When a pair of local veterinarians noted that no one had ever charted the anatomy of a rhino, they had no idea they were about to launch a new front in the fight to save South Africa’s precious rhino population. With a little help from their professional community, they managed to raise funds to buy a rhino-sized scanner and the highly specialised software needed to map their unique physiology, and launch their foundation, Saving the Survivors. The formidable duo rescue and rehabilitate the many rhinos that survive poaching attacks – as well as their orphaned babies.

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Success is one of those concepts that hold a different meaning for every person and organisation. The keys to success, however, tend to be very similar and usually appear in the potent combination of a focused strategy combined with consistent activity.

In a world where change is the only constant, the focus of many businesses has had to shift from remaining steadfast to becoming and remaining relevant. Although this change holds many challenges, it also harbours an incredible amount of opportunities. At SAIPA, we strive to remain aware of and embrace these opportunities in order to consistently work at achieving goals and dreams that will help our members and their clients achieve theirs.

SAIPA embraces the opportunities brought about by changes in not only the accountancy environment, but also in the global shift towards a more digital approach, allowing a younger generation of accountants to breathe the passion of youth into our industry. We see the reward of these efforts in our membership numbers that continue to increase year after year, not only in quantity but also in demographically representative quality.

The initiatives undertaken by various SAIPA departments during 2014 have proved to be enormous successes, evident in the feedback received through our client care centre. Skills development programmes, local and global stakeholder relations, and a special focus on new membership in three tax designations have all contributed to what can only be described as a superbly successful year.

At SAIPA, we remain consistently excited, rather than daunted, by the changing world, as we believe that the Professional Accountant (SA) is ideally positioned to embrace the opportunities these changes bring.

We urge all of our members to embrace the changes and advancements in our industry as an opportunity to become indispensable business advisers to employers and clients, providing them with strategic insights that will help them to achieve greatness.

The New Year is bound to bring more changes – some might be welcome and long-awaited, while others will be daunting. However, let’s just embrace all changes that come our way with an open mind, try to use them to our advantage, and let them not get the better of us. With the right mindset, these changes can open up exciting new doors for all of us and bring us and our businesses to the next level.

With these words, we wish all our members a happy New Year, and hope that 2015 will bring happiness, success and prosperity and many positive changes.

Mulligay Pillay – Marketing I Managing Editor
Thomas Hoeppli – Research I Managing Editor

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

@SAIPAcomms
www.facebook.com/SAINstituteProfessionalAccountants
www.linkedin.com/groups/SAIPA-3759392

COMPETITION WINNERS
Congratulations to the following two SAIPA members who each won in our recent accounting text book giveaway:
Jan van Zyl
Dawie Swanepoel
A number of pupils have excelled in the recent SAIPA | ABASA National Accounting Olympiad. Run by the South African Institute of Professional Accountants (SAIPA), in conjunction with the Association for the Advancement of Black Accountants of Southern Africa (ABASA), the Olympiad is an annual competition that aims to raise greater awareness of becoming a Professional Accountant (SA) as a career choice.

Top performers

Tshepo Phuti Moloto from Pax College in Mashashane, Limpopo, was the top male performer in the government schools category. Moloto achieved a score of 92.88%. “Never did I think that I could ever be among the best,” said Moloto of his score of nearly 93%. “It has made me believe that if one puts effort into one’s studies, one can become a success. Hopefully, this is just the beginning of greater things to come.”

Sumaiya Moses from Uitenhage High School in the Eastern Cape was the top female performer in the government schools category. Moses achieved a score of 92.44%. “Winning has made me believe that through hard work and dedication, you can achieve anything,” said Moses, who also credits her teacher, Phillip Joseph, for much of her success. “Mr Joseph is one of the most dedicated teachers I have ever known, always going the extra mile and ensuring that we attend all available accounting programmes,” she said. “If it was not for his constant support and encouragement, I would not have achieved this honour.”

Dineo Mojapelo from Liberty Community College in Bramley, Johannesburg, was the top female performer in the independent schools category. Mojapelo achieved a score of 88.88%. “There is a perception that Olympiads are challenging,” said Mojapelo. “Well, that is exactly what I wanted – a challenge – and the National Accounting Olympiad was simply a perfect platform for me to prove that I can do it! Winning has given me a lot of courage. Now I feel like a different person, I have self-confidence and I believe more in my abilities.”

“Given the scarcity of those who are qualified as a Professional Accountant (SA) and the importance of mathematics and accounting, SAIPA and ABASA commit to continuing – through the Olympiad – to promote professional accountancy as an attractive career option for school leavers.”

Ismaeel Kaka from Azaadvile Muslim School in Azaadvile, Pretoria, was the top male performer in the independent schools category. Kaka achieved a score of 88.00%.

Promoting professional accountancy

“In addition to the outstanding results of this year’s top performers, we as SAIPA, as well as ABASA, are delighted with the overall performance of the many thousands of learners who took part in this year’s competition,” said Mulligay Pillay, Marketing Project Manager at SAIPA and Coordinator of the SAIPA | ABASA National Accounting Olympiad.

“Given the scarcity of those who are qualified as a Professional Accountant (SA) and the importance of mathematics and accounting, SAIPA and ABASA commit to continuing – through the Olympiad – to promote professional accountancy as an attractive career option for school leavers,” said Pillay.
Do you want to focus your thinking in more conscious and innovative ways in order to be able to achieve more in today’s difficult and trying economic times? To do so, you will not only need to confront your own worst enemy, but you also need to recognise that the competitive landscape has changed forever.

Our world is functioning and changing today at a very different speed from anything that has ever been experienced and, as a result, we are now being tasked with doing and achieving more every day than anything any previous generation had to deal with.

How so? Consider this: We are currently doing more business in one single day around our planet than the world did in the entire year of 1950. We are doing more market research today in one day, every day, than the planet did in the entire year of 1960.

It seems crazy, but you need to realise that we are sending more mail around the planet today, every day, than the world sent in the year of 1970. And that we are making more phone calls every day, today, than the world made in the whole of 1980 – and that is on landlines alone, not even counting our mobile calls.

We are now sending more e-mails around the planet in one day, every day, than the world sent in the year of 1994. And text messages? We will transmit more in the next 24 hours than the world sent in the entire year of 2001.

The numbers in real terms are even more staggering. Would you believe that we are actually sending over two million e-mails a second and over sixteen billion text messages every single day? No wonder we are stressed!

Our world is now clearly operating at a very different level from anything in the past, and on our ‘globalised’ little planet, everything is changing, primarily because of the impact of technology. We need to understand it, quickly, and learn to master it.

We clearly have to work harder, faster and smarter now than ever before, and winning into the future...
requires some massive fundamental changes to our business styles and philosophies. So, what is holding us back? First, meet your own worst enemy: your brain.

Your brain craves ‘normality’, naturally resisting any and every change that creates a level of discomfort. It drives your view of the world and it controls your thoughts and actions at a subconscious level. Your brain is the reason you drive to work and back the same way every single day. Do you want proof as to how it is holding you back? Try the simple test tomorrow of driving to or from work choosing a different route. As simple as this would be, it will feel uncomfortable and stressful when you try it.

Hot-wired for routine, stability and comfort, your brain is going to be the voice you hear telling you to go back to the tried and tested. To the safe, the comfortable, the familiar. It is an all-powerful voice – and it is holding you back. You need to challenge it… and start moving in a new direction.

Now think of your biggest competitor. In days gone by that would have been a company that did similar things to your business – but not anymore. The landscape has changed. Today, your biggest competitor has become… your customer. Not another business. In today’s world of total connectivity, your customers have become all-powerful, and often have more choice, technology and options than anyone else. They have brought new rules to the game and totally changed your landscape.

Take loyalty and trust, for example. These two things used to be the foundation stones that business was built and relied upon. No longer. The modern customers cannot be expected to remain loyal, thanks to a technology-filled world that delivers them an entire planet of seemingly unlimited choice. And as for trust? Newsflash… Today’s very empowered and extremely connected customers simply don’t believe in business-speak or trust companies anymore.

Here is why. Modern business change really began back in living memory around 1950, with the birth of what we now call the ‘technological revolution’. Since then, our planet has experienced its fastest ever period of human change. Prior to the technological era, we had experienced the ‘industrial revolution’, where modern business grew its roots – albeit very slowly – across two centuries.

Since the 1950s, the world – with technology – began changing rapidly. Since then, it has become possible to build a global business in a decade or less, not across centuries as it used to be. And although technology was fairly primitive back in the 1950s, even then this represented a quantum leap forward from what had been the norm before.

In the 1950s, if a customer had said to you, “Could you please do something for me?” and you had replied, “Sure, thanks for the enquiry, I’ll get back to you on that in a matter of weeks,” your customers back then would have been delighted. “Weeks? You can do that? That’s incredible – absolutely amazing!” they would have said.

By the 1960s, the response time quickened. There was more business around, more competition, more choice and, as a result, expected response times moved from weeks to days.

By the 1970s, those days became minutes, and by the 1980s, it got even quicker as we then hit the ‘Now Generation’, when ‘Just Do It’ seemed to be the clarion call. The speed of the planet had moved from minutes into what we called the ‘Now Era’, where customers were saying, ‘I want it all, and I want it now’.

By the 1990s, the target moved yet again. The ‘Now Generation’ wanted things not just at their fingertips, but available on their clock, wherever they were. The Internet was driving the speed of information and business change in the 1990s. Come the turn of the century: people demanded instant answers.

The new millennium has also seen the emergence of a new standard – one of constant pressure. It is a world of no downtime, and the way that we are now forced to work and deliver is under a new standard – that of being continuously different.

To deliver at the appropriate speed today, we need to urgently switch our brains into conscious mode, to disregard the old speeds, rules and dogma of the past, and to become much more aware and proactive. All while focusing on delivering what we do best, and while being held publicly responsible and accountable for our actions.

It is clearly time for a fresh way of thinking and a new view of the landscape. How is your business doing in this regard?

Michael Jackson has presented at over 2,500 conferences across the planet on business change and future trends.

www.theothermichaeljackson.com
Financial headlines are all too often dominated by news of the next big swindle. You’d be forgiven for thinking that financial crimes are more prevalent than ever before – and indeed, you are right. That’s according to a cross-section of experts who note a common thread of opportunity, driven by technology, combined with the ancient human weakness of greed.

What is financial crime?
It can be argued that any crime that delivers a pecuniary advantage to the perpetrator falls into this category. That is confirmed by Melissa Coetzer, Forensic Investigator in Risk Advisory Services at BDO South Africa, who explains: “Financial crime includes an extensive range of wrongdoings including bribery, credit card fraud, skimming, embezzlement, theft, racketeering, forgery and uttering, tax evasion, bank fraud, money laundering and identity theft. These and other crimes are all defined either by statutory law or common law.”

While a simple question, Sharon van Rooyen, Director for Fraud Investigations & Dispute Services at EY, says the answer can be complex. “It is difficult to define financial crime as such, demonstrated by the numerous definitions doing the rounds. For example, Interpol defines it as ‘often referred to as white-collar crime’, and notes that it ‘covers a wide range of criminal offences which are generally international in nature. Closely connected to cybercrime, financial crimes are often committed via the Internet and have a major impact on the international banking and financial sectors – both official and alternative.’”
White-collar crime is non-violent and committed by business or government professionals. South Africa has a long list of ignominious and high-profile incidences of white-collar crime, which includes cases like the Rainbow Investment Club, the Newport Multi-Level marketing scheme and Vanderbijlpark's Krion debacle. Similarly, government is routinely embroiled in scandal, from the Arms Deal through to various issues which swirl around the present administration. "Financial crime can also include some forms of cybercrime committed with a view of obtaining financial gain, as well as offences related to corruption or bribery," adds van Rooyen.

A growing problem with growing consequences

It is arguable that financial crime is a perpetual companion of finance, but it would appear that the problem is getting worse. This view is shared by Neville Sweidan, Consultant in Forensics at Grant Thornton Johannesburg. "The threat is bigger than in the past, evidenced by increasing incidences, some of which are reported through print and digital media," he says.

Van Rooyen says financial crime is often closely linked to cybercrime, with developing technology and markets presenting new opportunities for miscreants to exploit business and society. "Markets are never static. New risks constantly emerge, and the matters that regulators and the public consider inappropriate or fraudulent are also evolving," she says.

Coetzter concurs, noting that companies are under pressure to address it adequately. "The impact of financial crime tends to be bigger, although the number of incidences might be more or less the same," she says. And Coetzter believes that there is a move away from more visceral crime, as financial attacks deliver ‘results’ at arm’s length. "In the past, crimes were more physical, where criminals would get away with a bag of gold, but in today’s world, financial crimes are becoming more complex, sophisticated and subtle.”

Van Rooyen says financial crime is often closely linked to cybercrime, with developing technology and markets presenting new opportunities for miscreants to exploit business and society. "Markets are never static. New risks constantly emerge, and the matters that regulators and the public consider inappropriate or fraudulent are also evolving," she says.

Coetzter notes that advancements in technology are something of a two-edged sword. "Technology can not only detect financial crimes, but can also be used to commit those crimes. Since we are increasing our use of technology on a daily basis, and as increasingly more systems are being automated, more opportunities are created for criminals.”

Sweidan takes a broader view, explaining that the underlying reasons for growing financial crime also include globalisation and e-commerce, tougher economic times and the use of more complex schemes by syndicates. "Organisations simply do not have the resources nor can they afford to absorb the cost of resources required to fight financial crime. The bar has been lifted from simply needing tools to raise the red flag in the past, to requiring more advanced data analytics systems. This demands expensive infrastructure and software as well as expert skills, which are often hard to source,” he says.

The power of a connected world also has its downside, eliminating physical separation as a barrier to the commission of crime. "With the advent of technology, syndicates no longer need to be ‘in country’ to perpetrate financial crimes. This then creates, inter alia, challenges in tracing the proceeds of crimes, co-operation with foreign jurisdictions and bringing the criminals to book," Sweidan adds.

Preventative strategies

Eliminating financial crime is a practical impossibility, so managing it effectively emerges as the only other option. “Smart companies are proactively managing financial crime risks by increasing their focus on governance, conducting training to create awareness, implementing policies and procedures and performing risk assessments,” says Coetzter.

While that is the ideal proactive approach, the reality is a little different. "The main focus is still on a reactive approach by investigating financial crime and only addressing the risks and implementing necessary controls after it has taken place," she adds. Sweidan emphasises that internal controls continue to play a central role in managing the potential for financial crime. “Compliance units and internal audit functions within an organisation are responsible for proactively and reactively examining the adequacy and effectiveness of internal controls,
identifying non-compliances and investigating breaches. Regular fraud risk assessments are an important element of the management and control process,” he explains.

“Compliance and anti-fraud programmes fail because companies spend less time on preventing financial crime in comparison with criminals whose sole business is to focus all their time on committing those crimes.”

Meanwhile, van Rooyen experiences that the growth of incidences of financial crime is being met with increased vigilance. “We have noticed a marked increase in the number of Fraud Risk Management programmes initiated by our clients. These programmes typically include whistle-blower lines, clearly defined strategies for the prevention, detection and response to financial crime, dedicated units to deal with financial crimes, and awareness campaigns.”

Reflecting the fact that financial crimes are often committed with the help of technology systems, van Rooyen adds that some companies are realising the value of data analytics as a way to proactively detect financial crime and to identify gaps in systems and controls. “Data analytics has become an integral part of any investigation into financial crime,” she says.

Financial crime is rarely static, as criminals constantly probe for gaps in controls and regulations, so approaches should be similarly dynamic, says Coetzer. “Measures against financial crime should constantly be reviewed in order for companies to deal with new risks as they arise and introduce controls to mitigate those risks.”

Sweidan adds that the practice of ‘combined assurance’ is essential, along with participation in information sharing through industry groupings and professional bodies locally and internationally. “This helps to stay ahead of the curve in terms of subject matter expertise and the latest technology trends.”

Why the measures against financial crime still fail

There is no shortage of measures in place to prevent, detect and discourage financial crime, but it keeps on happening. “Failure emanates from a lack of commitment to the setting up and maintenance of internal controls which, by their nature, have cost implications and administrative burdens for the organisation,” says Sweidan.

That is exacerbated by the fact that focusing on controls means not focusing on the actual line of business. Coetzer concurs: “Every hour companies spend on financial crime risks and combating financial crime is an hour they lose doing business and making profit.” In many respects, looking out for financial crimes is a little like an insurance policy or a data backup: it is a bit of a pain in the neck right up to the point where it is proved necessary.

Going further into the issue of motivation, Coetzer points out that for the attacker, ‘getting in’ is everything. For the defender, holding the fort is just one of many tasks (and one which is unlikely to enjoy priority). “Compliance and anti-fraud programmes fail because companies spend less time on preventing financial crime in comparison with criminals whose sole business is to focus all their time on committing those crimes.”

Management and governance problems can also manifest as failures that leave gaps to be exploited by opportunists, adds Sweidan. “Poor corporate governance, lack of accountability, inconsistent action, lack of leadership, poor tone from the top, an incorrect organisational structure and a silo approach are among the key reasons why these programmes fail. Our experience shows that compliance responsibilities are also not set out in job descriptions or in performance contracts and criteria. This does not enable a performance culture,” he says.

And van Rooyen says sometimes the problem starts at the top. “While boards often set a zero-tolerance tone and encourage management to build teams to address the risks of financial crime, our experience tells us that ongoing oversight from the board is essential. In addition, one of the main reasons for failure is the ‘people factor’, as certain weaknesses in internal controls and human character can be conducive to financial crime.”
INTRODUCING UNIQUE SOFTWARE THAT WILL EMPOWER YOUR SMME CLIENTS

AND BROADEN YOUR ACCOUNTING PRACTICE’S OFFERING

Globally, the experience of Small, Medium and Micro Enterprises (SMMEs) is very similar, with two of the primary challenges being effective financial record-keeping and access to finance. Both of these are addressed by award-winning South African-developed products, SMEasy and finfind. These products are endorsed by the South African Institute of Professional Accountants (SAIPA) and meet the very specific needs of SMMEs – SMEasy because it provides a business management and accounting system specifically designed for SMMEs and finfind because it addresses the challenge of access to finance.

SMMEs are a vital part of any country’s economy, accounting for a significant portion of employment and GDP. They are also a key source of innovation and new job creation. In South Africa, SMMEs are the engine room of the economy, making up 91% of formal business entities, providing about 61% of jobs, and between 52 and 57% of GDP. The SMME sector is the fastest-growing business sector in the country, with industry leaders and government predicting the sector to continue to grow significantly over the next decade.

Also expected to increase over the next few years is the changing face of the accounting profession, which is increasingly seeing accountants taking on more business advisory responsibilities as opposed to only doing bookkeeping and accounting.

One of the growing trends is clients asking their accountants about how and where to access finance. Services such as SMEasy and finfind provide the accountant with proactive responses to their clients’ finance needs and broaden their service offering without having to increase their staff and overhead costs. Accountants can now provide affordable, effective advisory services to their clients and can ensure they are well positioned to increase their client base.

SMEasy
SMEasy is an online, award-winning business management and accounting solution for small businesses. It is different from any other accounting system.

SMEasy is specifically designed for small businesses and is expressly developed to assist entrepreneurs who know nothing about accounting, meaning that your client doesn’t need any accounting know-how to use it. Clients are able to easily capture and manage their records, and it is as simple as filling in a basic Excel template, but even better: it is online and fully integrated into the backend GL and trial balance data. It gives you easy access to all the information required to compile your clients’ financial statements as well as giving you more time to spend being their business advisor rather than their bookkeeper.

As an online solution, you have access to your clients’ business data remotely, from anywhere at any time, and all their information is backed up and secure at all times.

SMEasy is very affordable for your small business clients. At R150 a month per business, all inclusive, it gives your clients the ability to easily manage their contacts, quotes, invoicing and much more – including payroll and even social media marketing. It also produces a simple cash flow report to help them stay on top of their business, while at the same time providing you with free access to all their financial data, so you can stay on top of their accounting and tax.

finfind
finfind is a revolutionary one-stop solution for access to finance for small business. It is an online system that brings together the providers and seekers of small business finance, and focuses specifically on SMME finance readiness.

finfind is the result of a five-year research and development initiative by USAID’s Financial Sector Program in South Africa, aimed at addressing the challenge of small business failure. The market-ready finfind product, which is mobile and web-based, is due to be publicly launched by the South African Small Business Ministry in partnership with USAID, SAIPA and the four large banks.

The main challenges hindering SMMEs from accessing finance are: Finance literacy, finance readiness, and lack of knowledge about who the lenders are and what lenders require. Finfind addresses these challenges by:

- Providing comprehensive finance literacy training with content that is specifically written for entrepreneurs so it is easy for them to understand.
- Measuring the readiness of small businesses to access finance via a series of simple questions.
- Providing access to simple tools to assist small businesses with financial record-keeping and accounting.
- Access to accredited small business accountants and business advisors to assist with financial statements, business plans and any other outstanding requirements based on their assessment.

The small business sector is crucial to job creation and the growth of economies globally. As such, access to finfind is provided free-of-charge to small businesses and is strongly supported and marketed by partners such as SAIPA. By empowering your clients, you empower your accounting practice, enabling your business to provide even greater service and a wider offering to your clients.

ROCKY RECOVERY EXPECTED FOR SOUTH AFRICA DURING 2015

Thea Fourie, Senior Economist, Sub-Saharan Africa Economics, IHS

South Africa’s GDP growth rate is expected to recover somewhat to around 2.5% in 2015, up from the strike-afflicted estimated growth of 1.4% in 2014. Some recovery in household spending is foreseen. However, the expected hike in personal income taxes combined with high services costs will leave consumer spending gains below previous upturns. A move towards fiscal consolidation, by raling in government’s escalating public sector wage bill, will also pose a drag on South Africa’s near-term growth prospects. A significant fall in the international Brent oil price, assuming geo-political stability in the near term, could be positive for both South Africa’s inflation and interest rate outlook in the next 12 months.

Global growth swings back to the developed world

IHS assumes some recovery in global economic growth. The composition of growth has, however, changed in the last two years, with a smaller contribution from emerging markets and a larger contribution from advanced economies. The US economy has, once again, become a locomotive of global growth with substantial downside risks existing in Europe and China, some of South Africa’s largest trading partners.

With international non-oil commodities showing very little upward momentum, South Africa’s overall export earnings are not expected to show a significant recovery in the near term. Import demand could be quelled somewhat by a drop in international Brent oil prices, which IHS forecasts to average around $88/barrel in 2015. The improvement in the current account deficit (in % of GDP) is, however, expected to be small as import demand for goods related to public sector investment remains high.

South African consumers expected to remain under pressure in 2015

Incomes of South African households will remain under pressure during 2015. The anticipated hike in personal taxes during the 2015 national budget combined with high services costs, particularly for electricity, will put a strain on households’ disposable income levels. Commercial banks, now more cautious on their lending practices, are not expected to step up credit extension to narrow the gap. This is especially true given the high debt levels of South African consumers and a fairly limited deleveraging in recent years.

Fiscal space to stimulate the South African economy has narrowed significantly. Instead, government has moved towards fiscal consolidation to reel in the rising debt-to-GDP ratio and avert a further international rating agency downgrade. This will be achieved through more cautious public sector hiring and wage increases combined with efforts to step up government income. Limited domestic demand price pressures and lower international oil prices could leave South Africa’s inflation rate within the South African Reserve Bank’s inflation target of 3% to 6% during 2015, with monetary policy possibly moving towards a slightly more accommodative stance as a result.

Rand vulnerability will prevail

The pace of global recovery and international investors’ risk appetite will play a large role in the rand’s short to medium-term movement. This, once again, became apparent during October 2014, when the rand lost some of its value because of a strengthening US dollar and an equity-market sell-off as investor interest continues to shift more toward the developed world, particularly the United States. The ongoing social discontent in South Africa, coupled with several sovereign downgrades, has also made investors wary of increasing their financial presence in the country, leading to a weakening of the currency. The spill-over of rand weakness is therefore expected to continue into 2015. Volatility is also expected to increase in the near term.
Risks to the outlook remain high

International and domestic risks continue to leave the 2015 growth outlook vulnerable. Geo-political instability in major international oil-producing economies could prove IHS’s international oil price outlook to be somewhat ambitious. Overshooting of the oil price forecast could push domestic headline inflation closer to the upper end of the SARB’s inflation target range, necessitating a much more disciplined monetary policy stance during 2015. Fears about a hard landing in China and disappointing European Union growth outcomes could add to global woes and dampen South Africa’s export prospects.

Domestically, labour unrest and escalating electricity disruptions pose key risk factors to the South African growth outlook. A breakdown in confidence levels in the business community could leave investment well below potential. Rising corruption, mismanagement of huge government infrastructure projects, national policies that have increasingly become confusing and contradictory, combined with a faltering local government system, will constrain South Africa’s growth potential. An overshooting in budget targets could damage the confidence that international investors and rating agencies have in South African policymakers to address the country’s escalating debt-to-GDP ratio.

On the upside, ongoing regional integration through progress in the creation of a Free Trade Area (FTA) will deepen South Africa’s export penetration and relations with the sub-Saharan region, which IHS expects to remain one of the fastest-growing regions in the world during 2015. The FTA encompasses 26 states from the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), with a combined population of 625 million people and a GDP of $1.2 trillion, accounting for half of the membership of the African Union and 58% of the continent’s GDP. Already Sub-Saharan Africa is ranked as South Africa’s third-largest trading partner. The ongoing implementation of the National Development Plan (NDP) will also prove growth-supportive in the near term.

FASSET WINS AWARD FOR THE BEST INTEGRATED REPORT IN THE PUBLIC SECTOR

Fasset (the Finance and Accounting Services Sector Education and Training Authority (Seta)) recently scooped up the award for the best integrated report in the public sector in the Chartered Secretaries Southern Africa and the Johannesburg Stock Exchange Annual Integrated Reporting Awards.

Awards were conferred in the categories Top 40, Mid Cap, Small Cap, State-owned Companies, Fledgling/Alt-X, Non-listed, NGO/NPO and Public Sector. Fasset was declared the winner in the public sector category. “Fasset is very proud to be the recipient of such a prestigious award. It confirms that Fasset is succeeding in its quest to report in an accountable and transparent manner,” says Fasset CEO, Cheryl James.

Fasset only embarked on its integrated reporting journey three years ago, but is already reaping the benefits. “Integrated reporting is a rigorous process. It requires an organisation to constantly interrogate and review how it is adding value. This introspection and ongoing review ensures that an organisation remains focused on performance. It also ensures that issues or challenges are addressed, and not swept under the carpet,” James contends.

She cites the fact that organisations are required to report “warts and all” as a key strength. “Stakeholders want an honest, complete account of what is happening in the organisation. They want to know what the challenges and the issues are, and how these are being addressed,” she explains.

James would like to see all public sector entities, including Setsas, embrace integrated reporting. “Fasset is definitely a stronger, more accountable organisation as a result. By constantly engaging in a meaningful way with a wide range of stakeholders, we can build a performance-driven public sector,” James concludes.
Deciding on which framework to use for an entity can prove to be a nightmare. Three decades ago, there were only three common types of businesses – companies (private or public), sole traders, and partnerships. During this period, accounting processes were simple: the accounting standards were mainly applied to companies, and both private and public companies required an audit.

In June 1984, the Close Corporation Act 69 of 1984 was enacted. The Act introduced a new form of entity – the close corporation. A close corporation enables undertakings to acquire corporate status with a legal personality that is distinct from its members and provides limited liability and perpetual succession. Close corporations were designed to fulfil three basic criteria, namely:

- Simplicity;
- Flexibility; and
- The ability of members of the close corporation to participate in the management and control of the business.

The ‘Generally Accepted Accounting Principles’ were the basis used to prepare financial statements. Topics such as deferred tax, impairment of assets, fair values, capitalisation of leased assets, etc., were either unknown or rarely used. Today, a mere three decades later, we have a myriad of principles that need to be taken into account when preparing financial statements.

Various options now need to be considered when deciding on the preparation of financial statements. The possible frameworks to prepare financial statements today are International Financial Reporting Standards (IFRS), International Financial Reporting Standards for Small- and Medium-sized Entities (IFRS for SMEs), and general accounting principles and policies.

Other considerations to be made are:
Should the elements of the financial statements be measured at cost or fair value? Has the asset impaired? Are there deferred tax implications in the transaction that I am processing? Depending on the framework used, how should the item be measured? How should it be presented in the financial statements and what disclosure requirements must be adhered to? In all the above considerations, the preparer needs to understand when to use which framework and principle.

**Basic guidelines of what to use**

**Sole trader and partnership**
There is no regulation stipulating a framework for the preparation of financial statements for these two types of entities. The financial statements are usually prepared for tax purposes and sometimes for financing purposes, and mostly depend on accounting policies and principles as decided upon by the owner. The accrual or modified cash basis could be used in preparing these financial statements, as they are not general purpose financial statements. The entities are not taxed in their own right as they do not have a legal standing, but profits made in the business are taxed in the hands of the owner(s).

**Body Corporate with less than ten units**
When preparing financial statements of a body corporate that has not opted for its financial statements to be audited, a preparer can choose between the GAAP principles, the accounting policies as adopted by the members or IFRS for SMEs or IFRS. If the body corporate has opted for an audit, the financial statements must be prepared in terms of IFRS or IFRS for SMEs.
Body Corporate with ten units or more
The Estates Act requires that the financial statements are audited and therefore IFRS or IFRS for SMEs will mostly be used for this type of entity.

Trust
Most financial statements of trusts must be audited and will therefore require a framework to be applied when financials are prepared.

Schools
In terms of the Schools Act, the financial statements of fee-paying schools must be audited. As far as possible, the financial statements must be prepared in terms of the IFRS or IFRS for SMEs framework. However, due to the unique nature of certain school transactions, there may be reasonable grounds to prepare their financial statements in terms of generally accepted principles of accounting (this must be cleared with the auditor who will advise on the suitable treatment of such transactions).

Regulations to the Companies Act
The regulations to the Companies Act 71 of 2008 stipulate the following:

Regulation 27

<table>
<thead>
<tr>
<th>Category of Companies</th>
<th>Financial Reporting Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. State-owned companies.</td>
<td>IFRS, but in the case of any conflict with any requirement in terms of the Public Finance Management Act, the latter prevails.</td>
</tr>
<tr>
<td>2. Public companies listed on an exchange.</td>
<td>IFRS</td>
</tr>
<tr>
<td>3. Public companies not listed on an exchange.</td>
<td>One of – (a.) IFRS; or (b.) IFRS for SMEs, provided that the company meets the scoping requirements outlined in the IFRS for SMEs.</td>
</tr>
<tr>
<td>4. Profit companies whose public interest score for a particular year is at least 350.</td>
<td>One of – (a.) IFRS; or (b.) IFRS for SMEs, provided that the company meets the scoping requirements outlined in the IFRS for SMEs.</td>
</tr>
</tbody>
</table>

5. Profit companies (other than state-owned and public companies), – (a.) Whose public interest score is at least 100, but less than 350; or (b.) Whose public interest score for the particular financial year is less than 100, and whose statements are independently compiled.

Non-Profit Companies

<table>
<thead>
<tr>
<th>Category of Companies</th>
<th>Financial Reporting Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit companies that are required in terms of regulation 28 (2)(b) to have their annual financial statements audited.</td>
<td>IFRS, but in the case of any conflict with any requirements in terms of the Public Finance Management Act, the latter prevails.</td>
</tr>
<tr>
<td>Non-profit companies, other than those contemplated in the first row above, whose public interest score for the particular financial year is at least 350.</td>
<td>One of – (a.) IFRS; or (b.) IFRS for SMEs, provided that the company meets the scoping requirements outlined in the IFRS for SMEs.</td>
</tr>
<tr>
<td>Non-profit companies, other than those contemplated in the first row above – (a.) Whose public interest score for the particular financial year is at least 100, but less than 350; or (b.) Whose public interest score for the particular financial year is less than 100, and whose financial statements are independently compiled.</td>
<td>One of – (a.) IFRS; or (b.) IFRS for SMEs, provided that the company meets the scoping requirements outlined in the IFRS for SMEs; or (c.) SA GAAP.</td>
</tr>
</tbody>
</table>
### Regulation 28

#### Categories of companies required to be audited

**See section 30(2), read with section 30(7)**

1. This regulation applies to a company unless, in terms of section 30(2A), it is exempt from having its annual financial statements either audited or independently reviewed.

2. In addition to public companies and state-owned companies, any company that falls within any of the following categories in any particular financial year must have its annual financial statements for that financial year audited:

<table>
<thead>
<tr>
<th>Type of Company</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit or non-profit company</td>
<td>If, in the ordinary course of its primary activities, it holds assets in a fiduciary capacity for persons who are not related to the company, and the aggregate value of such assets held at any time during the financial year exceeds R5 million;</td>
</tr>
<tr>
<td>Non-profit company, other than those contemplated in the first row above, whose public interest score for the particular financial year is less than 100, and whose financial statements are internally compiled.</td>
<td>The Financial Reporting Standard as determined by the company, as long as no Financial Reporting Standard is prescribed.</td>
</tr>
</tbody>
</table>

### Public interest score

The choice of framework in terms of the Companies Act depends on the public interest score of the entity. Public interest is calculated as follows:

- Every company (close corporations included) has to calculate its ‘public interest score’ for each financial year, calculated as the sum of the following:
  - The number of points equal to the average number of employees during the financial year;
  - One point for every R 1 million (or portion thereof) in third-party liability at the financial year end;
  - One point for every R 1 million (or portion thereof) in turnover during the financial year; and
  - One point for every individual who, at the end of the financial year, is known by the company:
    - In the case of a profit company, to directly or indirectly have a beneficial interest in any of the company’s issued securities; or
    - In the case of a non-profit company, to be a member of the company, or a member of an association that is a member of the company.
Finance is not just the concern of the finance function. It is an individual and collective responsibility across the whole organisation, including public sector bodies’ board members. There needs to be a greater recognition of this collective responsibility, as the finance function has a role in making sure financial awareness and appropriate competencies run right through the organisation.

The roles of the public service finance function
There are four core roles of the finance function in public sector organisations. These are:
- **Innovator**: exploring ways to make the taxpayers’ money stretch further, often in collaboration with other organisations.
- **Business partner**: influencing strategy and business outcomes, collaborating with managers to further policy goals, offering expert analysis and interpretation, presenting options to resolve problems and exploit opportunities, and developing financial understanding and informed decision-making.
- **Steward**: safeguarding resources from loss, waste, abuse or corruption, and giving a reliable account of how resources have been used.
- **Provider/commissioner**: maintaining the financial operation infrastructure and core financial administration processes, including specialist services, both directly and through commissioning external providers.

Critical areas
The table below highlights some critical areas where finance functions could consider an agenda for change in order to respond to economic and other external pressures, to take advantage of opportunities or to expand public benefit.

<table>
<thead>
<tr>
<th>Role</th>
<th>Innovator</th>
<th>Business Partner</th>
<th>Steward</th>
<th>Provider/Commissioner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical area</td>
<td>Convener</td>
<td>Managing demand</td>
<td>Risk management</td>
<td>Loan transactions</td>
</tr>
<tr>
<td>Cross-public service</td>
<td></td>
<td>Funding futures</td>
<td>Financial standing and resilience</td>
<td>Delivery vehicles</td>
</tr>
<tr>
<td>opportunities</td>
<td></td>
<td></td>
<td></td>
<td>Experts and specialists</td>
</tr>
<tr>
<td>Analysis of public value</td>
<td></td>
<td>Future-oriented decision support</td>
<td>Internal control</td>
<td>Experts and specialists</td>
</tr>
<tr>
<td>Supporting transformation</td>
<td></td>
<td>Strategy and resource planning</td>
<td>Monitoring</td>
<td>Procurement</td>
</tr>
<tr>
<td>Stakeholder relationships</td>
<td></td>
<td>Commercialism</td>
<td>Assurance</td>
<td>Data management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Value for money</td>
<td></td>
</tr>
</tbody>
</table>

Capabilities
- Technical, professional and relationship skills; leadership and vision; talent management.
can all be features of fragmented functions. The last decade has seen increasing efforts to integrate strategies, systems and processes across agencies.

The finance function has deep roots in understanding processes. It is therefore well placed to help improve the efficiency and effectiveness of integrated working by: analysing the greatest points of leverage over outcomes, by identifying where costs are ineffectually locked up, and by designing the system architecture that facilitates collective activity.

Size matters
Some leading practices outlined by CIPFA are actually functions of a large and complex organisation. Other practices are endemic to the public sector, irrespective of size, such as a basic set of financial rules, proportionate risk management and strong ethical standards.

Priorities
The priorities of the innovator role include:

- Supporting a changing relationship with citizens and service users.
- Being an advocate with funders for the organisation’s financial interests, for the benefit of its service users and affected members of the public.
- Looking proactively for opportunities to use public resources more productively and to provide evidence that is both robust and ‘telling’.

Business Partner role

The business partner supports sound financial decision-making and promotes good financial management so that resources are stretched as far as possible to provide public services that people need and want.

Control and probity may be home territory for the finance function, but the business partner collaborates in realising the organisation’s wider business goals, and accepts joint responsibility for delivering policy priorities. In working alongside business units, while also maintaining an ethical stance and independent judgement, the finance professional develops and protects sustainable business strategy.

Finance managers should be at the heart of driving well-informed decision-making around the transformation agenda. This is assisted if there is a deep understanding of costs and cost-drivers of the available options.

Finance has made a start towards this value-added activity, and greater business insight is seen in highly performing finance functions. Decision-making also needs to be supported by the close integration of financial and performance information. Both these areas are heartland territory for finance managers.

This role directly involves the finance partner in core management processes such as:

- Resource planning (strategic; long and short term; whole life; sustainable)
- Forecasting, modelling and scenario building
- Charging and pricing strategy
- Option appraisal
- Monitoring resource use and managing budget execution in a disciplined way
- Evidence-based policy decisions and implementation
- Measuring and challenging costs, value and performance, selecting relevant and illuminating information for decision-makers
- Commercial activities such as contract negotiation and trading
- Supporting transformation programmes and projects, and helping their organisation moving to a changed target-operating model
- Leadership on efficiency techniques.

Managing demand

Matching resources to demand – within restricted resources – is a core problem for the public sector. Runaway demand-led spending seriously destabilises an organisation’s finances and can squeeze out other services. However, while resources are not expanding, demand for services tends to increase, through demographic change, economic conditions, consumer expectations, policies promoting choice, technological advances (especially in the health service), or better and more accessible information.

At the same time, policy may deliberately restrict management’s coping tactics, for example through limits on clients’ maximum waiting times. Techniques of demand management, from productivity improvement to triage, are widely used across the public sector. But there is still an opportunity for the finance profession to collate that knowledge so that options can be more readily available to decision-makers.

Service collaborators

As trusted advisors, finance staff need to understand their department/service partner’s business goals. They need to be sensitive to organisational context and to general public service values such as equity, sustainability and social responsibility. They need both to support and to challenge decision-makers. Finance, therefore, helps to translate corporate and service priorities into affordable activity that responds to the needs and wants of the public and to the priorities of funders, alongside its technical activities such as compiling detailed budgets.

Finance business partners are often located within business units in order to develop understanding and empathy with business goals, while also representing the stewardship responsibilities owed to the wider organisation, and so there is often a dotted line to the finance director. The CFO needs to avoid the finance team becoming too lean to
provide adequate support to service managers, or business units may recreate their own resource.

However, tighter budgeting means finance support is likely to be pared back, unless it demonstrably adds value to decision-making or to resource management. Culture change is therefore required from finance staff. Finance professionals typically hope to shift resources within the finance function towards offering high-value business intelligence. This implies changing any hand-holding culture, and educating managers to take responsibility for the financial implications of their decisions.

**Priorities**

The priorities of the business partner role include:

- Managing the issues for the financial public interest arising from personalisation of services.
- Explaining financial circumstances objectively, comprehensibly and sensitively to decision-makers, service users, taxpayers and staff, in the context of likely resistance from all parties to reducing any existing services. The significance of this role will become more acute if spending cuts intensify.
- Ensuring performance measures track key business and cost-drivers of the organisation, and are used predictively. Develop adequate systems to deliver this information in a format that enables the organisation to make informed choices.
- Supporting the organisation fully in delivering the outcomes by becoming an integral part of the strategy and business planning. To be considered part of the senior team, finance professionals must acquire other ‘soft skills’ to fully engage and lever support throughout the organisation.
- Ensuring financial control is operative in transformational change, without becoming a blockage.

There are two other, equally important roles of the public service finance function, namely the Steward and Provider/Commissioner roles. Below is a short overview of these two roles, which will be explored in more detail in the next edition of the Professional Accountant:

**Steward role**

In this role, finance is the guardian of taxpayers’ money, ensuring that it is directed to proper purposes and spent in ways that conform to legislation and professional standards. This defensive role extends to safeguarding the public interest, the longer-term financial sustainability of public service organisations, and their standing and reputation in the public’s eye.

**Provider/Commissioner role**

The finance function is responsible – directly or indirectly – for providing an organisation’s financial infrastructure and core financial administration processes. Financial operations include transactional services, such as payments and revenue collection, together with specialist functions like treasury management or finance IT.

This article is based on Finance competencies for public services - Shaping the finance function to meet new and future challenges a discussion paper by the CIPFA (Chartered Institute of Public Finance & Accountancy) http://www.cipfa.org/-/media/files/training%20and%20qualifications/keystone%20guides/finance%20competencies%20for%20public%20services.pdf

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The International Federation of
Accountants (IFAC) regularly
conducts SMP Quick Polls. The
purpose of these surveys is to give
SMPs all over the world a way of
distressing their views on issues and
developments that concern their
own practices as well as their clients, most of whom
are small- and medium-sized entities (SMEs). IFAC
released its 2013 year-end round-up results in early
2014. SAIPA replicated and extended IFAC’s year-
end SMP Quick Poll and conducted a SAIPA SMP
Survey in early 2014.

Importance of SMPs and SMEs
Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy
practices in the world. According to IFAC,
SMPs employ the majority of professional
accountants working in practice. In this sense,
they have much in common with SMEs, which are
widely acknowledged as major contributors to
employment and economic output.\(^1\) SMPs and
SMEs are closely connected: Since SMPs can
provide customised and personalised services
to their clients, SMEs often turn to SMPs for a
wide range of professional services. In line with
this, many SAIPA members serve SMEs and
entrepreneurs in South Africa.

The economic importance of SMEs is hardly
contested. In many countries, small- and medium-
sized businesses generate the bulk of economic
output and employ the largest number of people.
South Africa is no exception to the rule. It is
estimated that 91% of the formal business entities
in South Africa are SMEs and that they contribute
between 52 and 57% to GDP and provide about
61% of employment.\(^2\) Against the backdrop of high
levels of unemployment and inequality, the support
of SMEs is essential as they have the potential to
create jobs and contribute significantly to economic
growth. SMPs can provide SMEs with the optimal
professional support to ensure that they can realise
their full potential in terms of employment creation
and growth.
Professional Accountants (SA) in practice and their SMPs play an important role in the provision of such professional support to South African SMEs.

SMPs and SMEs in South Africa
The 2014 SAIPA SMP Survey followed very closely the IFAC Quick Poll to facilitate a direct comparison of the issues and problems of SMPs and SMEs in South Africa to their international counterparts. The survey also included some other topics, such as ethics, that were not addressed in the IFAC Quick Poll. The survey produced some interesting results. For example, SAIPA member SMPs tend to be smaller than the SMPs of IFAC’s respondents. This was already noted in the previous two years, but while the share of sole practitioners among IFAC’s respondents decreased over time, the number of sole practitioners among SAIPA’s respondents has continuously increased. Although this trend may be understandable in the challenging economic environment and against the backdrop of South Africa’s labour laws, it might not be the optimal way to face future challenges.

The current perception of the accountancy profession in South Africa is positive, and many respondents expect further improvements of the profession’s image by 2025. However, almost every third respondent sees a threat in financial and economic instability to the future perception of the profession. As in the 2013 SAIPA SMP Survey, fraud, money-laundering and corruption were once again highlighted by many respondents as a potential threat to the perception of the profession in the years to come.

Accounting, compilation and other non-assurance services continue to be the fastest-growing source of revenue for over half of SAIPA member SMPs, which was already noted in the 2012 and 2013 SAIPA SMP Surveys. Tax continues to remain as important as in 2013. However, advisory and consulting services are still of a much smaller importance to SAIPA members than to their international counterparts. It is a potential source of practice growth that could be further tapped into. More value-adding advisory and consulting services to become a one-stop, comprehensive service provider could generate additional income for SMPs and also directly benefit SME clients and entrepreneurs.

As in the past three years, SAIPA plans to conduct an SMP survey in 2015 again. The survey will give SAIPA members an opportunity to express the challenges and obstacles their SMP and their SME

Survey Insights
Based on the results of the survey, some findings and insights are worth highlighting:

‘Advisory/Consulting Services’ as a source of revenue
For 21% of IFAC’s respondents, advisory and/or consulting services are the fastest growing source of revenue, while this is only true for 13% of SAIPA’s respondents.
- SMPs are encouraged to increasingly tap into this additional source of revenue.
- Advisory and consulting services not only provide an additional source of revenue, but are also important from an entrepreneurship and SME development perspective.

Size of practice
The SAIPA SMP Surveys over the past three years have revealed a trend among SAIPA members towards smaller practices (many of them being sole practitioners). This runs against the international trend of increasing practice sizes. While a smaller practice size can have some advantages, SMPs should consider the following:
- SME clients are increasingly demanding a broader range of services and support from SMPs, which is vital to their survival and successful growth.
- The smaller an SMP, the more difficult it tends to be to gain and maintain all the knowledge and skills required to be competent in the whole range of services and support that their clients demand.

Drivers of profitability
‘Better retention of existing clients’ is the main driver of practice profitability for 38% of the SAIPA survey participants. ‘Increased productivity’, ‘reduced overheads’ and a ‘better utilisation of working capital and other assets’ combined are the main drivers of profitability for almost a third of the respondents (31%).
- SAIPA members have different options to further improve the profitability of their practice.
- Efforts to improve the retention of existing clients appear to be the most successful
strategy for most SMPs. The provision of value-added services could play a crucial role in the retention of existing clients as well as the attraction of new clients.

**Continued stakeholder engagements**
A number of members raised concerns (as in previous surveys) regarding SARS and CIPC (and cited less often: UIF/Workmen’s Compensation) and wish continued assistance and support from SAIPA in this regard.

- SAIPA members are encouraged to inform the Institute of the challenges they face on a daily basis.
- SAIPA will continue to represent its members at various relevant stakeholder forums in South Africa and comment on draft legislation that affects its members, the profession as well as the economy in general.

**Narrative and non-financial reporting**
Even though nearly three-quarters of the SAIPA members indicated that their clients have not (yet) sought their help in regard to narrative and non-financial reporting, over half of the members are of the view that there would be value for SMEs in integrated reporting, and many members see it as likely or very likely that SMEs will seek their help to implement integrated reporting in the next five years.

- SMPs should seek more information on the value and options of integrated reporting for SME clients.
- Such knowledge would give SMPs a head-start when SME clients start asking for it (which the majority of the members consider likely or even very likely to happen in the next few years).


AIPA is proud to announce the launch of a brand-new advanced online certificate in the International Financial Reporting Standard (IFRS) for Small- and Medium-sized Entities (SMEs) in 2015, dealing with the 35 main chapters of the IFRS for SMEs in 10 online modules grouped together strategically by topic.

The certificate in IFRS for SMEs is designed to develop SAIPA members’ in-depth knowledge and understanding of the International Financial Reporting Standard for Small– and Medium-sized Entities (IFRS for SMEs), as well as their ability to apply the IFRS for SMEs in practical situations. While the online modules will also cover the basic principles of the standard, the primary focus of each module will be the application of these principles in multiple problem-based scenarios.

The online certificate was developed by Anton van Wyk, a Chartered Accountant (SA), who is a widely recognised expert in International Financial Reporting Standards (IFRS and IFRS for SMEs), and will be administered by ProBeta Training (Pty) Ltd, together providing SAIPA members with outstanding excellence both from an academic and support perspective.

The certificate will be delivered online to make studying around work and social commitments very achievable. It is structured in an easily accessible way to help SAIPA members understand the material and manage their study time effectively.

The certificate comprises 10 individual online modules, each followed by an online multiple-choice case-study-based module assessment. By registering online, members will get access to the online course material, audio and video lessons and online module assessments. The online modules include all the study materials needed to complete the certificate. Typically, it should take between 20 and 30 hours to work through all 10 online modules. This can be done online either during or after office hours.

Members who decide to take the online module assessments must pass each assessment within two attempts and the pass mark for each online module assessment is 80%. Should a member fail, he/she will be allowed one more attempt to redo each online module assessment. Should a member fail at an online module assessment after two attempts, he/she will be able to register for a supplementary online module assessment (at a reduced price) and will be offered another two attempts to pass the online module assessment.

After the successful completion of each online module, members will be provided with a certificate of completion for the specific online module. Members will also be able to easily track and view their current progress on all available modules in real-time on the online booking system of ProBeta Training.

Once a registered SAIPA member has successfully completed all 10 online module assessments (i.e. he/she has obtained at least 80% or more for each of the 10 individual online module assessments), members will be able/required to complete an online final integrated assessment at a registered approved SAIPA venue, conveniently located across South Africa. Upon the successful completion of the online final integrated assessment, members will receive the advanced online certificate in IFRS for SMEs endorsed by the South African Institute of Professional Accountants.

The supporting study material for the advanced online certificate in IFRS for SMEs is that of the IFRS Foundation, the trademark to which is exclusively held in South Africa by the South African Institute of Professional Accountants (SAIPA).

Members can apply online for the certificate in IFRS for SMEs at any time from 1 February 2015. The 10 online modules will be made available online as follows:

1 February 2015 – Modules 1 to 5
1 March 2015 – Modules 6 to 10

The online course materials and online module assessments for each of the modules are available together as a bundle (i.e. all 10 modules) for R4 000 (excluding VAT), or separately at a cost of R500 each (excluding VAT).

To obtain further information about this programme, please visit the SAIPA website at www.saipa.co.za and click on the link banner to the advanced online certificate in IFRS for SMEs.

Studying this advanced certificate will count towards CPD for SAIPA members. The certificate in IFRS for SMEs is a certificate of competence and is not registered on the NQF, is not accredited, and will not lead to credits being awarded.
Regular reports of ethical failure in local and international media continue to highlight incidences of unethical behaviour and its negative costs and consequences. The extent of the challenge is such that managing misconduct is often described as ‘a fight’, whether against corruption, bribery, fraud or a range of other unethical and illegal behaviours. This illustrates the fact that seeking to reduce or even to eliminate misconduct is not an easy task: it can feel like an ongoing battle. However, this can lead to a major imbalance when organisations focus virtually all their attention in the field of workplace ethics on curbing misconduct. While this focus is vital, it is not sufficient.

Reducing misconduct and increasing ethical conduct
Minimising or even eliminating misconduct does not necessarily promote or ensure proactive ethical conduct, nor is it a sufficiently effective factor to create an ethical culture on its own. While in terms of language, being ethical is the opposite of being unethical, in practice, diminishing or eradicating misconduct does not imply that it will result in all that being ethical entails, such as the positive actions associated with sound values. Therefore, the ethics strategy that guides the organisation’s ethics management system needs to include a distinct emphasis on reducing misconduct and promoting and improving ethical conduct.

The effect of the divide between ethical conduct and misconduct is illustrated and supported by well-known research done by American psychologist Frederick Herzberg. His motivation-hygiene theory – also known as two-factor theory or dual-factor theory – was based on research into employee satisfaction and dissatisfaction. It showed that these were shaped by separate factors and that the absence of dissatisfaction did not lead to satisfaction. Similarly, the absence of misconduct does not lead to the deliberate, positive actions that constitute ethical conduct. Interestingly though, the presence of ethics and an ethical culture will positively impact on compliance and thereby help to reduce misconduct.

Doing the right thing versus minimalist compliance
The tendency to focus largely on tackling misconduct is sometimes coupled with an internal focus on
compliance instead of a comprehensive focus on ethics. Recognising this distinction, King III recommends that business leaders should ‘do business ethically rather than merely being satisfied with legal or regulation compliance ... or limiting themselves to current social expectations’.

However, the increasing demand to be compliant with a multitude of laws and regulations is making compliance an onerous task in many countries. Compliance officers are battling to balance the many duties of the function, including establishing standards for business conduct, ensuring compliance with anti-bribery and corruption requirements, tracking and analysing regulatory developments, board reporting, amending policies and procedures, and liaising with internal stakeholders and control functions. Two 2013 surveys provide interesting insights into the consequent pressures.

Thomson Reuters Governance, Risk and Compliance surveyed more than 800 compliance practitioners from financial services firms in 62 countries covering Africa, the Americas, Asia, Australasia, Europe and the Middle East between November 2012 and January 2013 to canvass their views on the costs of compliance and the greatest challenges they expected to face during the year ahead. Their Cost of Compliance Survey 2013 confirmed that compliance requirements have increased, as has scrutiny from regulators and consumers. As regards ongoing increases, 43% of the respondents said that they expect the amount of regulatory information published by regulators to be significantly more over the next 12 months than today. The survey report specifically noted that, given the continuing lack of interaction between internal audit and compliance, the alignment between these two functions needs to be improved.

Regulation in the financial services sector may be more demanding than in other industries. The Compliance Trends Survey 2013, which was conducted by Deloitte and Compliance Week among American compliance executives across many industries, confirms this pressure. The survey found that the majority of companies still run compliance with relatively tight budgets and staffing. The survey also identified that the biggest operational issue around managing compliance risks was monitoring employee compliance with policies. Adding to this picture is the fact that many regulators are striving to be more proactive, rather than reactive. At an operational level, a solution to the demands of this role lies in working with and leveraging resources in other functions, such as legal, IT, HR and internal audit to achieve compliance goals. However, compliance is still likely to remain a very challenging role. This could be used to justify a ‘tick box’ approach to compliance, which is clearly not ideal, not least from a risk perspective.

**Compliance versus broad-based ethics**

The far greater problem that can arise is that compliance comes to be seen as the totality of the organisation’s ethical focus and ethics initiatives – that companies decide that no more time, funds or resources can be allocated to anything else beyond compliance. This risk is enhanced by the reality that compliance is almost always mandatory (for example, relative to legislation), while much of ethics can be considered voluntary.

The distinction between compliance and broad-based ethics is also reflected in the legal recognition of the letter and spirit of the law. Obeying just the letter of the law limits behaviour to the literal interpretation of the legislation, often in a minimalist manner. However, this ignores the intent or the spirit of the law. A purposive interpretation of the law, on the other hand, entails acting to give effect to the intention of the law, which is viewed as acting in a more comprehensive and ethical manner. The same applies to ethics: only complying with rules does not necessarily extend to the intended bigger-picture outcome of an ethical workplace.

The unsatisfactory consequence of a choice in favour of compliance instead of broad-based ethics would be to limit the company’s ethics to only one facet of ethics, the rule-based side of ethics. However, to be an ethical organisation and create an ethical culture requires an equal focus on fostering value-based behaviours, which are much more sustainable and contribute significantly to an ethical culture. Rules and compliance are not sufficient to achieve an ethical culture.

Therefore, the question of whether an organisation needs values and rules, or only one and not the other, should not be a choice. Both are necessary, and organisations need values even more because ethical behaviour can be achieved with sound values and very few rules, but not vice versa. Thus, ironically, more focus on fostering value-based behaviour, increasing ethical maturity and creating an ethical culture directly support the compliance function, since the commitment it entails includes compliance.
If you are running a small business, you might feel overwhelmed by the many regulatory bodies and requirements in South Africa. From labour laws and tax regulations to municipal by-laws, health and safety regulations and consumer protection laws, you will be spending a great deal of your time simply trying to comply with a range of legislative and regulatory demands.

But rather than seeing legal and regulatory compliance as a burden, it would be wise to embrace it as an opportunity to run your business more efficiently, says Ivan Epstein, co-founder of Softline and CEO of Sage AAMEA (Australia, Asia, Middle East and Africa). “Compliance is hard work, but it will keep you out of trouble with authorities such as the taxman and the Department of Labour,” he says. “Plus, putting the processes and systems in place that you need to satisfy various laws and regulations will give you visibility into, and control over, your business. What’s more, it is also good for your relationship with customers and your reputation in the market.”

The demands you face will vary according to the size and the structure of your business. But here are a few points that the owner of a small business should keep in mind.

1. The taxman’s due
The South African Revenue Service (SARS) is one of the country’s most tenacious and professional government departments, so it is wise to maintain a professional and transparent relationship. If you are a sole proprietor or in a partnership, register with SARS as a provisional taxpayer.

If you have registered a company, be sure to register it with SARS, in addition to registering yourself as a taxpayer. If you have employees, you must remember to deduct tax from them and pay it to SARS each month. Also, you must collect and pay VAT if your business has an annual turnover in excess of R1 million.

2. Labour laws
As an employer, familiarise yourself with the Basic Conditions of Employment Act. This law governs the relationships between companies and employees, setting out rules around working hours, overtime, leave, and the processes that need to be followed should you need to dismiss an employee. You will also need to register with the Department of Labour and contribute to the Unemployment Insurance Fund (UIF).

3. Health and safety regulations
The Occupational Health and Safety Act gives workers a range of rights in terms of health and safety in the workplace. Regulations in the Act provide guidelines around aspects of workplace safety such as first aid, protective clothing, machinery, ladders, firefighting equipment, ventilation, lighting, temperature, noise and asbestos.

4. Municipal by-laws
Municipal by-laws, governing zoning, noise levels, hygiene, and so forth will also have an impact on your business. For example, you will probably need permissions to run a noisy manufacturing operation or a night club in a quiet suburban street, and should you wish to renovate your office building you may also need permission for that.

5. Consumer protection
With laws such as the Consumer Protection Act, government and regulators are becoming more stringent about consumer rights in South Africa. You should investigate what these laws have to say about how you should advertise your goods, structure your contracts with consumers, handle customer data, deal with merchandise returns under warranty, and so on.

Conclusion
Epstein says that many of these laws and regulations can seem intimidating to an entrepreneur just striking out on his or her own. “It’s not a bad idea to consult an expert for help when you are not sure about how the law might affect your business,” says Epstein. “Rather seek professional tax, accounting or legal help than risking non-compliance – it will be well worth the investment.”
Data privacy has been law in the European Union (EU) for nearly 20 years! In South Africa, the Protection of Personal Information Act (POPI) was only passed in 2013. Many companies knew that POPI was coming and have been preparing for it. Some companies with links to the EU had been implementing data privacy already before POPI was passed due to international pressure.

The international organisations that SAIPA is affiliated with are all serious about data privacy. And why shouldn’t accountancy professionals take privacy seriously too? After all, people trust accountancy professionals with some of their most important personal information, such as financial information. Handling information properly and protecting it correctly has always been vital, but now POPI makes it a legal requirement. However, POPI is much more than just compliance. By protecting people’s information, you will keep their trust and gain a reputation.

Many local and international businesses use privacy as a way to boost business. POPI is all about trust. Imagine how you would feel if a company lost or shared important financial or health information about you. We all know the frustration of receiving unwanted phone calls from people trying to sell us products. ‘Where did they get my number?’ we wonder, which is quickly followed by the thought ‘If I get my hands on the person who gave them my number...!’

In 2011, I travelled to 12 cities in South Africa presenting SAIPA CPD workshops, including seminars on POPI. It was a wonderful experience, and I was able to meet many SAIPA members who shared their worries and concerns about POPI. The concerns SAIPA members had are similar to the concerns I hear today from business. ‘What are the things that we must do to comply with POPI?’ and ‘Where do we start?’

Recently, a senior Professional Accountant (SA) commented: “If Professional Accountants are finding POPI challenging, then just imagine how our clients feel!” I had to agree. “After all, most of our clients are SMEs. They are struggling to make head or tail of POPI, and they turn to us for help,” he added. I had to agree again. SMEs often do not have the knowledge to comply with laws and therefore turn to their trusted advisors. It is important for Professional Accountants (SA) to get POPI-compliant themselves, because only then can they support their clients.

SAIPA is fully committed to helping its members and their clients when it comes to POPI compliance. In order to ensure compliance, these are the first ten steps:

1. Appoint or outsource to an information officer
2. Develop and implement a privacy policy
3. Find out what personal information you have, where you have it and what you do with it
4. Establish and define the purpose for which you are processing personal information
5. Obtain consent from people (data subjects) to process their information for the purpose you have identified
6. Train employees
7. Redraft contracts to include the POPI requirements
8. Check sector-specific legislation (e.g. customs and excise) to determine any additional or conflicting requirements around privacy, record-keeping, etc.
9. Implement measures to protect the personal data at every stage of its life cycle (i.e. from creation to destruction)
10. Relook at your paper-based and digital technologies and processes to ensure that they are compliant with POPI
Q: Why and how did you get into the accounting industry?
A: I think it was a combination of three things that led me to the accounting industry:
■ First, when I was growing up, my father was an entrepreneur who started and ran various businesses fairly well in spite of his limited education. So I thought a business degree would empower me to help people like my dad to do better than they were doing.
■ Secondly, I had a flair for numbers (Arithmetic) at high school (there was no mathematics or accounting in my school).
■ Lastly, when I was in matric, I was compelled to do Agricultural Science as there was a limited choice of subjects in that school. Agricultural Economics (which was part of Agricultural Science) finally strengthened my resolve to do a business degree.

Q: What is the best part of your job?
A: Well, being an accountant who is also a tax specialist, I enjoy giving clients tax advice that assists them to comply with the tax laws of the country, while also ensuring that they don’t pay more than they are legally required to pay. The accounting profession has equipped me with a foundation which has enabled me to learn and acquire the skills necessary to deal with the audit committee issues of big companies. I currently sit on the boards and audit committees of three listed companies, where I also chair the social and ethics committees.

Q: What are the most challenging aspects of your job?
A: It is always difficult to discuss tax payments after the publication of the Auditor General’s reports highlighting billions spent on ‘Fruitless and Wasteful Expenditure’ in government departments and municipalities. When you have to try and convince a hard-working business person or professional that he or she must put aside up to 40% of his or her income to provide for future income tax liabilities, you must be prepared for resistance. I think when we begin to see more ‘clean’ audits in government departments, taxpayers will not need much convincing anymore when it’s time to pay or make provision for income tax.

Q: Any career highlights worth mentioning?
A: I was fortunate to be invited to serve as a council member of the South African Institute of Professional Accountants (formerly known as Institute of Commercial and Financial Accountants) from 1998 to 2003. That period had an impact on my personal growth as a professional person. In August 1999, I was honoured to receive the SA Woman of the Year Award (Business Category) from Shoprite/Checkers and SABC2.

“There are huge opportunities for the accounting industry, as the Professional Accountant is an indispensable partner of any small business.”

Another highlight of my career was to serve as a member of the Standing Advisory Committee on Company Law for many years until March 2011. Currently, I am a commercial member of the Tax Court in KwaZulu-Natal, and this helps to ensure that I keep up to date with the developments in the industry.

Q: Your thoughts/predictions on the accounting industry as a whole – opportunities, threats.
A: Small Business Development Minister Lindiwe Zulu says she is confident that her new department will become the catalyst for job creation in South Africa. In BRICS countries such as Brazil and India, it is the small and medium enterprises sector that is growing and creating jobs. There are huge opportunities for the accounting industry, as the Professional Accountant is an indispensable partner of any small business.

Q: What do you do for fun, or when you are not ‘crunching the numbers’?
A: I enjoy doing aqua aerobics in the local gym if I am not traveling. My husband, Bongani, and I enjoy travelling and exploring new places. Every year, we try and visit a new place.
The International Federation of Accountants (IFAC) recently appointed Olivia Kirtley of the United States as its first female president. Kirtley, an American certified public accountant and former chair of the American Institute of Certified Public Accountants (AICPA), will serve a two-year term and take over from Warren Allen, the outgoing IFAC president. Not only is Kirtley the first female president, but also the first business member to be appointed as president.

Kirtley, a CPA and Chartered Global Management Accountant, is a non-executive director of US Bancorp, Papa John’s International and ResCare, Inc. She began her career with an international accounting firm, followed by 20 years of executive management positions with a publicly traded global manufacturer, and subsequent joint venture of Emerson Electric Co. and Robert Bosch GmbH. In addition, Kirtley is an advocate for strong corporate governance and was named by the National Association of Corporate Directors (NACD) Directorship 100 as one of the top corporate directors and governance professionals in the US.

First elected to the IFAC Board in 2007, Kirtley became Deputy President in November 2012. She has chaired the Planning and Finance Committee, the Constitution Review Working Group, and a task force for enhancing service to professional accountants in business, in addition to being a member of the Nominating Committee, Regulatory Liaison Group and the independent Task Force on Rebuilding Public Confidence in Financial Reporting.

“This is an exciting time for IFAC with challenges and opportunities for the profession at every level,” Kirtley said. “As President, I look forward to engaging with member bodies and our many stakeholders as we seek ways to advance the impact and value of our profession, and to serve the public interest.”

The IFAC Council also elected Rachel Grimes of Australia as Deputy President, a position previously held by Olivia Kirtley. Grimes is CFO Technology at Westpac, where she previously served as Director of Mergers and Acquisitions. She has more than 24 years of experience across the financial services sector, at Westpac/BT Financial Group as well as at PwC. A member of Chartered Accountants ANZ and CPA Australia, Grimes has served the Australian accounting profession over a significant period.

Grimes was elected to the Board of the Institute of Chartered Accountants Australia in 2006 and was appointed President in 2011. Grimes became a member of the IFAC Board in November 2011. As Deputy President, she will chair the Planning and Finance Committee. Previously, she was a member of this committee, as well as a member of the former Governance and Audit Committee.

Commenting on the leadership transition, outgoing IFAC President Warren Allen said, “As I hand over the presidency to Olivia, I know that I will be leaving IFAC in the most capable of hands. She has been a great source of support for me during my term, and was a leader on key initiatives that have enhanced and will sustain the accountancy profession and help to transform IFAC into a more responsive and sustainable organisation.”

“Rachel’s experience in the financial services industry, focusing on acquisitions, accounting processes and technology, and the need for global policies that enhance transparency, together with her experience as a volunteer leader of a major member body, will be an asset in the Deputy President’s role,” Allen added.

“SIAPA would like to congratulate Olivia Kirtley and Rachel Grimes on their appointments. The new IFAC President and Deputy President both have extensive experience from which not only IFAC, but also the global profession will be able to benefit. SIAPA also welcomes the gender inclusivity direction of IFAC. It is an encouraging testimony of the transformation that is happening in the accountancy profession, both at the national and international level.”

SAIPA Chairman, Shirley Olsen, congratulates Rachel Grimes the new IFAC Vice President
WHEN MORTON BROUGHT HIS ‘A’ GAME TO THE HAWK-EYED NUMBERS MEN

Jeremy Maggs, Journalist and TV Presenter

To tell the truth, Morton Finklepock was in a minor state of panic. At the best of times he was anxious about just opening his mouth in meetings, and now he had to present his department’s plans for next year at the Monday morning EXCO meeting.

Earlier, on the Sunday, the symptoms of anxiety had started to kick in. First, a little light sweating under the armpits; then difficulty talking, which he immediately thought was a precursor to Phossy Jaw, a condition that was cured in the 1800s. Finally, he noticed a little light bruising on his forearm, which Morton immediately thought was early onset Cutaneous Leishmaniasis – a hideous skin disease caused by sandflies in Afghanistan. You should know that Morton is, was, and always would be a raging hypochondriac, which is why he’d always be a good number two in the process outflow logistics department and never called on to speak. Until now.

Morton’s life was one that was immersed in spreadsheets and complicated algorithmic calculations to make sure that delivery mechanics were profitably optimised. The last time he’d spoken in public was the day before his wedding to his 250kg wife Beulah Finklepock. At the family rehearsal dinner, though, he’d collapsed in sheer terror at the thought of making a speech, developed a case of hyper-laryngitis, and delegated his ode to his beautiful Beulah to his brother Magnus.

What was Morton going to say on Monday? How would he construct his presentation to a group of hawk-eyed rugby-loving, beer-swilling numbers men, hell-bent on cutting costs? Perhaps at this point we should peek over Morton’s dandruff-covered shoulder, ignore his trembling and the light flatulence emanating from his trousers, and examine the opening few lines.

Look, there’s a request to ‘think out the box to achieve a win-win situation, while giving 110% to attain a paradigm shift’. No Morton, that’s business-jargon hell, you’ll never convince them with that. But it gets worse, as he exhorts colleagues to ‘seize low-hanging fruit while going forward and simultaneously pushing the envelope’. Look Morton, here come the cliché police and you haven’t noticed.

But our shaking little man is on roll. He wants to use the 80-20 rule ‘to maximise customer satisfaction, become best of breed and take things to the next level without dropping the ball and achieving seamless integration of a scalable nature due to all stakeholders bringing their ‘A’ game’. Kill me now, Morton. But our little process elf has gone mad. He tells the team in no uncertain terms that he will ‘hit the ground running, become client-centred and a change agent in today’s highly competitive marketplace’. Look at the blood on the wall Morton: it’s mine as I bang my head against the wall.

Now the phrases are blurring on the screen. ‘The bottom line; manage expectations; multi-task; ballpark figure; marketing-driven; Six Sigma and going from good to great’. Anyhow, came Monday morning, Morton put on his best shiny-at-the-elbows brown suit and in a high pitched voice gave the presentation. And the sad thing was, he nailed it, completely, utterly and irrevocably.

Because in the world of business, clichés always rule the day.

“You should know that Morton is, was, and always would be a raging hypochondriac, which is why he’d always be a good number two in the process outflow logistics department and never called on to speak. Until now.”
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