

South African Reserve Bank
Exchange Control Department

2006-03-28

Exchange Control Circular No.11/2006

Foreign portfolio investments by South African Institutional Investors – audit requirements

Authorised Dealers are referred to subsection B.2(B)(iii) of the Exchange Control Rulings and advised that as a result of the introduction of the African allowance and the subsequent amendment of the quarterly asset allocation reporting template, the formats of the audit requirements pertaining to Institutional Investors have been incorporated in the Rulings.

Flowing from the above, the entire subsection B.2(B)(iii)(f) of the Exchange Control Rulings has been deleted and substituted with the following:

Section B.2(B)(iii)

“(f) Audit Requirements

Institutions holding foreign portfolio assets, directly or indirectly, will also be required as part of their financial year-end audit, to obtain an audit report from their external auditors assessing the institution's quarterly asset allocation reports.

All institutional investors with total assets at fair value in excess of R500 000 and with financial year ends falling on 2005-06-30 and thereafter, will be required to submit the audit report to Exchange Control through their Authorised Dealer. The audit reports must be submitted to Exchange Control within a maximum period of six months after financial year end.

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The formats of the audit reports follow hereunder:

"FOREIGN PORTFOLIO REPORTING REQUIREMENTS

FOREIGN PORTFOLIO INVESTMENTS BY SOUTH AFRICAN INSTITUTIONAL INVESTORS – SECTION B.2(B)(iii) OF THE EXCHANGE CONTROL RULINGS (B.2(B)(iii))

Preface

Institutional investors with foreign portfolio assets submit quarterly returns to the Exchange Control Department of the South African Reserve Bank (Exchange Control). The purpose of this guide is to provide illustrative agreed-upon procedures reports for an auditor reporting on the quarterly asset allocation reports.

Introduction

- .01 B.2(B)(iii) sets out the objectives and principles as well as the reporting and application requirements for institutions eligible for the foreign portfolio investment allowance.
- .02 Retirement funds, long-term insurers and collective investment scheme management companies are treated as institutional investors for exchange control purposes and have to comply with the requirements of B.2(B)(iii).
- .03 Investment managers may elect to register with Exchange Control as institutional investors for exchange control purposes. The investment managers who elected to register as institutional investors must comply with the application and reporting requirements set out in B.2(B)(iii). Those investment managers, who elected not to register, are treated as intermediaries for exchange control purposes and are exempt from the requirements set out in B.2(B)(iii).

Quarterly report on asset allocation

- .04 Institutional investors with foreign portfolio assets, whether held directly or indirectly through another domestic institution, are required to submit quarterly reports of their asset allocation as at the end of each calendar quarter. The quarterly reports provide the primary mechanism for monitoring exchange control compliance and assessing applications. In reporting on asset allocations, a "look-through" principle is applied to investments in collective investments schemes, long-term insurance policies and other investment products.



Agreed-upon procedures engagement

- .05 Institutional investors with foreign exposure and whose total assets at fair value exceed R500 000 will be required, as part of their year-end audit/review, to engage an independent auditor to perform agreed-upon procedures on the quarterly asset allocation reports.
- .06 The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures, to which the auditor, the entity and any appropriate third parties have agreed, and to report on factual findings.
- .07 In order to ensure consistency of procedures and the resultant reports, Exchange Control has, in consultation with The South African Institute of Chartered Accountants (SAICA), the National Treasury and the Financial Services Board, developed illustrative reports which set out the minimum information required in the reports, including agreed-upon procedures that should be performed in respect of the quarterly asset allocation reports. The agreed-upon procedures and reports are set out in Appendices A to D. The report is addressed to the trustees or directors as appropriate and the procedures are agreed with them prior to the commencement of the work.
- .08 The auditor complies with the code of professional conduct issued by SAICA and the Public Accountants' and Auditors' Board and conduct an agreed-upon procedures engagement in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.
- .09 The auditor prepares an engagement letter documenting the key terms of the appointment. An engagement letter confirms the auditor's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the auditor's responsibilities and the form of report to be issued.
- .10 It is the responsibility of the trustees or directors to provide the reports, and if applicable detailed explanations of exceptions noted and proposed corrective actions, to Exchange Control.



FOREIGN PORTFOLIO REPORTING REQUIREMENTS**APPENDIX A**

[Set out below are the agreed-upon procedures and report of the independent auditor on factual findings applicable to retirement funds.]

FACTUAL FINDINGS REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD OF TRUSTEES IN TERMS OF SECTION B.2(B)(iii) OF THE EXCHANGE CONTROL RULINGS (B.2(B)(iii))**Scope**

We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of B.2(B)(iii) and related reconciliations of (*insert name of fund*) for the year ended (*insert date*). We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Board of Trustees. The procedures were performed solely to assist you in complying with the reporting requirements of B.2(B)(iii) in respect of the quarterly reports on asset allocations.

The fund (or the fund's administrator) supplied us with the following:

- Copies of the quarterly asset allocation reports for the quarters ended (*insert dates*).
- Copies of investment certificates for the last quarter before or on the financial year-end.
- A list of investments and/or the general ledger in respect of investments held directly.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates and the list of direct investments and/or the general ledger.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited/reviewed financial statements. This reconciliation discloses the movement in balances, distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and



other movements. This reconciliation is attached as Annexure A to the factual findings report.

The procedures are summarised as follows:

[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedures performed.]

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within three months after the respective quarter end.
2. Using the investment certificates received by the fund for the last quarter before or on the financial year-end, we:
 - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger;
 - 2.2 agreed the classification between local and foreign assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H and I of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited/reviewed annual financial statements and examined the evidence for reconciling items. (Annexure A)
5. We observed whether the amounts have been recorded in R'000.

Findings

[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]

We report our findings below, detailing:



1. With respect to item 1 we found that the quarterly returns were/were not duly certified by the authorised official and submitted within three months of the quarter end.
2. For the last quarterly asset allocation report:
 - 2.1 With respect to item 2.1 we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
 - 2.2 With respect to item 2.2 we found that the classification between local and foreign assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger.
3. With respect to item 3 we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H and I of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4 we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited/reviewed financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report. (Annexure A)
5. With respect to item 5 we found that the amounts on the returns were/were not recorded in R'000.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose, or to be distributed to any other parties, other than the Financial Services Board and Exchange Control. This



report relates only to the asset allocation report and items specified above, and does not extend to any financial statements of *(insert funds name)*, taken as a whole.

Auditors

Registered Accountants and Auditors

Chartered Accountants (SA)

Date

Address

A handwritten signature or mark, possibly a stylized 'L' or 'S', located in the bottom right corner of the page.

FOREIGN PORTFOLIO REPORTING REQUIREMENTS

APPENDIX B

[Set out below are the agreed-upon procedures and the report of the independent auditor on factual findings applicable to long-term insurers.]

FACTUAL FINDINGS REPORT OF THE INDEPENDENT AUDITOR TO THE DIRECTORS IN TERMS OF SECTION B.2(B)(iii) OF THE EXCHANGE CONTROL RULINGS (B.2(B)(iii))

Scope

We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of B.2(B)(iii) and related reconciliations of (*insert name of company*) for the year ended (*insert date*). We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of B.2(B)(iii) in respect of the quarterly reports on asset allocations.

The directors supplied us with the following:

- Copies of the quarterly asset allocation reports for the quarters ended (*insert dates*).
- Copies of the investment certificates for the last quarter before or on the financial year-end.
- A list of investments and/or the general ledger in respect of investments held directly.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates, list of direct investments and/or the general ledger.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as



Annexure A to the factual findings report.

- A listing of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each quarter as provided to Exchange Control.
- A listing of the institutions which issued investment certificates in respect of institutional assets.

The procedures are summarised as follows:

[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedure performed.]

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within three months after the respective quarter end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
 - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger;
 - 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger;
 - 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report before or on the financial year-end.



4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items. (Annexure A)
5. For each quarterly report we selected a sample of the lesser of 25 or 30% individual investments from the analyses provided above by management for each class of assets (A to F) for each of the following categories for both institutional and retail investors:
 - Rand denominated domestic assets;
 - Rand denominated foreign assets;
 - Foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
 - 5.2 inspected the valuation of the investment and agreed that they were valued at fair value;
 - 5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.
6. We selected a sample of the lesser of 25 or 30% of institutional investors from the analyses provided by management for each quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to Exchange Control for that quarter.
 7. We selected a sample of the lesser of 25 or 30% of institutions which issued investment certificates in respect of institutional assets and inspected evidence that the institutions are retirement funds, long-term insurers, collective investment scheme management companies or registered investment managers (if applicable).
 8. We observed whether the amounts have been recorded in R'000.

Findings

[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]

We report our findings below, detailing:

1. With respect to item 1 we found that the quarterly returns were/were not duly certified by the authorised official and submitted within three months of the quarter end.
2. For the last quarterly asset allocation report:
 - 2.1 With respect to item 2.1 we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
 - 2.2 With respect to item 2.2 we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
 - 2.3 With respect to item 2.3 we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/the or general ledger.
3. With respect to item 3 we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4 we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report. (Annexure A)
5. For the items selected:
 - 5.1 With respect to item 5.1 we found that the investments agreed/did not agree to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;



- 5.2 With respect to item 5.2 we found that the investments were/were not valued at fair value;
- 5.3 With respect to item 5.3 we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.
6. With respect to item 6 we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to Exchange Control for the quarter.
7. With respect to item 7 we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).
8. With respect to item 8 we found that the amounts on the returns were/were not recorded in R'000.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose or to be distributed to any other parties other than the Financial Services Board and Exchange Control. This report relates only to the asset allocation report and items specified above and does not extend to any financial statements of (*insert name of company*) taken as a whole.

Auditors
Registered Accountants and Auditors
Chartered Accountants (SA)
Date
Address



FOREIGN PORTFOLIO REPORTING REQUIREMENTS**APPENDIX C**

[Set out below are the agreed-upon procedures and the report of the independent auditor on factual findings applicable to investment managers.]

FACTUAL FINDINGS REPORT OF INDEPENDENT AUDITOR TO THE DIRECTORS IN TERMS OF SECTION B.2(B)(iii) OF THE EXCHANGE CONTROL RULINGS (B.2(B)(iii))**Scope**

We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of B.2(B)(iii) and related reconciliations of (*insert name of company*) for the year ended (*insert date*). We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of B.2(B)(iii) in respect of the quarterly reports on asset allocations.

The directors supplied us with the following:

- Copies of the quarterly asset allocation reports for the quarters ended (*insert dates*).
- Copies of the investment certificates for the last quarter before or on the financial year-end.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates and/or the general ledger.
- A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.
- A listing of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each



quarter as provided to Exchange Control.

- A listing of the institutions which issued investment certificates in respect of institutional assets.

The procedures are summarised as follows.

[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedures performed.]

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within three months after the respective quarter-end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
 - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to E of the quarterly asset allocation report to the investment certificates and/or the general ledger;
 - 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger;
 - 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category F.1 and the foreign asset holding percentages as reflected in categories G, H, I and J of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items. (Annexure A)
5. For each quarterly report we selected a sample of the lesser of 25 or 30% individual investments from the analyses provided above by management for each class of assets (A to E) for each of the following categories for both institutional and retail investors:



- Rand denominated domestic assets;
- Rand denominated foreign assets;
- Foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
 - 5.2 inspected the valuation of the investment and agreed that they were valued at fair value;
 - 5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.
6. We selected a sample of the lesser of 25 or 30% of institutional investors from the analyses provided by management for each quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to Exchange Control for that quarter.
 7. We selected a sample of the lesser of 25 or 30% of institutions which issued investment certificates in respect of institutional assets and inspected evidence that the institutions are retirement funds, long-term insurers, collective investment scheme management companies or registered investment managers (if applicable).
 8. We observed whether the amounts have been recorded in R'000.

Findings

[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]

We report our findings below, detailing:

1. With respect to item 1 we found that the quarterly returns were/were not duly certified by the authorised official and submitted within three months after the quarter end.



2. For the last quarterly asset allocation report:
 - 2.1 With respect to item 2.1 we found that the classification of assets and their fair value as reflected in asset classes A to E of the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger;
 - 2.2 With respect to item 2.2 we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger;
 - 2.3 With respect to item 2.3 we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger.
3. With respect to item 3 we found that the African allowance as reflected in category F.1 and the foreign asset holding percentages as reflected in categories G, H, I and J of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4 we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited annual financial statements. Reconciling items on the reconciliation agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report. (Annexure A)
5. For the items selected:
 - 5.1 With respect to item 5.1 we found that the investments agreed/did not agree to statements confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
 - 5.2 With respect to item 5.2 we found that the investments were/were not valued at fair value;
 - 5.3 With respect to item 5.3 we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.



6. With respect to item 6 we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to Exchange Control for the quarter.
7. With respect to item 7 we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).
8. With respect to item 8 we found that the amounts on the returns were/were not recorded in R'000.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set out in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties other than the Financial Services Board and Exchange Control. This report relates only to the asset allocation report and items specified above and does not extend to any financial statements of (*insert name of company*) taken as a whole.

Auditors
Registered Accountants and Auditors
Chartered Accountants (SA)
Date
Address




FOREIGN PORTFOLIO REPORTING REQUIREMENTS**APPENDIX D**

[Set out below are the agreed-upon procedures and the report of the independent auditor on factual findings applicable to collective investment scheme management companies.]

FACTUAL FINDINGS REPORT OF INDEPENDENT AUDITOR TO THE DIRECTORS IN TERMS OF SECTION B.2(B)(iii) OF THE EXCHANGE CONTROL RULINGS (B.2(B)(iii))**Scope**

We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of B.2(B)(iii) and related reconciliations of (*insert name of company*) for the year ended (*insert date*). We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of B.2(B)(iii) in respect of the quarterly reports on asset allocations.

- Copies of the quarterly asset allocation reports for the quarters ended (*insert dates*).
 - Copies of the investment certificates for the last quarter before or on the financial year-end.
 - A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates, list of direct investments and/or the general ledger.
 - A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.
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- A listing of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each quarter as provided to Exchange Control.
- A listing of the institutions which issued investment certificates in respect of institutional assets.

The procedures are summarised as follows:

[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedure performed.]

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within three months after the respective quarter end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
 - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates and/or the general ledger;
 - 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger;
 - 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items. (Annexure A)

5. For each quarterly report we selected a sample of the lesser of 25 or 30% individual investments from the analyses provided above by management for each class of assets (A to F) for each of the following categories for both institutional and retail investors:
 - Rand denominated domestic assets;
 - Rand denominated foreign assets;
 - Foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
 - 5.2 inspected the valuation of the investment and agreed that they were valued at fair value;
 - 5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.
6. We selected a sample of the lesser of 25 or 30% of institutional investors from the analyses provided by management for each quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to Exchange Control for that quarter.
 7. We selected a sample of the lesser of 25 or 30% of institutions which issued investment certificates in respect of institutional assets and inspected evidence that the institutions are retirement funds, long-term insurers, collective investment scheme management companies or registered investment managers (if applicable).
 8. We observed whether the amounts have been recorded in R'000.


Findings

[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]

We report our findings below, detailing:

1. With respect to item 1 we found that the quarterly returns were/were not duly certified by the authorised official and submitted within three months of the quarter end.



2. For the last quarterly asset allocation report:
 - 2.1 With respect to item 2.1 we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
 - 2.2 With respect to item 2.2 we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
 - 2.3 With respect to item 2.3 we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/the or general ledger.
 3. With respect to item 3 we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report were/were not calculated correctly.
 4. With respect to item 4 we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report. (Annexure A)
 5. For the items selected:
 - 5.1 With respect to item 5.1 we found that the investments agreed/did not agree to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
 - 5.2 With respect to item 5.2 we found that the investments were/were not valued at fair value;
 - 5.3 With respect to item 5.3 we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.
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6. With respect to item 6 we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to Exchange Control for the quarter.
7. With respect to item 7 we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).
8. With respect to item 8 we found that the amounts on the returns were/were not recorded in R'000.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose or to be distributed to any other parties other than the Financial Services Board and Exchange Control. This report relates only to the asset allocation report and items specified above and does not extend to any financial statements of (*insert name of company*) taken as a whole.

Auditors
Registered Accountants and Auditors
Chartered Accountants (SA)
Date
Address"

Replacement pages of the Exchange Control Rulings incorporating the relevant amendments are attached hereto.



Deputy General Manager