DO I REALLY NEED AN AUDIT?
Business requirements of an independent review

REGULATION OF THE ACCOUNTING PROFESSION
An update on international standards

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Official Journal of the South African Institute of Professional Accountants

CPD

60mins

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The South African Institute of Professional Accountants (SAIPA) is joining in the economic efforts of our country to reduce our carbon footprint.

As globalisation makes the world smaller our lives are becoming more and more intertwined with one another and the ecosystem. Everything that we do nowadays has some sort of impact on the environment. We need to look at embracing a greener lifestyle, and start moving in the direction of changing our lives, which could benefit us all healthwise as well.

I read an interesting article on Why Go Green on www.treehugger.com where they gave the top ten tips on this. These included:

1. Real food is fuel for the body... and the planet
2. The average woman absorbs more than 4 pounds of cosmetics during her lifetime.
3. Making stuff takes lots of energy (every object has an environmental impact).
4. Clean, renewable power is already available to everyone.
5. Better transportation means less global warming (walk, ride a bike or take public transport).
7. Your clothing choices impact on more than just your appearance.
8. Water is not a renewable resource.
9. Greener goods are more humane.
10. There’s nothing corny ‘about peace, love and understanding’ - (there is a connection between peace and the environment).

During the course of the year, we will be progressively moving our magazines, Professional Accountant and Tax Professional towards the online domain. The benefits of doing this is that the magazine will be made available to the members quicker, there are more opportunities for interaction with the writers of articles, and advertising companies can be contacted directly.

We would like your views on the ‘Going Green’ campaign. Please write to me on: communications@saipa.co.za

‘Become a tree hugger’

Till next quarter!

Janine

SAIPA is active on social media platforms and we invite members to connect with us and become part of the conversation in this space.

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In an exciting first, the South African Institute of Professional Accountants (SAIPA) has signed a Memorandum of Understanding with its Nigerian counterpart, the Association of National Accountants of Nigeria (ANAN).

According to the terms of the agreement, the two bodies agree to work together in order to promote the interests of members and the accountancy profession in general. At a more practical level the memorandum lays down the basis on which members of one organisation can become members of the other. This means that South African Accountants (SA) now have the opportunity to practise in Nigeria and vice versa. “This Memorandum of Understanding (MoU) facilitates co-operation between the two Institutes,” explains Shahied Daniels, CEO of SAIPA. “The South African and Nigerian economies are already very connected through trade. In fact, Nigeria is South Africa’s foremost trading partner on the continent. This MoU further strengthens the ties between our two countries in addition to the many business and trade connections that already exist.”

South Africa and Nigeria have much in common in terms of their global aspirations, regional dominance and, even, domestic challenges. Both exert considerable power within their respective regions. Therefore, it stands to reason that both South Africa and Nigeria will benefit from closer collaboration.

The memorandum between SAIPA and ANAN comes on the heels of a re-visit in September 2012 between Nigeria and South
Africa on their co-operation in tourism agreement which was first signed in 2008.

Trade between the two countries has been growing on an annual basis. In 2011 bilateral trade between South Africa and Nigeria exceeded $3.6 billion. “Economic growth in Nigeria has been considerable in recent years,” agrees Daniels. “The MoU opens up a new and exciting market for Professional Accountants (SA) from South Africa. The MoU has the potential to expand South African companies’ export market and increase their market share in the fast-growing Nigerian market with its increasing purchasing power, especially for the SME sector.”

Already many South African companies are taking advantage of opportunities in Africa’s most populous country with its vibrant and growing economy and a population of approximately 160 million. A number of retail companies including Game, Shoprite, Woolworths, Mr Price, Markhams, Foschini, Truworths, Steers, Mugg & Bean and NuMetro have successfully established themselves in Nigeria. Furthermore, South African construction, property management and infrastructure finance businesses have been involved in realising the burgeoning number of malls that have appeared in Nigeria in recent years. MTN, DStv and Standard Bank are also well supported in Nigeria.

According to Daniels, ‘Further co-operation between South Africa and Nigeria – such as the MoU between SAIPA and ANAN – has the potential of increasing the export volumes of South African businesses to take advantage of the economic growth and rising purchasing power in Nigeria that will translate into an increased demand for imported products and services’.

Like South Africa, the SME sector plays an important role in Nigeria, with small- and medium-sized enterprises considered the engine of growth both in terms of GDP growth as well as job creation. Daniels points out that Professional Accountants (SA) support SMEs in more than one way. “In addition to providing essential accountability services, they provide their SME clients with a range of other value-adding services and advice that help them to grow and prosper,” he says. “The members of the accounting industry in both countries make an important contribution to their respective economies, both in terms of growth and job creation.”

According to the Centre for Conflict Resolution in Cape Town there are many positive aspects of South African investment in Nigeria. While South African-owned companies have brought in expatriates, they have also employed a significant number of locals and have introduced innovative business models, most notably in the banking and telecommunications sectors.

This link between two leading professional accountancy bodies in Africa’s two most important economies is an important step in building that environment, and offers potential to the members of both organisations.

The MoU between SAIPA and ANAN encourages the transfer of skills and knowledge as well as the exchange of resource persons in training and other similar education and professional development activities, which promises synergies and additional benefits to the members of both Institutes. “An increased knowledge of Nigeria, its local customs and practices can only help Professional Accountants (SA) to assist their clients in their endeavours to expand into Nigeria,” points out Daniels. “The provision of technical and educational assistance on accounting-related issues to the other body’s members – a stipulation of the MoU – will also be of considering benefit to members who are intent on supporting clients who wish to establish business representation in Nigeria or to embark on trade relations with Nigeria.”

According to Lisa Otto, a researcher with SAIIA’s South African Foreign Policy and African Drivers Programme, the relative importance of South Africa and Nigeria to each other means that both will benefit from closer co-operation on issues of bilateral, regional and global concern. In fact, she says, “Improved relations between the two countries bodes well for the continent and would strengthen Africa’s voice on the international stage.”

The MoU between SAIPA and ANAN comes at a most opportune time. Chief Executive of ANAN, Chief Terkaaa Gemade, is positive about the agreement: “Africa is steadily building a business-friendly environment that is attractive to international investors and promotes intra-regional trade. This link between two leading professional accountancy bodies in Africa’s two most important economies is an important step in building that environment, and offers potential to the members of both organisations.”

“Nigeria’s business environment is in a strong growth mode and subsequently offers South African Professional Accountants (SA) a great new market in which to operate,” concludes Daniels. “We look forward to working closely with our Nigerian colleagues to build a reliable standards framework that will further support bilateral trade and business between our two countries.”
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As the independent review still forms part of new legislation, it will take time to adapt to the idea of something other than an audit. However, management of exempt companies should not hastily dismiss the independent review and take careful consideration of which option will best serve their business.

Before going into a detailed analysis of the nature of an independent review as it compares to the nature of an audit, it is necessary to first clarify which companies are required by law to undergo an audit and which are presented with the option of an independent review. Faith Ngwenya, Technical and Standards Executive for SAIPA, provides a breakdown of the process involved in determining which category your business falls under. “All public companies and state-owned entities are immediately subject to an audit, as are private companies with control of fiduciary assets in excess of R5 million. For all other businesses, their exemption from an audit is dependent on their public interest score (PIS),” she informs.

A company’s PIS is calculated in the following manner: For every R1 million in turnover the business is allocated one point; a further point is allocated for every beneficial business owner; for every staff member employed within the organisation in an average year, and for every R1 million in third party liability.

“Companies that emerge with a PI score above 350 points are automatically required to have an
audit. For those that have a score between 100 and 349 points, it will depend on whether they are owner managed or not and if their financial statements have been compiled internally or externally. If the company is owner managed and its financial statements are externally compiled, neither the audit nor independent review is required. Non-owner managed entities with internally compiled financial statements require an independent review performed by a registered auditor, or a member in good standing of a professional body recognised in terms of S33 of the Audit Professions Act. Owner-managed entities with a PIS of less than 100 are exempt from both an audit and independent review, whilst non-owner-managed companies will require an independent review,” says Ngwenya.

Looking at the elementary differences between an independent review and an audit, there are several factors that come into play, the first and most definitive being that while an audit provides reasonable assurance, the independent review provides limited assurance. Ngwenya explains that this difference comes about due to the fact that an audit involves a number of substantive tests for control, analytical reviews, circularisation, etc., which are performed by an independent registered auditor who is provided with access to a wealth of company information such as accounting records, internal controls, contracts, and the like. An independent review, on the other hand, is based on information requested by management analytical reviews – the reviewer relies more heavily on the representation by management.

In considering the outcome of each of these processes, it is also important to take note of the fact that an audit is expressed in a positive way, while an independent review is expressed in a negative manner. "Essentially, what this means is that in an audit report, the registered auditor is able to express a positive opinion about the company’s financial statements, whereas during an independent review, the practitioner states that to their knowledge no misstatements have occurred," says SAICA’s Project Director for Assurance and Members’ Advice, Ashley Vandiar.

He points out that in line with the level of assurance that an audit provides, it affords companies greater access to external funding. The significance of this will, of course, depend on the business in question and how important external funding is to its operations. This, in fact, takes us to the very impetus behind the independent review’s inception. There is no question that the benefits an audit affords large, listed or credit-heavy companies are unparalleled – but what about small, unlisted companies that are not as reliant on external funding? "It had become evident that there was a need for a review that was less complex and less costly than an audit and which did not

Essentially, what this means is that in an audit report, the registered auditor is able to express a positive opinion about the company’s financial statements, whereas during an independent review, the practitioner states that to their knowledge no misstatements have occurred.

subject small and owner-managed companies to the same requirements as large or listed companies, hence the launch of the Companies Act,” reveals Technical Support Executive, ACCA, Nicolaas Van Wyk. “The independent review provides smaller companies with a lesser form of assurance that won’t break the bank.”

Naturally, there are other benefits of undergoing an audit that are not as easily dismissed as a lack of need for external financing. Vandiar believes that perhaps the greatest benefit of the audit is that there is a wealth of value-added services embedded in the process. "There are many valuable bi-products of an audit. The first that comes to mind is the management letter which contains control deficiencies and recommendations for improvement. Basically, through the auditing process the auditor is able to impart best practices to the company that will allow it to enhance its operations and provide it with a competitive advantage.”

The legislation surrounding who is qualified to perform an audit and who is allowed to perform an independent review raises a further point of discussion. Ngwenya outlines the requirements for an accounting officer as a member of a professional body that is recognised in terms of the Close Corporations Act, as contained in Regulation 30 (12) of the Companies Act 71 of 2008. This regulation outlines a number of strict requirements to which that professional body must adhere. On the other hand, in order to perform an audit, the independent party must be a registered auditor – a stipulation that is governed by the Auditing Profession Act.

Perhaps the most pressing issue surrounding accounting officers and registered auditors is that in order for the procedures involved in the review to be meaningful, they need to be conducted by a senior person that has an in-depth knowledge of the company’s business as well as the industry in which it operates. Vandiar points out that this is almost counter-intuitive when one considers
It had become evident that there was a need for a review that was less complex and less costly than an audit and which did not subject small and owner-managed companies to the same requirements as large or listed companies, hence the launch of the Companies Act.

that the purpose of the independent review is to help smaller companies to cut costs and that the cost of involving someone of that rank in the review process would almost equate to the cost of an audit. “As it stands, the cost of an independent review sits at around 75 to 80% of that of an audit,” he reveals, raising the question of whether the savings a company makes by foregoing an audit are significant enough to negate the value-added benefits that come with a greater level of assurance. If your company has been exempt from an audit and needs to prepare itself for an independent review, several measures must be taken. All financial statements must be readily prepared and management needs to prepare itself with answers that account for areas of the business that are perceived as high risk, as these are bound to be detected by the independent reviewer. Management will also be required to prepare management representations on various areas as required by the independent reviewer. Van Wyk advises that management obtain a copy of the review standard and have their accountants clearly explain to them the procedures that need to be followed. “Signing an engagement letter or contract is also extremely important.”

He explains that an auditor takes a far more active role in an audit and as such, companies that are preparing themselves for an audit are required to provide the auditor with access to their accounting records, accounting system, internal controls, contracts, staff members, management, clients and creditors. “In short, whether you are preparing for an audit or an independent review, the same financial statements must be prepared,” concludes Vandiar.

In order to reduce the risk of financial misstatement, the accounting officer or auditor needs to be able to safely determine the level of management integrity. Therefore, the best way to avoid reportable irregularities lies with the transparency of management. Vandiar reveals that the definition of a reportable irregularity is slightly more onerous for an independent review than it is for an audit. “This raises the question of whether the objective of a lower regulatory burden was, in fact, achieved,” he says.

Ultimately the question is: If your company has been exempt from an audit, when should you consider a voluntary audit? Vandiar advises that if a company’s PI score puts them on the borderline for an audit, then they may very well soon be required to have an audit, and the additional procedures that will be required to verify opening balances will be very costly. In such cases it makes sense for them to remain ahead of the game and elect an audit. Similarly, should your business require significant funding or plan to develop into a formal listed company, a voluntary audit should be taken into serious consideration.
Sage Pastel has released Version 12 of its Partner and Xpress accounting software. It comes with some exciting program enhancements that will ensure users are always up to date with SARS’ requirements.

Version 12 heralds a significant new method of delivery: this is the last version to be released on disk. In future, all new versions, patches, updates and enhancements will be deployed automatically via the internet directly to user’s desktops through an innovative new feature called Automatic Updates.

**Automatic access to the latest enhancements ensures SARS compliance**

This technology automatically updates the software via the internet so Sage Pastel customers are always on the latest software version and have immediate desktop access to features and enhancements as they are released. The benefits of this are far-reaching but the most pertinent is the fact that users will now have immediate access to a program that is completely up to date with SARS requirements without having to load a disk or download a patch.

Also with SARS in mind, Sage Pastel has added a new Tax Manager to Version 12 which will help customers ensure that they report correctly as SARS continues to upgrade its systems. Tax Manager gives users the ability to set up VAT reporting periods, process transactions as usual and, at the end of each VAT period, print VAT reports and close the period. Backdated transactions will automatically form part of the next VAT period.

SARS compliance is crucial to business survival – it’s not just the reputational impact of infringing on legislation that can ruin a business, the financial penalties could shut it down. But now with Sage Pastel Version 12, being aligned to SARS requirements is just a click away.

**It’s as safe as houses**

Users who still have concerns about the security of working through the internet can rest assured. The delivery method in Version 12 is just that - a one-way transaction. It’s completely secure and once the update is part of the user’s system, it’s as secure as its host environment.

**Other notable features**

There are new features and functionality in Sage Pastel Point of Sale, the optional add-on module to Sage Pastel Accounting Version 12, and a host of great new functions in Sage Pastel Debtors Manager module (which comes with Sage Pastel Partner), including a brand new Debtors Dashboard. This tracks collection activity and provides instant visibility to debtor’s status and collection activity. The dashboard is designed for instant one-click e-mailing to designated members of the management team.

**Coming soon to a computer near you**

Sage Pastel has a roadmap of features planned for release using the Automatic Update technology. Users of Partner or Xpress Version 12 can expect the first of many updates during the first quarter of 2013 and the commitment is to deliver batches of features on an on going basis.

So if you haven’t already, update your Sage Pastel accounting software to Version 12 and look forward to receiving regular updates automatically installed without any interruption to your daily activities.
Particularly after the financial crisis, greater emphasis was placed on the liquidity and cash flow of entity. Gone are the days when economic decisions are based on the analysis of the profit and profitability of an entity. The reason for the paradigm shift is quite simple: ‘Cash is King and money/cash never lies’, highlighted the fact that profit is frugal by its nature in that it can be managed by application of accounting policies, judgement, and estimates which are permitted by the IFRS for SMEs.

**Objectives of the statement of cash flow**
The vitality of a living body depends on its ability to generate blood and the ease with which it flows in the different parts of the body. Similarly, the survival and growth of an entity depends on its cash-generating capacity and its ability to meet its cash obligations in time. The objectives of preparing the statement of cash flow are:

a. Identify the cash generating capacity of the entity;
b. Measure cash flows from activities involved in investing in the growth and sustainability of the entity and the entity’s strategy in achieving its strategic objectives; and
c. Assess the cash flows for financing the business activities of the entity.

**Benefits of the statement of cash flow**
The statement of cash flow presents the management of the cash and cash equivalent, namely, cash inflows and cash outflows during the reporting period. However, from the perspective of the preparer of financial statements, the statement of cash flow serves as a control instrument that validates the accuracy of the financial statement. The cash flow statement is a reconciliation of the statement of financial position [balance sheet] and the statement of comprehensive income [income statement].

The following are some of the benefits of preparing a statement of cash flow. It provides:

a. Detailed information about the sources and uses of cash resources of the entity;
b. Information about the cash-generating capacity from the entity’s operating activities and core business;
c. Reasons and explanations for the low level of cash resources when the reported profits are high;
d. Information of the capital expenditures to sustain and grow the business and the sources of financing such expenditures; and
e. Information about the cash transactions with investors and the repayment of capital and returns to the investors.

**Basic principle**
Both the statement of cash flow and the bank account report on the movement of cash resources during the reporting period. However, while the statement of cash flow identifies the cash-generating capacity of the entity, the bank account maintains records of the daily cash transactions.

The basic principle of preparing the statement of cash flow is to convert the statement of financial position and the statement of comprehensive income which is prepared by applying the accrual principle to a report based on the ‘cash principle’. Thus, the statement of cash flow is a summary of the cash book [receipts and payment], and is prepared by reversing the transactions and events recognized as a result of applying the accrual principle.

Refer to Figure 1 for the formula to determine Cash Flows across a business.

**Cash flow cycle**
Cash equivalents are defined as short-term, highly liquid investments and financial instruments held to meet short-term cash commitments, namely, investments with maturity period of three months or less. A bank overdraft is usually considered to be a financing activity. However, if they are payable on demand and form an integral part of cash management, then it is regarded as a cash equivalent.
Figure 2 illustrates the Cash Flows from the primary business activities.

Presentation of the statement of cash flow
The statement of cash flow can present the information relating to cash generated from operating activities using one of the following methods [s7.7]:

a. Indirect method: Under the indirect method the statement of cash flow reconciles the profit or loss in the statement of comprehensive income to the actual cash flows from operations. This is achieved by adjusting the profit or loss for the following [s7.8]:

i. Non-cash items included in the calculation of profit/loss, including undistributed profit of associates and non-controlling interest; and

ii. Working capital, movement in inventories, trade receivables and payables.

b. Direct method: Under the direct method, the statement of cash flow presents the information from operating activities by function, the major categories of cash inflows and outflows such as cash received from customers, and cash paid to suppliers and employees (s7.9).

Limitation of the statement of cash flow
The following are some of the limitations of the statement of cash flow:

a. Cash flow from operations does not measure the profitability of the entity – does not take into account the cost of operation non-current asset;

b. Cash flows from operating activities do not distinguish between those from continuing and discontinued activities – may distort performance evaluation unless the information is disclosed under investing activities;

c. Statement of cash flow presents net cash flows for functions which is not useful in assessing the performance or predicting future prospects;

d. Income tax paid does not relate to the cash generated from operations – there may be significant tax benefits relating to investing and financing activities; and

e. Net cash flow for the period does not give an indication of the growth of contraction of the business activities.

Figure 1: The formula below can be used to determine Cash Flows for the different business activities of an entity.

<table>
<thead>
<tr>
<th>SOCI</th>
<th>SOFP</th>
<th>Non-Cash</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items of Revenue and Expenses</td>
<td>Movement in assets, liabilities &amp; equity</td>
<td>Non-cash items and transactions</td>
<td></td>
</tr>
<tr>
<td>Revenue for the period = R950 000</td>
<td>Change in debtors’ balance = increase of R55 000</td>
<td>Bad debts for the period = R5 000</td>
<td>Cash received from customers or sales = R890 000</td>
</tr>
</tbody>
</table>

Figure 2: The diagram below illustrates the Cash Flows from the primary business activities.
any businesses and individuals—accountants included—bemoan the plethora of regulations that constrain them in their daily affairs. Rules and regulations are generally rather unpopular and are often seen as a burden to personal freedom, society and the economy. This perception is also widely held in South Africa. In fact, the Grant Thornton International Business Report recently cited over-regulation as South Africa’s biggest constraint to business expansion. Similarly, the Global Competitiveness Report 2012–2013 of the World Economic Forum ranked South Africa very poorly in terms of burden of government regulation (123rd out of 144 countries).

In many instances, neither the rationale behind new rules and regulations nor their benefits seem quite clear. This is even more likely to be the case when regulations are imposed without any prior consultations and involvement of the subjects that are being regulated. Regulations with a clear purpose and obvious benefits, on the other hand, are much less likely to be perceived as a burden, even less so if they address specific issues that created serious concerns or uncertainties before being regulated. Regulations with a clear purpose and obvious benefits, on the other hand, are much less likely to be perceived as a burden, even less so if they address specific issues that created serious concerns or uncertainties before being regulated. The collapse of large financial institutions in several countries as well as the failure of Enron, WorldCom and LeisureNet tarnished the reputation of the accountancy profession in South Africa and in the rest of the world. In the wake of these events, the business community and governments worldwide initiated a drive to intensify the regulation of the financial sector. Although regulations tend to be rather unpopular and are often deemed burdensome, it is precisely stringent regulations that have managed to uplift the image of the profession again, helping the accountancy profession over these challenging times that were marked by recessions and a loss of trust in financial markets, companies and professionals working in the financial field.

The accountancy profession plays an important role in South Africa through the provision of high-quality services to the corporate world and the SME sector. Compliance with ethical, technical and professional standards is imperative, not only for professional accountants in commerce and industry, but also for those in practice. After all, the services they render have effects that reach far beyond the parties that are immediately involved. Their services and output influence the decisions of creditors and investors, and also (directly or indirectly) contribute to the success of both small and large companies, and thus to the creation of employment and economic growth.

The profession is not regulated for the pure sake of it, but—similar to the regulation in any other profession—due to the need that professional accountants meet high standards and provide a consistently high quality of their services. Since the accounting profession provides important public services, it is vital that the profession at large and each of its...
The profession is not regulated for the pure sake of it, but – due to the need that professional accountants meet high standards and provide a consistently high quality of their services.

The advantages include:
(i) Accountancy bodies are close to their members and the market in which they operate and, therefore, have a good sense of how regulations might affect their members’ behaviour.
(ii) They can more easily access the relevant information and moreover draw upon the skills and experience of their members to regulate the profession.
(iii) They are able to respond and act quickly when the relevant circumstances change.

The extent and the nature of the regulation varies in different countries. In recent years, the trend in many countries has been towards an increase in external regulation. The accountancy profession is regulated by the government, either through a government agency or through an independent agency that was created and delegated regulatory powers by the government. An important aspect and potential advantage of external regulation is that the regulator is independent of the accountancy profession and of any accountancy organisations. In other countries, on the other hand – especially those in transition – a trend to strengthen the self-regulation of the profession has been observed. SAIPA’s internal research has substantiated these observations.

Professional bodies and government regulators have similar interests and objectives. They both focus on the public interest that is imperative for the accountancy profession and care for the quality, behaviour and standards of professional accountants. Contrary to government regulators, accountancy bodies are usually more familiar with their members and their concerns as well as with the issues arising in the industry. Their in-depth understanding of what is happening within the profession puts them in a prime position to assess which areas require some form of regulation, what the potential impact of such regulations will be and how to design regulations such that they address the issues that require some form of regulation in an effective way and at the lowest possible cost.

Moreover, professional bodies tend to recognise emerging trends and issues in the profession much sooner, which allows them to play a proactive role in maintaining and advancing the high standards of the profession before the government is forced to intervene to correct any market failures. Being proactive in terms of regulation may also prevent the profession from having some regulations imposed from the outside, which is possibly less apt and causes the profession higher costs than the rules and standards that the profession can impose on itself.

Through their knowledge of the profession, accountancy bodies can devise the best possible and most efficient regulation for the profession. Professional bodies should, therefore, play a leading role in the development of regulation affecting the profession. This includes a responsibility to communicate and work with the government in the public interest and share their knowledge of the profession and the markets in which they operate to assist government and external regulatory agencies to design and implement high-quality professional regulation that benefits the profession at large.

While self-regulation surely has a number of advantages, the benefits of the independence of the accountancy profession, and of any accountancy organisations, that a government regulator or agency enjoys in the case of external regulation should not be downplayed. However, the final decision does not necessarily need to be an ‘either-or’ choice. There can be a middle-of-the-road option that combines the advantages of the two – self-regulation combined with public oversight and accountability.

While the profession itself knows best which areas ought to be regulated and how, an independent agency can exercise oversight activities over the professional accountancy organisations that have to report to this agency in the discharge of their accountability. Sharing regulatory responsibilities with government will thereby further enhance the credibility and trust in the profession. In addition and complementary to the advantages of self-regulation by the profession, an independent oversight mechanism can reinforce confidence in the profession. It thus appears that there are more merits in self-regulation with public oversight than in either a complete external regulation or an entire self-regulation of the profession.
The proposed revision of the Codes of Good Practice on Broad-Based Black Economic Empowerment (the Codes) that are currently under review holds promising prospects for the accounting industry. The first of two proposed amendments that will positively influence the accounting industry call for the threshold of Exempt Micro Enterprises (EMEs) to be increased from businesses with an annual turnover of below R5 million to businesses with an annual turnover of below R10 million. According to the Department of Trade and Industry (Dti) this accounts for 95% of all businesses in South Africa.

In terms of the existing Codes, sufficient proof of a business’s EME status is a certificate issued by an accounting officer, auditor or verification agency. The proposed amendment would, therefore, bring a significant portion of the business that is currently reserved for SANAS accredited verification agencies and IRBA approved auditors to within reach of the accounting industry.

It gets better. In addition to increasing the market segment that is regarded as EMEs, the proposed revision of the Codes also suggests that verification of an EME by a verification agency or auditor will only be required once. Thereafter those businesses will be required to annually furnish a letter/certificate from an accounting officer confirming the business’s black ownership and that its annual turnover is below R10 million.

The proposed amendments to the Codes, therefore, seem to be placing the vast majority of the EME verification business under the control of the accounting industry. “This indeed is good news,” says Melanie van Wyk COO of BQ Systems (Pty) Ltd, which has recently partnered with SAIPA in providing web-based software to its members for the management, measurement and issuing of certificates for members’ EME clients. “Instead of being treated as the stepchild of the verification profession, this move by the Dti recognises the accounting industry’s role and relation to business in South Africa.” “One can but hope that such amendments will go hand in hand with a thorough education.
of the private and public sectors on the acceptance and recognition of certificates issued by accounting officers," says Faith Ngwenya, Technical and Standards Executive at SAIPA. "Although the situation is improving we still receive isolated complaints from members that the EME verification certificates that they are issuing on behalf of their clients are sometimes rejected because they are not SANAS-accredited verification agencies or IRBA-approved auditors, or that those certificates do not contain a SANAS logo or IRBA logo."

Chris van Wyk, CEO of AQRate verification agency and previous chairperson of the Association of BEE Verification Agencies (ABVA), believes that the erroneous requirement to only accept certificates issued by SANAS-accredited verification agencies and IRBA-approved auditors has its origin in the amendment to the Codes issued in Gazette 34612 of 23 September 2011. Paragraph 1 of Schedule 1 to this amendment states that from 1 October 2011 only certificates issued by SANAS-accredited verification agencies and IRBA-approved auditors are valid. However, the very next paragraph, paragraph 2 with the heading ‘Exempted Micro-Enterprises Broad-Based BEE status level certificates’, states the following: ‘Statement 000, Section 4 of the B-BBEE Codes of Good Practice still applies for determining eligibility of an Exempted Micro Enterprise.’

Statement 000, Section 4 of the Codes in turn reads as follows: ‘Sufficient evidence of qualification as an Exempted Micro-Enterprise is an auditor’s certificate or similar certificate issued by an accounting officer or verification agency.’

It is, therefore, clear that paragraph 1 of the Schedule above only applies to QSE and generic businesses and that an EME certificate issued by an accounting officer is also valid.

Confirmation of this can be found in the Implementation Guide to the Preferential Procurement Regulations issued three months after the amendment to the Codes of 1 December 2011 referred to above. In this regard paragraphs 4.7.3 & 4.8.5 in the guidelines document are relevant. These provisions specifically relate to what the content should be of those EME certificates issued by Accounting Officers. There would have been no need for these guidelines if certificates issued by Accounting Officers for EMEs were not valid.

Also note that in terms of these guidelines, no SANAS or IRBA logo is required on certificates issued by Accounting Officers for EMEs. The joint communication as sent out to all members by SAIPA and the Dti regarding the requirements for an Accounting Officer certificate further confirms this point.

Unfortunately, some public sector procurement boards and private company procurement departments remain ignorant to the correct legislative requirements. Ms van Wyk says that, "the best that one can do is to try and educate those ignorant entities one comes in contact with. With a public sector procurement board that refuses to accept an accounting officer’s certificate, the EME client will have legislative recourse and will be able to legitimately contest the award of any tender that did not go his/her way on that basis as these tender boards are required by law to accept accounting officer’s certificates."

Although the proposed amendments to the Codes potentially provides some exciting business opportunities for accounting officers, one has to keep in mind that they are merely proposals now and are not final yet. One trusts that in the process of revising the Codes the Dti also takes notice of the ignorance, particularly within the public sector with regard to the acceptance of EME verification certificates issued by the accounting industry. Hopefully, they even clarify the matter legislatively with the gazetting of the final amended Codes.

Faith Ngwenya, Technical and Standards Executive at SAIPA, concludes by reminding members of the importance of remaining professional in every area of your practice. When issuing an EME certificate, always ensure that you have traceable steps that have resulted in the EME certificate you put your company logo and signature on. A reliable working paper and software system is a definite must-have.
How are you doing with those New Year’s resolutions? Not very well? That’s no surprise. Working to make those big changes - to your business, to your workday, to your health... to anything - is really hard. And it’s really stressful. And it’s really easy to get frustrated and give up.

Setting big resolutions is great, but all too often those big resolutions are also too fuzzy. Here’s one many people set: “This year, I want to get in better shape.” What exactly does that mean? “Better shape” can mean anything from “able to walk up two flights of stairs without feeling like I’m going to pass out,” to “running a marathon in under three hours.” So when you start going to the gym and “eating a little better”, it feels purposeless.

Here’s a better approach. Success is never overnight. Success is the result of a series of small, incremental, repeated steps. So pick one thing, one small thing, and do it every day. In time it will become a habit - and in time you’ll make tremendous changes in your life. Just pick one thing to do - one tangible, measurable, goal-oriented thing that in and of itself helps achieve a purpose - and resolve to do it every day. Commit to do it. Put it on your to-do list or calendar and do it.

Here are some examples:

1. You want to lose weight
   Every day, eat one meal differently. Just one. Have oatmeal and fruit for breakfast. Or replace your afternoon cookies with a meal replacement bar. Or pack tuna and a small salad for lunch instead of eating out. Making sweeping changes to your diet is incredibly depressing. It’s a lot easier to commit to changing one meal. Over time you’ll lose a little weight, you’ll feel a little better, and you’ll be motivated by your success to make other incremental changes.

2. You want to build a better network
   Commit to spending ten minutes a day making connections. Pick a person on LinkedIn to connect with, and then maintain that connection. Or send a note to someone in your community recognising their success or congratulating them for an achievement. Or call a supplier and compliment the service you received. Just make sure your ten minutes a day is focused entirely on giving, not receiving. Do that every day and you’ll make real, lasting connections.

3. You want to be more productive
   Make one change to a daily habit. For example, quit being Pavlov’s dog when your inbox tone sounds and commit to only looking at your inbox three times: Say at 8, noon, and 5. You’ll be surprised by how non-urgent most emails really are, and you won’t get stuck in the reply-quickly-just-to-be-friendly-and-seem-responsive cycle that wastes so much time. Or pick one task a day to see through to the end instead of multitasking. Or, before you start your day, add one “not to do” item to your to-do list. Pick one change, and do it every day. You’ll instantly be more productive... and you’ll start looking for other things to change.

4. You want to get smarter
   Studies show exercise does more to bolster thinking power than actual thinking: People who walked for just 40 minutes three days a week built new brain cells and improved their memory functions. And while multitasking is usually inefficient, in this case feel free to take a walk with your significant other - the time you spend together, away from distractions and interruptions, will definitely benefit your relationship, too.

5. You want to do more good
   Pick one cause. Just one. Then write a cheque. Or call to see how you can help with one event or initiative. Or ask if there’s...
something your business can do to support that cause. While the world is full of people who need help, if we all do just one thing to help someone else… think what a difference that would make.

6. You want to get fitter
   The easiest way to improve something is to measure it. We all tend to perform better when we’re observed, even if we’re just observing ourselves. So if you want to be more active, commit to using a fitness tracker to monitor your physical activity. Start using one and you can track how many steps you take throughout the day, how many calories you burn… pretty soon you’ll find yourself taking the stairs and going for a walk at lunch just to up your totals. (Believe it or not, it’s actually kind of fun.)

7. You want to learn a skill
   Most of us wish we were born with a gift. In fact we were: We all have the ability to practice in a focused, goal-oriented, effective way. Say you want to learn to play guitar. Cool. Commit to spending some amount of time every day practicing. But don’t just go through the motions. Say you’re playing scales: Try to be perfect. Then play at half speed and try to be perfect. Then play at double speed and try to be perfect.

   The whole time you practice focus on some measurable result. The immediate feedback you receive from mistakes will help you modify your technique… and the immediate feedback you receive from success will boost your motivation and make you want to challenge yourself even more. Challenge yourself, apply yourself, and adapt to the immediate feedback you’ll receive when you practice in a focused way. Fifteen minutes a day spent engaged in that kind of practice beats hours of mindless “effort.”

8. You want to start a business
   The thought of going from zero to thriving enterprise is daunting. So take one step. Call one potential supplier. Visit one potential location. Scout one similar business. Have lunch with one successful entrepreneur. Blast out one draft of your business plan. If you really want to start a business, doing one thing will make you really excited about doing another thing… and soon you’ll be chugging along like a runaway entrepreneurial train.

Of course those are just examples. Whatever it is that you want to accomplish, no matter how impossible it seems to accomplish… just pick one thing and start doing it every day. That’s a resolution you can keep - and a resolution that brings you a lot closer to whatever big goal you want to accomplish. And because you can keep that kind of resolution, it’s one that will make you feel a lot better about yourself.

We can all use a little more of that.

Jeff Haden learned much of what he knows about business and technology as he worked his way up in the manufacturing industry. Everything else he picks up from ghost-writing books for some of the smartest leaders he knows in business. Connect with him on Twitter @Jeff_haden

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High-quality internal and external reporting is critical for all organisations. High-quality reports promote better internal decision-making and high-quality information is also integral to the successful management of any organisation.

Therefore, it is clearly in the organisations’ best interest, for their internal decisions and management issues as well as external stakeholder needs, to provide stakeholders with high-quality business reports. The most effective way to accomplish this is to implement effective reporting processes throughout an organisation. When done correctly, effective reporting processes ensure that all internal and external stakeholders receive appropriate high-quality business reports in a timely fashion.

Principles for Effective Business Reporting Processes, new International Good Practice Guidance from the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC), helps organizations enhance their reporting processes. This guidance was written for all organisations, regardless of their size or structure, private or public, to address the need for effective reporting processes to produce high-quality reports.

Professional accountants in business are often involved in the implementation—including design, planning, execution, audit, evaluation, and improvement—of their organisations’ reporting processes. The key issues professional accountants in business need to address when implementing effective reporting processes in their organisation are discussed in the guidance.

At the heart of the new guidance are 11 key principles for evaluating and improving business reporting processes (see below). These principles are complemented by practical guidance that...
outlines the critical arrangements that need to be in place for effective business reporting. The guidance also includes a limited list of relevant resources from IFAC, its member bodies, and other relevant organizations. It can be downloaded free of charge from www.ifac.org/paib.

Key Principles for Effective Business Reporting Processes

These principles do not prescribe a specific approach but highlight a number of areas for consideration when implementing or improving business reporting processes.

a. Senior management should assume leadership for high-quality reports through effective reporting processes. The governing body should demonstrate commitment to high-quality reports and provide strategic input into, and oversight over, the organisation’s reporting processes.

b. The organisation should determine the various roles, responsibilities, and consequential capabilities in the reporting process, appoint the appropriate personnel, and coordinate collaboration among those involved in the reporting process.

c. The organisation should develop and implement an effective planning and control cycle for its reporting processes in the context of, and in alignment with, its wider planning and control cycles.

d. To ensure the provision of high-quality information, the organisation should regularly engage with its internal and external stakeholders and understand their information needs with regard to past, present, and future activities and results of the organisation.

e. Based on the outcomes of its stakeholder engagement, and taking cost-benefit considerations into account, the organisation should define the content to be included in its reports and also decide on the audience, layout, and timing of its reports.

f. The organisation should have a process in place to ensure that the most appropriate reporting frameworks and standards are selected and that the requirements of those frameworks and standards are aligned with stakeholder information needs.

g. The organisation should determine what information needs to be captured, processed, analysed, and reported, and how to organise the information processes and related systems for effective reporting.

h. The organisation should (a) identify, analyse, and select appropriate communications tools and (b) decide how to optimize distribution of the organisation’s reporting information via the various communications channels.

i. The organisation should ensure that reported information is sufficiently analysed and interpreted before it is provided to internal and external stakeholders.

j. When obtaining internal or external assurance is not a matter of compliance, the organisation should consider voluntary internal or external assurance on its reports and reporting processes.

k. The organisation should regularly evaluate its reporting processes and systems in order to identify and carry out further improvements required for maintaining reporting effectiveness.
About 17 years ago social media could have been described as printed media, radio and television. That was until we were introduced to the World Wide Web and all the wonderful things that we are now capable of from our desks without having to go to the library, the post office or even having to speak to somebody in person. It cannot be argued that the Internet drastically changed the way we communicate and do business.

During the past 10 years a number of social networks popped up and can best be described as addictive for some users. Facebook seems to be by far the most popular social networking platform followed closely by Twitter with a growing user base. It is reported that there are currently around 4.5 million Facebook users in South Africa, a number that has steadily grown from 3.8 million in 2005.

These statistics may be good for Facebook, but what does it mean for employers? First of all, there is the question of the productivity of employees that access Facebook and other social networking sites during office hours, as well as the associated infrastructure costs. It was recently reported by a well-known electronic communications surveillance service provider that in one company with 600 employees, 79% of the time of the employees were spent on social networking or gaming.
sites. One can just guess for how much longer that company will be able to do business.

Another concern is the reputation of the business of the employer, or its employees, as a result of the information published on these sites. During the past couple of years we have seen a number of employees being dismissed as a result of defamatory information that was published on Facebook. In Sedick & another / Krisray (Pty) Ltd [2011] 8 BALR 879 (CCMA), both the operations manager and bookkeeper were dismissed for bringing the company’s name into disrepute by publishing derogatory comments about the owner of the company on Facebook. The employees claimed that their right to privacy was breached by the employer by accessing their profiles on Facebook. They further argued that the comments they made did not identify any person or organisation and could therefore not have damaged the reputation of the company.

The commissioner noted that in terms of the Regulation of Interception of Communications and Provision of Communication-related Information Act 70 of 2002, ‘any person . . . may intercept any communication if he or she is a party to the communication, unless such communication is intercepted by such person for purposes of committing an offence’. According to the Commissioner the Internet is a public domain and Facebook users have the option to restrict access to their profiles as well as the information that they publish. In this case the dismissed employees did not block access to their profiles and as such any person could have accessed the information that they have published. The admissibility of the employer’s evidence was accordingly not an issue.

Turning to the comments that were posted, the commissioner found that former or current employees of the company, that accessed the profiles of the two employees, would have had no difficulty in identifying the person they referred to in their communications. The dismissal of the two employees was, therefore, found to be fair.

From the above it is clear that a dismissal under such circumstances could be fair, provided that the employer follows the correct procedures and that the evidence used against the employee has not been illegally obtained in terms of the Regulation of Interception of Communications and Provision of Communication-related Information Act. It is, therefore, very important for employers to ensure that they have policies in place relating to the monitoring and interception of communication in the workplace. In addition to the company’s electronic communications policy it may be necessary to introduce another policy, the social media policy.

The social media policy will establish the principles for employees using social media for official and private purposes when the employee’s affiliation to the employer is identified, known, or presumed. Such a policy must clearly define ‘social media’ as well as guidelines on how to use these public platforms.

**Employees using social media for official purposes should be aware of the following:**
- The approved social media sites may only be used for official purposes.
- The message that the company wants to bring across to other users must be clearly defined.
- Postings must be kept legal, ethical and respectful.
- Employees may not engage in online communication activities which could bring the company into disrepute.
- Personal details of employees may not be disclosed.
- Confidential information may not be disclosed.
- Copyright laws must be adhered to.
- Only the official approved logo of the company may be used.
- The information that is published must be accurate and not confidential.
- Statements to the media must first be approved by the employer.

**Guidelines on the policy for employees using social media for non-business purposes:**
- Be clear on the use of company equipment or access to such sites and when this may be done.
- Remind employees that Internet and e-mail communication may be monitored and intercepted as per the electronic communications policy of the employer.
- Company information must be kept confidential.
- The company name or logo may not be used on private profiles.
- Colleagues, managers or information pertaining to the company may not be discussed on such platforms.
- Employees must be advised to block access to their profiles for other users that they do not know.
- The code of conduct of the company must be respected and considered as the guiding rule. Explain the consequences of failing to adhere to the social media policy of the company.

Employers are advised to carefully weigh up the benefits of social media against possible reputational damage and the abuse of company time and resources if access to such sites is allowed.

**Jan du Toit is available to assist in drafting such a policy as well as with disciplinary enquiries and CCMA matters. He can be contact via e-mail at jand@labourguide.co.za**
The South African Institute of Professional Accountants (SAIPA) is pleased to announce that it has been recognised as a professional body by the South African Qualifications Authority (SAQA) and has further registered the designation of Professional Accountant (SA) with SAQA. In recognising SAIPA as a professional body SAQA has acknowledged the critical role SAIPA plays in quality assurance and standards development within the National Qualifications Framework, and includes SAIPA in the regulated system of professional bodies in the country as determined by the NQF Act 67 of 2008.

According to the NQF Act 67 of 2008, a ‘professional body’ means any body of expert practitioners in an occupational field, and which includes an occupational body. According to the act, too, a ‘professional designation’ means a title or status conferred by a professional body in recognition of a person’s expertise and right to practise in an occupational field.

The act states that the following are the objectives of the National Qualifications Framework (NQF):

- To create a single integrated national framework for learning achievements;
- Facilitate access to, and mobility and progression within, education, training and career paths;
- Enhance the quality of education and training;
- Accelerate the redress of past unfair discrimination in education, training and employment opportunities.

Through SAIPA’s role as a Quality Assurance Partner for the Sector Education and Training Authority (Seta) for Finance, Accounting, Management Consulting and other Financial Services (FASSET), SAIPA must ensure that our Approved Training Centres offer quality experiential training to their learners for the SAIPA learnerships. Now, with the recognition by SAQA, we must further ensure that SAIPA as a professional body adheres to the applicable standards required of a recognised professional body in South Africa which is operating within the framework.

SAQA is mandated through the NQF Act to regulate professional bodies acting within the National Qualifications Framework (NQF) environment. As a professional body that quality assures two qualifications registered on the NQF, SAIPA was obliged to be recognised, and thereafter register their designation accordingly. According to the criteria for recognition, a professional body is required first to be a legally constituted entity. Furthermore, the professional body must protect the public interest; develop, award, monitor and revoke its professional designation; promote and monitor continual professional development of its members, and publish a code of conduct which has a mechanism for reporting and investigating members who have contravened the code.

Furthermore, there are certain reporting requirements and information required for submission to SAQA in order to maintain recognition. Our recognised status with SAQA is held for five years, with the option of renewing recognition thereafter. Of course, SAIPA must continue adhering to the above criteria for recognition or run the risk of losing recognition and registration.

SAIPA is very proud to be recognised for the fundamental role it plays in developing future Professional Accountants (SA), and will continue to develop and deliver professional accountants in South Africa who are experienced, competent and ethical individuals who will contribute to the nation’s development and upliftment and uphold the status of the designation they hold as a Professional Accountant (SA).
I am addicted to numbers. They talk to me; they tell a good, factual and unambiguous story. Numbers fascinate me and I am passionate about what I do - just like a professional athlete performing at the highest level of their sport.”

This is the extent of the enthusiasm that Ms Ntina Themba, Gauteng’s Provincial Accountant General, exudes when she describes her love for numbers which resulted in her becoming a professional accountant and occupying senior positions in the Gauteng Provincial Government.

“I first qualified as a physiotherapist and worked at various hospitals for number of years. It was when I was working for Natalspruit Hospital that the numbers’ bug caught me, and my love for numbers was nurtured and led me to register at the adult centre for introduction into basic accounting. I subsequently registered at the University of South Africa to do BCom,” she says. “Halfway through that I took up a teaching post at Medunsa, dropped out of BCom and did BEd to enhance my skills and competency in the teaching field. But in 1997 I felt the pull for numbers again and studied on a part-time basis for Internal Auditing and completed in 2001. The rest is history,” she said, referring to her journey to become a professional accountant, General Manager: Finance Services at the then Gauteng Shared Services Centre (now called Gauteng Department of Finance) and, subsequently a Gauteng’s Provincial Accountant General.

Discussing an approach to her job, Themba says her biggest frustration is ‘people who do not want to apply basic accounting principles’. That is why she has committed her business unit to work closely with Offices of the Chief Financial Officers in the provincial government to improve financial and accounting skills of employees. “There is an urgent need to improve the accounting knowledge and expertise in government. We need the efforts of everyone in order to succeed in this task; without that we will forever be faced with challenges in this area, considering that there is a drive to achieve clean audit outcomes for all government departments, entities and municipalities,” Themba explains. She also called on the accounting industry to create opportunities for young people to enter the field, saying that this is important to the sustainable development of the country.

“I am addicted to numbers. They talk to me; they tell a good, factual and unambiguous story. Numbers fascinate me and I am passionate about what I do...”

This number cruncher is also an avid book reader who loves travelling and has a keen interest in space science. Themba lists her career highlights as follows:

- Increasing efficiency and saving processing costs through automating services at GSSC including e-journals, e-receipting and e-invoicing;
- Being awarded the ISO9001 certification for excellent standards and the thoroughness of its financial processes;
- Certification of Gauteng Provincial Treasury to be one of SAIPA’s Accredited Training Centres.

“...acquire the necessary skills and practice in the industry? There is an urgent need for developing young talent,” Themba says. “Professional bodies such as the South African Institute of Chartered Accountants and the South African Institute of Professional Accountants must assist us in this effort as it is good for the country going forward,” she adds.

Themba’s comments come a few days after the Gauteng Provincial Treasury was certified as one of SAIPA’s Accredited Training Centres. This will enable practising accountants in the department to transfer their professional skills to aspirant accountants and prepare them to write SAIPA board exams.

“We are proud to become the first Provincial Treasury to be accredited as a SAIPA ATC. We will use this status to train BCom graduates and contribute to the pool of professional accountants in the province and the country,” Themba says.
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SAIPA Launches New Centre of Tax Excellence (CoTE)

Income-splitting
Is it feasible?

Transfer Pricing
Uncertainty prevails

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SAIPA members benefit from a 20% discount off rack rate applicable at the Courtyard, City Lodge and Town Lodge hotels in and around South Africa. This discount is off room only. In order to book please visit www.citylodge.co.za and book your room using the promotional code: SAIPA22. Subject to availability. Only online bookings apply, credit card required for payments. Cannot be used in conjunction with any other promotion, discount or corporate rate. Valid immediate to 30 September 2013.
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SAIPA National Office
SAIPA House, Howick Close, Waterfall Park, Vorna Valley, Midrand
PO Box 2407, Halfway House, 1685
Tel: 0861 11 (SAIPA) 72472
www.saipa.co.za

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Executive Technical & Standards Faith Ngwenya, WELCOME TO THE CENTRE OF TAX EXCELLENCE (CoTE)

It has taken years for us to get this far and we are now very excited that the CoTE has been officially launched. You may be wondering what CoTE is about.

CoTE boasts three new tax specific professional designations, these are:

- Professional Tax Specialist (SA)
- Professional Tax Practitioner (SA)
- Professional Tax Technician (SA)

For details of what are the requirements of each designation, see the CoTE advert on page 5.

The Centre of Tax Excellence provides a fully fledged resource to its members. The CoTE website provides valuable information ranging from basic to highly advanced tax matters. The website has a comprehensive electronic library that may be accessed by CoTE members only, guidelines on day-to-day income tax and VAT issues, links to the SARS website, links to important Acts relevant to a tax practitioner, expert questions, links to locate a tax practitioner in your area, and many other functions.

One of the frequently asked questions from members since our first call for applications has been whether it is compulsory for SAIPA members to apply for the designation? The answer is No. Membership to CoTE is voluntary for those members that want to add a professional tax designation to their signatures. Another question is whether SAIPA members will be required to write the CoTE Tax Professional Assessment should they wish to apply for the designation? The answer is No. If you are a member in good standing you will not be required to write the professional assessment. However, you are expected to complete the CoTE application form and furnish us with your personal tax clearance certificate that is not older than six months.

Non-SAIPA members that are successfully admitted in any of the three designations will be offered a professional indemnity cover up to R2,5million at fairly competitive rates. They will also have access to expert legal tax advice with a reputable international law firm.

For more information visit the SAIPA website and click on the CoTE banner. You can contact the centre by emailing taxcentre@saipa.co.za. SAIPA CoTE- grooming the tax professionals of tomorrow.

Faith
CALL FOR APPLICATIONS FOR AFFILIATE MEMBERSHIP TO THE SAIPA CENTRE OF TAX EXCELLENCE (CoTE)

Tax designations
In terms of the Tax Administration Act SARS will only register members of approved professional bodies as tax practitioners. SAIPA has launched their Centre of Tax Excellence (CoTE) and invites applications from all tax practitioners that fit the criteria for the different designations as indicated below:

1. **Professional Tax Technician (SA)**. This designation is aimed at tax practitioners with a National Diploma in Taxation or a second year pass in a commerce degree (with Financial Accounting II) and at least 18 months of practical training/experience in a tax environment. Eligible candidates will be required to write a SAIPA tax examination.

2. **Professional Tax Practitioner (SA)**. Qualification for this designation requires candidates to be in possession of a relevant three year degree with Taxation as a major, practical experience within a tax environment as well as writing a tax-specific professional examination. Current members of SAIPA can apply to be awarded a tax designation which will be added to their professional accountant (SA) designation if they so wish. Existing full SAIPA members can apply for the Professional Tax Practitioner (SA) designation if they so wish. Please note that this is not compulsory. A once off administration fee of R448 (incl. VAT) is payable should you wish to add the extra Professional Tax Practitioner (SA) designation to your name.

3. **Professional Tax Specialist (SA)**. To be awarded this designation, candidates would be in possession of a post graduate degree in Taxation and at least three years’ experience in the tax environment. No examination is required.

What if you do not have a university degree or diploma?
If you do not hold any formal qualification but are in possession of a Matric and have been working within a tax environment for at least 6 years you can apply for the Recognition of Prior Learning (RPL) and our RPL committee will assess your Portfolio of Evidence provided and decide on the professional designation that you can be accredited for. You will still however be expected to write the Professional Evaluation (PE) examination.

Existing Accounting Technicians members can apply for the Professional Tax Technician (SA) designation if they so wish. Please note that this is not compulsory. A once off administration fee of R448 (incl. VAT) is payable should you wish to add the extra Professional Tax Technician (SA) designation to your name.

Benefits of CoTE membership
- SAIPA is a credible professional organisation with a good track record.
- CoTE members will be eligible to be registered with SARS as a tax practitioner.
- CoTE members receive professional indemnity for tax purposes with a cover of R1 million at no cost to you. Additional cover can be obtained at below market rates.
- Representation at various relevant stakeholder forums such as SARS, CIPC etc.
- Access to a fully resourced online tax library.
- Tax dedicated Continuous Professional Development (CPD) workshops at extremely competitive rates. A minimum of 4 tax workshops will be presented per annum.
- Access to tax assistance through the SAIPA technical department by email or telephonically.
- A dedicated monthly online tax newsletter.
- A dedicated quarterly tax magazine.
- Access to various other SAIPA services made available to professional accountants.

For enquiries contact Luyanda Makhanya on 011 207 7860 or email techadmin@saipa.co.za
SAIPA LAUNCHES CENTRE OF TAX EXCELLENCE (CoTE)
Lynette Dicey, Freelance writer

It has been well documented that the tax industry is becoming increasingly regulated. Membership of a recognised professional body is now essential for anybody wanting to practise as a registered tax practitioner particularly as SARS now requires all accountants to be registered with a professional body. In response to this, the South African Institute of Professional Accountants (SAIPA) has established the Centre of Tax Excellence (CoTE) in a bid to fill the gap within the accountancy profession, both from the point of view of the provision of adequately qualified tax practitioners as well as providing a state-of-the-art resource to the tax industry.

According to SAIPA Technical and Standards Executive, Faith Ngwenya, the CoTE will provide a dedicated tax service to both existing and new members of SAIPA. “The Tax Administration Amendment Bill makes it necessary for tax practitioners to belong to a recognised professional body. In fact, SARS will only register members of approved professional bodies – of which SAIPA is one – as registered tax
practitioners,” she explains. SAIPA is, therefore, moving to provide a compelling value proposition to qualifying people who would otherwise not meet the full SAIPA membership requirements.

There is little doubt that joining SAIPA has a number of benefits. Key amongst these is the Continuous Professional Development (CPD) specific to tax that the CoTE will offer. “Continuous Professional Development will take the form of intermediate to advanced workshops on very pertinent income tax and VAT issues as well as sharing educational platforms with experts in the field,” reveals Ngwenya. A minimum of four tax workshops will be presented each year, in addition to the workshops presented by SAIPA to its normal membership. Another significant benefit is professional indemnity insurance that has been designed specifically for the tax industry. SAIPA regulations demand that all practising members have a professional indemnity cover. The indemnity insurance offered by CoTE covers the member against any claims of negligence, omission and, to a certain extent, fraud by the client, on services rendered by the member in carrying out his or her engagement duties. These indemnity insurances are offered to CoTE members at significantly competitive premiums.

In addition, CoTE offers an online tax knowledge base which provides members with South African tax-related research papers completed in the last few years, access to a complete e-library which includes tax court cases - both current and historical – gazettes, Acts and much additional information. Furthermore, members can email tax-related technical queries to a team of experts for individual advice, thus providing them with access to an in-depth tax resource that will equip them with knowledge and skills to better execute their functions.

Other benefits include a dedicated monthly online tax newsletter, a quarterly tax magazine called Tax Professional, and access to various other SAIPA services made available to the Professional Accountant (SA).

Through CoTE, SAIPA will be offering three professional tax designations. The Professional Tax Technician (SA) is aimed at tax practitioners with a National Diploma in Taxation or a second-year pass in a commerce degree with Financial Accounting II and at least 18 months of practical training or experience in a tax environment. Eligible candidates will be required to write a SAIPA tax examination in order to be registered as a Professional Tax Technician(SA).

In order to be registered as a Professional Tax Practitioner (SA), candidates need to be in possession of a relevant three-year degree with taxation as a major, practical experience within a tax environment and they need to write a tax-specific professional examination. Current members of SAIPA can apply for the Professional Tax Practitioner (SA) designation which will be added to their Professional Accountant (SA) designation, although this is not compulsory. “Suitably qualified individuals will still be recognised by SARS based on their Professional Accountant (SA) designation to be awarded a tax designation,” explains Ngwenya.

The Tax Administration Amendment Bill makes it necessary for tax practitioners to belong to a recognised professional body. In fact, SARS will only register members of approved professional bodies – of which SAIPA is one.

Similarly, existing Accounting Technician members can apply for the Professional Tax Technician (SA) designation although, again, this is not compulsory according to SARS.

The third designation is Professional Tax Specialist (SA) which is awarded to candidates who are in possession of a post-graduate degree in taxation and at least three year’s experience in the tax environment. No examination is required for this designation.

Those who don’t have a university degree or diploma and are not in possession of any formal qualification but have matric and have been working within the tax environment for six or more years can apply for the Recognition of Prior Learning (RPL). A SAIPA RPL committee will assess each individual’s Portfolio of Evidence and will decide on the appropriate professional designation that should be accredited. However, these individuals will still be required to write the relevant Professional Evaluation (PE) examination.

“One fact that cannot be disputed is that if you want to practise as a registered tax practitioner you must belong to a recognised professional body,” says Ngwenya. “Affiliation to SAIPA, for example, increases one’s marketability enormously and helps take your business to a whole new level. In addition it opens up a whole new universe of professional training and access to expert help and advice,” she concludes.
INCOME-SPLITTING— IS IT FEASIBLE?

Mahomed Kamdar, Tax Advisor, SAIPA

During the 2012, SAIPA tax seminars were presented throughout the country, and during the recent tax filing season, we received many queries relating to the feasibility of income-splitting.

Income-splitting* is a scheme of breaking-up income between spouses when only one spouse makes a contribution to the business in a trade carried out by one spouse only.

Rationale for income-splitting
A self-employed business spouse is tempted to employ his/her spouse in the business since the salary paid is eligible for deduction against the taxable income of the business. The business as a result has a lower taxable income and a lower tax liability. The hired spouse is taxed separately and is likely to be taxed at a lower tax rate.

Frequently, the salary paid is excessive - above the market rate - in relation to the job description but this is not the only difficulty encountered.

A hypothetical example of income splitting occurs when the husband is the only member of a CC, employs eight other non-connected staff, and wishes to employ his wife in the CC. It is given that the wife is a full-time housewife, managing the daily household chores, whilst the husband is at work and the children are at school. The wife is hired as a personal assistant to a member of the CC.

This discussion also applies to owner-managed businesses that are in a position to employ other persons. The SAIPA Tax Help Desk, consequently, undertook the task of investigating the feasibility of the practice of income-splitting.

Discussion
While it is given that the wife – the hired spouse – does not physically report for duty at the business premises, the employer spouse (husband in this situation) could easily produce or issue an IRP 5, thereby formally declaring the hired spouse is, in fact, an employee of the business. The issuing of an IRP 5 is not the only requirement to confirm employee status of the hired spouse. The employer also needs to provide a proof of leave application for the year by the hired spouse and identify the office space occupied by the hired spouse, a direct telephone number – by-passing the switchboard – to the office occupied by the hired spouse.

SAIPA has received reports that SARS has, in the past, undertaken on-site inspection of companies that were hiring spouses. These inspectors approach receptionists of such companies requesting to see the hired spouses. Not surprisingly, receptionists often do not know such persons (the hired spouses). Occasionally, receptionists respond by saying: “Oh! That is the boss’s wife and seldom comes to the business premises!” The ‘game’ is instantly over for the taxpayer.
It is clear in this situation that the employer-spouse did not incur expenditure against taxable income, because such expenditure – the hiring of spouse – did not occur for the purposes of the employer-spouse trading activities or the production of income.

The payment to the hired spouse is likely a payment for the employer-spouse’s (business owner) maintenance of family which is domestic and private. Such expenditures are not allowed as deduction against taxable income by the legislation and such deductions against taxable income are punishable by the Revenue Authority.

The deduction of the salary against the business income will be denied if a manager’s salary is paid to the spouse - allegedly hired as a personal assistant. The excessive income paid to the hired spouse will be deemed to have accrued to the employer spouse and will be taxed in the name employer spouse.

**Conclusion**

Taxpayers – business owners – are strongly discouraged from engaging in the practice of income-splitting. Income-splitting does not prohibit the business-owner from legitimately hiring his/her spouse and caution must be taken in order to ensure that the hired spouse is not paid a salary above the market rate in relation to the position occupied.

*The ensuing discussion applies to the given context only.*
E M B R A C I N G  N E W  T A X E S

Deductions in terms of the new withholding taxes on interest and royalties for non-residents will become the responsibility of the entity making those payments, but the ultimate responsibility for ensuring that capital reaches the South African Revenue Service (SARS) lies with the person being paid, BDO South Africa tax director David Warneke says.

The new Withholding Tax on Interest and Withholding Tax on Royalties that apply when interest or royalties are paid to or for the benefit of non-South African residents become effective July 1, 2013.

Withholding taxes are not new to South Africa. The country operated with the Non-Residents Shareholders Tax between 1962 and 1995, the Non-Residents Tax on Interest from 1967 to 1997 and since 1962, a tax on royalties. Globally withholding taxes, also called retention taxes, are used as an administrative mechanism to trap the relevant tax before the non-resident escapes the taxman’s grasp. The amendments to South Africa’s laws close the near-blanket exemption for local interest earned by non-residents subject to exceptions in limited instances. Currently Brazil does not have a dividends tax and has withholding taxes...
of 15-25% on interest and royalties. The figures for Russia are 15%, 20% and 20%; for India zero, 5-20% and 10% and China 10% across the board.

Once the laws come into being, non-residents who spend up to 183 days in the country or do not have a permanent establishment, such as a branch in South Africa, will become liable for tax on interest or royalties. Both taxes have been set at a 15% rate, subject to double taxation rates, to fall in line with the withholding tax on dividends that came into effect on April 1, 2012 and they will apply to interest or royalties that either accrue, are paid or becomes due and payable on or after July 1, 2013. Specifically, interest accrued before that date, but only paid out from July next year will attract the new tax. Currently royalties accrue a 12% tax rate.

Warneke says the withholding tax on interest will become applicable when interest is paid to or for the benefit of anon-resident. This means when interest is paid to a South African resident as a collection agency for a non-resident creditor, the tax will apply. He says non-residents who are physically present in South Africa or who had carried on business through a permanent establishment in the country for more than 183 days in the aggregate 12 months before the interest or royalties were paid, would be exempt from the taxes.

“This would mean SARS could levy Income Tax rather than the withholding tax. If the withholding tax is applicable, then income tax falls away and vice versa,” he says.

There would also be exemptions to the new laws depending on how the interest had been earned. Inter alia any interest paid in respect of any government debt instrument, any listed debt instrument, any debt owed by any bank, the South African Reserve Bank and any interest arising from the import of goods would be exempt.

Payments to SARS would have to be made by the last day of the month following when the interest or royalty payment had been paid. Warneke says that refunds would be entertained if the recipient could not present the relevant declaration forms to the payer in time.

However, he warned that there were elements of the new laws that would have to be tested in the courts for clarity. Beneficial ownership was likely to cause concerns, given there was not even international consensus defining that issue. For example interest could be paid to a South African trust with non-resident beneficiaries, posing the question as to who the beneficial owner was. One solution may be establishing whether or not the trust had discretion in its payments or whether it was bound to pay only the non-resident.

Another issue would be what portion of a repayment constituted the interest. A R100 million loan may incur annual payments of R25 million and a logical understanding may be that R20 million went to paying the interest and the balance to capital. However, Warneke argues that it may be possible to treat the whole amount as a repayment of capital payments if that was defined in the loan terms. The law did not clearly define the issue.
PROVISIONAL TAX: CLAIM YOUR MEDICAL TAX CREDIT

How to ensure that your medical tax credit is taken into account when completing your provisional tax return.

Question:
Being a provisional taxpayer and with the 28/02 deadline approaching, I am not sure whether or not to include the credit in my estimate for taxable income, or ignore it, i.e. should I deduct the amount I arrive at from taxable income or not? SARS of course auto completes the line for rebates in e-filing, so unless they make provision in their e-filing IRP6 form for a new line specifically for medical credits claimed, I assume that my taxable income estimate should take account of the medical credit calculated as per those over 65 years?

Answer:
The new IPR6 form on e-filing incorporates a provision for the medical tax credit. Once you have entered your estimated taxable income, the system calculates the tax liability as well as the primary/secondary/tertiary rebates based on your age as at the end of February 2013. In the next line immediately below the rebates is a space for you to enter the tax credit. This you need to calculate manually as follows:

- R230 per month for the taxpayer
- R230 per month for the first dependent
- R154 for each additional dependent

In the example below, the taxpayer is a single member with no dependents; therefore the medical tax credit is R2 760 (R230 x 12).

Finally, as was the case in previous years, enter any employees’ tax deducted and provisional tax paid, and the system then calculates what you owe SARS. If your employees’ provisional tax exceeds the tax liability, the amount payable will be nil. In terms of the new SARS rules, if there is no liability you are not required to submit an IRP6, but seeing as you have got this far, it makes no difference if you click “file” other than the fact that having filed the return may give you peace of mind.

Don’t forget to keep a copy of your workings, in case you need to prove to SARS that your estimate was reasonable and within the parameters stipulated.
**Donations**

An understanding of the definition of ‘donation’ as per the VAT Act, is required in order to determine the circumstances in which VAT may or may not be accounted for when an association-not-for-gain is the recipient of ‘donation’.

1. A community organisation, ‘The Imam Charitable Trust’ – an association not-for-gain and a vendor – convenes a food-collection campaign in various shopping malls across the Southern Suburbs in Cape Town, in order to obtain food and/or cash funding to supply free food to low-income areas in its neighbourhood. Individuals and organisations contributing to this campaign do not expect to receive any benefit.

2. A well-known chicken franchise, a vendor, makes a payment to ‘The Imam Charitable Trust’ – the same as the aforementioned example. The ‘Imam Charitable Trust’ is to stage the ‘Southern Suburbs International Jazz Festival’. The condition of the proceeds from the chicken franchise is that the brand must be printed on all tickets of the festival.

**Question:**
The Trust is expected to account for output tax in respect of the donations received. True or false?

**Notes**

1. Bad debts written-off and subsequently recovered:
   - Suren Bhagwan Patel CC, from Durban South, paid R20 520 in respect of Mark IV bats purchased from Johnny Leach (Pty) (Ltd) in November 2010, and
   - Itsvan Chang Company, from Kathmandu, paid R2 228 for Barna Bats purchased by it in October 2010.

2. Sheethal Khumalo was awarded a cash prize of R11 400 for winning the National Table Tennis Championship held in Kimberley on 20 January 2012.

3. Johnny Leach (Pty) (Ltd) received the following indemnity awards on 10 January 2012:
   - R 9 120 worth of Continental bats – trading stock – was stolen during a break-in at the store; and
   - R 92 830 received for the loss of the managing director’s company car which was stolen outside her home in Observatory.

4. Johnny Leach (Pty) (Ltd) purchased property for R800 000 from Desmond Douglas (CC) on 10 February 2012. Desmond Douglas is not a vendor. Johnny Leach (Pty) (Ltd) currently trades from leased premises, and would trade from this property soon after change of ownership is affected. The full amount was paid on 12 February and the Deed was transferred two days later. Transfer duty of R6000 was also paid on 12 February 2012.

5. Johnny Leach (Pty) (Ltd) purchased a new car to replace the stolen car and paid R123 000 on 1 February 2012.

6. Received bills from local restaurant

**Integrated questions require application of many sections of the VAT Act**

**Calculation of tax payable or due to vendor**

Johnny Leach (Pty) (Ltd) is having difficulty in administering its VAT functions. Its managing director, Sheethal Khumalo, approached a SAIPA member for assistance in preparing the VAT 201 return for the tax period ending 29 February 2012. Johnny Leach (Pty) (Ltd) sells table tennis equipment, Ping-Pong bats and balls, to other retailers both in South Africa and in Nepal.

You are provided with the following information (which includes the VAT amount):

**Income**

<table>
<thead>
<tr>
<th>Sales</th>
<th>Local</th>
<th>R285 000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nepal</td>
<td>R114 000</td>
</tr>
</tbody>
</table>

**Expenditure**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased land (note 4)</td>
<td>R800 000</td>
</tr>
<tr>
<td>Purchase of ping pong equipment</td>
<td>R171 000</td>
</tr>
<tr>
<td>Salaries</td>
<td>R114 000</td>
</tr>
<tr>
<td>Petrol</td>
<td>R28 350</td>
</tr>
<tr>
<td>Motor car (Note 5)</td>
<td>R123 000</td>
</tr>
<tr>
<td>Subscription to D’ Alberton Callies</td>
<td></td>
</tr>
<tr>
<td>Table tennis Club</td>
<td>R 8 000</td>
</tr>
<tr>
<td>Telephone</td>
<td>R 1 200</td>
</tr>
<tr>
<td>Rent office</td>
<td>R3 500</td>
</tr>
<tr>
<td>Entertainment (note 6)</td>
<td></td>
</tr>
<tr>
<td>Rental: office equipment: (note 7)</td>
<td>R 342</td>
</tr>
</tbody>
</table>

**Bad debts recovered (note 1)**

R22 748

**Interest received**

R570

**Tournament award (Note 2)**

R11 400

**Indemnity award (Note 3)**

R101 950

**Notes**

1. Bad debts written-off and subsequently recovered:
   - Suren Bhagwan Patel CC, from Durban South, paid R20 520 in respect of Mark IV bats purchased from Johnny Leach (Pty) (Ltd) in November 2010, and
   - Itsvan Chang Company, from Kathmandu, paid R2 228 for Barna Bats purchased by it in October 2010.

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   - R 92 830 received for the loss of the managing director’s company car which was stolen outside her home in Observatory.

4. Johnny Leach (Pty) (Ltd) purchased property for R800 000 from Desmond Douglas (CC) on 10 February 2012. Desmond Douglas is not a vendor. Johnny Leach (Pty) (Ltd) currently trades from leased premises, and would trade from this property soon after change of ownership is affected. The full amount was paid on 12 February and the Deed was transferred two days later. Transfer duty of R6000 was also paid on 12 February 2012.

5. Johnny Leach (Pty) (Ltd) purchased a new car to replace the stolen car and paid R123 000 on 1 February 2012.

6. Received bills from local restaurant
for entertaining officials of the South African Table Tennis Board and promoting the image of Johnny Leach (Pty) (Ltd) in the area.

7. Breakdown of office equipment:
   - Tea and coffee machine: R80
   - Fax machine: R192
   - Photocopier: R70

8. Johnny Leach purchased the smooth-surfaced fast-play bats from Manjee and Associates in January 2011. The vendor discovered that bats were faulty and did not pay the supplier an amount of R4 560 until the faulty equipment were replaced.

Lester Washington, a sole proprietor, is a vendor and has one rent-producing asset. The ground floor has 20 commercial tenants and the top floor has five residential tenants. Since Mr Washington makes both taxable and exempt supplies for VAT purposes, the Revenue Authorities have applied an output basis of apportionment to arrive at an acceptable input ratio of 75%.

Below is the income and expenditure for the two-month tax period ending 29 February 2012 and all amounts are VAT-inclusive if applicable.

<table>
<thead>
<tr>
<th>Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental: Commercial</td>
<td>R203 571</td>
</tr>
<tr>
<td>Residential</td>
<td>R50 000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank charges</td>
<td>R1 700</td>
</tr>
<tr>
<td>Audit fees</td>
<td>R62 000</td>
</tr>
<tr>
<td>Depreciation (Note 1)</td>
<td>R25 000</td>
</tr>
<tr>
<td>Bakkie (Hyundai) (Note 2)</td>
<td>R171 000</td>
</tr>
</tbody>
</table>

Notes
1. Mr Lester purchased a bakkie (VW) in January 2010 for R114 000 (including VAT).
2. Managing the rent-producing assets has become increasingly difficult for Mr Washington, and a second-hand bakkie was purchased from a VAT-registered motor car dealer and only half the price was paid for on Valentine’s Day 14 February 2012. Mr Lester took the Hyundai bakkie home every day.

Question: Calculate the VAT refundable to Johnny Leach (Pty) (Ltd) or the VAT payable by Johnny Leach (Pty) (Ltd) for the two-month VAT period ending 29 February 2012. Make reference to legislation where ever possible.

Question: What is the VAT consequence of this transaction to the recipient?

Question: Calculate the VAT refundable to Lester Washington or the tax payable by Lester Washington for the tax period ending 29 February 2012. Make reference to legislation were ever possible.

True or False?
1. VAT is levied at three rates, 14%, 0% and the exempted rate.
2. If a CC provides crèche services only and meets the R1m turnover threshold, it will be able to register as a vendor because the service is provided by a CC.
3. A vendor will have to pay an output tax on the value of subsistence allowance paid to employees.
4. There are circumstances when vendors who incur entertainment expenses will be allowed to claim an input tax for such expenses.
5. A motor car as defined in the VAT Act includes a motor cycle.
6. Transfer Duty is payable when a vendor purchases fixed property from a non-vendor.
7. A supplier is any person that is or should be registered as a VAT vendor.
8. The definition of a good includes a right under a mortgage bond.
9. An enterprise includes activity conducted in South Africa only in the course of which taxable supplies are made.
10. Consideration as defined in the VAT Act includes all kinds of deposits such as returnable containers.
11. The supply of residential accommodation, in terms of a rental agreement, constitutes an ‘enterprise’ as defined in the VAT Act.
12. Donation as defined in the VAT Act, to an ‘Association not for Gain’ does not have VAT consequences.
13. A vendor pays a creditor’s account (account not in the name of the vendor) does not have a VAT implication because...
the transaction represent a ‘supply of money’.

14. A vendor who receives proceeds as a result of land expropriated by the state has to account for output VAT.

15. A vendor registered on an invoice basis receives payment from a debtor does not have to account for output VAT.

16. When a person who walks into a SARS’s branch, they can volunteer to register for VAT and be a vendor.

17. The supplier, a vendor, of goods has to account for output VAT using the market value and not the actual consideration of goods and services, in situations where the recipient - a non-vendor - of the supply cannot claim the full input tax.

18. Exempt supplies are included in a vendor’s enterprise provided that the vendor makes a taxable supply of a million rand or more.

19. An individual may register as a vendor provided he/she generates turnover of more than R50 000 from pursuing a hobby.

20. A partnership must register for VAT and not the individual partners.

I am sure that you are wondering if this is an examination paper. It is not. The newly established Centre of Tax Excel-lent (CoTE) business unit of SAIPA has developed a free electronic VAT guide that looks into the above questions and explores the answers in great detail. This is available in our CoTE Resource Centre.

For more information consult the forthcoming SAIPA – CoTE VAT guide!

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With the recent amendments to the South African transfer pricing legislation, and the ongoing lack of an updated supporting Practice Note from the South African Revenue Service (SARS), much uncertainty still surrounds the realm of transfer pricing in South Africa.

Almost three years ago, SARS announced their intention to radically realign the transfer pricing rules prevailing at the time with the transfer pricing guidelines as issued by the Organisation for Economic Co-operation and Development (OECD). What followed was a complete overhaul of section 31 of the Income Tax Act of South Africa No. 58 of 1962 (the Act), with the new section 31 coming into being through the promulgation in the Taxation Laws Amendment Act No. 23 of 2011 (TLAA) on 10 January 2012. The TLAA provided for the new transfer pricing regime’s effective date of 1 April 2012, applying in respect of tax years commencing on or after that date. Whilst the new regime may very well be part of our law, the application thereof is unclear and one thing is for certain - this is not business as usual.

Out with the old
Under the old section 31, all that was required was that an arm’s length price was paid or charged in respect of the cross-border supply of goods or services between connected parties. The previous section granted the Commissioner of SARS the discretion to adjust the price paid, should he not be satisfied that the price paid reflected an arm’s length price. Lastly, the old section deemed such an adjusted amount to be a dividend which was historically subject to the (now abolished) Secondary Tax on Companies (STC).

SARS’ overall reasoning for the changes made was to modernise the regime to bring it in line with the OECD transfer pricing guidelines. Over and above this intention, SARS issued specific reasons as put forward by the Explanatory Memorandum to the 2010 Taxation Laws Amendment Bill. The Explanatory Memorandum provides the following reasons for the change:

1. A shift in the focus from single or specific transactions to the overall arrangement. Emphasis is to be placed on the overall economic substance and commercial objective of an arrangement;
2. The old system unduly emphasised the comparable uncontrolled price (CUP)
method over and above the other transfer pricing methods available; and
3. Treaties use the word ‘profits’ as opposed to the old system’s use of the word ‘price’, which required re-alignment so as to avoid potential difficulties of interpretation.

In with the new
With the above in mind, the new rules were introduced and four significant changes are discussed below.

First, the new section 31 successfully shifts the focus from separate transactions to the entity-based approach desired by SARS. Section 31(2) provides that the new rules are to apply to an ‘affected transaction’ if (i) any term or condition of that transaction is different from what would have been agreed to between independent persons dealing at arm’s length and (ii) results in any tax benefit being derived by a person who is party to the transaction, operation, scheme, agreement or understanding. Analysing the new wording leads one to believe that the arm’s length principle is more far-reaching than before, being applicable to any party to a transaction, operation, scheme, etc. Big corporates will now be required to ensure that the overall transaction does not result in an undue tax benefit which is contrary to the arm’s length principle.

Secondly, the new rules stipulate that the taxable income of a party to the affected transaction who derives a tax benefit must be calculated as if the affected transaction had been entered into on the terms and conditions that are expected between parties dealing with each other on an arm’s length basis. This requirement effectively removes the Commissioner’s discretion to make an adjustment and shifts the obligation to make a voluntary transfer pricing adjustment onto each party to the transaction.

Thirdly, any such transfer pricing adjustments (whether voluntary or through a SARS audit) are no longer considered to be a deemed dividend but, rather, the adjusted amount is seen to be a loan, on which interest is due (on an arm’s length basis). Interest to be charged on this deemed loan may be discharged if the loan is repaid in the same financial year. This further indicates that the interest charge will be indefinite, pending the settlement of the debt created through the adjustment.

Lastly, the old transfer pricing rules, which gave the Commissioner the discretion to disallow the deduction of interest where financial assistance had been provided (as part of an intra-group financing transaction) which the Commissioner deemed excessive in relation to the capital, has been deleted in entirety. Simultaneously, the safe-harbour rule dealing with the debt to equity ratio is no longer applicable, as Practice Note 2 dealing with this has been withdrawn. The new rules prescribe that financial assistance transactions be treated the same as other affected transactions - that is that an arm’s length approach is applicable in determining the funding the taxpayer would have been able to secure in the open market.

And now?
The above changes raise various concerns, with relatively little comfort available in the absence of a SARS practice note indicating the way forward. In particular, an area of concern is the change to the thin capitalisation rules and the absence of a safe-harbour rule. This may, as an example, hinder investment into Africa, as the financial assistance offered by group companies is a common modus operandi. It is imperative that SARS issue an interpretation note in this regard, hopefully containing a new safe-harbour rule, in line with international best practice. That being said, the concerns (especially those surrounding investment into Africa through the extension of so-called quasi-equity) were addressed in last year’s Budget Speech, which provided that these loans should not automatically attract a market-related interest rate, and should rather be treated as capital.

SARS has also indicated their intention to develop a local South African database containing information on South African companies, enabling SARS to perform local benchmarking for transfer pricing purposes. Such a local database would be welcome to taxpayers and advisors alike, but only to the extent that the database is publicly available and not an internal SARS database, as rumoured. The effect of such secret comparables may be inequitable, and may need addressing should it materialise.

SARS has also recently aligned with the BRICS countries in a quest to follow these developed countries’ tax administrative procedures. In particular, Brazil and India have been closely looked at. Copying the Brazilian or Indian transfer pricing regimes may result in an aggressive non-OECD approach being adopted by SARS, rather than the approach recommended in the OECD guidelines. Given Africa’s reliance on foreign direct investment, it remains to be seen what develops on this front, should the Indian or Brazilian model be copied.

In conclusion, it can be agreed that the potential impact of the above-mentioned changes is still relatively unknown. Taxpayers and advisors alike are anxiously awaiting the issue of a practice note which will, one hopes, shed some light over the numerous areas of concern and confusion.
REPORT BACK ON RECENT ACTIVITIES OF THE DISCIPLINARY AND INVESTIGATIONS COMMITTEES

Heide van der Westhuizen, Legal and Ethics Division, SAIPA

Over the past six months the following cases were dealt with:

1. Failure to submit financials to SARS by accountant members.

Some of the members who are the subjects of this type of complaint were in possession of all documentation required for submission while others did not have all the documentation required for SARS submission.

Forty (65%) complaints received are due to failure to submit their client financials to SARS on time. The reason advanced by most members for this failure is primarily the fact that there are fees owing to the member. Failure to make the various compulsory submissions to SARS results in penalties being levied against clients of members. As a consequence, financial disputes between members and their clients ensue. Invariably such disputes are reported and a formal investigation by the IC is necessitated.

One such case is a recent and complex case between Peter Painter (our member) and Samuel Ling (assumed names) wherein our member failed to submit financials timeously. As a result penalties were levied by SARS in the amount of R30 000. Upon investigation it was established that the member failed to keep his client updated on the status of work performed by him on behalf of his client. This is an infringement of Paragraph 13.3 of SAIPA’s By-laws. Samuel’s argument was that the reason for nonpayment of the member’s fee was that Peter failed to inform him of the progress of work performed. A further factor that was raised by the complainant was that no invoice was furnished to him. The complainant was, therefore, of the opinion that the required services were yet to be rendered by our member. The complainant (Samuel Ling) stated as part of his complaint that he was not au fait with SARS filing dates. The
appointment of an accountant to deal with his financial affairs was to ensure that such affairs were conducted in a professional manner. In the course of this investigation it was established that this member, as many other members, take on too many appointments towards the end of SARS’s filing period. Many companies and individuals approach members for their services/ expertise with SARS-related matters and, as a result, members take on volumes of work they are not able to perform single-handedly.

2. SARS e-filing. Ten (5%) complaints were lodged where members were accused of failing or refusing to furnish receiving accountants with e-filing details. (Reasons advanced by members are yet again outstanding fees owed by the client to the member). What members fail to take into account is the fact that Section 9.3.5 of the SAIPA’s Code of Conduct requires them to furnish the new accountants with all books and papers immediately after a change in appointment has been effected unless a right to withhold such books and papers is in evidence.

3. Members failing to respond to complaints within 21 days as per the SAIPA Constitution. Very few members adhere to the 21 days response time period when a complaint is lodged against them. The numbers not responding total six within the past two months. Seeking postponements is the norm. This practice leads to unnecessary delays. Despite some of these postponements being granted, members fail to respond to the complaints in an acceptable manner and form (by submitting an affidavit). In some cases there is no response at all, necessitating the imposition of a fine of R7 500 in an attempt to compel the member to file his/her response.

One such case is against (Peter Painter) a member whose penalties for failure to respond to a complaint accrued to R52 000. Debt recovery processes have been set in motion. Considering the veracity of alleged misconducts against our member (Peter Painter), the member is due for a strike-off during the next disciplinary hearing.

4. Use of the words ‘registered accountant’. A case of this nature wherein a complaint was lodged against for using the words ‘Registered Accountants’ in his letterhead was ruled upon by the Disciplinary Committee during a hearing held on 26 November 2102. This designation may only be used if a person is a chartered accountant. The complainant’s contention was that the use thereof is inconsistent with SAIPA’s Code of Conduct and confusing to the public, and also in direct contravention with the SAICA Act. The ruling made by the disciplinary chairperson was that our member must immediately stop using the words registered accountant as it is inconsistent with 5.2.1 of the Code of Conduct.

5. Fee disputes. Many complaints which involve fee disputes are still referred to the legal division. It must be unequivocally stated that SAIPA does not deal with fee disputes between members and their clients. In terms of paragraph 19 of the By-laws, ‘Any monies, including but not limited to, fees subscriptions, fines, penalties or costs, may be recovered from full or associate members by civil proceedings in any competent court and the Institute shall at its discretion be entitled but not compelled to institute action in any magistrate’s court…’

Often fee disputes arise because members erroneously believe that they are exercising a lien. Members are only entitled to exercise particular liens, which is the right of a person to retain possession of client’s property until payment of a particular debt (member’s invoice) which is due in law, is settled in full. Therefore, an accountant has a particular lien only over those documents that require accounting skill, knowledge and expertise to compile. All accounting records compiled by the accountant belong to the client. Uncertainty exists as to the scope and nature of intellectual property, namely the information furnished by clients when preparing financial statements.

It must be noted that most complaints in relation to withholding clients’ documents could amount to an infringement of their rights. This could in turn lead to imposition of fines by SARS. The most common response received by the legal division in respect of complaints of this nature is that clients of members have not settled their invoices and that the member, therefore, automatically has the right to retain records/documents, i.e. exercise a particular lien. This is not necessarily true. Members are urged to follow the SAIPA Constitution, Code of Conduct and By-laws as regards any fee disputes and to seek expert advice if they are uncertain.

6. Letters of Engagement. Letters of engagement between members and clients are required in terms of paragraph 7 of the SAIPA Code of Conduct. Such letter of engagement must make provision for the retention of documents, e.g. that a document/s will remain the member’s property until the client has settled the member’s account in full in respect of the work undertaken to produce that document/s. The engagement letter constitutes a contract between the member and his client. Bear in mind that the retention of the documents will only extend to those documents which have been compiled with the accountant’s expertise, knowledge and skill.

The legal division trusts that this publication will be received in the constructive light in which it is delivered.
The focus on workplace ethics continues to attract increasing attention. Despite regular reports of ethical failures and corporate scandals, this focus can range from deep-level commitment to a minimalist compliance approach. A factor which can shift organisations toward a more meaningful approach is an accurate understanding of its ethical status.

But, do you know the ethical status of your organisation?

Consider, for example, that you would automatically assess the honesty, trustworthiness and reliability of the handyman you allow into your home, or of the garage doing your vehicle repair. If you were taking out new insurance cover, you would assess the company’s fairness. In other words, you would automatically be assessing their ethical status.

So, too, do others assess your organisation’s ethical status based on a myriad of things, from press reports to what your employee said about the company or its leaders over the weekend. It includes how you treat your customers, suppliers and other stakeholder groups, whether there is a gap between what you say and do, and whether your values are lived or just framed on the wall.

The assessment of your ethical status by internal and external stakeholders is important because it affects your organisation, either positively or negatively.

A positive assessment of your ethical status enhances the quality of your relationships with your stakeholders, be it employee commitment or customer loyalty. It also supports the recruitment and retention of top talent for employees and your board. Other valuable results of a positive ethical status include easier access to capital, lower cost of capital and increased brand equity. Ultimately, this all adds up to a unique source of competitive advantage, a very valuable commodity in today’s economy.

A negative assessment is, of course, damaging on many fronts: for corporate reputations, brand equity, client retention, or even for the on-going operation of the business. And, your negative ethical status will not be accorded any form of confidentiality. Quite the contrary: it may be very newsworthy and widely shared.

But, positive or negative, first you have to know your status. And not just for today, not just after the bribery or collusion charges have hit the press, but all the time by regularly monitoring it.

An accurate ethics assessment can be done with an instrument such as the Ethics Monitor, a web-based ethics survey, which measures the ethical status of organisations based on the perceptions and experiences of management and employees (as opposed to the limited view of a few senior leaders and board members). The results highlight the company’s ethical strengths and weaknesses, and identify and prioritise actions to improve ethics and to support of the effective management of workplace ethics.
The Workplace Ethics Checklist serves as a quick and easy DIY appraisal of an organisation’s ethical status that encompasses the level of a company’s ethics awareness, understanding and management. If an organisation answers ‘no’ to any of the eight questions, it indicates that further action should be taken to more effectively manage its ethics.

1. Do your people (directors, executives and employees) share a common understanding of what constitutes ethics in your business?

   Yes  No

   A clear, shared understanding is an essential foundation for ethical behaviour. It also serves to build greater levels of ethical awareness. In the absence of a common understanding, differences can arise from divergent personal values.

2. Do your people understand why workplace ethics is important?

   Yes  No

   Insight into the benefits of sound ethics and the potential costs of unethical conduct strengthens employees’ understanding of why workplace ethics matters so much. Benefits include being able to attract and retain key staff and board members, strong customer loyalty, increased investor and market confidence and easier access to capital. Costs can range from financial losses to fines, damaged reputations and, in extreme cases, jail sentences and the closure of the business.

3. Do you know your company’s ethical status as perceived and experienced by your employees and key stakeholders?

   Yes  No

   You should measure your company’s ethics so that you know and understand your organisation’s current ethical reality – not as you wish it to be or as the board of directors assume it to be, but as it really is. The assessment should thus be based on the experiences and perceptions of all employees and key stakeholders.

4. Have you set up a social and ethics committee?

   Yes  No

   The Companies Act requires all but small companies to set up a social and ethics committee. Instead of this being viewed as another compliance cost and treated in a ‘tick-box’ manner, it can fulfil an important role and add value for those organisations that strive to be good corporate citizens and are prepared to embrace the associated responsibilities.

5. Do you manage your ethics proactively and regularly?

   Yes  No

   The benefits of ethical conduct and the costs associated with misconduct warrant that ethics is not managed reactively or on an ad hoc basis. Effective ethics management rests on proactive, regular attention.

6. Do you have a strategy to manage ethics effectively?

   Yes  No

   An ethics strategy should identify clear ethical goals and actions to create an ethical workplace and an ethical culture. Ideally, this strategy needs to include six focus areas: setting the ethical standards; setting up an ethics committee; building ethical awareness; measuring and monitoring ethical status; taking action to improve ethical behaviour and reduce unethical conduct; and maintaining an ethical culture.

7. Do you provide opportunities for your people to learn about ethics and how to handle ethical dilemmas effectively?

   Yes  No

   Effective training to address ethical challenges in the workplace (among other issues) reinforces an ethical culture. To ensure that ethics training programmes are impactful, the following design features should be taken into account: Take the ‘knowing–doing’ gap into account: Don’t teach what the participants know already; Teach ethics based on your ethical reality, not on abstract theory. Combine appropriate theory and practice.

8. Do you report on your company’s ethics?

   Yes  No

   Ethics reporting is a recommendation of King III and a requirement for the Companies Act social and ethics committee. An ethics report should include the activities of the social and ethics committee and the annual measurement of the company’s ethics, both of which should be presented in relation to the organisation’s ethics strategy and goals.

   An added benefit from the regular assessment your organisation’s ethics derives from the business dictum that ‘you can’t manage what you don’t measure’. Although this is somewhat of an exaggeration, you can certainly manage ethics better and more easily if you measure it.

   Cynthia Schoeman is managing director of Ethics Monitoring & Management Services, which provides support for the proactive management of workplace ethics. This includes the Ethics Monitor, a web-based ethics survey, which enables organisations to measure, monitor and report on their ethical status.
van volgehoue pogings om magsmisbruik aan bande te lê, waarvan die strewe na demokrasie waarskynlik die mees omvangryke ingrypte is, is die teenwoordige wêreld steeds blootgestel aan die vernietigende gevolge van magsvergrype wat deur politici, gemeenskapsleiers, sakeleiers, bestuurders, die media, en individue gepleeg word. Talle voorbeeldige doen spontaan voor: die onverhinderde militêre optredes van die Basar Alasad se regering waardeur tientalle Siriërs daagliks koelbloedig afgemaai word; die waaghalsige en onetiese optredes van Amerikaanse en Europese sakeleiers waardeur biljoene verkwansel is in ‘n drang na selfverryking; seksuele vergrype in ‘n luukse New Yorkse hotel deur die voormalige hoof van die Internasionale Monetêre Fonds, Dominique Strauss Khan; die voortslepende korrupsie en magsmisbruik in Suid-Afrika wat reeds tot so ‘n vlak toegeneem het dat geloofwaardige figure en instellings dit as ‘n nasionale krisis beskryf; die onlangse gewelddadige verkragting van ‘n mediese student deur ses mans in Indië.

Vermelde insidente wek die vraag of magsvergrype onvermydelik is. Is ons, ongeag waar ons ons in die wêreld bevind uitgelewer aan magsvergrype, met slegs die skaal en sofistikasie wat verskil? Is daar ‘n sielkundige of neurologiese rede vir hierdie verskynsel?

Nieteenstaande ons besorgdheid, sal mag altyd ‘n kernfaset van die menslike bestaan wees. Daarsonder sou daar nie verantwoordelike en sistematiese vooruitgang in samelewings, lande en instellings wees nie, slegs algehele chaos. Legitieme mag is ‘n sin qua non vir welvarende samelewings.

In die sakewêreld verwag ons van hoof uitvoerende beamptes en bestuurders om die verantwoordelikheid wat hulle opgedra word, ten beste uit te voer met die middele wat tot hul beskikking gestel word. Ongelukkig misbruik hoof uitvoerende beamptes en bestuurders heel dikwels hierdie mag om die wat aan hulle sorg toevertrou is te manipuleer en soms selfs te mislei. As rasionaal hou hulle voor dat die doel immers die middel heilig! Vele sakeleiers en bestuurders raak so magsdronk dat hulle nie langer erkennen gee aan die menings en sieninge van andere wat strydig is met hul eie menings en sieninge nie. As gevolg hiervan smoor hulle die kreatiwiteit en innovasie van die wat aan hulle rapporteer. Met verloop van tyd begin hulle toenemend

The measure of a man is what he does with power. - Plato
in 'n sogenaamde voor. In die wat mag op die menslike brein het. Hy stel te Dublin, beskryf in sy nuwe boek die invloed Ian Robertson, 'n professor aan Trinity College versuim om 'spanlede' te bemagtig. en raak dan so selfgesentreerd dat hulle hulself as die enigste bron van kennis beskou, heel gemaklik met die verwesenliking van onverwagte swart swane, en gevolglik onvermydelik sal opduik, die speekwoordelike persone sien 'n doel 'so' duideliker dat hulle beskik. Daar is egter 'n haakplek. Magtiger iemand sou opdra wat oor voldoende mag hulle die verwesenliking van hierdie doel aan sal derhalwe 'n groter kans op sukses hê indien Instellings wat dus 'n bepaalde doel nastreef, beter daartoe in staat is om op 'n doel te fokus. Onderliggende is daar bevind dat magtiger persone beter daartoe in staat is om op 'n doel te fokus. In 'n magsposisie sou bevind, sou jy meer norme as regnover aanwend, of nie sodanige norme in ag neem nie?

Vraag 2: Indien jy magtiger sou wees as wat jy vandag is, sou jy dan beter daartoe in staat wees om die tydsduur van jou projekte meer akkuraat te beoordeel?

Vraag 3: Indien jy magtiger as vandag sou wees, sou jy dan beleefder optree?

Vraag 4: Indien jy magtiger as vandag sou wees, sou jy dan beter daartoe in staat wees om jou kans in 'n kansspel te voorspel?

Ian Robertson gaan voort om haarfyn te beskryf hoe persone wat groter mag verwerf, strenger morele norme openbaar; strenger norme met betrekking tot … andere. Hy konstateer dat persone wat groter mag verwerf, ander gouer veroordeel, minder tolerant is, en strenger kontroles vereis. Kortom, hy bevind dat hulle meer ‘regs’ in hul optredes teenoor andere word. Wat hulself betref, openbaar hulle egter ‘n minder nuggesteet ingesteldheid, en is derhalwe geneig om selfs gouer as tevore bestaande grense te beweeg. Indien hierdie bevindinge vir jou maak is om te aanvaar, hoe jy slegs te let op hoe groter streksevolle sakemane hul oor werklooses uitspreek (“Elkeen wat wil werk, kan werk vind!”), persone veroordeel wat foute begaan, en hulle oor persone met 'n swak karakter uitspreek. Hierbenewens, sou dit ook help om te let hoe gemaklik hierdie sakemane hulself verskoon vir tiptiee foute wat hulle begaan (snelheidsgrensoortredings, belastingonduiking). Natuurlik sou u kon redeneer dat hierdie gees van die boek het ons so 'n magsoudit opgevoed. Jy sal dan die voorvoegsel ‘ek’ bestuur’ inspreek. ‘Elkeen wat wil werk, kan werk vind!’ sou jy dit as sinneloos afmaak. Indien jy dit aanwend kan 'n groot verskil aan jou sukses as rekenmeester maak. Nou is dit tog nie die rede waarom die mensheid iets soos demokrasie moes bedink nie?

Indien jy op alle vrae positiewe antwoorde verskaf het, het jy ons magsoudit geslaag. Jy sal dus nie ras smeer aan 'n kollega stuur wat die verskaf het, het jy ons magsoudit geslaag. Jy sal Indien jy magtiger sou wees, sou jy dan beter daartoe in staat wees om jou sukses as rekenmeester maak.}

Some obvious and some not-so-obvious ones (and it’s not all Facebook and Twitter).

I’ve lost track of how many acquaintances, colleagues and people I know have dumped their shiny new smartphone (or iPad) in front of me and asked: “What apps must I get?” It’s a difficult question to answer. Earlier this morning, I posed a similar question of Twitter. The responses were telling. There were a few non-negotiables, but with each batch of answers came apps very specific to that person’s interests or career (and that’s the way it should be!).

I’ve whittled that feedback and my own can’t-live-without apps into a list of ten. It is by no means exhaustive and is highly subjective. It also excludes built-in apps like mail and the browser. (And a further qualification: it’s been compiled from the perspective of an iPhone user. All of these apps are available for Android devices and most of them for Windows Phone and BlackBerry, especially BB10).

WhatsApp
The default instant messaging app. Its cross-platform, which means it’s basically BBM (which we were all addicted to not too long ago), but for everyone. The group chatting functionality (up to 30 people) makes it a great productivity tool (of course it helps keep in contact with groups of friends too). Mobile operators hate these over-the-top (‘OTT’) services, as it eats into their high-margin SMS revenue.

Evernote
At the World Economic Forum Annual Meeting 2013 in Davos, I was amazed by how many people used Apple’s built-in Notes app to make notes of sessions and briefings (practically everyone). There are tons of better options, and Evernote is easily the best of these. Your notes are seamlessly synced between your phone, tablet, computer and the web. Notes in Evernote are also location-aware (it remembers where you made them), and you can add pictures and record audio with them. Once you switch, you won’t look back.
Dropbox

Dropbox has become the default cloud storage service. Think of it as your network drive at the office, but accessible everywhere, from any device. Its sharing tools, where you can share specific files or folders with specific people, are increasingly useful as we shift more and more storage to the cloud. Think of Dropbox as iCloud, but done right.

Google Maps

Chances are your default mapping app isn’t as good as Google Maps (unless, of course, you’re on Android which means that is your default). Apple still has some way to go, so too does Nokia Maps, and BlackBerry’s offering for its upcoming BB10 platform.

FNB Banking (or Standard Bank or Nedbank if that’s your poison)

It’s crazy to think that two years ago we were doing cellphone banking via pretty complicated (and limited) USSD (*#/*) menus. In late 2011, all that changed with the launch of FNB’s app. I use it almost daily, and more often than not it’s an easier, more convenient way of transacting than internet banking (even when I’m in front of my laptop). Standard Bank and Nedbank have mostly caught up, and the jury’s still out on Absa…. But a banking app is simply non-negotiable on your smartphone.

Bloomberg

You’re reading this on South Africa’s top finance site. In terms of business news apps, Bloomberg is the clear market leader. The videos as well as market and share data are unrivalled. If you’re not interested in finance and business, you could probably safely ignore this recommendation.

Kindle/Instapaper

There are two top reading apps, depending on what type of reading you do. Amazon’s Kindle is well-known. The app syncs between devices, and if you’re obsessed with your Kindle, you won’t be able to live without this app. Instapaper, by contrast, lets you save long web pages for later. This app presents a stripped-down, beautifully legible version of whatever you’re reading. It also has offline mode, which is great when you’re travelling. We find so much to read daily, Instapaper makes it simple to collate all of this for easy reading when you have time.

YouTube

This is another no-brainer, and one of the better-designed apps from Google. We’re all consuming more and more video. This app makes it easy to watch things, to share them, and most of all discover stuff to watch.

Flipboard/Pulse

There are a number of these types of social magazine apps. You select your interests; plug in some of your social networks, and it presents a digest of content tailored to you. Think of either of these as being the newspaper for the 21st century. (I’ve suggested both because they offer different experiences, and because I’m still torn between the two!)

TuneIn Radio

“Listen to the world” sums it up nicely. If you listen to a lot of radio (I do), then this app is unbeatable. It has all the local stations and a massive selection of overseas content (especially useful to listen to some of the BBC’s programming).

Beyond these ten are the default social-network apps, like Facebook, Twitter (and other clients), Instagram and LinkedIn. I’m not going to bother including any of these, because their importance depends solely on whether you’re on (and use) any of these social networks.

What are your must-have apps?

“Perhaps even scarier than people asking me to “get them apps” are the many that’ve handed their iPhones to me and wondered why they can’t use iMessage or iCloud, for example. After some poking around, it turns out they’re still on iOS 4 - an operating system that’s more than two years old. iPhones (and to a limited extent Android devices) need to be updated often... They want to be updated often. Apple releases one major iOS version a year, with multiple smaller updates after that. Keeping up-to-date is critical. With iPhones, do it yourself by plugging your phone into your computer and updating through iTunes (from iOS 5 onwards, you can update wirelessly on WiFi). If you couldn’t be bothered, back-up your phone on your computer (also through iTunes), book a visit to an iStore and they’ll do the update for you.

Hilton Tarrant (hilton@moneyweb.co.za) contributes to ‘Broadband’, a column on Moneyweb covering the ICT sector in South Africa. Re-published with permission.
Taxpayers are obliged to keep records for a period of five years after submitting a tax return. It is far more convenient to retain records in an electronic form than accumulate mountains of paper. The Commissioner for the South African Revenue Service (SARS) recently published the rules for taxpayers keeping records in an acceptable electronic form.

Electronic records are those stored in electronic form on a computer or electronic storage device and are either originally created in an electronic form or are converted from any non-electronic form into an electronic form.

Cloud computing is gaining in popularity, and one of the services offered is storage, where large service providers rent space in their storage infrastructure on a subscription basis. The cloud server where the data is stored could be located anywhere in the world, but according to SARS rules, records retained in an electronic form must be kept and maintained at a place physically located in South Africa.

If you intend keeping your electronic books of account or documents relating to your tax on a server situated outside of South Africa you first have to get authorisation from a senior SARS official. A single telephone call to the SARS contact centre is unlikely to achieve this result, as the official must first be satisfied that you meet certain requirements before giving her authorisation. These requirements include:

- The electronic system used must be accessible from the taxpayer’s physical address in South Africa for the duration of the five-year period;
- The locality of the records will not affect access to the electronic records;
- South Africa must have an international tax agreement for reciprocal assistance with the country where the electronic records are stored;
- The form in which the records are maintained satisfies all the requirements of the SARS rules; and
- The taxpayer will be able to provide an acceptable electronic form of the records to SARS on request within a reasonable period.

Before sending your records into the cloud, find out where the server storing the data is located. If it is outside South Africa, make sure there is a tax agreement with that country and that you can comply with all the SARS rules relating to storing electronic records. Only once you are satisfied you can comply with these requirements apply for authorisation.

For more information contact Graeme on 031 570 5496 or email: graeme.palmer@gb.co.za

*Disclaimer: This information should not be regarded as legal advice and is merely provided for information purposes on various aspects of commercial law.*
The ‘One Day MBA’ on Environment & Sustainability issues

ZERO GROWTH

The world has enjoyed 160 years of almost uninterrupted growth on the back of the cheap energy. We appear to have moved out of the period of consistent, energy-fuelled growth into a new age of resource constraint, which may lead to an economy that either stays flat or shrinks over the medium to long term. The Greenest Event will explore this future, looking at constraints in South Africa’s economy, how technology may enable us to continue on a growth path and how to invest in an economy that may stay flat for the next 30 years.

NATIONAL PLANNING COMMISSION

Responsible for developing a long term vision and strategic plan for South Africa, the plan seems idealistic in the extreme, eliminating poverty, curing the ills of public education and policing and providing universal health insurance, all on the back of tripling the economic growth. Were it not for the high powered nature of the commission, it would seem pie in the sky. We’ll unpack the plan and see how its implementation will affect business and society over the next 20 years.

FRACKING

The debate around shale gas exploration has raged for 2 years now, with emotions running high. The government has re-opened the doors to exploration, with a view to better understanding the potential pitfalls and potential. The Greenest Event is presenting an analysis of South Africa’s energy future, with and without fracking.

The Greenest Event is held annually on World Environment Day, 5 June 2013, at the Sandton Sun.

To book, contact Michelle McBride on michellem@thefuture.co.za | 011 803 2040 | www.greenest.co.za
Many years ago when companies still used adding machines and dictaphones and PAs were called secretaries, or short-hand typists were employees, mid-morning and mid-afternoon willingly became part of a slavishly familiar routine as the comforting sound of the tea-trolling bustled down the corridor. This was long before the age of the Grande-latte takeout from the shop downstairs or the push-button instant-beverage coffee-in-a-capsule machine thrumming quietly near the sterile photocopying room. This method of refreshment was a welcome pause in a day of inky fingers, paper-cuts and those smelly, rubbery, thimble-like things that large, crimpolened office ladies would wear at the end of a podgy pork sausage finger while they were sorting and counting documents.

From a distance one would hear the sound of an uneven wheel clattering down a heavily polished linoleum floor. Then for each office a cheery greeting from the ample-bosomed butter-smelling tea lady who would be primly turned out in a starched lavender uniform piped with lace. She’d have sensible shoes, sensible stockings and a sensible outlook on life. She’d know everyone by their first name and know exactly how they took their tea. Mr Smethwick in ledgers liked a warm milky brew with no sugar, while Mrs Fitzsimmons (recently widowed) in accounts receivable told everyone she liked her tea unsweetened, but the tea lady snuck in half a teaspoon to keep her strength up. The tea lady would arrive in a curtain of steam emanating from a dented silver urn that contained a brew so strong it would have frightened off Lord Voldemort himself. Milk (full cream, never fat-free or long-life) would sit in an equally dented pale yellow tin jug with a green handle. Surrounding these catering motherships was a small armada of multi-coloured Formica cups stained yellow on the inside from years of use. Each pouring for a weary office worker would be accompanied by some carefully chose office gossip. Let us not forget the tea lady was, is, and always will be the supreme font of office gossip. She might, for instance, refer to prim Miss Macready in collections who had taken to getting sick every morning and had suddenly stopped smoking. The tea lady would ask with relish if perhaps the young lady and her gentleman caller Mr Biggins from sales had pushed the fast forward button. “Not that it’s any of our business,” she’d whisper out the corner of her mouth. But that was confirmation enough that there was another company bun in the oven. And as we contemplate our double-shot extra-froth macchiato, let’s also remember the office biscuit that accompanied said cup of tea – a yellow brick of butter, eggs, sugar, fat, cholesterol and amazingness that tasted like granny’s winter kitchen even if you never had a granny.

Hard to bite, but a quick dunk would soften it up and release a mouthful of ambrosia onto your taste buds that would make you tear up and think of Julie Andrews, soft downy pillows and gambolling Labrador puppies. Then, as you were sipping and eating heaven, she’d move on with the promise that she’d be back at four.

Tea ladies are a dying breed, but right here and right now the campaign to bring them back begins: I’m sick and tired of extra-skinny cappuccinos that cost a month’s salary and taste of diet.