

Auditor's report template: Audit of the Financial Statements of a Large Retirement Fund (Schedule D)

Approval Date: In March 2018, 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 Schedule D 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 Schedule D report.

Audit of the financial statements of a large retirement fund in terms of the Pension Funds Act No. 24 of 1956, as amended (the Pension Funds Act of South Africa). Auditor's report prepared in terms of ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

The applicable financial reporting framework is a compliance framework.

Financial statements of a large retirement fund prepared in accordance with a special purpose framework, namely the *Regulatory Reporting Requirements for Retirement Funds in South Africa*.

The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.

The Financial Sector Conduct Authority (the Authority) does not require the auditor to disclose Key Audit Matters.¹

Use of the auditor's report is restricted.

The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.

Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

There are no additional instances of non-compliance with laws and regulations that came to the auditor's attention during the course of the audit, other than those instances of non-compliance with laws and regulations described in the Statement of Responsibility by the Board of Fund.

¹ ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared In Accordance With Special Purpose Frameworks*, paragraph A16 states that for audits of special purpose financial statements, ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, only applies when communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters.

Independent Auditor's Report

To the Board of Fund of the *[insert name of Fund]*

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of *[Insert name of Fund]* (the Fund) set out on pages *xx* to *xx*, which comprise the statement of net assets and funds as at *[Insert year end]* and the statement of changes in net assets and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of *the Fund* for the year ended *[Insert year end]* are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

[For auditors' reports issued on or after 15 June 2019 in respect of audits of financial statements for financial periods beginning before or on 14 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, 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) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OR

[For audits of financial statements for financial periods beginning on or after 15 June 2019] [Delete block if not applicable]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. 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)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

We draw attention to the *Purpose and basis of preparation of financial statements* note to the financial statements, which describes the basis of preparation of the financial statements. The financial statements have been prepared for the purpose of the Fund's reporting to the Financial Sector Conduct Authority (the Authority) in terms of section 15(1) of the Pension Funds Act No. 24 of 1956, as amended (the Pension Funds Act of South Africa), and have been prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Fund and the Authority and should not be used by parties other than the Board of Fund or the Authority. Our opinion is not modified in respect of these matters.

Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the Annual Financial Statements in terms of section 15 of the Pension Funds Act of South Africa, of the Fund for the period [Insert date] to [Insert date], but does not include the financial statements (schedules F, G and HA) and our auditor's report thereon (schedule D)²

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

² A retirement fund's annual report, as defined in ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, could include documents and/or reports that are distributed by the fund to its members, in addition to the regulatory return. Client specific facts and circumstances should be considered.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.
- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements³

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with laws and regulations that came to our attention during the course of our audit of the financial statements.⁴

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of [name of Fund] which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note [xx] to the Report of the Board of Fund.⁵

[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]

³ At the request of the Authority, instances of non-compliance with laws and regulations for which the Board of Fund is responsible should be reported in the Statement of Responsibility by the Board of Fund. The auditor is required to report on these matters under the heading "Report on Other Legal and Regulatory Requirements". These matters do not form part of the "Report on the Financial Statements".

⁴ Or "The following additional instances of non-compliance that came to our attention during the course of our audit of the financial statements are detailed below" and include details.

⁵ If no reportable irregularities were reported to the IRBA, this paragraph must be deleted.