


**BOARD NOTICE 566 OF 2008****FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002  
(ACT NO. 37 OF 2002)****DETERMINATION OF FORM OF EXTERNAL AUDITOR'S REPORT (SECTION 19(3) OF THE ACT)**

In terms of section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) ("the Act"), I Dube Phineas Tshidi, Registrar of Financial Services Providers ("the Registrar"), by this notice and its schedule, determine the form and manner in which the report referred to in section 19(3) of the Act ("section 19(3) auditor's report") must be submitted, and the following matters regarding thereto:

- (a) If the provider's financial year end is after 30 June 2008, such provider must submit a written section 19(3) auditor's report to the Registrar conforming to the report in the schedule, simultaneously with the financial statements referred to in section 19(2) of the Act.
- (b) If the provider's financial year end is before or on 30 June 2008, such provider must submit a written section 19(3) auditor's report conforming to the report in the schedule, or conforming to the report determined in the Determination of Form of External Auditor's Report (Section 19(3) of the FAIS Act), 2005, simultaneously with the financial statements referred to in section 19(2) of the Act.
- (c) Where report options are granted in the wording of the schedule, or a non-applicable section appears therein, the non-applicable option or section must be deleted and initialled;
- (d) Any additional comments which the auditor wishes to make must be attached in separate signed attachments;
- (e) In this notice and the schedule, unless the context indicates otherwise –
  - (i) any word or expression shall have the meaning that it was assigned in the Act;

- (ii) "General Code of Conduct" means the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003, as published by Board Notice No. 80 of 2003 in *Gazette* No. 25299 of 8 August 2003;
- (iii) "Provider" means an authorised financial services provider.

This Determination is called the Determination of Form of External Auditor's Report (Section 19(3) of the Act), 2008, and comes into operation on the date of publication thereof in the *Gazette*.



**D P Tshidi**  
**Registrar of Financial Services Providers**

## SCHEDULE

**Report to the Registrar of Financial Services Providers in terms of section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) ("the Act") by an external auditor**

**Limited assurance engagement of the independent auditor of [Name of Financial Services Provider] in compliance with Section 19(3) of the Financial Advisory and Intermediary Services Act (the "Act")**

### Introduction

We have agreed to perform our limited assurance engagement of (*insert the name of the financial services provider*), ("the provider") for the year ended <*insert year end date*> in order to report to the [provider, members, partners or directors]<sup>1</sup> and the Registrar of Financial Services Providers (the "registrar") in accordance with Section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002) (the "Act"):

- (a) Regarding the amount of money and assets at year end held by the provider on behalf of clients;<sup>2</sup>
- (b) that such money and assets were throughout the financial year kept separate from those of the business of the provider, and in the case of non-compliance, the extent thereof; and
- (c) Any other information required by the registrar<sup>3</sup>.

### **Provider's Responsibility**

As a provider who receives or holds money and assets, including financial products, for or on behalf of clients you are required in terms of Section 19(1)(a) to "*maintain full and proper accounting records on a continual basis, brought up to date monthly*" and in accordance with Section 10 of the *General Code of Conduct for Authorised Financial Services Providers* (the "Code"), "*must account for such products or funds properly and promptly*" as at <*insert year end date*> and throughout the financial year then ended. Section 19 of the Act, Section 10 of the Code and client mandates set out specific responsibilities of the provider. Consequently the [provider, members, partners or directors]<sup>4</sup> are responsible for designing, implementing and maintaining internal financial controls relevant to the administration of such funds that will facilitate the prevention and detection of fraud and error, and establish policies and procedures to achieve compliance with the requirements of the Act.

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<sup>1</sup> Delete whichever is "Not Applicable"

<sup>2</sup> The Registrar requires money and assets held on behalf of clients by the Provider and related liabilities or obligations at the financial year end, to be disclosed in the annual financial statements of the provider, whether included in the Notes to the Financial Statements or by way of a separate Annexure.

<sup>3</sup> This requirement is addressed in the form of **Schedule A** and **Schedule B** attached to the Section 19(3) report to be submitted by the auditor of the provider.

<sup>4</sup> Delete whichever is "Not Applicable"

***Auditor's responsibility***

We will conduct our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* in order to express our limited assurance conclusion and to report on instances of non-compliance based on our work performed. This standard requires that we comply with relevant ethical requirements and to plan and perform our engagement to obtain sufficient appropriate evidence to support our limited assurance conclusion and findings reported.

Our objectives are those contained in Section 19(3) of the Act and Section 10 of the Code and form the criteria to evaluate the provider's compliance. The Act and the Code do not specify an internal control framework, which provides objective criteria for assessing the design or operation of internal controls to evaluate the provider's compliance. In order to report our findings on the design and implementation of key internal controls to meet the objectives of this engagement, we will exercise our professional judgement regarding the appropriateness of the internal financial controls implemented, based on our understanding of the provider and its environment, including its internal controls, obtained during our audit of the financial statements for the year ended *<insert year end date>*. Our work performed is not for the purpose for expressing an opinion on the provider's internal controls.

Our limited assurance engagement is a separate regulatory requirement which does not form part of our audit of the financial statements. Consequently, we will perform such tests and procedures as we consider necessary in the circumstances to obtain sufficient appropriate evidence to express our limited assurance conclusion. It should be appreciated that in a limited assurance engagement our evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

Because of the nature of our limited assurance engagement, together with the inherent limitations in any accounting and internal control system, there is an unavoidable risk that some material misstatements and non-compliance with the Act and Section 10 of the Code may remain undiscovered.

Our limited assurance engagement is performed solely to assist the registrar in determining whether the amounts recorded with respect to monies and other assets held on behalf of the clients of the provider are in accordance with Section 19(3) of the Act and Section 10 of the Code.

We will request written confirmation from management concerning representations made to us in connection with our limited assurance engagement.

***Other reporting responsibilities***

We wish to draw your attention to Section 19(4) the Act which requires *"the auditor of a provider to report to and inform the registrar in writing of any irregularity or suspected irregularity in the conduct or the affairs of the provider concerned of which*

*the auditor became aware of in performing functions as auditor and which in the opinion of the auditor is material".*

Furthermore Section 45 of the Auditing Profession Act, No. 26 of 2005 requires us to report any reportable irregularity without delay to the Independent Regulatory Board for Auditors.

***Restriction on use and distribution of our report***

Our report is presented solely for the purpose set out in the first paragraph of our report and for the information of the provider and the registrar and may not be suitable for another purpose and is not to be used for any other purpose, nor to be distributed to any other parties.

***Fees***

*[Insert additional information here regarding fee arrangements and billing, as appropriate]*

***Access to records***

We look forward to full co-operation from your staff, and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our limited assurance engagement.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement.

Yours sincerely,

*[Insert name of Registered Auditor]*  
*[Insert name of the firm]*

Acknowledged on behalf of provider:

(Signed) .....

Name and title

(Date)