



## FSCA COMMUNICATION 12 OF 2022 (RF)

### Exemption from using certain prescribed formats for preparing financial statements under section 15 of the Pension Funds Act, 1956

#### 1. Purpose

The purpose of this communication is to inform stakeholders that the Financial Sector Conduct Authority (“Authority”) has –

- (a) in terms section 281(1) of the Financial Sector Regulation Act, 2017 (“FSR Act”), exempted funds from using certain formats (as prescribed under paragraph 3(2)(a), (b) and (c) of Board Notice 77, as published in *Government Gazette* 37844 of 18 July 2014) when preparing financial statements, on the condition that such funds use the revised illustrative Section 15 Retirement Fund agreed-upon procedures reports (“the revised report formats”), as approved by the Independent Regulatory Board for Auditors (“IRBA”); and
- (b) published the exemption with this communication on its website as FSCA RF Notice 5 of 2022.

#### 2. Background

- 2.1 On 18 July 2014, the then Registrar of Pension Funds published Board Notice 77 of 2014 in *Government Gazette* 37844 (“the Board Notice”). The Board Notice prescribed the format of the financial statements that must be completed by funds in accordance with section 15 of the Pension Funds Act, 1956 (Act No. 24 of 1956) (“the PFA”).
- 2.2 Amongst the formats prescribed as set out in the Board Notice were the following Schedules:
  - (a) **Schedule I1** – Report of the independent auditors of factual findings to the Registrar of Pension Funds (as prescribed under paragraph 3(2)(a) of the Board Notice);
  - (b) **Schedule I2** – Report of the independent auditors of factual findings to the Registrar of Pension Funds (ordinary funds) (as prescribed under paragraph 3(2)(b) of the Board Notice);
  - (c) **Schedule I3** – Report of the independent auditors of factual findings to the Registrar of Pension Funds (umbrella funds) (as prescribed under paragraph 3(2)(a) of the Board Notice);
  - (d) **Schedule I4** – Report of the independent auditors of factual findings to the Registrar of Pension Funds (Retirement Annuity and Preservation funds) (as prescribed under paragraph 3(2)(a) of the Board Notice); and

- (e) **Schedule 15** –Report of the Board of Fund to the Registrar of Pensions in terms of section 15 of the Pension Funds Act (as prescribed under paragraph 3(2)(c) of the Board Notice).
- 2.3 The IRBA approved the following the revised report formats to be used by registered auditors:
- (a) March 2022: "Ordinary funds";
  - (b) March 2022: "Umbrella funds" and
  - (c) March 2022: "Retirement annuity funds and preservation Funds".
- 2.4 The Authority supports the use of these IRBA revised report formats and will be replacing the existing Board Notice with a prudential standard to incorporate the IRBA's approved revised illustrative auditor's reports into the prescribed formats for preparing financial statements.
- 2.5 However, in terms of section 1A(4) of the PFA, any matter prescribed must be read as a reference to the matter being prescribed in a prudential standard, conduct standard or joint standard.
- 2.6 Accordingly, the format of financial statements prescribed under section 15 of the PFA would constitute a prudential standard and any amendment to such prudential standard must follow the consultation processes set out in Chapter 7 of the FSR Act. The process of amending the Board Notice will therefore take a number of months to finalise.
- 2.7 The Authority acknowledges the need to facilitate the use of the IRBA's revised report formats by exempting funds from using the relevant prescribed reports on the condition that the IRBA's revised report formats are used.
- 2.8 Various funds will be submitting financial statements through the use of IRBA's revised report formats, notwithstanding the requirements prescribed in the Board Notice. In order to acknowledge these reports and facilitate compliance with the Board Notice, the exemption will apply as from the IRBA effective date of the revised report formats. The effect of this approach is that any fund which -
- submitted financial statements in accordance with IRBA's revised report formats, after the IRBA effective date, can rely on the exemption and is therefore in compliance with the requirements of the Board Notice; or
  - did not submit financial statements in accordance with IRBA's revised report formats, after the IRBA effective date, would still be in compliance with the requirements of the Board Notice.
- 2.9 It is important to note that this exemption does not absolve funds from the requirements of section 15 of the PFA or the Board Notice, and all funds must still prepare financial statements and other relevant documents as per section 15 of the PFA and the Board Notice. The only exception is that funds may, in accordance with the exemption, substitute the reports format , referred to in:
- (a) paragraph 2.2(a) above with the format referred to in paragraph 2.3(a) above;
  - (b) paragraph 2.2(b) above with the format referred to in paragraph 2.3(a) above;
  - (c) paragraph 2.2(c) above with the format referred to in paragraph 2.3(b) above;
  - (d) paragraph 2.2(d) above with the format referred to in paragraph 2.3(c) above; and
  - (e) paragraph 2.2(e) above with the format referred to in paragraph 2.3(a) above.

### **3. Enquiries**

For further information regarding this Communication please contact the Authority by emailing Ms. Wilma Mokupo at [Wilma.Mokupo@fsca.co.za](mailto:Wilma.Mokupo@fsca.co.za).

A handwritten signature in black ink, appearing to be 'OLANO' with a stylized flourish.

**OLANO MAKHUBELA**  
**DIVISIONAL EXECUTIVE: RETIREMENT FUNDS SUPERVISION**

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