharge their responsibilities in terms of the Listings Requirements and agree to uphold the integrity of the markets operated by the JSE; ”...

Point 4 covers normal accounting and auditing standards training, given by audit firms. For point 11, the specific matters should be picked up by auditors on an ongoing basis and the detail need not be covered in the recognized GLR training which is mainly aimed at equipping auditors to deal with points 3, 5, 12 to 15 above.

Part A: Listings Requirements

General Principles

- Principles (i) to (vii) of the Requirements

Definitions

- Identification of any relevant definitions e.g. beneficial shareholding

Section 1

- Implications for the auditor of non-compliance

Section 3

- Obligations of disclosure, par 3.4(a) price sensitive information & par 3.4(b) trading statements, confidentiality par 3.5-3.8
- Periodic information, par 3.11 to par 3.25 read together with practice note 1/2003
- Cash company par 3.26
- Auditors par 3.75-3.79 and par 3.86-3.89
- Corporate governance par 3.84

Section 8

- Pro formas in results that also require sign off, par 8.15 including the guidance letters issued in March 2010 and August 2012 (the detail is not necessary in the GLR course as this is an area for the reporting accountant specialist). Forecasts & estimates, par 8.35-8.44, par 8.48(c)(d), par 8.51
- Content of periodic reports par 8.57-8.61
- Content of annual financial statements (“AFS”), par 8.62-8.64 (together with par 4.25 & par 4.26)
- The Financial Reporting Investigation Panel par 8.65-8.66

Section 11

- Appendix 1, publication of information

Section 13

- Property information, par 13.18-13.19
- Continuing obligations, par 13.36-13.39
- Continuing obligations for REIT's, par 13.49-13.58

Section 15

- Content for AFS, par 15.5-15.6

Section 21

- Public shareholding, par 21.6

Section 22 & Schedule 15

- In their entirety

The guidance letters, issued periodically by the JSE, which cover accounting, auditing or reporting related matters. At the date of this letter, the guidance letters are as follows:

- Presentation of financial results – issued in September 2007
- Presentation of pro forma financial information – issued in March 2010
- Proactive monitoring of financial statements – issued in February 2011 (Whilst the auditor may not always be involved in the process between the JSE and their client, they need to ensure that they are aware of the issues being raised)
- Summary of financial statements – issued in July 2011
- Presentation of constant currency information – issued in August 2012
- Guidance on corporate governance – issued in January 2013
- Accreditation of new auditors and reporting accountant specialists – issued in March 2013
- Integrated reporting – issued in June 2013
- Application of IFRS 2 to share incentive schemes containing a cash settled option – issued in September 2013
- Annual declarations for External IFRS advisors – issued in April 2014
- Annual declaration process for auditors in a jurisdiction other than South Africa – issued in April 2014
- Annual declaration process for auditors, IFRS advisors and reporting accountant specialists – issued in April 2014
- Application of IFRS for antecedent interest on linked units – issued in October 2014
- Reporting of Restatements – issued in October 2014

The following matters should also be explicitly covered in the training:

- The IRBA Guide “Reporting of Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements” which was first issued in November 2013 and updated in September 2014 for the 2014 amendments to the Listings Requirements. We are specifically concerned that the distinction between the various financial reports and implications for the auditor are still not fully understood.
- Reportable irregularities as it relates to the Listings Requirements.
- The list of frequently asked questions included in **Annexure 2**.

Audit firms should also be aware of the letter issued by IRBA in August 2014 by the Inspection Department to ensure that they appropriately manage the process for any new auditor accreditation requests.

Part B: Other related aspects

- The SAICA Circular 2/2013- Headline Earnings
- The market abuse provisions of the FMA

ANNEXURE 2

This annexure includes some frequently asked questions that we receive from auditors.

1. *Is a foreign company listed on the JSE required to have a JSE accredited audit firm?*

If the company is primary listed on the JSE, then they are required to have a JSE accredited audit firm.

If the company is secondary listed on the JSE, their auditor does not have to be accredited with the JSE.

However, registered foreign auditors cannot be accredited by the JSE as reporting accountants and therefore cannot sign off in a listing document on pro forma financial information.

2. *Is a debt issuer required to have a JSE accredited audit firm?*

No, this is not a requirement.

3. *Is an Integrated Report required in terms of the Listings Requirements?*

No, this is not a requirement.

4. *What disclosure must be included in the annual report of a listed company for restrictive funding arrangements?*

- the restriction(s) on specified events attaching to the funding arrangement;
- the funding provider(s); and
- the amount of the funding.

5. *When must an auditor modify his/her audit report?*

In cases on non-compliance with paragraph 8.63(b)-(k), (m)-(p) of the Requirements.

6. *As an auditor, I include my latest IRBA review in my annual declaration submission on 1 June every year. Am I still required to inform the JSE of the outcome of my file review when I receive it?*

Yes, you are required to submit the outcome of your file review with 5 days of receipt from IRBA.

7. *Do I still need to inform the JSE of any legal or disciplinary process even though it has not been finalised?*

Yes, you need to inform the JSE as soon as you are notified of a possible legal or disciplinary process. The JSE must also be informed of the outcome of such process in due course.

8. *When should I notify the JSE if I have been appointed or resigned as the auditor of a listed company and what should be included in my notification.*

You must advise the JSE, within 48 hours from the date of notification of termination or resignation involving:

- a. the termination of the appointment of the audit firm/ partner;
- b. the resignation of the audit firm/ partner; and/or
- c. the appointment of a new audit partner as a result of rotation of audits amongst audit partners.

The notification must include the effective date of appointment/resignation, the details of the reason for termination or resignation and confirmation that there is no reportable irregularity.

9. *Am I obliged to provide additional information if requested by the JSE regarding my IRBA reviews even though it may include confidential information relating to a listed issuer?*

Section 22.5(d) of the Requirements state that the auditor must “provide to the JSE any information or explanation known to it, in such form and within such time limit as the JSE may reasonably require, for the purpose of verifying whether the Listings Requirements are being and have been complied with by it or by an applicant issuer”. Information requested by the JSE must therefore be adhered to in order to assist the JSE in their regulatory duties.

10. *Where should all notifications from auditors be submitted?*

All notifications must be submitted to auditorsadmin@jse.co.za.

11. *As an auditor, can I just send all notifications and correspondence to the JSE?*

All notifications and correspondence should be channelled through your audit firms’ primary contact, whether directly or indirectly by copying the primary contact in yours emails.