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CFO FORUM SUBMISSION FOR PROPOSED AMENDMENTS TO THE IRBA CODE OF PROFESSIONAL CONDUCT - REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE IRBA CODE

In response to your request for input on the proposed amendments to the IRBA Code of Professional Conduct in relation to revisions to the definitions of listed entity and public interest entity in the IRBA code, attached is the comment letter prepared by the CFO Forum, an interest group of the South African Institute of Chartered Accountants (SAICA).

We have included our comments to the amendments proposed in Appendix A.

This comment letter results from deliberations of the members of the CFO Forum, a discussion group formed and attended by the Chief Financial Officers of major Johannesburg Stock Exchange (JSE) listed and larger state-owned companies – with members representing a significant part of South African business. The CFO Forum has broad sectoral coverage ranging from financial services, mining, retail, media, telecoms, medical services as well as paper and packaging. Its aim is to contribute positively to the development of South Africa's policy and practice on financial matters that affect business – such as government regulatory issues and initiatives, taxation, financial reporting, corporate law and governance, capital market regulation and stakeholder communications for enterprises.

We thank you for the opportunity to provide comments on the proposed amendments.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Jason Quinn
Chair of the CFO Forum

Appendix A:

Proposed Amendments to the IRBA Code of Professional Conduct - Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code

Question No.	Question	Response (Yes / No)	Additional Information required
1	Do respondents agree that the proposed amendments provide useful guidance to help the registered auditor in determining whether an entity is a public interest entity?	Yes	N/A
2	Do respondents agree that public entities listed in Schedule 2 of the Public Finance Management Act No. 1 of 1999 should be identified as public interest entities?	Yes	N/A
3	Do respondents agree that public entities or institutions that are authorised in terms of legislation to receive money for a public purpose with annual expenditure in excess of R5 billion or that are responsible for the administration of funds for the benefit of the public in excess of R10 billion, as at the financial year-end, should be identified as public interest entities?	Yes	While the principles of defining thresholds is understood, IRBA may want to consider also including qualitative considerations. Although qualitative considerations may result in inconsistent application, it may act as a deterrent for entities who intentionally try to understate these metrics in order to not be included as a PIE. It may also reduce the likelihood of an entity being a PIE in one year, and not a PIE the following year.
4	Do respondents agree that all universities, as defined in the Higher Education Act No. 101 of 1997, should be identified as public interest entities?	Yes	N/A
5	Do respondents agree with the proposed harmonisation of the thresholds to R10 billion, as follows: (i) Collective Investment Schemes, including hedge funds, in terms of the Collective Investment Schemes Control Act No. 45 of 2002, that hold assets in excess of R10 billion? (ii) Funds, as defined in the Pension Funds Act No. 24 of 1956, that hold or are otherwise responsible for safeguarding client assets in excess of R10 billion? (iii) Pension Fund Administrators, in terms of Section 13B of the Pension Funds Act No. 24 of 1956, with total assets under administration in excess of R10 billion? (iv) Financial Services Providers, as defined in the Financial Advisory and Intermediary Services Act No. 37 of 2002, holding financial products or funds on behalf of clients in excess of R10 billion? (v) Authorised users of an exchange, as defined in the Financial Markets Act No. 19 of 2012, that hold or are otherwise responsible for safeguarding client assets in excess of R10 billion?	No	The CFO forum agrees with the harmonisation of the thresholds, however as these thresholds were set higher for some categories in the extant code. We believe that a higher threshold (i.e. above R10 billion) would be a fairer reflection considering the advancement of these entities and the growing economy. In addition, this would assist in the avoidance of fluctuations between these entities being a PIE in one year and not a PIE in the following year. As mentioned in question 4, IRBA may also want to consider qualitative considerations.

Question No.	Question	Response (Yes / No)	Additional Information required
6	Considering the proposed thresholds outlined in question 5 above, are respondents aware of entities that could fluctuate from being a public interest entity to not being a public interest entity, and vice versa, from one year to the next, as a result of fluctuations in the values to which the thresholds are applied, such as the value of client assets held by the entity?	No	N/A
7	Do respondents agree with the proposed threshold of 89 000 beneficiaries for medical schemes?	Yes	However as mentioned previously IRBA maybe want to consider including qualitative considerations.
8	Do respondents agree that the thresholds set in paragraph R400.18 SA will allow for a consistent application of the Code and are appropriate?	Yes	N/A
9	Do respondents propose any other types of entities that should be included in paragraph R400.18 SA?	No	N/A
10	Do respondents agree with the proposed definition of a publicly traded entity	Yes	N/A
11	Do respondents agree with the proposed effective date?	Yes	N/A

Other comments:

Paragraph reference	Specific suggestions for any proposed changes to the wording (where appropriate)
R400.8c	IRBA may want to consider not removing the extant code (R400.8c SA) <i>"If a firm considers an audit client that falls under one or more of the categories listed in paragraph R400.8a SA not to be a public interest entity, the firm shall document its reasoning and its consideration of paragraph R400.8b SA"</i> as this rebuttable presumption is useful in particular circumstances.