

## POLICY ISSUES – CORPORATE LAWS AMENDMENT BILL, 2006

## Independent Regulatory Board for Auditors (IRBA)

Clause	Comments	Initial response	Possible amendments
29	Rules iro restriction on certain services by Auditors to be regulated in the Code of Ethics to be developed by the Committee for Auditor Ethics of the IRBA	To conduct further consultation with relevant stakeholder/s. Preferably provide for cross-referencing with the APA alternatively remove clause from the Bill. Restriction to apply to firm and not designated Auditor.	Delete “designated” from heading of section
33	Accounting framework is merely conceptual and Audit opinions will have be based on recognized standards  Adoption of IFRS and not development of FRS which are in accordance to IFRS.	LIC to comply with accounting framework in the interim period before development of standards by the Council.  The dti is wary of automatic adoption of international standards without adapting them to suite our domestic needs, but they will, however, be in accordance with IFRS	Insert definition of “Accounting framework” to reflect interim measures.  To provide for development of Standards for LIC within 12 months of the establishment of Council
31	Provision is inconsistent with the APA	To align the clause with section 45 of APA.	
44	Auditor must not be required by law to attend and answer questions at AGM	The Auditor must be accountable to shareholders iro his/her report must to questions relating to his/her report at the AGM. Shareholders freedom iro of questions to be asked is qualified	

**South African Institute of Professional Accountants (SAIPA)**

Clause	Comments	Initial response	Possible amendments
	Gender sensitivity in language of Bill.	Will revise language of Bill.	
22	Exemptions by Minister	Dealt with	
24	Consideration of criteria for independence provided for by IRBA	Concede.	Substitute IRBA for professional body and industry code.
50	Composition of Council 2 users of LIC and 2 users of PIC	Concede	
50	Qualified people to form part of Council.	For the sake of continuity the Bill provides for new members of the council to be qualified among other things in addition to the appointment of new members	

**Association for the Advancement of Black Accountants of Southern Africa (ABASA)**

Clause	Comments	Initial response	Possible amendments
1.3	Consider international standards subject to local needs e.g. transformation agenda of the country		
2.2	Inclusion of accountant in audit committee	There is no requirement on the directors (executive and non executive) to have special skills/qualifications and consequently there must be no duty on any member of the audit committee to be a CA.	
	Co-opting external experts into audit committee	The Bill already provides for companies to secure the services of specialists. As such, there is no reason why companies should co-opt such experts as members of	

		audit committees.	
	Members of audit committee should have a majority of non-executive directors.	It is immaterial whether the audit committee should be comprised of a majority or only non-executive directors; the principle issue is that of independence. Members must be required to act independently.	
22	Minister should not have power to exempt certain companies to appoint audit committees.	Minister's powers are not unfettered. There are situations where an audit committee serves little or no benefit; exemption is necessary under such circumstances.	
27	Rotation of firm Vs individual partner. Inclination is to rotate firms.	Need to research further on the issue.	
	Financial statements for PIC Vs LIC	Dealt with under IRBA comments	
	Attendance at AGM by auditor of LIC.	Discretion should be with members of company to require attendance by auditor.	

#### Association of Chartered Certified Accountants (ACCA)

Clause	Comments	Initial response	Possible amendments
22	Functions of audit committee should be left to self-regulation.	Functions contained in bill provide a framework and are not exhaustive.	
22	Requirement for membership of audit committees should be restricted to listed companies	The Bill enhances corporate governance in PICs to the benefit of shareholders. PICs have a duty to the public/investors and the audit committee ensures that this duty is carried out appropriately.	
	Complaints regarding auditing should be dealt with by the IRBA.	It should be the discretion of the audit committee to refer matters to the IRBA.	
27	Rotation of auditors.	Dealt with above.	
29	Non-audit services	Dealt with above	
	Bill should refer to	Addressed above.	

**Deloitte**

Clause	Comments	Initial response	Possible amendments
29	Refer to response iro IRBA comments		
44	At least one member of IRBA comments	There is no requirement on the skills/qualifications and consequently there must be no	

**Ernest and Young**

Clause	Comments	Initial response	Possible amendments
33	Refer to response iro IRBA comments		
29	Refer to response iro IRBA comments		
44	Refer to response iro IRBA comments		
22	Refer to response iro Deloitte comments		
50	Clause does not seem to contemplate that standards to be developed by Council for LIC will be in accordance with International Financial Reporting Standards.	The intention is to have financial reporting standards for LIC that are less onerous than IFRS. There are, in any event, no international financial reporting standards for LICs.	

**PriceWaterhouse Coopers (PWC)**

Clause	Comments	Initial response	Possible amendments

**KPMG**

Clause	Comments	Initial response	Possible amendments