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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS**  **COMMITTEE FOR AUDIT****OR ETHICS** |

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| **Frequently Asked Questions on Public Interest Entities in the IRBA Code of Professional Conduct**  Johannesburg / 13 December 2016  We refer to the IRBA Communique dated 4 March 2016, and include below some frequently asked questions arising from the communique.   1. **What is the effective date of the amendment?**   The effective date of the amendments was on or after 1 July 2016, in other words, financial years ending after 30 June 2016. It is not the intention for the amendment to be applied retrospectively to earlier financial periods. It should be noted, however, that paragraph 290.25 has been effective from 1 January 2011 and should be adhered to.   1. **Are entities with a Public Interest Score above 350 considered to be PIEs?**   Please refer to the section of 12 December 2016 IRBA communique titled, ['**Clarification of the definition of Public Interest Entity and Public Interest Score**](https://www.irba.co.za/upload/report_files/20161213011725_61.-PIE-Clarification.docx)'   1. **Section 290.26a lists entities that generally satisfy the conditions to be considered PIEs. Included in this list are *Pension Fund Administrators (in terms of Section 13B of the Pension Funds Act 1956, (Act No. 24 of 1956)) with total assets under administration in excess of R20 billion*. Does this definition include both benefit administrators and investment administrators?**   Yes. This applies to both benefit administrators and investment administrators registered under the Pension Funds Act.   1. **Section 290.26a lists entities that generally satisfy the conditions to be considered PIEs. Included in this list are *'Collective Investment Schemes, including hedge funds, in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), that hold assets in excess of R15 billion'*. Would this assessment of the value of assets held be done at a Scheme or portfolio level?**   According to the Collective Investment Schemes Control Act 2002, (Act 45 of 2002)a *'collective investment scheme' is defined as a scheme, in whatever form, including an open-ended investment company, in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio, and in terms of which-*  *(a)**two or more investors contribute money or other assets to and hold a*  *participatory interest in a portfolio of the scheme through shares, units or any other form of participatory interest; and*  *(b) the investors share the risk and the benefit of investment in proportion to their participatory interest in a portfolio of a scheme or on any other basis, determined in the deed,*  *but not a collective investment scheme authorised by any other Act.*  The threshold in Section 290.26a was set, to be applied by registered auditors at a portfolio  level i.e. at the level of a fund within a Collective Investment Scheme.   1. **Paragraph 290.26 (a) states that 'Medical Schemes as defined in the Medical Schemes Act, 1998 (Act No. 131 of 1998) that are open to the public (commonly referred to as 'open medical schemes') or are restricted schemes with a large number of members' generally satisfy the conditions in paragraph 290.26 as having a large number and wide range of stakeholders and thus are likely to be considered as Public Interest Entities. Is there any guidance on what is considered 'restricted schemes with a large number of members' and thus likely to be considered as a Public Interest Entity?**     The Council for Medical Scheme (CMS) issued the *Standards for Authorisation of Auditors of Medical Aid Schemes* (the Standards) on 11 November 2016, as per [Circular 80 of 2016, *Auditor Authorisations and Approvals*](https://www.medicalschemes.com/Publications.aspx). Section 2 of the Standards, addressing Public Interest Entities states that: 'Restricted medical schemes with a large number of members are determined as those schemes with beneficiaries greater than 65 000'. This implies that all restricted medical schemes with greater than 65 000 beneficiaries should be classified as a Public Interest Entity.      **Imran Vanker**  **Director: Standards**  ***About the IRBA***  *The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.*  *The statutory responsibilities of the CFAE are to assist the IRBA to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct; interact on any matter relating to its functions and powers with professional bodies and any other body or organ of state with an interest in the auditing profession; and provide advice to registered auditors on matters of professional ethics and conduct.* |