



# ACCOUNTING ACCOUNTABILITY!

By Max Marx

## Is the accounting profession experiencing a crisis of credibility?

**Current events locally and internationally are demanding higher levels of accountability in the accounting and auditing professions. Unethical accounting and auditing practices in South Africa have reverberated globally, with the reputations of large accounting and auditing firms severely damaged by their links to public service corruption and financial misrepresentation by large multinational companies like Steinhoff.**

**I**nvestors and financial institutions have lost billions of dollars as a result. BusinessBrief takes a look at whether these events has led to a crisis of credibility and confidence in the accounting professions, how the public's faith in these professions can be restored and whether additional checks and balances need to be put in place to ensure to members of the profession remain above reproach.

We also look at the different accounting functions and how these should be structured in organisations to make them effective in meeting a company's objectives. Some of the professional and statutory bodies whose work it is to ensure professional standards and ethics in the industry are upheld

and maintained are also featured.

### PROFESSIONAL IMAGE

#### **SA's global image as country with impeccable governance credentials in ruins**

The questionable business practices by some of South Africa's top auditing firms and Steinhoff's misrepresentation of its financials has tainted South Africa's image as a country with good governance standards. David Shapiro, Deputy Chairman of Sasfin Securities, says South Africa has always been highly regarded internationally for its good governance practices in the private sector, but what has come to light in the past few

months has seriously damaged the country's reputation in this regard.

"South Africa should not underestimate the impact of truth fudging by the likes of KPMG, Steinhoff and others on South Africa's standing in the global financial arena. It's a big issue when you don't know with whom you're dealing. This kind of behaviour is something you might expect from a small auditing firm, which doesn't have the manpower and shouldn't be doing big audits, but not from the big firms who have been accused."

He said Sasfin has raised the red flag when it comes to considering investments in several South African companies because of questionable





business practices that could have potentially negative consequences. "Questions of who to trust are exacerbated by the level of corruption in South Africa. There has been a long history of poor governance in government, with most government organisations – about 80%, being unable to get a clean audit report, which means they're not keeping proper books and records and that there are irregularities."

He adds that unlike auditors and accountants who get to see a company's books before the results are published, a problem for investment advisors is that they and their investors only get to look at the accounts once they've been signed off by auditors and published.

"Audit opinions are there to confirm that an auditor has done enough to verify the reliability of the financials and financial controls a company has in place. We rely on those to trust that what we are reading is a true reflection of the state of affairs in a business. When something goes wrong we must ask questions about the auditors and company directors – those who passed the resolutions, agreed on deals and who are supposed to be the guardians of the company. These days, when we get a published account, we cannot be sure that the financials are genuinely reflected, which is very worrying and destructive to South Africa's global image as a country with impeccable governance credentials."

Shapiro suggests investors and investment advisors look further than a company's published financial statements when making investment decisions, especially in the current environment. "One needs to look at a company's history, the lifestyle of their top executives and look out for any red flags."

He adds that government and the private sector need to clean up their act. "The auditing bodies have to take action to make auditors accountable and restore the public's faith in what they do. There has to be full transparency and disclosure to regain the public's trust. The companies involved, the auditing profession, the regulator and SAICA (South African Institute



of Chartered Accountants) have got to investigate and let the public know what has happened, and what actions are being taken. Those involved have to face the consequences of their actions. It's only over time that the credibility of the profession will be re-established. We need to get ethics back into the system. Where people see wrongdoing in companies and government, they need to take a stand and report it."

### **Lack of credibility exacerbated by KPMG and Steinhoff scandals**

Economist Mike Schussler says the lack of credibility that accountants and auditors are experiencing at the moment has worsened as a result of the KPMG and Steinhoff scandals, but that its part of a cycle that all professions go through.

"All professions go through a crisis of confidence now and again. It usually results in laws getting tightened and stricter controls put in place. Then everything is fine for a while until the next crisis occurs."

He says people in the accounting professions often lose sight of important role ethics plays in their profession, even though maintaining of ethical standards in the accounting and auditing professions is vital to the health of the economy. "Accountants and auditors are expected to be beyond reproach, so when big firms like KPMG and Steinhoff get involved in questionable practices, it brings the whole profession into disrepute."

Schussler points out that it's not just a South African problem. "Look at the Enron/ Arthur Andersen scandal. It's a case of accountants and lawyers getting too close to the firms they're involved with and as a result overlooking things that should not be overlooked, in fear of jeopardising their work and income."

He adds that more and more auditors are taking on the additional role of consultant to firms for additional revenue streams but that this creates a conflict of interest with their auditing function.

Schussler says the mandatory audit rotation that was introduced by the Independent Regulatory Board of Auditors (IRBA) in June 2017 – which requires the auditors of public sector entities to rotate their auditors every 10 years, from April 1, 2023 - is a good idea. Concerns over the lack of auditor independence in South Africa was the reason for the ruling's implementation.

Paul Hoffman SC, a director of Accountability Now, says where accountants have a very large client, who essentially pays their bills and is largely responsible for their profits, it becomes very difficult for that accounting firm to say no to that client. There is a tendency to turn a blind eye when a red flag is, in fact, a more appropriate response to the presentation of figures for audit. That seems to have been the case with the German auditing firm who apparently turned a blind eye to the irregularities in the accounts of the Steinhoff subsidiaries in Europe.

In the case of Steinhoff in South Africa, half the Board was accountants, so the relationship between client and accountant or professional auditor became too close and didn't have a sound ethical substratum. It's when the ethics of the profession are questionable that auditor rotation becomes necessary."

Schussler suggests that it should become compulsory for large companies to undergo forensic audits every four to five years and that they should have risk officers in place whose role it is to look at the morals and ethics of the company and point out when employees or company actions are overstepping the mark.

### **CONTRADICTORY POLITICAL VALUE SYSTEMS IMPACTING PRIVATE SECTOR ETHICS**

Paul Hoffman SC, a director of Accountability Now, says the dynamics in South African politics today has had an impact on ethics in the private sector. "We're living in a period where there are two contradictory value systems at play in society. One is the value system of the Constitution, in which, under the rule of law, there is a separation of powers in various spheres of government, courts are independent, media is free and the values of openness, accountability and responsiveness are cherished. The opposing value system is



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that of the national democratic revolution that seeks to bring about a national democratic society in which the liberation movement secures hegemonic control of all levers of power in society, where there is no private ownership of property nor opposition politics. The more the national democratic revolution succeeds, the more the Constitution falls away incrementally. That is already happening.”

Hoffman says that any accounting firm that finds itself in a society in which these dynamics are at play, has to make a call as to whether it’s going to be true to the values of the Constitution or becomes an instrument of the national democratic revolution.

“Accountants who find themselves dealing with people in the public service and state-owned enterprises who are pursuing the national democratic revolution agenda get themselves into a conflict of interest situation as what is good for the revolution is not good for the constitutional development of the country.”

He cites KPMG is an example. The company was prepared to prepare reports designed to advance the national democratic revolution agenda and to undermine the constitutional dispensation, leading to the hounding of former finance minister Pravin Gordhan and the rationale for KPMG’s report into SARS.”

Hoffman adds that accountants who become accountable to the revolution tend to lose sight of the values of the rule of law and of accountability reporting lines, which leads to failures in ethics and the professionalism required of an objective auditor.

He believes that an improved regulatory framework that stresses the value system of the Constitution and the rule of law would be helpful in giving the accountancy profession proper direction in curing its deviations from implementation of constitutional values.

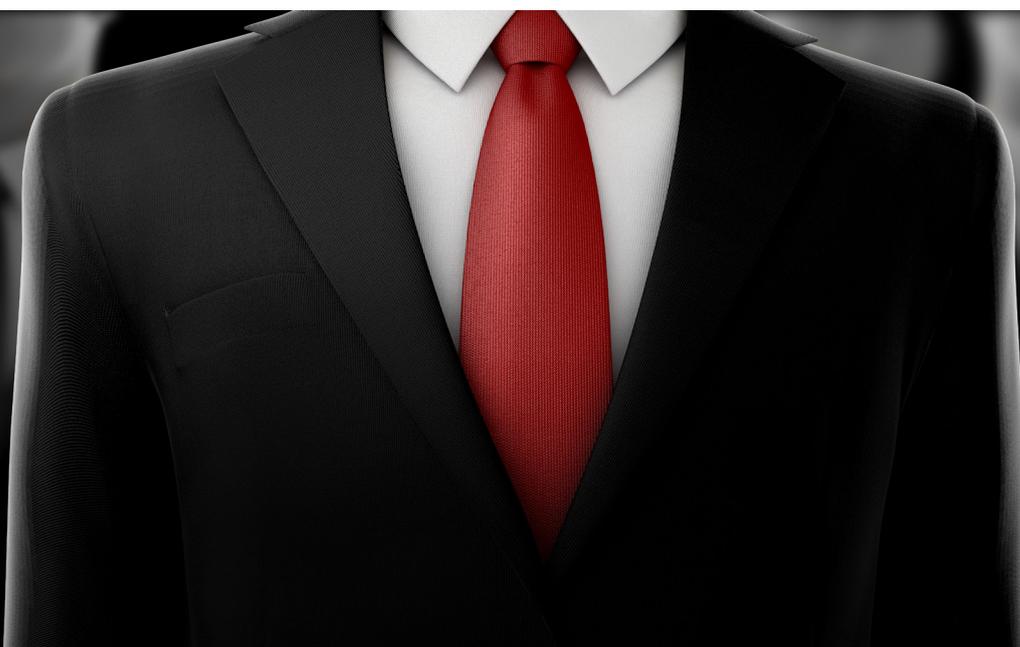
## SAICA, IRBA AND IIASA RESPOND TO THE CRISIS

Irregularities, inadequate oversight of audit work, weak ethics and governance issues have long dominated the public sector, but what is of concern is that in recent times, such failures have become increasingly prevalent in the private sector. We asked the SAICA, IRBA and the IIASA their views on the current crisis in auditing and accounting professions in South Africa and how trust and confidence can be rebuilt.

Lindie Engelbrecht, The South African Institute of Chartered Accountants (SAICA) Executive Director: Members and Global Alliance, says events in recent months such as the KPMG SARS report, some audits KPMG and Deloitte have conducted, the Steinhoff matter, and those related to certain state-owned enterprises such as Eskom and Transnet – have resulted in significant criticism of some individuals within the profession and caused a decline in the trust of the profession by both the market and the public at large.

In response, SAICA has set up the independent Ntsebeza Inquiry that is currently underway. The inquiry is investigating the alleged misconduct of SAICA members employed by KPMG during the relevant period. The results of the inquiry will feed into SAICA’s normal disciplinary processes. Engelbrecht says SAICA is also looking into the Steinhoff matter in a separate investigation.

Engelbrecht does not see the alleged involvement of KPMG in state capture and Steinhoff’s misstatements as a crisis of credibility or confidence in the accounting profession but says these incidents have tarnished the profession’s reputation and trust has been lost. “We cannot allow a few bad eggs to tarnish the reputation and credibility of the thousands of accountants and auditors in the profession whose work is of the highest ethical standards and who are beyond reproach. SAICA will be taking disciplinary action against those found to have flouted SAICA’s Code of Professional Conduct (SAICA Code).”



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Responding to criticism in the media that SAICA has been dragging its heels on sanctioning members who have been involved in state capture, Engelbrecht says SAICA can't just sanction a member on allegation or speculation. "We have to follow due process. The allegations need to be investigated, evidence collected, and the accused given an opportunity to defend themselves. If they are found to have contravened the SAICA Code, we will then proceed with disciplinary action."

She adds that SAICA would like to see the matter resolved as quickly as possible. "We want to send a clear message that we will not tolerate members who act without integrity or ethics."

### **Role of auditors misunderstood**

Speaking to Bruce Whitfield on ENCA's Taking Stock programme recently Bernard Agulhas, CEO of the Independent Regulatory Board for Auditors (IRBA), said there was definitely a crisis of confidence in the accounting and auditing professions in South Africa, but that the same challenges exist in other parts of the world.

He said the role of auditors was generally misunderstood in South Africa. "People see auditors as fact checkers, but what they're actually there to do is verify as best they can the information presented to them by the management of companies. They trust the integrity of management to present them with a truthful set of accounts and then check that those accounts accurately reflect what management is telling them, which may not necessarily be the truth." He added that in the Steinhoff case, the likelihood was a failure in governance structures. "There has been a lot of speculation around the composition of Steinhoff's audit committees. One can't have the auditor, audit committee and board chairman having a cosy relationship because that can impair the auditor's ability to exercise proper judgment and to apply the requisite professional scepticism," he said.

There is a growing expectation from the public that auditors should do more to uncover fraud and corruption, said Agulhas. "Audits are not carried out for auditors to uncover fraud, but there are standards that require the auditor to carry out certain procedures that will help them to identify the risk of fraud and error. With some of the current business failures the auditor might have identified the risk of misstatement if procedures were carried out because ultimately the auditor expresses and opinion on fair presentation and is responsible for ensuring that the financial statements are fairly presented."

He added that the regulator was considering a move back to audit-only firms in South Africa because of concerns over a lack of auditor independence. "Increasingly, auditors are providing both consultancy and auditing services to clients. We saw this in the Enron/ Arthur Andersen case and how it resulted in the auditors' loss of objectivity as different divisions within

Arthur Andersen referred work to one another."

Agulhas is of the opinion that like auditors, accountants should be regulated because there is currently no oversight of accountants or audit committees. "At the moment, they can only be found wanting in a court of law and SAICA can withdraw their CA(SA) designation through disciplinary action where the SAICA Code has been contravened."

### **Reason for concern**

Dr Claudelle von Eck, CEO of the Institute of Internal Auditors South Africa (IIA SA) says she doesn't think there's a crisis yet, but that there is reason for concern.

"I think that the accounting and auditing professions have some self-correcting to do. I am however concerned that the brush strokes may at times be too broad." She added that while there have been individuals who have tarnished the professions' reputations, the question is whether it is systemic. "The test for the professions will be in how they deal with these matters to ensure self-correction and regaining the trust of the public."

In the case of Steinhoff, Von Eck said it was not yet clear whether the internal audit had revealed any misrepresentation and whether such misrepresentation, if any, had been reported to the Audit Committee as the IIA SA was not privy to the information.

She explained that internal control within an organisation is a management function with internal audit providing assurance that the design of the internal control mechanisms are adequate to mitigate the identified risks and then that the control is working effectively and efficiently. "Taking corrective action is in the ambit of the leadership, not internal audit."

She added that financial statements are usually audited by external audit, with external auditors evaluating the internal controls to manage the financial risks and assess whether they're working effectively.

Von Eck said greater emphasis should be placed on what happens to internal audit reports in organisations. "Too often we hear complaints from internal auditors that their reports are ignored, their recommendations are not implemented, or they are being threatened to change adverse findings or are intimidated when they look into areas where fraudsters or corrupt leaders do not want them to look. Audit committees should ask the right questions around the actions taken in relation to internal audit's findings and recommendations. One cannot assume that where there has been fraud and corruption, internal audit did not alert the oversight body," she said.

Asked whether there should be regulation of the accounting profession, Von Eck said regulation helps in so far as it

ensures an individual cannot practice a discipline without accountability and minimum competence requirements. "But regulation does not eradicate breaches of codes of conduct. The external audit profession is already heavily regulated, but IRBA still has to investigate complaints against registered auditors."

## ACCOUNTING FUNCTIONS

### System Design and Implementation

An accounting system is a collection of interrelated processes designed to accumulate, organise, and report on an organisation's transactions. The ultimate goal of an accounting system is to generate reports based on this information to support management decision-making. System design creates the structure for this information, which has an immense impact on decision making.

The current business environment demands systematic accounting systems to maximise efficiency and enhance productivity, says TMF Corporate Services (South Africa) Global Business Services team. Establishing an appropriate accounting system provides management with financial information necessary to make informed decisions.

To best contribute to the accounting function, says the TMF team, system design should be structured as follows: review business and financial accounting and related system requirements; identify appropriate software; assess the requirements of the internal control environment; create internal control documentation; tailor an accounting system based on requirements; implement the system, customize reports for use in business decision making.

### Terry Ramabulana, Mazars Director of Public Sector Advisory Services, says that when designing an accounting function system, the following should be considered:

- Outline where source documents come from such as vendor invoices, utility bills and payroll.
- Implement individual accounting functions such as accounts payable, accounts receivable and general accounting. Each function must be able to receive information in a timely manner, which can then be entered into the company's accounting ledger.
- Create outputs such as financial statements or reports. The purpose of an accounting information system is to turn financial transactions into usable information that enables quick review of financial performance, for example.
- Determine the final recipient for accounting information. Internal accounting reports don't usually need to follow national accounting standards, so can be less formal.

Booking keeping & Document Management  
Bookkeeping and Document management is the ability of an organisation to store and retrieve

key business decision-making information as and when required, says Terry Ramabulana, Mazars Director of Public Sector Advisory Services.

It's also the process of applying policies and rules to how documents are created, stored, and shared within an organisation, says the TMF Corporate Services (South Africa) Global Business Services team. "Its role is to effectively control, record and store the flow of documents so the appropriate people have access to documents they need to complete their functions," say the TMF team.

Ramabulana adds that the proper referencing of stored documents is usually critical in determining how quickly critical and key documents may be obtained. It also serves to ensure unauthorised people don't have access to documents they don't need, says the TMF team.

### Ramabulana says key elements to consider are:

- **Integration:** The document management system integrates directly into other applications, enabling users to retrieve documents directly from the document management system.
- **Indexing:** Enables tracking of unique document identifiers
- **Storage:** Includes management of documents, where they are stored, for how long.
- **Retrieval:** Simple retrieval of individual documents can be supported by allowing the user to specify the unique document identifier.
- **Security:** Document security is vital in many document management applications. Compliance requirements for certain documents can be quite complex depending on the type of documents.





- **Distribution:** If a document is to be distributed electronically in a regulatory environment, then the equipment doing the work has to be quality endorsed and validated.

### Internal Control

Internal Controls assist with minimising risk and reducing its potentially debilitating impact on an organisation, says Terry Ramabulana, Mazars Director of Public Sector Advisory Services.

“Internal controls manage the risk exposure of certain processes, systems and people. Creditors, debtors and payment functions for example should have clear sets of rules to reduce the risks associated with these processes,” he says.

BDO’s Phillip Joubert says that although not an absolute method for detecting and preventing fraud, sound and effective internal controls are often seen as the first line of defense, by putting procedures and policies in place to avoid entity resource abuse.

During an audit, reliance on effective internal controls assists a practitioner to determine if an entity was in breach of any laws and regulations, says BDO’s David Bass.

“It can limit the amount of substantive testing that needs to be performed, which can save both the entity and practitioner time and money,” says Bass.

### Ramabulana offers examples of good internal controls:

- **Segregation of Duties:** Having one person perform too many critical and key functions could be very risky to an organisation such as having one person capture, verify and reconcile creditors. This could potentially tempt an individual into fraudulent activity.
- **Mandatory Employee Rotation:** This is key to identifying inefficiencies as well as any potential fraudulent activity that may have been carried out in a particular role.
- **Use Technological Controls:** These can be used to ensure processes are

carried out correctly and according to mandated control. It can also test variance and anomalies in data.

- **Perform Regular Independent Reviews:** Bringing in a third party to measure the design, implementation and operating effectiveness of internal controls would give management insight into which controls need to be tweaked and enforced.

### ERP

Enterprise Resource Planning (ERP) is a fully-integrated business management system covering the functional areas of an enterprise such as logistics, production, finance, accounting and human resources, says PwC Partner Alida Botes. It organises and integrates operational processes and information flows to make optimum use of resources.

BDO’s Phillip Joubert and David Bass say ERP is typically a suite of integrated applications that an organisation can use to collect, store, manage and interpret data. It provides an integrated and continuously updated view of core business processes using common databases maintained by a database management system.

ERP systems can track business resources such as cash, raw materials, production capacity, asset utilisation, and the status of business commitments: orders, purchase orders, and payroll and can share data among various departments.

The latest trends in ERP, says Botes, are cloud ERP solutions that enable users to access ERP over the internet. Robotics and artificial intelligence are used to support automation of ERP processes.

Terry Ramabulana, Mazars Director of Public Sector Advisory Services, says ERP can improve the quality and efficiency of a business. “By keeping a company’s internal processes running smoothly, ERP can lead to better outputs that may benefit the company. It also supports upper-level management by providing

information for decision making.”

Cost and management accounting Jacques Roux, Quality and Risk Manager at Mazars, says Cost and Management Accounting (CMA) focuses on operational results and reporting and is an internal reporting tool used by management to understand the business’s day-to-day operational costs. “It is used to monitor the achievement of operational objectives, goals and key performance indicators and should be structured to align with the broader operational strategy and objectives,” he says. BDO’s Phillip Joubert says CMA is the process of identifying, measuring, analysing, interpreting and communicating information in pursuit of an enterprise’s goals and thus has to do with planning and control. It is an internal function that is future orientated and assists decision makers in making decisions.

### Financial Accounting

Financial accounting keeps track of a company’s financial transactions, says BDO’s David Bass. The transactions are recorded, summarised and presented in a financial report or financial statement using standardised guidelines.

Financial statements provide information useful in making economic decisions and include statements of financial position, profit and loss and cash flows, a description of accounting policies and notes to the financial statements. Financial statements provide a report of management’s handling of the activities of the enterprise for a limited, already expired period. It’s prepared according to International Financial Report Standards, that are being adopted worldwide.

### Financial Analysis

Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, financial analysis is used to analyse whether an entity is stable, solvent, liquid or profitable

enough to warrant investment, says TMF Corporate Services (South Africa) Global Business Services. It includes, but is not limited to, the detailed review of the annual financial statements of a company. Analysis is conducted mostly using various ratios analysis techniques such as Return on Assets, Return on Investment, Net Present Value and Internal Rate of Return.

Simplifying it further, Jacques Roux, Quality and Risk Manager at Mazars says financial analysis is the art of better understanding the reasons behind the numbers. "While accounting captures and reports day-to-day financial transactions of an organisation, financial analysis tells the story behind the financial data," says Roux. "It evaluates the business, projects and budgets to measure performance and can be used for operational, funding and investment decisions to analyse the stability, solvency, liquidity and profitability of a company." Roux adds

that financial analysis must align with a company's broader strategies and objectives. "It should be easy to understand, incorporate best practice and align with industry norms."

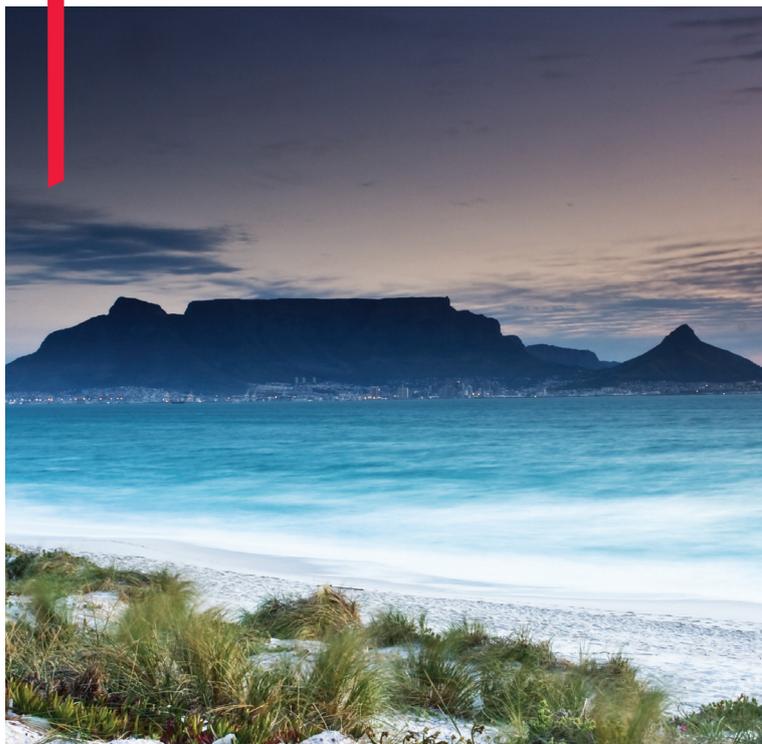
### Management Decision Making

Jacques Roux, Quality and Risk Manager at Mazars says the different accounting functions all have a role to play in management decision-making and that management needs to be aware of how the various accounting functions can impact different stakeholders.

He says Mazars has seen the need for closer relationships with the accounting function to help guide effective decision-making. "The accounting functions help bring numbers to the party and explain the tangible bottom-line impact. It's responsible for the integrity of financial and some non-financial information and ensures the provision of quality metrics. It connects the

dots of how the different parts of the organisation come together and have an important role to play in ensuring financial security and driving stability." Payroll and Human Resource Control Payroll is the process by which employees are remunerated in an organisation, while Human Resources manages employee relations. "Companies often confuse these two elements and often put them together for ease of administration, but from a risk mitigation perspective these should be separate," says BDO's Phillip Joubert.

BDO's David Bass points out that a segregation of duties will ensure that a single individual does not possess the authority to execute two potentially conflicting tasks. "Examples could include the input, sign-off, approval and payments from payroll. Controls need to be in place with approvals coming from the CFO," he says. Human Resources is key to attracting, retaining and motivating employees, while payroll



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ensures the necessary deductions take place, compliance with necessary tax laws is maintained, payments are accurately calculated and paid, and that all applicable paperwork is filed.

TMF Corporate Services (South Africa) Global Business Services team says having proper procedures in place protects the company's assets by reducing the risk of fraud and eliminating errors. "The largest expense for most employers are wages and benefits paid to its employees. As such, there are many ways in which employers can expose themselves to risk."

### **Taxation & other statutory reporting**

Tax law, regulations and tax efficiency are complex areas for any business. Therefore having an effective internal reporting function and information system will result in a lower risk of compliance failure and more time for strategic forecasting and planning, says the TMF Corporate Services (South Africa) Global Business Services team.

Gert Meiring, Partner PwC Tax, says today's tax professionals operate in a challenging environment characterised by uncertainty, complexity and increasing scrutiny. "A wide range of stakeholders are asking whether companies are paying their fair share of tax and there has been a decline in public trust, driven by media headlines and pressure from campaign groups.

A key challenge for companies is how best to respond. The way to rebuild public trust is through transparency which entails a broader look at tax strategy, risk management and the wider impact of tax," he says. He adds that tax transparency is not about providing additional technical detail on numbers and performance but entails identifying those who would be interested in one's tax disclosures and considering what (if any) disclosures would help to add value to one's business. These include tax disclosures such as tax incentives; transfer pricing and low tax jurisdictions; common tax phrases; material tax risks;

forward-looking measures for tax; the impact of tax on shareholder value; and communication of the economic contribution of all taxes paid.

Meiring says that a tax strategy must be set up to define the role of tax management within the organisation to make taxation and statutory reporting meaningful. Also to be considered are how the latest innovations in tax technology can be utilised to make the management of tax more effective and efficient. The company's strategic objectives on tax also need to be defined.

### **PROFESSIONAL BODIES IN THE ACCOUNTING PROFESSION**

There are 12 professional accounting bodies in South Africa, all with various members and codes of conduct that govern the actions of their members. There is also an independent regulator for the auditing profession. We look at the role of some of these organisations in the South African accounting landscape.

#### **SAICA**

The South African Institute of Chartered Accountants (SAICA) is the professional body for the chartered accountancy profession and the only professional accountancy organisation in South Africa accredited by the Independent Regulatory Board for Auditors (IRBA).

At the end of February 2018, SAICA's membership was comprised of 43,137 Chartered Accountants [CA(SA)] and 3,131 Associate General Accountants [AGA(SA)] as members. Thirty percent of SAICA's members and associates are active in public practice (MIPP) while the other 70% are Members In Business (MIB). About 4,300 of SAICA's members are auditors that are registered with IRBA, as registered auditors (RAs). SAICA is tasked with building the pipeline of future CA(SA)'s in SA, sets the designation's study curriculum and accredits universities to teach it. All SAICA members are required to adhere to the SAICA

Code of Professional Conduct (SAICA Code) which requires them to act in the public interest and to comply with the principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Contravention of the SAICA Code will result in disciplinary action.

Under a new ethical requirement, the NOCLAR (Non-Compliance with Laws and Regulations) standard by the International Ethics Standards Board for Accountants (IESBA), it's compulsory for auditors and other accounting professionals to report any potentially illegal acts committed by clients or employers such as fraud, corruption, bribery, money laundering and the like. In certain instances, they are able to report non-compliance without being constrained by confidentiality.

#### **IRBA**

The Independent Regulatory Board for Auditors (IRBA) is the independent regulator of the auditing profession in South Africa. A statutory body, its role is to protect the financial interests of the South African public and those of local and international investors through effective regulation of auditors in accordance with internationally and locally recognised standards, codes and laws. It ensures that only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards. All auditors must register with IRBA.

IRBA also promotes integrity in financial reporting and an ethical, value-driven financial sector. It monitors registered auditors' compliance with professional standards and takes action against registered auditors for improper conduct.

#### **IIASA**

Institute of Internal Auditors South Africa (IIA SA) is the professional home of internal auditors in South Africa. It is the local custodian of



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the internal audit standards. All members are required to conform with these standards as well as IIA SA's Code of Ethics. IIA SA can take disciplinary action against any member who breaches the standards and Code. Membership to IIA SA is voluntary and IIA SA only has jurisdiction over its members.

### ICBA

The Institute of Certified Bookkeepers and Accountants (ICBA) is a professional body for qualified finance professionals and office administrators in southern Africa.

The ICBA welcomes members who have ICB qualifications, as well as NQF-registered qualifications from other professional bodies and accredited tuition providers. Learners who are studying towards one of these qualifications are also welcome to join the ICBA as student members.

The ICBA offers its members a range of benefits that help them in their careers and is constantly working to improve the credibility and image of the industry.

Members are governed by a code of conduct, which if flouted can result in disciplinary action. ICBA members must earn a minimum of 20 Continuing Professional Development points each year.

### CIMA

The Chartered Institute of Management Accountants (CIMA) is the world's leading and largest

professional body of management accountants.

CIMA works to deliver finance professionals with the education and resources they need to go beyond the future, backed by the strength of the Association of International Certified Professional Accountants (The Association), the new global designation formed by CIMA and the American Institute of CPAs (AICPA). Together with (AICPA), CIMA established the Chartered Global Management Accountant (CGMA) designation in 2012 to provide members with a new level of resources and recognition.

CIMA is committed to elevating the profession and works closely with employers, sponsoring leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders. The Association represents 650,000 members and students in public and management accounting globally. The CIMA code of ethics is based on the IFAC handbook of the code of ethics for professional accountants from the International Ethics Standards Boards of Accountants (IESBA).

### SAIT

The South African Institute of Tax Professionals (SAIT) is the largest professional tax body in South Africa.

It is a registered controlling body in terms of section 40 and 240A of the Tax Administration Act. In terms of the Act, all tax practitioners must register with a recognised controlling body and SARS. SAIT members subscribe to a Code of Professional Conduct and there is a disciplinary process that regulates the conduct of members. SAIT seeks to enhance the tax profession by developing standards in education, compliance, monitoring and performance. The Institute plays a leading role in developing sound tax policy and shaping fiscal legislation through its interaction with Parliament.

Membership provides tax practitioners with the means of obtaining a practitioner number from SARS so that they can legally provide the full range of client tax



services required when dealing with SARS. It also gives members the authority to be a Commissioner of Oaths, and provides members with 50% discount in respect of membership to SAIBA (Southern African Institute for Business Accountants) so that they can become financial accounting officers.

**SAIBA**

The Southern African Institute for Business Accountants (SAIBA) is a voluntary accounting membership body with more than 6,500 members.

It is the gateway to the accounting profession and its purpose is to develop a community of successful accounting professionals who excel in their career goals. It offers members accessible and recognisable designations that deliver opportunity. It is a registered and regulated not-for-profit company that is recognised by the South African Qualifications Authority as a professional body.

The SAIBA designations of Business Accountant (SA), Business Accountant in Practice (SA), Certified Business Accountant (SA) and Certified Financial Officer (SA) are registered on the South African National Qualifications Framework and are open to members who meet the requirements. Additionally SAIBA offers licenses for Accounting Officers, Independent Review, Business Rescue Practitioners and Immigration Reviewer. SAIBA members, designations holders and firms are required to observe appropriate standards of professional conduct. SAIBA will take disciplinary action where there is evidence of a sufficiently serious failure to observe those standards. SAIBA has adopted the IFAC, IESB Code of Conduct for Professional Accountants.

**The role of the Audit Committee**

The Audit Committee is a sub-committee of the Board with the delegated responsibility of providing oversight of the financial and assurance processes, the system of internal controls and compliance with laws and regulations.

The Committee is also responsible for monitoring accounting policies and principles as well as overseeing the hiring, performance and independence of the external auditors as well as the Chief Audit Executive (internal audit). All listed companies must have an audit committee. The Companies Act determines which companies must have an audit committee.

**The role of an internal auditor**

Internal audit is an internal organisational assurance and consulting discipline to support of the governing

body, executive and management of an organisation. Internal audit provides the governing body with advice, insight, foresight and assurance around the degree to which the organisation is effectively managing its risks, thereby enhancing and protecting organizational value.

The internal auditor looks at the risks (internal and external risks, current and future) and determines whether the controls put in place by management and the execution of the controls mechanisms by personnel to mitigate against those risks are adequate, effective and efficient. Internal audit is the right hand of the Board through the Audit Committee to which it reports functionally. Unlike external audit, which is a financial discipline, internal audit looks at risks throughout the organisation. Internal audit only raises findings and makes recommendations. It is the responsibility of leadership to take corrective action.

**The role of the Management Accountant**

Management accountants play an important role in businesses. They are responsible for gathering information on revenue, cash flow, and outstanding debts to identify trends, compile statistics, and compile reports to help top management make strategic decisions. Management accountants combine financial and non-financial data to provide a holistic view of the business. ■

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