

9 May 2008

(By email to bviljoen@parliament.gov.za)

The Secretary to Parliament
c/o Mr. Bradley Viljoen
Committee Section
Parliament of the RSA
P.O. Box 15
Cape Town
2008

Attention: Bradley Viljoen

Dear Sir

**WRITTEN REPRESENTATION ON THE GENERAL FINANCIAL SERVICES LAWS
AMENDMENT BILL, 2008 ("The Bill")**

We are pleased to have the opportunity to comment on the above Bill. This comment letter has been prepared on behalf of the Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA) of South Africa.

The IRBA supports the objectives of the General Financial Services Laws Amendment Bill, 2008 and our comments should therefore be read in the context of the achievement of those objectives.

Our comments on the Bill are as follows (recommended changes are indicated in marked-up format):

1. We recommend amendment of Section 13 of Act 37 of 2002 as follows:

(b) “(a) at all of the provider, competent to act, ...

(Reason for change: Editorial)

2. We recommend amendment of Section 19 of Act 37 of 2002 as follows:

56. Section 19 of the Financial Advisory and Intermediary Services Act is hereby amended –

(a) By the substitution of paragraph (b) of subsection (1) with the following:

(b) annually prepare, in respect of the financial year of the provider, financial statements reflecting **[with suitable particulars,]**

(i) the financial position of the entity **[as at the last day of the financial year in question]** at its financial year end, and the results of operations, **[cash flow information]** the receipt and payment of cash and cash equivalent balances, all changes in owners equity for the period then ended, and such additional components required in terms of South African Generally Accepted Accounting Practice issued by the Accounting Practices Board¹ or International Financial Reporting Standards issued by the International Accounting Standards Board (“financial reporting standards”); and

(ii) a summary of significant accounting policies and explanatory notes on the respective statements and components referred to in paragraph (i).

(b) By the substitution for paragraph (a) of subsection 2 of the following:

(a) An authorised financial services provider must cause the annual financial statements referred to in subsection 1 (b) subparagraphs (i) and (ii) to be audited and reported on in accordance with International Standards on Auditing by an external auditor approved by the registrar. **[, in order to produce]**

¹ This body will be superseded by the Financial Reporting Standards Council to be established in terms of the Corporate Laws Amendment Act, Act 24 of 2006 which will be responsible for issuing financial reporting standards.

- (c) Subparagraphs (i), (ii) and (iii) of subsection 2 paragraph (a) are hereby repealed
- (d) Subparagraph (i) of subsection 2 paragraph (b) is hereby repealed.

Reasons for changes to paragraph 56 (a) to (d) proposed above

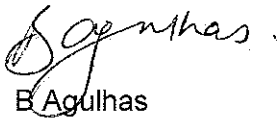
- 1 To align FAIS Section 19.3 financial reporting requirements with financial reporting standards adopted in South Africa for entities having public accountability. By referring to the financial reporting standards applicable, this avoids the need to continually update the Act for subsequent developments in financial reporting practices as well as facilitating the compliance by auditors in reporting on financial statements prepared in accordance with either of the specified accounting frameworks.
- 2 FAIS reporting applies to many listed entities which are required by the JSE to comply with International Financial Reporting Standards so this brings the FAIS Act in line with other Regulators which also fall under the FSB.
- 3 The present reference in Subsection 2(b)(i) to [“generally accepted accounting practice”] is no longer appropriate, and is consequently repealed.
- 4 The *South African Financial Reporting Standards for Small and Medium Enterprises* issued by the Accounting Practices Board is designed for entities not having public accountability (defined as including those entities holding assets in trust for third parties).
- 5 The above changes are based on similar changes made in the Corporate Laws Amendment Act, Act 24 of 2006 – Section 286 effective from December 2007)

3. Continuing remaining amendments to Section 19 - paragraph 56 on page 37:
 - (c) change to subsection 2(b) (iv) will become (e)
 - (d) change to subsection 3 (a) and (b) will become (f)
 - (e) insertion of subsection 7 will become (g.) The wording should refer to:
“...may not change [a] its financial year end...”

Reason for proposed change to (e) – new subsection 7: Editorial.

Should you wish to discuss the above, please do not hesitate to contact the writer.

Yours faithfully



B. Agulhas

Director: Standards