



Common Financial Reporting Disclosure Findings on the JSE

December 2015



Executive Summary

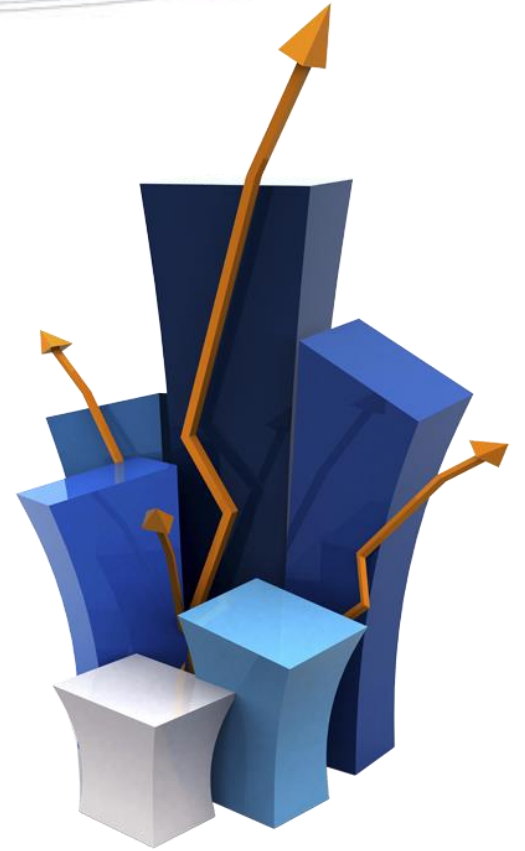
Although the IFRS journey has been quite successful in South Africa and the overall financial reporting environment is quite strong, companies continue to struggle with some key disclosure related issues.

The JSE, in association with the South African Institute of Chartered Accountants set up the Financial Reporting Investigation Panel which

reviews financial statements of companies listed on the JSE for disclosure compliance.

This report summarises the work done by the FRIP over the past few years and highlights some key disclosure related issues they have noted over time.

Our firm specialises in IFRS advisory and the preparation of financial statements and would be happy to engage with you further.



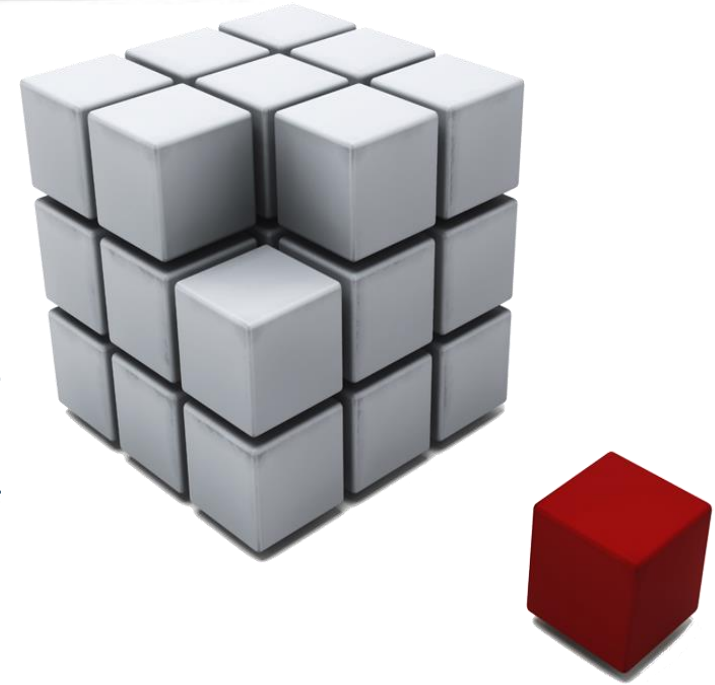
Financial Reporting in South Africa

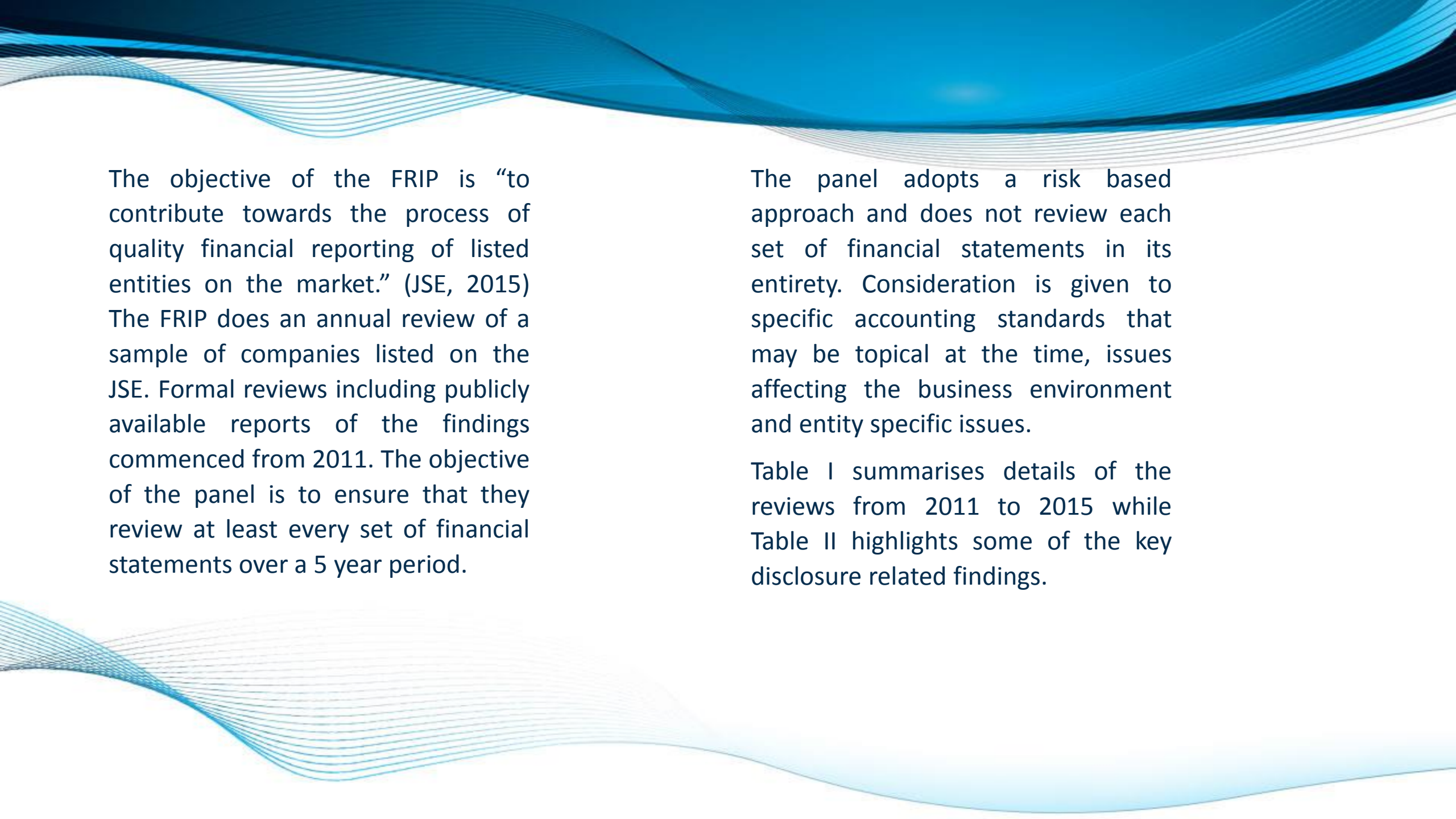
The quality of financial reporting in South Africa has improved significantly since the country adopted IFRS in 2005.

South Africa had commenced the move to report under IFRS long before the formal adoption through an extensive harmonisation project.

The JSE, along with the South African Institute of Chartered Accountants (SAICA),

jointly set up a monitoring panel in 2002 called the Financial Reporting Investigation Panel (FRIP). The FRIP operates under the Issuer Regulation Division of the JSE and reports on alleged cases of non-compliance with financial reporting requirements for companies listed on the JSE. The panel consists of a mixture of industry experts, regulators and academics in the field of financial reporting.





The objective of the FRIP is “to contribute towards the process of quality financial reporting of listed entities on the market.” (JSE, 2015) The FRIP does an annual review of a sample of companies listed on the JSE. Formal reviews including publicly available reports of the findings commenced from 2011. The objective of the panel is to ensure that they review at least every set of financial statements over a 5 year period.

The panel adopts a risk based approach and does not review each set of financial statements in its entirety. Consideration is given to specific accounting standards that may be topical at the time, issues affecting the business environment and entity specific issues.

Table I summarises details of the reviews from 2011 to 2015 while Table II highlights some of the key disclosure related findings.

TABLE I : REVIEWS 2011 - 2015	2011	2012	2013	2014
Number of AFS reviewed	56	82	78	85
Cases closed immediately	16	12	19	18
Letters of inquiries	40	70	59	67
Cases pending	11	15	9	10
Cases brought forward from the previous year	-	11	15	9
Completed Cases	29	78	84	84
Restatements and public announcements	2	7	3	6
Non-compliance to be corrected in subsequent periods	12	12	15	17
Areas for improvement only or no issues	-	31	33	25
Smaller disclosure issues	15	28	33	36

TABLE II – SUMMARY OF KEY DISCLOSURE ISSUES	2011	2012	2013	2014
Boiler plate or irrelevant accounting policies	X	X	X	X
Lack of assessment of going concern	X			
Insufficient disclosure of reclassification	X	X		
Insufficient disclosure of significant judgements and assumptions		X	X	X
Poor disclosures under the statement of cash flows	X	X	X	X
Incorrect/Insufficient disclosure of tax rate reconciliations	X	X		X
Lack of support for recognition of deferred tax assets	X	X		X
Poor disclosure of related party transactions	X	X		
Incorrect depreciation requirements of IAS 16				X
Insufficient disclosure in terms of IAS 36 Impairments	X	X	X	X
Insufficient disclosure in terms of IFRS 2 Share Based Payments	X	X	X	

TABLE II – SUMMARY OF KEY DISCLOSURE ISSUES (Contd)	2011	2012	2013	2014
Poor and incorrect disclosure in terms of IFRS 3 Business Combinations	X	X		X
Insufficient disclosure in terms of IFRS 12				X
Incorrect classification and presentation of financial instruments			X	X
Poor IFRS 7 Financial Risk Management disclosures	X	X		
Poor IFRS 8 Segment Reporting disclosures	X	X	X	
Insufficient disclosures for events after the reporting date		X		
Incorrect calculation of earnings per share and headline earnings per share		X	X	X
Insufficient disclosure in terms of IFRS 13 Fair Value Measurements				X

**The information for the above two tables was extracted from the Reporting Back on Proactive Monitoring of Financial Statements 2011 – 2014 issued by the JSE Limited*

ZKC & Associates

ZKC & Associates specialises in IFRS and Annual Financial Statement Preparation Consulting. We have a broad range of multi national clients for whom we provide technical IFRS advisory services and assist with the preparation of their financial statements. Our team has extensive experience in this field and includes specialists from industry and academia.

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