

## **Section 22**

### **Accreditation of Auditors, Reporting Accountants and IFRS Advisers**

#### **Scope of section**

The requirements relating to an accreditation mechanism for auditors and their advisers are an integral part of the regulation of the JSE. It is essential that auditors and their advisers assist the JSE in upholding the integrity of the markets it operates. This section sets out the requirements relating to auditors and reporting accountants and addresses the detailed requirements applicable to the audit firm, individual auditor, IFRS adviser, reporting accountant and reporting accountant specialist.

The audit firm, individual auditor, IFRS adviser, reporting accountant and reporting accountant specialist must undertake to the JSE that they accept certain responsibilities. These responsibilities, requirements and eligibility criteria are detailed in Sections 3, 8, 13, 15 and 22 and Schedule 15.

Only an audit firm, individual auditor, IFRS adviser, reporting accountant and reporting accountant specialist recorded on the JSE list of Auditors and their advisers may act as an auditor and/or reporting accountant for an applicant issuer.

The main headings of this section are:

- Section 22.1 Qualifications
- Section 22.5 Roles and responsibilities
- Section 22.9 Status
- Section 22.10 Termination of accreditation

#### **Qualifications**

- 22.1 In order to qualify to perform the statutory audit or review of an applicant issuer:
- (a) the audit firm must be accredited on the JSE list of Auditors and their advisers;
  - (b) at least three individual auditors within the audit firm must be accredited as such on the JSE list of Auditors and their advisers, in terms of the criteria set out in Schedule 15;
  - (c) in the instance of an audit firm and its individual auditors being registered with the IRBA, at least 3 individual auditors must have had a file review done by the IRBA and must only be subject to the next file review in the next review cycle, as set out in Schedule 15.3(b)(ii); and
  - (d) the audit firm must have at least one IFRS adviser, either internal or external to the firm, accredited on the JSE list of Auditors and their advisers.
- 22.2 In order to qualify to perform the function of reporting accountant:

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Scope of section amended with effect from 1 April 2010.  
22.1(a), (b) and (d) amended with effect from 1 April 2010.  
22.2 amended with effect from 1 April 2010.

- (a) the audit firm must be accredited as such on the JSE list of Auditors and their advisers and be registered with the IRBA;
- (b) at least three individual auditors within the audit firm must be accredited as such on the JSE list of Auditors and their advisers and must be registered with the IRBA;
- (c) the audit firm must have at least one IFRS adviser, either internal or external to the firm, accredited as such on the JSE list of Auditors and their advisers; and
- (d) the audit firm must have at least one internal reporting accountant specialist accredited as such on the JSE list of Auditors and their advisers and registered with the IRBA.

22.3 In order for an audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist to be accredited by the JSE, it must:

- (a) apply to the JSE on the prescribed form, set out in Schedule 15, with the necessary supporting documentation;
- (b) pay the prescribed fees;
- (c) meet the eligibility criteria set out in Schedule 15; and
- (d) satisfy the JSE that it is competent to discharge its responsibilities.

22.4 An audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist must agree to be bound by, and discharge its responsibilities, in terms of the Listings Requirements.

### **Roles and responsibilities**

22.5 The roles and responsibilities of an audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist are contained in this paragraph and paragraphs 22.6 to 22.8 (where applicable). The audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist must:

- (a) accept all of their responsibilities in terms of the Listings Requirements, as detailed in Sections 3, 8, 13, 15, 21 and 22 (the applicability thereof being dependent on the role being fulfilled and the type of applicant issuer);
- (b) on initial application and thereafter annually, or more frequently where specified, submit all documentation required in terms of Schedule 15 to the JSE, make the declarations and undertakings set out therein and ensure that such information and documentation are, both in principle and content, in compliance with the Listings Requirements;
- (c) fulfil the specific responsibilities set out in the Listings Requirements required of an audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist;
- (d) provide to the JSE any information or explanation known to it, in such form and within such time limit as the JSE may reasonably require, for the purpose of verifying whether the Listings Requirements are being and have been complied with by it or by an applicant issuer;
- (e) discharge its responsibilities with due care and skill; and
- (f) within 5 working days of receiving notification of any of these matters, inform the JSE of the following:

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22.3 amended with effect from 1 April 2010.

22.5(f), previously 22.5(g), renumbered and amended with effect from 1 April 2010.

- (i) the outcome of a firm or file review performed by the IRBA or a similar regulatory or professional body for auditors in another jurisdiction, together with the decision letter from the IRBA or similar regulatory or professional body for auditors;
- (ii) the fact that it was party to (either by advising or signing off on financial statements or other information) an investigation by the FRIP or similar body, that resulted in a conclusion that the applicant issuer's financial statements or other information were not in compliance with IFRS or the Listings Requirements;
- (iii) the fact that it, or the previous auditor, in an instance where there was a change in auditor, issued an audit or review opinion on information that was subsequently amended;
- (iv) any pending legal or disciplinary process instituted by any professional body of which it is a member or regulator to which it is accountable, irrespective of the nature of the process or action;
- (v) the outcome of any legal or disciplinary processes of any professional body of which it is a member or regulator to which it is accountable;
- (vi) any of the matters referred to in paragraph 22.10; and/or
- (vii) any other matter that may be of relevance to its ongoing obligations and responsibilities in terms of the Listings Requirements.

22.6 Further responsibilities of the audit firm and individual auditor include:

- (a) monitoring compliance with the disclosure requirements of the JSE as they relate to interim, preliminary, provisional, abridged and annual reports, as set out in Sections 3, 8, 13, 15 and 21 of the Listings Requirements (where applicable) in instances where an auditor's report has been issued on such financial reports and, in addition to any obligations in terms of paragraph 8.64, reporting matters of non-compliance directly to the JSE; and
- (b) advising the JSE of any instance where the applicant issuer misrepresents the content of the auditor's report as it relates to that applicant issuer (for example by indicating that the auditor's opinion is unqualified when there is a modification of the auditor's opinion or by indicating that there are no issues when in fact there is a modified auditor's report).

22.7 The role of the IFRS adviser includes the following:

- (a) when required to do so by the audit firm/individual auditor/reporting accountant and/or reporting accountant specialist, provide technical IFRS assistance and advice in support of the assurance opinion. This is a service to the audit firm, individual auditor, reporting accountant and/or reporting accountant specialist, not the applicant issuer, and the IFRS adviser is required to document its IFRS opinion;
- (b) to act as technical link between the JSE and the audit firm/individual auditor/reporting accountant and/or reporting accountant specialist in instances where the JSE requires interaction in relation to the IFRS reporting by the applicant issuer; and
- (c) it is suggested, but not required, that the audit firm/individual auditor/reporting accountant and/or reporting accountant specialist consult with and require the IFRS adviser to review the financial statements and other information of the applicant issuer before their issue.

- 22.8 The role of the reporting accountant specialist is to:
- (a) provide appropriate advice to the applicant issuer and, if applicable, the individual auditor on the application of the financial information requirements detailed in the Listings Requirements before any circular is submitted to the JSE for informal comment, to ensure that this advice has been applied and to confirm this in writing to the JSE; and
  - (b) to either sign off on the reporting accountant's report of the audit firm itself, or perform a quality review function on the work performed to support every reporting accountant's report, in order to ensure compliance with the Listings Requirements (in which case it must submit a letter to the JSE confirming that it has fulfilled this role).

### **Status**

- 22.9 If an audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist does not fulfil the responsibilities above or fully comply with the eligibility criteria set out in Schedule 15, either at the time of application or any time thereafter, the JSE will:
- (a) in the case of a new application, not accredit the audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist; or
  - (b) in the case of a currently accredited audit firm, individual auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist, consider terminating its accreditation and removing its name from the JSE list of Auditors and their advisers.

### **Termination of accreditation**

- 22.10 Where the JSE finds that an auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist:
- (a) has contravened, or failed to adhere to, the provisions of the Listings Requirements;
  - (b) was investigated and found guilty in terms of a regulatory review or disciplinary process of the IRBA, another regulator or any professional body of which it is a member;
  - (c) was investigated and/or found guilty of and/or paid a fine and/or was sanctioned in any manner for a breach of the [SSAFMA](#); or
  - (d) was convicted, whether in South Africa or elsewhere, or is allegedly guilty of theft, fraud, forgery, uttering a forged document, perjury, an offence under the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004), or any offence involving dishonesty.

The JSE may:

- (i) refer the matter to IRBA (or, if applicable, to a similar regulatory or professional body for auditors in a jurisdiction other than South Africa) or in the instance of an IFRS adviser refer the matter to the individual's professional body;
- (ii) advise the audit committee of the issuer; and
- (iii) terminate the accreditation of and remove the name of the auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist from

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22.8(a) amended with effect from 1 April 2010.

22.9(a) and (b) amended with effect from 1 April 2010.

Heading "Termination of accreditation" above 22.10 introduced with effect from 1 April 2010.

22.10 amended with effect from 1 April 2010.

the JSE list of Auditors and their advisers.

- 22.11 Implicit in the relationship between the JSE and an auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist and as a result of the functions of these parties, its duty to make full and frank disclosure to the JSE of any issues that may impact on its suitability to perform its responsibilities and discharge its obligations as set out in the Listings Requirements. Furthermore, it is incumbent on an auditor, IFRS adviser, reporting accountant and/or reporting accountant specialist to, in the event of any potential contravention of the Listings Requirements, the presence of any of the issues as set out in 22.5(f) and 22.10 and/or any other factors that may impact on its ability to suitability perform its responsibilities, provide compelling reasons to prove to the satisfaction of the JSE that its is still competent and suitable to fulfil the responsibilities and obligations that it wishes to undertake.

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22.11, previously 22.12, renumbered and amended with effect from 1 April 2010.  
22.13 deleted with effect from 1 April 2010.