

Assurance Report on Compliance with Regulation 28 of the Pension Funds Act

Approval Date: In March 2019, the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS), subject to the Financial Sector Conduct Authority (Authority) issuing the appropriate exemption notice, approved this retirement fund Regulation 28 report to be used by registered auditors. Thereafter at its meeting in November 2019, CFAS noted the updated report, which is aligned to the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018). In the report, the committee also noted the references to the Financial Sector Conduct Authority (FSCA) as the "Authority". Auditors are referred to the FSCA RF Notice 5 of 2020 and the FSCA Communication 6 of 2020 for the Authority's exemption notice allowing for the use and early adoption of the IRBA approved retirement fund Regulation 28 report.

Circumstances

- Reasonable assurance engagement conducted in terms of ISAE 3000 (Revised) that:
 - Schedule IB is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9); and
 - The Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9).
- Materiality for the preparation of Schedule IB is determined using the auditor's professional judgement.
- Materiality for the compliance of the Fund with Regulation 28 is set as one, as any non-compliance is required to be reported to the Financial Sector Conduct Authority (FSCA)¹.
- The report includes illustrative wording for an unmodified auditor's opinion, a qualified opinion, a disclaimer of opinion and an adverse opinion; and illustrative examples for bases for modified opinion paragraphs.
- The information in Schedule IB agrees with the underlying records that were the subject of the audit engagement on the retirement fund.
- Use of the assurance report is restricted.

Independent Auditor's Reasonable Assurance Report on Assets Held in Compliance with Regulation 28 of the Pension Funds Act No. 24 of 1956, as amended

To the Board of Fund of <insert name of the fund>

Report on Compliance of Schedule IB with Regulation 28 of the Act

We have undertaken our engagement in accordance with Section 15 of the Pension Funds Act No. 24 of 1956, as amended (the Act) in order to provide the Board of Fund of <insert name of fund> (the Fund) with a reasonable assurance opinion that Schedule IB "Assets held

in compliance with Regulation 28” (the Schedule) on pages <xx> to <xx> at <insert year-end date> is prepared in all material² respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) of the Act, and the Fund has complied, in all material³ respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) as at <insert year-end date>⁴.

The Board of Fund’s responsibility for the Schedule

The Board of Fund is responsible for ensuring that the Schedule is prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and for compliance of the Fund with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control⁵

[For assurance providers’ reports issued on or after 15 June 2019 in respect of assurance engagements for periods beginning before or on 14 June 2019] [Delete block if not applicable]

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors (Revised January 2018)* and parts 1 and 3 of the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OR

[For assurance engagements for periods beginning on or after 15 June 2019] [Delete block if not applicable]

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

<Insert name of firm>/<The firm> applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility⁶

Our responsibility is to express an opinion on whether the Schedule is prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and whether the Fund complies with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) based on performing a reasonable assurance engagement.

We performed our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Schedule is prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and whether the Fund complies with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9).

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain sufficient appropriate evidence that the Schedule is prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and that the Fund complies with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9). The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9), whether due to fraud and error. In making those risk assessments we consider internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Summary of work performed

We completed our audit of the annual financial statements of the <insert name of fund> for the year ended <insert year-end date>, prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, on which we issued an <unmodified /qualified /disclaimer of/adverse> opinion on <insert date of auditor's report>. That audit was performed in accordance with International Standards on Auditing. Where appropriate, we have drawn on evidence obtained regarding information contained in the Schedule that has been extracted from the Fund's underlying accounting records that were the subject of our audit engagement on the annual financial statements and forms the subject matter of this engagement.

We have performed such additional procedures as we considered necessary which included⁷:

- Evaluating whether confirmations from financial institutions are in support of the records made available to us;
- Inspecting the required documentation in terms of Regulation 28(8)(b) for investments excluded from total assets in terms of Regulation 28(8)(b));

- Evaluating whether the investments are classified correctly per the categories of Schedule IB based on information obtained about the nature of investments from the financial institutions;
- Recalculating the percentages of assets held in relation to total assets; and
- Comparing the percentages calculated to the prescribed limits.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our <unqualified/qualified/disclaimer of/adverse> opinion.

[Delete block if not applicable]

Opinion^{8,9}

In our opinion, the Schedule IB “Assets held in compliance with Regulation 28” at <insert year-end date> is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) of the Act, and the Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) as at <insert year-end date>.

OR

[Delete block if not applicable]

Basis for qualified opinion¹⁰

<List instances of incorrect preparation identified, including those subsequently resolved>

<List instances of non-compliance identified, including those subsequently resolved>

Qualified opinion

In our opinion, except for the matter/s listed in the *Basis for qualified opinion* section of our report, the Schedule IB “Assets held in compliance with Regulation 28” at <insert year-end date> is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9), and the Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) as at <insert year-end date>.

OR

[Delete block if not applicable]

Basis for disclaimer of opinion¹¹

<Insert basis of disclaimer of opinion>

Disclaimer of opinion

We do not express an opinion on the preparation of Schedule IB “Assets held in compliance with Regulation 28” at <insert year-end date> and on the Fund’s compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) as at <insert year-end date>. Because of the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an assurance opinion.

OR

[Delete block if not applicable]

*Basis for adverse opinion*¹²

<Insert basis of adverse opinion>

Adverse opinion

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion* section of our report, Schedule IB “Assets held in compliance with Regulation 28” at <insert year-end date> is not prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9), and the Fund is not in compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) as at <insert year-end date>.

Emphasis of matter

<Insert if applicable>¹³

Other matter

<Insert if applicable>¹⁴

Restriction on use

Without modifying our opinion we emphasise that Schedule IB is designed to meet the information needs of the Board of Fund for the purpose of reporting to the Financial Sector Conduct Authority (FSCA). As a result our report is not suitable for another purpose. Our report is presented solely for the information of the Board of Fund for the purpose of reporting to the FSCA.

Report on Other Legal and Regulatory Requirements

<The form and content of this section of the assurance report will vary depending on the nature of the auditor’s other reporting responsibilities.>¹⁵

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]

NOTES (TO BE DELETED FROM THE REPORT)

- ¹ The assurance opinion addresses the two parts of the engagement: 1) that Schedule IB is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and 2) that the Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9).

Materiality in the context of the engagement on the preparation of Schedule IB

The auditor's determination of materiality is a matter of professional judgement. The auditor considers materiality during planning for this part of the engagement when determining the nature, timing and extent of the evidence gathering (sampling) procedures. The auditor also evaluates whether Schedule IB is free from material misstatement (as defined in ISAE 3000 (Revised)). Refer to ISAE 3000 (Revised) paragraphs 44, 65, A92-A100, A153 and A154.

Materiality in the context of the engagement on the compliance of the Fund with Regulation 28

Any instances of non-compliance of the Fund with Regulation (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) that come to the auditor's attention, whether or not appropriately accounted for by the Fund, are considered qualitatively material and should be listed in the basis for modified opinion paragraph.

- ² Refer to endnote 1 for an explanation of materiality in the context of this engagement.
- ³ Refer to endnote 1 for an explanation of materiality in the context of this engagement
- ⁴ The opinion addresses the two parts of the engagement: 1) that Schedule IB is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9), and 2) that the Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9).

⁵ The auditor selects the appropriate box, depending on the date of the assurance report and the period of the engagement.

⁶ Where an auditor provides a disclaimer of opinion, the entire “Auditor’s Responsibility” and “Summary of Work performed” sections are replaced with:

Our responsibility is to express an opinion on whether the Schedule is prepared in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) and whether the Fund complies with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) based on performing a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board, and to issue a reasonable assurance report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Schedule.

⁷ Tailor the procedures to the Fund’s specific circumstances. However, as a minimum, it is expected that the auditor performs the additional procedures listed in the report. The list is not necessarily exhaustive. If additional procedures are performed, the auditor may list these in the report.

⁸ The auditor will include the content of only one of the boxes in the assurance report, depending on whether the report has an unqualified opinion, a qualified opinion, a disclaimer of opinion or an adverse opinion.

⁹ Circumstances may arise that result in the auditor concluding that a “split opinion” is required. The opinion addresses the two parts of the engagement: 1) that Schedule IB is prepared in all material respects in accordance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9), and 2) that the Fund has complied, in all material respects, with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9). A “split opinion” means that one part of the engagement has a different type of opinion to the other part of the engagement. For example, the auditor may express an unmodified opinion on the preparation of Schedule IB but express a modified opinion on the compliance of the Fund with Regulation 28 (several different combinations of types of opinion may be possible). ISAE 3000 (Revised) allows for separate conclusions (“split opinions”) in paragraph A2:

Where the subject matter information is made up of a number of aspects, separate conclusions may be provided on each aspect. All such separate conclusions do not need to relate to the same level of assurance. Rather, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement. References in this ISAE to the conclusion in the assurance report include each conclusion when separate conclusions are provided.

In the event of a split opinion, the auditor adapts the wording of the basis for opinion and opinion paragraphs accordingly.

The basis for opinion and opinion paragraphs may be set out as follows, as an example:

Basis for qualified opinion on compliance of the Fund with the relevant sub-regulations of Regulation 28 and unqualified opinion on the preparation of Schedule IB in accordance with the relevant sub-regulations of Regulation 28

Qualified opinion on compliance of the Fund with the relevant sub-regulations of Regulation 28 and unqualified opinion on the preparation of Schedule IB in accordance with the relevant sub-regulations of Regulation 28

(Note that this layout is based on Illustrative Report 15 in South African Auditing Practice Statement (SAAPS) 3, *Illustrative Reports* (Revised November 2015), which is available on the IRBA's website).

- ¹⁰ Should the auditor's opinion be qualified, then the basis for qualified opinion paragraph should be included in the report. The paragraph should provide sufficient detail regarding the instances of non-compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) identified, or disagreement with the basis of interpretation/valuation applied by the fund, to enable the FSCA to deal with the matter or issue identified in the appropriate manner. Guidance could be obtained from ISAE 3000 (Revised) paragraphs 74 – 77.

Examples of the basis for qualified opinion paragraph:

- Regulation 28 requires that the aggregate exposure to foreign assets, expressed as a percentage of total assets, should not exceed the maximum allowable percentage prescribed by Regulation 28(3)(i). The Fund's total foreign exposure was <xx>% of the total assets at <insert year-end date>.
- The amount disclosed in Line xx of Schedule IB relates to collective investment schemes with xx Investment Management Limited, totalling Rxx. The underlying information about the assets held by these collective investments schemes has not been obtained for these investments in a format that would allow the Board of Fund to perform a 'look-through' as required by Regulation 28.
- The Fund has invested xx% of total assets in category 8.1(c) "other assets not referred to in this schedule and excluding a hedge fund or private equity fund". This exceeds the limit of xx% that may be invested in this category as set out by Regulation 28.
- The amount disclosed in Line xx of Schedule IB relates to collective investment schemes with xx Investment Management Limited, totalling Rxx. This investment has been excluded from the total assets of the Fund for Regulation 28 reporting without having obtained the required documentation as per Regulation 28(8)(b)(i).

- ¹¹ Should the auditor's opinion be disclaimed, then the basis for disclaimer of opinion paragraph should be included in the report. The paragraph should provide sufficient detail regarding the instances of non-compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) identified, or disagreement with the basis of interpretation/valuation applied by

the fund, to enable the FSCA to deal with the matter or issue identified in the appropriate manner. Guidance could be obtained from ISAE 3000 (Revised) paragraphs 74 – 77.

Example of the basis for disclaimer of opinion paragraph:

- Regulation (4)(a) requires that Schedule IB be prepared on a look-through basis. The Fund was not able to provide us with the necessary supporting documentation and confirmations we consider necessary for audit purposes. We were unable to confirm or verify the information included in Schedule IB by alternative means.

- ¹² Should the auditor's opinion be an adverse opinion, then the basis for adverse opinion paragraph should be included in the report. The paragraph should provide sufficient detail regarding the instances of non-compliance with Regulation 28 (3)(a), (3)(c), (3)(e)-(j), (4), (8) and (9) identified, or disagreement with the basis of interpretation/valuation applied by the fund, to enable the FSCA to deal with the matter or issue identified in the appropriate manner. Guidance could be obtained from ISAE 3000 (Revised) paragraphs 74 – 77

Example of the basis for adverse opinion paragraph:

- Regulation 28(4)(a) requires that Schedule IB be prepared on a look-through basis. Where the Fund obtains auditors' reports confirming compliance with Regulation 28 from the auditors of the linked insurance policies and collective investment schemes, the Fund is exempted from applying the look-through principle. The Fund has not obtained the necessary confirmations, and as such should have prepared Schedule IB on the look-through basis. Had the look-through basis been applied, many of the categories set out in Schedule IB would have been materially affected and therefore the departure from the requirements of Regulation 28 is considered to be pervasive. The effects on the Schedule of this departure have not been determined.

- ¹³ An "emphasis of matter" paragraph is used to draw users' attention to a matter presented or disclosed in Schedule IB that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of Schedule IB. The user considers soft breaches of such importance that it is fundamental to its understanding of Schedule IB. For example, limits exceeded as a result of market movements, as allowed for in Regulation 28(3)(j) ("soft breaches"), are reported in an emphasis of matter paragraph. An "emphasis of matter" paragraph is included if the limit exceeded is due to reasons other than discretionary transacting (e.g. market movements) and this explanation is **adequately disclosed** in a note to Schedule IB.

Refer to ISAE 3000 (Revised) paragraphs 68 and 73(a).

Examples of emphasis of matter paragraphs:

- We draw attention to Note X to Schedule IB which indicates that the aggregate exposure to foreign assets, expressed as a percentage of total assets exceeded the maximum allowable percentage prescribed by Regulation 28(3)(i). As explained in Note X to the Schedule this limit was exceeded due to market movements and not as

a result of discretionary transacting by the Fund. Our opinion is not modified in respect of this matter.

- We draw attention to Note X to Schedule IB which indicates that the aggregate exposure to immovable property not listed on an exchange, expressed as a percentage of total assets, exceeded the 15% allowed by Regulation 28. As explained in Note X to Schedule IB the Fund has received exemption from the Financial Sector Conduct Authority to invest up to xx% in this category until <insert date>. Our opinion is not modified in respect of this matter.

- ¹⁴ An “other matter” paragraph is used to communicate matters other than those that are presented or disclosed in the subject matter information that, in the auditor’s judgement, is relevant to the intended user’s understanding of the engagement, the auditor’s responsibilities or the assurance report. An “other matter” paragraph is included if the limit exceeded is due to reasons other than discretionary transacting (e.g. market movements) and this explanation is not disclosed in a note to Schedule IB.

Refer to ISAE 3000 (Revised) paragraphs 68 and 73(b).

Example of other matter paragraph:

- The aggregate exposure to foreign assets, expressed as a percentage of total assets exceeded the maximum allowable percentage prescribed by Regulation 28(3)(i). This limit was exceeded due to market movements and not as a result of discretionary transacting by the Fund. Our opinion is not modified in respect of this matter.
- ¹⁵ For example, the auditor may report a Reportable Irregularity to the Independent Regulatory Board for Auditors (IRBA). Where the assurance provider has a statutory or other obligation to report matters to a regulatory oversight body or other person, such as the IRBA, the assurance provider needs to adhere to the statutory requirements imposed on him/her.