

## **Institutional investor audit report in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers**

### **(A) Preface**

Institutional investors are required to submit quarterly asset allocation reports within two months of the end of the calendar quarter to the Financial Surveillance Department of the South African Reserve Bank (Financial Surveillance Department). The purpose of this guide is to provide illustrative agreed-upon procedures reports for an auditor reporting on the quarterly asset allocation reports.

### **(B) Introduction**

- (i) Section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) sets out the objectives and principles as well as the reporting and application requirements for institutional investors eligible for the prudential limit.
- (ii) Pension funds, life insurers (non-linked and linked business) and CIS managers have to comply with the requirements as outlined in section B.2(H) of the Authorised Dealer Manual.
- (iii) Discretionary financial services providers may elect to register with the Financial Surveillance Department as institutional investors. Discretionary financial services providers who elected to register as institutional investors must comply with the application and reporting requirements set out in section B.2(H) of the Authorised Dealer Manual. The discretionary financial services providers who elect not to register with the Financial Surveillance Department are treated as intermediaries and are exempt from the requirements set out in section B.2(H) of the Authorised Dealer Manual.

**(C) Quarterly report on asset allocation**

- (i) Institutional investors with portfolio assets, whether held directly or indirectly through another domestic institution, are required to submit quarterly reports of their asset allocation as at the end of each calendar quarter. The quarterly reports provide the primary mechanism for monitoring compliance with the respective prudential limits.
- (ii) In reporting on asset allocations, the 'look-through' principle is applied to investments in collective investment schemes, life insurance policies and other investment products.

**(D) Agreed-upon procedures engagement**

- (i) Institutional investors whose total assets at fair value exceed R6 million will be required, as part of their year-end audit/review, to engage an independent registered auditor to perform agreed-upon procedures on the quarterly asset allocation reports.
- (ii) The objective of an agreed-upon procedures engagement is for the registered auditor to carry out procedures to which the auditor, the entity and any appropriate third parties have agreed, and to report on factual findings.
- (iii) In order to ensure consistency of procedures and the resultant reports, the Financial Surveillance Department has, in consultation with the Independent Regulatory Board for Auditors (IRBA), The South African Institute of Chartered Accountants (SAICA), the National Treasury and the Financial Services Board, developed illustrative reports that set out the minimum information required in the reports, including agreed-upon procedures that should be performed in respect of the quarterly asset allocation reports. The agreed-upon procedures and reports are set out in Annexures A to D. The report is addressed to the trustees or directors as appropriate and the procedures are agreed with them prior to the commencement of the work.

- (iv) The registered auditor complies with the code of professional conduct issued by the IRBA and SAICA and conduct an agreed-upon procedures engagement in accordance with the International Standard on Related Services applicable to Engagements to Perform Agreed upon Procedures Regarding Financial Information.
- (v) The registered auditor prepares an engagement letter documenting the key terms of the appointment. An engagement letter confirms the registered auditor's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the auditor's responsibilities and the form of report to be issued.
- (vi) It is the responsibility of the trustees or directors to provide the reports and, if applicable, detailed explanations of exceptions noted and proposed corrective actions, to the Financial Surveillance Department.

**(E) Annexures**

Annexures A to D attached.

**Reporting requirements for institutional investors: Pension funds**

*[Set out below are the agreed-upon procedures and report of the registered independent auditor on factual findings applicable to pension funds]*

**Factual findings report of the registered independent auditor to the Board of Trustees in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers****(A) Scope**

- (i) We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) and related reconciliations of *(insert name of fund)* for the year ended *(insert date)*. We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Board of Trustees. The procedures were performed solely to assist you in complying with the reporting requirements of section B.2(H) of the Authorised Dealer Manual in respect of the quarterly reports on asset allocations.
- (ii) The fund (or the fund's administrator) supplied us with the following:
1. Copies of the quarterly asset allocation reports for the quarters ended *(insert dates)*.
  2. Copies of investment certificates for the last quarter before or on the financial year-end.
  3. A list of investments and/or the general ledger in respect of investments held directly.
  4. A reconciliation of the last quarterly asset allocation report before or on

the financial year-end to investment certificates and the list of direct investments and/or the general ledger.

5. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited/reviewed financial statements. This reconciliation discloses the movement in balances, distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.

(iii) The procedures are summarised as follows:

*[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedures performed.]*

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within two months after the respective quarter end.
2. Using the investment certificates received by the fund for the last quarter before or on the financial year-end, we:
  - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger; and
  - 2.2 agreed the classification between local and foreign assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H and I of the last quarterly asset allocation report before or on the financial year-end.

4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited/reviewed annual financial statements and examined the evidence for reconciling items (Annexure A).
5. We observed whether the amounts have been recorded in R'000.

## **(B) Findings**

*[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]*

- (i) We report our findings below, detailing:
  1. With respect to item 1, we found that the quarterly returns were/were not duly certified by the authorised official and submitted within two months of the quarter end.
  2. For the last quarterly asset allocation report:
    - 2.1 With respect to item 2.1, we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger.
    - 2.2 With respect to item 2.2, we found that the classification between local and foreign assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger.
  3. With respect to item 3, we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H and I of the last quarterly asset allocation report were/were not calculated correctly.

4. With respect to item 4, we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited/reviewed financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report (Annexure A).
  5. With respect to item 5, we found that the amounts on the returns were/were not recorded in R'000.
- (ii) Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).
- (iii) Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.
- (iv) Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose, or to be distributed to any other parties, other than the Financial Services Board and the Financial Surveillance Department. This report relates only to the quarterly asset allocation report and items specified above, and does not extend to any financial statements of (*insert funds name*), taken as a whole.

**Signed by partner/director**

**Name of partner/director responsible Chartered Accountant (SA) Registered Auditor**

**Director (if applicable in terms of the Companies Act)**

**Address (if not on letterhead)**

**Date**

**Reporting requirements for institutional investors: Life insurers**

*[Set out below are the agreed-upon procedures and the report of the registered independent auditor on factual findings applicable to life insurers]*

**Factual findings report of the registered independent auditor to the directors in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers****(A) Scope**

- (i) We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) and related reconciliations of *(insert name of company)* for the year ended *(insert date)*. We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of section B.2(H) of the Authorised Dealer Manual in respect of the quarterly reports on asset allocations.
- (ii) The directors supplied us with the following:
1. Copies of the quarterly asset allocation reports for the quarters ended *(insert dates)*.
  2. Copies of the investment certificates for the last quarter before or on the financial year-end.
  3. A list of investments and/or the general ledger in respect of investments held directly.

4. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates, list of direct investments and/or the general ledger.
  5. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.
  6. A list of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each quarter as provided to the Financial Surveillance Department.
  7. A list of the institutions which issued investment certificates in respect of institutional assets.
- (iii) The procedures are summarised as follows:

*[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedure performed.]*

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within two months after the respective quarter end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
  - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger;

- 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger; and
- 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items (Annexure A).
5. For the last quarterly report we selected a sample of the lesser of 25 or 30 per cent individual investments from the analyses provided above by management for each class of assets (A to F) for each of the following categories for both institutional and retail investors:
- Rand denominated domestic assets;
  - Rand denominated foreign assets; and
  - foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
  - 5.2 inspected the valuation of the investment and agreed that they were valued at fair value; and
  - 5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.
6. We selected a sample of the lesser of 25 or 30 per cent of institutional investors from the analyses provided by management for the last quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to the Financial Surveillance Department for that quarter.
  7. We selected a sample of the lesser of 25 or 30 per cent of institutions that issued investment certificates in respect of institutional assets and inspected evidence that the institutions are pension funds, life insurers, cis managers or registered discretionary financial services providers (if applicable).
  8. We observed whether the amounts have been recorded in R'000.

## **(B) Findings**

*[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]*

- (i) We report our findings below, detailing:
  1. With respect to item 1, we found that the quarterly returns were/were not duly certified by the authorised official and submitted within two months of the quarter end.

2. For the last quarterly asset allocation report:
  - 2.1 with respect to item 2.1, we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
  - 2.2 with respect to item 2.2, we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger; and
  - 2.3 with respect to item 2.3, we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and or the general ledger.
3. With respect to item 3, we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4, we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report (Annexure A).
5. For the items selected:

- 5.1 with respect to item 5.1, we found that the investments agreed/did not agree to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
  - 5.2 with respect to item 5.2, we found that the investments were/were not valued at fair value; and
  - 5.3 with respect to item 5.3, we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.
6. With respect to item 6, we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to the Financial Surveillance Department for the quarter.
  7. With respect to item 7, we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).
  8. With respect to item 8, we found that the amounts on the returns were/were not recorded in R'000.
- (ii) Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).
  - (iii) Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

- (iv) Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose or to be distributed to any other parties other than the Financial Services Board and the Financial Surveillance Department. This report relates only to the quarterly asset allocation report and items specified above and does not extend to any financial statements of (*insert name of company*) taken as a whole.

**Signed by partner/director**

**Name of partner/director responsible Chartered Accountant (SA) Registered Auditor**

**Director (if applicable in terms of the Companies Act)**

**Address (if not on letterhead)**

**Date**

**Reporting requirements for institutional investors: Discretionary financial service providers**

*[Set out below are the agreed-upon procedures and the report of the registered independent auditor on factual findings applicable to Discretionary financial services providers.]*

**Factual findings report of the registered independent auditor to the directors in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers****A. Scope**

- (i) We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) and related reconciliations of *(insert name of company)* for the year ended *(insert date)*. We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of section B.2(H) of the Authorised Dealer Manual in respect of the quarterly reports on asset allocations.
- (ii) The directors supplied us with the following:
1. Copies of the quarterly asset allocation reports for the quarters ended *(insert dates)*.
  2. Copies of the investment certificates for the last quarter before or on the financial year-end.

3. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to investment certificates and/or the general ledger.
  4. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.
  5. A list of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each quarter as provided to the Financial Surveillance Department.
  6. A list of the institutions which issued investment certificates in respect of institutional assets.
- (iii) The procedures are summarised as follows.

*[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedures performed.]*

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within two months after the respective quarter-end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
  - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to E of the quarterly asset allocation report to the investment certificates and/or the general ledger;

- 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger; and
  - 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report to the investment certificates, list of direct investments and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category F.1 and the foreign asset holding percentages as reflected in categories G, H, I and J of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items (Annexure A).
5. For the last quarterly report we selected a sample of the lesser of 25 or 30 per cent individual investments from the analyses provided above by management for each class of assets (A to E) for each of the following categories for both institutional and retail investors:
  - Rand denominated domestic assets;
  - Rand denominated foreign assets; and
  - foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;
  - 5.2 inspected the valuation of the investment and agreed that they were valued at fair value; and
  - 5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.
6. We selected a sample of the lesser of 25 or 30 per cent of institutional investors from the analyses provided by management for the last quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to the Financial Surveillance Department for that quarter.
  7. We selected a sample of the lesser of 25 or 30 per cent of institutions which issued investment certificates in respect of institutional assets and inspected evidence that the institutions are pension funds, life insurers, asset managers or registered discretionary financial services providers (if applicable).
  8. We observed whether the amounts have been recorded in R'000.

## **B. Findings**

*[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]*

- (i) We report our findings below, detailing:

1. With respect to item 1, we found that the quarterly returns were/were not duly certified by the authorised official and submitted within two months after the quarter end.

2. For the last quarterly asset allocation report:
  - 2.1 with respect to item 2.1, we found that the classification of assets and their fair value as reflected in asset classes A to E of the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger;
  - 2.2 with respect to item 2.2, we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger; and
  - 2.3 with respect to item 2.3, we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates and/or the general ledger.
3. With respect to item 3, we found that the African allowance as reflected in category F.1 and the foreign asset holding percentages as reflected in categories G, H, I and J of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4, we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited annual financial statements. Reconciling items on the reconciliation agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report (Annexure A).
5. For the items selected:
  - 5.1 with respect to item 5.1, we found that the investments agreed/did not agree to statements confirmations from custodians of scrip or

statements or direct confirmations from the counterparty for other investments;

5.2 with respect to item 5.2, we found that the investments were/were not valued at fair value; and

5.3 with respect to item 5.3, we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.

6. With respect to item 6, we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to the Financial Surveillance Department for the quarter.

7. With respect to item 7, we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).

8. With respect to item 8, we found that the amounts on the returns were/were not recorded in R'000.

(ii) Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

(iii) Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to our attention that would have been reported to you.

(iv) Our report is solely for the purpose set out in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties other than the Financial Services Board and the Financial

Surveillance Department. This report relates only to the quarterly asset allocation report and items specified above and does not extend to any financial statements of (*insert name of company*) taken as a whole.

**Signed by partner/director**

**Name of partner/director responsible Chartered Accountant (SA) Registered Auditor**

**Director (if applicable in terms of the Companies Act)**

**Address (if not on letterhead)**

**Date\_**

**Reporting requirements for institutional investors: CIS managers**

*[Set out below are the agreed-upon procedures and the report of the registered independent auditor on factual findings applicable to CIS managers]*

**Factual findings report of the registered independent auditor to the directors in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers****A. Scope**

- (i) We have performed the procedures agreed with you and enumerated below with respect to the quarterly asset allocation reports in terms of section B.2(H) of the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual) and related reconciliations of *(insert name of company)* for the year ended *(insert date)*. We have initialled the attached quarterly asset allocation reports for identification purposes. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. The procedures were performed solely to assist you in complying with the reporting requirements of section B.2(H) Authorised Dealer Manual in respect of the quarterly reports on asset allocations.
- (ii) The directors supplied us with the following:
1. Copies of the quarterly asset allocation reports for the quarters ended *(insert dates)*.
  2. Copies of the investment certificates for the last quarter before or on the financial year-end.
  3. A reconciliation of the last quarterly asset allocation report before or on

the financial year-end to investment certificates, list of direct investments and/or the general ledger.

4. A reconciliation of the last quarterly asset allocation report before or on the financial year-end to the amounts disclosed in the audited financial statements. This reconciliation discloses the movement in balances distinguishing between new amounts invested, disinvestments, income and unrealised profit or loss and other movements. This reconciliation is attached as Annexure A to the factual findings report.
  5. A list of the investors that are considered to be institutional investors during each quarter and institutional investors who terminated investments during each quarter as provided to the Financial Surveillance Department.
  6. A list of the institutions which issued investment certificates in respect of institutional assets.
- (iii) The procedures are summarised as follows:

*[The procedures should be tailored where necessary to reflect any specific circumstances and any additional procedure performed.]*

1. We inspected each of the four quarterly asset allocation reports to observe whether they were duly certified by the authorised official and submitted within two months after the respective quarter end.
2. Using the investment certificates supplied by the directors, for the last quarter before or on the financial year-end, we:
  - 2.1 agreed the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report to the investment certificates and/or the general ledger;

- 2.2 agreed the classification between institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger; and
  - 2.3 agreed the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report to the investment certificates and/or the general ledger.
3. We re-performed the calculation of the African allowance as reflected in category G.1 and the foreign asset holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report before or on the financial year-end.
4. We agreed the reconciliation of the last quarterly asset allocation report before or on the financial year-end to the audited annual financial statements and examined the evidence for reconciling items (Annexure A).
5. For the last quarterly report we selected a sample of the lesser of 25 or 30 per cent individual investments from the analyses provided above by management for each class of assets (A to F) for each of the following categories for both institutional and retail investors:
  - Rand denominated domestic assets;
  - Rand denominated foreign assets; and
  - foreign currency denominated assets.

For each item selected above, we:

- 5.1 agreed the investments to statements or confirmations from

custodians of scrip or statements or direct confirmations from the counterparty for other investments;

5.2 inspected the valuation of the investment and agreed that they were valued at fair value; and

5.3 agreed that foreign assets were translated at the relevant exchange rates ruling at the end of each quarter.

6. We selected a sample of the lesser of 25 or 30 per cent of institutional investors from the analyses provided by management for the last quarter and agreed that the institution has been disclosed as an institution on the list of institutional investors provided to the Financial Surveillance Department for that quarter.

7. We selected a sample of the lesser of 25 or 30 per cent of institutions which issued investment certificates in respect of institutional assets and inspected evidence that the institutions are pension funds, life insurers, cis managers or registered discretionary financial services providers (if applicable).

8. We observed whether the amounts have been recorded in R'000.

## **B. Findings**

*[The findings should be tailored where necessary to reflect the specific circumstances, procedures performed, findings and exceptions noted.]*

(i) We report our findings below, detailing:

1. With respect to item 1, we found that the quarterly returns were/were not duly certified by the authorised official and submitted within two months of the quarter end.

2. For the last quarterly asset allocation report:
  - 2.1 with respect to item 2.1, we found that the classification of assets and their fair value as reflected in asset classes A to F of the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger;
  - 2.2 with respect to item 2.2, we found that the classification between institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and/or the general ledger; and
  - 2.3 with respect to item 2.3, we found that the classification between Rand denominated assets, foreign assets and foreign currency denominated assets in respect of institutional and retail assets as per the quarterly asset allocation report agreed/did not agree to the investment certificates, list of direct investments and or the general ledger.
3. With respect to item 3, we found that the African allowance as reflected in category G.1 and the foreign holding percentages as reflected in categories H, I, J and K of the last quarterly asset allocation report were/were not calculated correctly.
4. With respect to item 4, we found that the reconciliation of the last quarterly asset allocation report before or on the financial year-end agreed/did not agree to the audited financial statements and investment certificates. Reconciling items on the reconciliations agreed/did not agree to transactions on investment statements subsequent to the last quarterly asset allocation report (Annexure A).
5. For the items selected:
  - 5.1 with respect to item 5.1, we found that the investments agreed/did not

agree to statements or confirmations from custodians of scrip or statements or direct confirmations from the counterparty for other investments;

5.2 with respect to item 5.2, we found that the investments were/were not valued at fair value; and

5.3 with respect to item 5.3, we found that the foreign assets were/were not translated at the relevant exchange rates ruling at the end of each quarter.

6. With respect to item 6, we found that the institutions were/were not disclosed as institutions on the list of institutional investors provided to the Financial Surveillance Department for the quarter.

7. With respect to item 7, we found that the institutions selected were/were not retirement funds, long-term insurers, collective investment scheme management companies or investment managers (if applicable).

8. With respect to item 8, we found that the amounts on the returns were/were not recorded in R'000.

(ii) Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the quarterly asset allocation reports for the year ended (*insert date*).

(iii) Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

(iv) Our report is solely for the purpose set out in the first paragraph of this report and for your information, and is not to be used for any other purpose or to be

distributed to any other parties other than the Financial Services Board and the Financial Surveillance Department. This report relates only to the asset allocation report and items specified above and does not extend to any financial statements of *(insert name of company)* taken as a whole.

**Signed by partner/director**

**Name of partner/director responsible Chartered Accountant (SA) Registered Auditor**

**Director (if applicable in terms of the Companies Act)**

**Address (if not on letterhead)**

**Date**