



PIS GUIDE

SUPPLIER FINANCIAL EVALUATIONS

Contract Process
Overview

Requests

Level of
Assurance

AFS: Level of Assurance



The Public Interest Score (Companies Act 2008) is used to determine what level of assurance is required to be provided on the reliability of the financial statements and whether they need to be audited, independently reviewed or neither in which case a compiler's report is required.

- The PIS score needs to be obtained from the supplier.
- The financial analyst will use the score provided to assess if the appropriate level of assurance on the reliability of the financial statements has been achieved.

The following companies will always be subject to an audit, irrespective of their PIS:

- State-owned companies.
- Public companies - listed and non-listed.
- Companies holding fiduciary assets, fiduciary assets is all of the assets, deposits, securities, that are administered, utilized, or held for the benefit of others > R5,000,000.
- If the memorandum of association says the company must be audited



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The score is allocated as follows:

<u>Elements of PIS</u>	<u>Points Allocation</u>
Average number of employees during the financial year.	Every employee is equal to one point.
Third party liability of the company, as at financial year end.	R1 million or portion thereof is equal to one point.
Turnover for the financial year.	R1 million or portion thereof is equal to one point. If the company has revenue of R500k, allocate ½ point.
Shareholder for the financial year.	One shareholder or beneficial owner is equal to one point.

The elements that are used to calculate the PIS:

- Employees.
- Third party liability, e.g. exclude loans to director / subsidiaries.
- Turnover.
- Shareholder or individuals associated with or having beneficial interest in the company.

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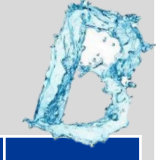
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PIS Score Examples



Public Interest Score Factors	Input	Score
Factor		
The average number of employees of the company during the financial year	10	10
The total third party liability (exclude liabilities to shareholder , subsidiaries & holding company) of the company, at the financial year end	R50 000 000	50
Total turnover during the financial year	R1 000 000	1
Shareholder(s) for the financial year	5	5
Public Interest Score		66

Public Interest Score Factors	Input	Score
Factor		
The average number of employees of the company during the financial year	100	100
The total third party liability(exclude liabilities to shareholder , subsidiaries & holding company) of the company, at the financial year end	R200 000 000	200
Total turnover during the financial year	R10 000 000	10
Shareholder(s) for the financial year	15	15
Public Interest Score		325

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PIS Score Interpretation Table

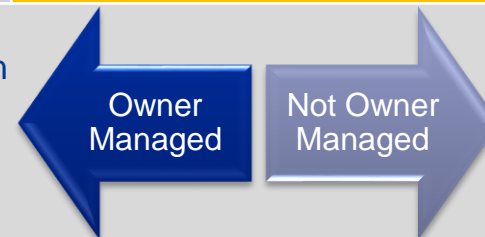
A: Owner Managed

<u>Public interest Score</u>	<u>Internally Compiled</u>	<u>Independently Compiled</u>
350	Audit	Audit
Between 100 - 349	Audit	Compilation
100 or less	Compilation	Compilation

B: Not Owner Managed

350	Audit	Audit
Between 100 - 349	Audit	Independent review
100 or less	Independent review	Independent review

Considered to be less risky than non-owner managed as the owner is involved in the day to day running of the business.



Considered to be riskier because the owner is not actively involved in the running of the day to day business.

Internally Compiled	When the annual financial statements are prepared by someone within the organisation.
Independently Compiled	When the annual financial statements are prepared by an external accountant.

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AFS: Level of Assurance Definitions - continue

	Term	Definitions
Reasonable Assurance	Audit	The auditor must corroborate the ending balances in the client's accounts and disclosures. This calls for the examination of source documents, third party confirmations, physical inspections, tests of internal controls, and other procedures as needed.
Moderate Assurance	Independent Review	In a review engagement, the auditor conducts analytical procedures and makes inquiries to ascertain whether the information contained within the financial statements is correct.
Low Assurance	Compilation	The accountant to simply present financial statements based on the representations made by management, with no requirement to verify this information.

