

## Questions from the Annual General Meeting held on 28 May 2020

Please find enclosed the questions and comments raised by members (written in bold) during the Annual General Meeting as well as responses (written in standard font) thereto.

- 1. What was the fate of the KPMG partners and employees like Trevor Hoole who attended the Gupta Wedding and may have been party to other "wrongs"? I'm interested because I was a senior manager in KPMG Management Consulting and forensic accounting from 1989 to 1997 (Johannesburg) and I observed the behaviour and attitude and styles of those still there at the time when the Guptas' interests were served in "client" relationships and contracts.**

In November 2017, SAICA convened the Ntsebeza Inquiry, which aimed to independently investigate allegations that some of the Institute's members who were/are employed by KPMG, had allegedly engaged in conduct in contravention of the SAICA Code of Professional Conduct.

The latest update on disciplinary matters was communicated to members on 27 May 2020, and can also be found on the Governance website, [here](#).

In respect of the KPMG investigation, SAICA update set out that:

The Inquiry report recommended disciplinary action against seven members and the following feedback can be given in this regard:

- Jacques Wessels was excluded from membership by the Disciplinary Committee (DC) in May 2019;
- Two further cases against members of the KPMG audit team have been finalised by the Professional Conduct Committee (PCC) but the members have exercised their right to have the matter referred to the Disciplinary Committee for hearing;
- Two cases are ongoing before the PCC;
- Two cases are with the IRBA for finalisation.

SAICA regularly posts updated information on all disciplinary matters on the Governance website, under the '[Disciplinary Process](#)' tab.

The IRBA attended to the investigation of KPMG as a firm, which would include looking into the conduct of senior employees and SAICA therefore cannot comment on this investigation, as SAICA only has jurisdiction over individual CAs(SA) and not firms.

When the IRBA concludes a disciplinary case against a registered auditor who is also a member of SAICA, SAICA records the outcome of the IRBA disciplinary case on the SAICA member's disciplinary record.

Members who notice possible ethical contraventions of the SAICA Code of Professional Conduct are further reminded to report to IRBA and/or SAICA for possible investigation and can request and enjoy anonymity in this regard. Complaints can be lodged via the [Lodge a Complaint](#) tab on the Governance website.

- 2. Regarding the updates on Disciplinary processes, why are some members who are under investigation not named but rather just referred to as "member"? SAICA needs to name and shame everyone that is currently under investigation.**

The disciplinary updates state the names of members only when the member's disciplinary case has been finalised or where the member has already been identified in media reports.

SAICA has noted the call for greater transparency on finalised disciplinary cases and this has been addressed under the revised SAICA By-laws, which were communicated to members on 21 May 2020, and can be found on [SAICA's Governance website](#).

In terms of the revised By-laws, effective from 1 June 2020, SAICA will publish the outcomes of all finalised disciplinary cases, providing details on the name of the member; the nature of offence for which they were found guilty as well as the sanction imposed.

As a matter of principle, SAICA does not comment publicly on the details of any ongoing investigations or disciplinary matters to avoid compromising the fairness of the process. Disciplinary hearings are, bar exceptional circumstances, open to the public. For more information on the SAICA Code of Professional Conduct and the disciplinary process, please visit the [SAICA Governance website](#).

### **3. Speaking on behalf of the East Rand, we would like to give praise where it is due.**

**Regarding the 2019 Annual Financial Statements (AFS): The profession was number 1 in the world for 7 years and last year dropped to number 30 and then rose again to number 18.**

- **Do you think that transparency in the profession shows integrity and helps the rating of the profession?**

Yes, transparency in the profession is always an imperative, but the rating of the profession depends on many other factors. Although the international rating is a useful indicator, it is not possible to understand the drivers of that indicator. Therefore, SAICA must continue on its strategy to rebuild the reputation of the profession and the results will show in time as a culmination of various factors.

- **Is SAICA committed to the improvement of this rating?**

SAICA is committed to rebuilding the reputation of the profession and to this end will spare no effort in implementing its strategy.

- **Do you think that the way the cheating scandal in the 2015 APC exam was handled contributed to the fall in the reputation of the profession?**

Without downplaying the undesirability of the cheating incident in the 2015 APC exam, SAICA's reputation has suffered mainly as a result of contraventions of the SAICA Code of Professional Conduct, perpetrated by some of our members in practice and/or in business.

- **It would be helpful if a proper disclosure of the sanctions of those cheating in the APC exam was given, for instance how many students were given fines of R5,000, how many were suspended for 12 months, how many for a shorter period, how many were found innocent, etc. This is better than executives telling lies to the AGM as has happened in prior years. Can we look forward to getting a proper breakdown?**

SAICA uploaded a comprehensive report on the outcomes of the 2015 APC disciplinary matters on the Governance website. The report with the required detail can be found here: <https://saicagovernance.co.za/wp-content/uploads/2020/06/Special-Disciplinary-Report-APC-v2.pdf>

All matters relating to disciplinary hearings or disciplinary outcomes are uploaded to the [Governance site](#).

- **With respect to the remuneration of the previous CEO, I was assured by the previous Chairman that as from June 2018, he would no longer be paid by SAICA as the Zondo Commission was paying him. I have now discovered that this was another lie told to**

**members at the AGM. See page 53 of the AFS. How do we adjust the past minutes in this regard? And how has SAICA handled this unethical conduct by the previous Chairman?**

All the costs incurred in respect of the previous CEO's secondment to the Zondo Commission have been recovered in full, as was shown in the AFS. Kindly refer to question 13 for more information in this regard. The Chairman's reply to the question was therefore appropriate.

- **The AFS has been supplemented with the update on disciplinary matters by letter from the CEO. I see that the name of Nkonki is conspicuous by its absence. I hope that you are not playing favouritism as they used to be SAICA's auditors? IRBA seems not to have acted on this issue in years. We suggest that you initiate disciplinary steps before SAICA gets egg on its face in this regard. What is your position on this matter?**

SAICA deals with all matters without fear or favour but it has to be noted that SAICA does not have jurisdiction over firms, and therefore cannot discipline firms, but only individual CAs(SA). Upon finalisation of an investigation by the IRBA, SAICA will proceed in terms of our disciplinary processes against any members who have been implicated. SAICA meets with IRBA regularly to discuss disciplinary matters that relate to both IRBA and SAICA.

- **Arising out of our court cases against IRBA, we have identified 2 members of IRBA management that have brought the profession into disrepute and will be asking SAICA to discipline them. When we do, we hope that SAICA is up to it. Is SAICA up to it?**

SAICA deals with all reported matters regarding contravention of the SAICA Code of Professional Conduct without fear or favour.

Members can make official enquiries regarding SAICA matters via the correct channel, which is through the Regional Councils and the National Council.

Complaints regarding the alleged misconduct by members, should be made via the official Fraud Line: 0800 005 930 or via email on [saica@tip-offs.com](mailto:saica@tip-offs.com) or the website [www.tip-offs.com](http://www.tip-offs.com).

Kindly note that individual members cannot speak on behalf of officially sanctioned SAICA structures. Members are encouraged to channel their issues through the National Council and its structures.

**Concluding on a positive note, we hope that the East Rand will not be calling any of the members of the current board as liars in the future and that the previous sorry state of affairs is relegated to history.**

4. **SAICA recently sent an email communication on issues raised at the UK contact session held in London in January 2020.**

**As I attended this session I am fully aware that there were many more issues raised, but anything contentious does not seem to have been minuted and/or addressed.**

**An example would be when one lady asked why overseas members have such a poor CPD offering, especially as it related to physically attending events.**

**Another would be when a lady asked why the SAICA Board do not appear to be looking into and addressing the grievances of overseas members, but merely take a trip to the UK and promise to "get back to members in the future".**

**Why have these issues not been minuted and addressed?**

SAICA takes all queries from its members seriously. The questions that were answered in the email communication referred to above, relate only to the questions that were not fully responded to during the meeting. No formal minutes were taken during the meeting, but all questions were

recorded and responded to – if not during the meeting, they were responded to in a communication sent to members afterwards. We responded to the questions regarding CPD and international members' grievances during the meeting, but will also respond here:

As was mentioned in the meeting, the majority of CPD that is offered to members in South Africa is available via webcast, and as such can be utilised by all members regardless of where they reside in the world. The majority of SAICA's online CPD was planned at no cost to members (prior to lockdown due to COVID-19). Since South Africa has gone into lockdown at the end of March, SAICA has moved all its CPD to webcast, and these are available to members throughout the world, both live and as recordings afterwards.

In addition, we advise UK-based members to contact Bruce Freer ([brucef@saica.co.za](mailto:brucef@saica.co.za)) and the UK Committee should you have any specific CPD that you require. Bruce and his team will evaluate your request and, if appropriate, take the necessary action in this regard.

SAICA understands the importance of face-to-face seminars and events, though the value derived from webcast seminars, particularly in relation to members who do not live in Central London, cannot be ignored.

With regards to the SAICA governance structures not addressing the needs of international members, this has been considered at National Council and, going forward, three international members will be appointed to this body. This new approach is an improvement on the previous structure where only a single individual member represented international members within the SAICA governance structures. This process is currently underway.

**5. I have had a number of enquiries from my fellow members about ATs(SA):**

- **Please could you advise whether AT(SA) is now a third category of membership of SAICA or will this be part of the AGA(SA) category as an expansion of the associate membership?**
- **I do not recall seeing any consultation with members in this regard so I assume this is still forthcoming.**
- **In the supporting documents for this year's AGM, I note that the 2019 amendments include expanding associate membership. To my knowledge, this has not been communicated to members.**
- **I note that the AT(SA) has already been included as a department of SAICA in the 2019 Annual Integrated Report.**
- **Will these members enjoy the same benefits as our CA(SA) members?**
- **Whilst I fully support sustainability, I am concerned that these individuals will want to sit on SAICA's National and Regional committees without the requisite experience or expertise and only be there to enhance their CVs, as we have experienced in the past.**

SAICA has only one category of membership, the CA(SA). The AGA(SA) and AT(SA) are both at associate levels. SAICA has had these associate membership levels for many years. Part of SAICA's strategy in recent years has been to dominate the accountancy designation space through the introduction of the associate membership levels/designations.

The AT(SA) designation was originally part of a separate entity in partnership with the UK-based AT organisation. It was shown as a joint venture in SAICA's Annual Financial Statements for many years. Management took a decision based on a request from the AT(UK) to make the qualification truly South African, by terminating the joint venture and incorporating it into the SAICA designations offerings. The designation therefore is not new and has been in existence for 15 years.

Regarding the question about expanding associate membership, when we agreed to part ways with the joint venture as mentioned above, the administration of the AT(SA) designation had to be brought into SAICA.

We note the concern about members not being consulted in this regard, but it is important to note that nothing new was introduced – the structure of administration, i.e. going from a joint venture to bringing it in-house to SAICA, was the only element that changed. The historic existence of the qualification has always been openly disclosed in the Group Annual Financial Statements.

In the early 2000s, SAICA agreed to assist National Treasury with a public sector qualification at diploma level, specific for public sector purposes. There is nothing similar to this designation in South Africa at the moment. ATs(SA) are at a different qualification level and we provide service offerings that are appropriate for them. They therefore do not enjoy the same benefits as CAs(SA), as outlined in the AT(SA) welcome pack.

Regarding the question about AGAs(SA) and ATs(SA) sitting in on National and Regional committees, SAICA is looking at one member of each of the AGA(SA) and AT(SA) committees to sit in on the National Committee, preferably the respective chairs of these committees.

**6. The core questions regarding the AT(SA) designation remain:**

- **Was there sufficient consultation with members regarding the inclusion of ATs(SA) into SAICA despite the noble reasons given to boost membership?**
- **What are the costs of this initiative, now that we appear to have had that category of membership since 2019, there must be actual costs incurred?**
- **How many AT(SA) members are there today?**
- **How is this category being funded? Is CA(SA) membership subscriptions used?**
- **What is the real and perceived impact of this designation on our good CA(SA) name?**

There are currently (as at end May 2020), 396 ATs(SA), and this number is steadily growing.

In summary, AT(SA) is funded by the accounting technicians' own membership subscriptions as well as project funding from Bankseta, FASSET and NSF. The costs of the AT(SA) initiative has been disclosed in the Group Annual Financial Statements over the last few years.

ATs(SA) are subject to the same SAICA Code of Professional Conduct as CAs(SA).

Regarding the question on member consultation about the inclusion of ATs(SA) into SAICA, kindly see the answer to question 5 above.

The perceived impact on the CA(SA) designation is positive in the sense that SAICA is assisting the growth of the accountancy profession at all levels, in particular in the public sector, based on National Treasury's idea to professionalise the public sector, as mentioned in the answer to question 5 above.

**7. Page 4 of the 2019 SAICA Annual Integrated Report (AIR) states: "SAICA is the custodian of three complementary accounting designations, CA(SA), AGA(SA) and AT(SA). CA(SA) and AGA(SA) are included in the Constitution but AT(SA) is not."**

**Please explain how the AT(SA) fits into the SAICA governance framework. It used to be incorporated in a company but the AIR now states that the entity is being wound up. Alternatively, what steps are being taken by the board to rectify this?**

The decision to incorporate AT(SA) within the SAICA division referred to as 'Nation Building' was taken in 2019 but was effective from 1 January 2020, under the umbrella of the Initial Professional Development Committee, the same as AGA(SA).

Both the AGAs(SA) and the ATs(SA) have associate membership committees. With the AT(SA) now incorporated within the Nation Building division, all the governance procedures followed by SAICA are applicable to the AT(SA), AGA(SA) and CA(SA) designations.



**8. Are ATs(SA) bound by the SAICA Code of Professional Conduct?**

Yes. All members [CAs(SA)] and associates [AGAs(SA) and ATs(SA)] are bound by the same Code of Professional Conduct.

**9. Are ATs(SA) entitled to the same benefits as SAICA members despite the significantly lower fees payable by them?**

**To qualify for registering as an AT(SA), one needs to have (at minimum) an NQF Level 3 – the equivalent of a Grade 11. Are there no concerns that the SAICA brand will be diluted as a result of incorporating this brand under the SAICA banner?**

Kindly see the answer to question 5 regarding the benefits for ATs(SA) in comparison to benefits for CAs(SA).

With regards to the level of qualification needed to register as an AT(SA), there are various levels of the AT(SA) designation, depending on an individual's level of qualification. Those who have an NQF Level 3 are referred to as student members. This was the model adopted by the UK when we first had the joint venture (see the answer to question 5 above).

Full AT(SA) members need to hold at least a NQF Level 5 qualification. Members who hold qualifications lower than a NQF Level 5 are referred to as student members.

**10. In Annexure 3 of the remuneration policy, percentages appear high for higher job grades. Do we have a benchmark?**

SAICA does salary benchmarking each year prior to salary increase recommendations by using 21<sup>st</sup> Century, a salary benchmarking company. The last salary benchmarking was done in September 2019. The percentages of variable pay for higher job grades are high because there are increased risks associated with higher job grades. This is normal remuneration practice.

**11. How will the Board measure the continued relevance of SAICA, especially to members in business? Surely it is concerning that SAICA struggles to have a quorum of 50 members at the AGM when the organisation has more than 40,000 members?**

SAICA works constantly to ensure the continued relevance of not only the Institute, but also the CA(SA) designation and the profession. This work is summarised in the Chairman's message from page 10-12 in the [2019 Annual Integrated Report](#) and is also detailed throughout the report. The work includes:

- Ensuring the accountancy profession remains relevant
- Delivering member value
- Growth and Transformation of the profession
- Improving our local and international thought leadership standing
- Making a quantifiable social contribution, and
- Supporting the sustainability of the profession.

This work will be measured in a number of ways, including the SAICA scorecard, independent surveys with business decision makers by the Edelman Trust (globally), which measures the trust of business decision makers in chartered accountants, as well as the AskAfrika local survey, which measures the brand admiration of the CA(SA) designation, among others. SAICA also does an annual Professional Health Index (PHI) survey, which measures the profession's attractiveness, including employment attractiveness amongst youth, brand strength

and member satisfaction. Respondents to this survey include business decision makers, SAICA members, training officers, students, trainees, high school learners and stakeholders. The survey provides an overall Professional Health Index score, which is included in the SAICA scorecard to ensure that the Institute works continuously towards improving the 'health' and relevance of the profession.

The SAICA Board annually reviews and approves a comprehensive, balanced scorecard for the organisation, which is monitored on a quarterly basis and subject to assurance by SAICA's auditors at the end of the year.

**12. Has the Board had any interactions with IRBA about its wish to regulate all accountants? And if so what is the Board's position on this?**

SAICA meets quarterly with IRBA during which all important matters are discussed, including comprehensive regulation for all accountants. Comprehensive regulation is necessary to ensure accountability across all sectors. There are many regulators already and therefore a comprehensive regulatory framework requires a thorough review of the regulatory landscape to ensure a solution that addresses the gaps, rather than to merely expand IRBA's reach. Such expansion may miss the point if not arising out of a proper regulatory landscape review.

**13. Please give a breakdown of the Zondo Commission payment for the previous CEO's remuneration? How much was recovered, how much related to the 2018 financial year, and how much to the 2019 year? Why do the statements show over R1 000 000 paid to the previous CEO in the 2019 year? Surely if this was recovered then there should be no expense in the 2019 Annual Financial Statements?**

All the payments to the previous CEO were recovered. The total amount recovered is R5 117 616 which was in two different financial years and billed as follows: in 2018, R4 653 160 and in 2019, R464 455. The amount disclosed under note 28.2 for the previous CEO was his salary, recovered from the Zondo Commission, and leave pay which was accumulated prior to the Zondo Commission appointment, which was paid out in 2019. The amount recovered was not netted off against Salary, but shown as 'other income' in note 20.2 as recoveries for both 2018 and 2019.

**14. Kindly provide more information regarding the following:**

- **Special Levy**
- **Number of life members**
- **Number of life members who paid the levy and were then refunded**
- **Number of members who did not pay initially before the CEO reversed the mandatory payment**
- **How did the Acting CEO arrive at the decision of the special levy at the time? Who authorised and approved this payment? Does she have any regrets?**

The table below indicates the number of lifelong and honorary members that were billed for the 2019 levy to cover the cost of additional disciplinary hearings. The amount credited or returned to 1793 members was R1 118 000.

Levy for lifelong and honorary members		
	Number	R'000
<b>Billed</b>	<b>4 261</b>	<b>2 656</b>
Credit notes (before 12 June 2019)	(171)	(13)
Amount received from members	(2 265)	(1 412)
Balance prior to announcement on 12 June 2019	1 825	1 138
Amount received after 12 June 2019	(32)	(20)
<b>Issued credit notes</b>	<b>(1 793)</b>	<b>(1 118)</b>

The decision to impose a special levy was made by the SAICA Board, and not the acting CEO. This levy was intended to cover the increase in legal costs resulting from the increase in the number of disciplinary cases.

**15. There are 8 CAs(SA) on the Board and 4 non-CAs. Paragraph 6.2.2(ii) of the Constitution clearly states a maximum of 3 CAs can serve on the Board. Please comment.**

Paragraph 6.2.2(ii) of the Constitution reads as follows: “a maximum of 3 (three) and not less than 2 (two) of the non-executive Board Members must be non-Chartered Accountants and shall be independent.”

Factually, the member is correct in pointing out that there are currently 4 non-CAs on the Board, which includes the current CEO. However, the CEO is an executive and therefore does not count towards the maximum requirement of three non-executive non-CA Board members as stated in Paragraph 6.2.2.(ii). As a result, there are currently three non-CAs serving as non-executives on the Board.

**16. There is no voting for Board members in terms of clause 6.2.9 of the Constitution. Board members must serve at least 1 year in terms of this clause. As no Board members have served this term, there is no need to vote during the 2020 AGM. Clause 6.29.9 states: One-third of Board members, excluding the ex officio members, must retire at each AGM provided that the Board Member has served at least 1 (one) year. The Board Members who retire shall be those Board Members who have held office for the longest period of time since their last election. Should there be more Board Members than necessary who have been on the Board for an equal length of time, those to retire shall be chosen by lots.**

This statement is correct. To clarify any uncertainty: The current Board members have served since 23 October 2019 and have therefore only been in office for 8 (eight) months. At the next AGM the current Board members would have served at least one year, and the prescribed retirement by rotation will be required. At that meeting one third of the Board members will retire as required. This is in line with best practice and King IV.



**17. Page 83 of the SAICA Annual Integrated Report (AIR) states: “Board membership under the new Constitution:**

- **A maximum of three members must be non-chartered accountants**
- **A maximum of six members must be chartered accountants**
- **The president of the SAICA Council shall be an ex officio member**
- **The CEO is an ex officio member**
- **One other member of management may be recommended by the CEO**

**This seems inconsistent with our Constitution – please comment as the SAICA the Constitution states: “The Board may determine the number of Board Members at any time, subject to the proviso that: (i) the minimum number of Board Members shall be 8 (eight); (ii) the maximum number of Board Members shall be 12 (twelve); (iii) the majority of Board Members shall be Chartered Accountants CA(SA); (iv) a maximum of 3 (three) and not less than 2 (two) of the non-executive Board Members must be non-Chartered Accountants and shall be independent. (v) the President or his or her nominee shall be an ex officio non-independent Board Member.**

The statement in the Annual Integrated Report is in line with the Constitution. It refers to the current Board composition and how that composition relates back to the requirements in the Constitution. The question indicates a very good technical understanding of the Constitution, which we recognise.

**18. Page 83 of the Annual Integrated Report (AIR) states that the President of the Southern Region is Mr S Phillip. Mr Phillip completed his role as Southern Region President in May 2018. The current President (who was elected during 2018) is Mrs S Gierdien.**

Thank you for pointing this out. The incorrect statement of fact has been corrected in the online version of the AIR. The reason for this error was created by the fact that Mr Phillip was de facto acting as the SAICA representative of the Southern Region (a position usually taken by the Regional President) and that there was no formal notification from the Region to notify Secretariat of the change. An apology in this regard was also minuted at the AGM.

**19. How does the composition of the Board stack up when compared to the King IV recommendations? What is precluding SAICA from just adopting King recommendations so that we have a framework to compare ourselves to that makes sense?**

SAICA’s Governance Review Task Team (GRTT) stated the following in its [report](#): “In executing its terms of reference, the GRTT has completed a review of the current SAICA Constitution and By-laws and has made substantial proposed changes to them. In addition, the GRTT has drafted charters for both a Board and proposed Council which are included as appendices to the By-Laws. All revisions have been aligned with corporate governance best practice, including King IV.” (See page 5 of the report. The full report can be viewed on the [Governance website](#).)

Principle 7 of the Code contains the recommended practices with regard to the composition of a Board. In short, SAICA compares to King IV regarding these recommendations:

- The governing body should assume responsibility for its composition by setting the direction and approving the processes. The SAICA Board has assumed this responsibility as is evidenced in the Board Charter.

- The governing body should comprise a majority of non-executive members, most of whom should be independent. SAICA also complies with this recommendation. There are only two executives on the Board. (See par 3.4 of the Board Charter.)
- As a minimum, the chief executive officer (CEO) and at least one other executive should be appointed to the governing body. The SAICA Constitution provides for the CEO and one other executive on the Board. (See also par 3.9 of the Board Charter.)
- The governing body should promote diversity in its membership. This recommendation is incorporated in the Board Charter. (See par 3.14 of the Board Charter.)
- The governing body should establish arrangements for a periodic, staggered rotation of its members. Paragraph 6.2.9 of the Constitution provides for staggered rotation of the SAICA Board members. (See par 3.17 of the Board Charter.)
- The governing body should establish a succession plan for its membership. The SAICA Board has delegated this recommendation to its Nominations and Governance committee (Nomco) which annually considers the requirements for succession. (See par 6.1.4 of the Terms of Reference of the Nomco.)

**20. I recently tried to apply as a tax practitioner and I was taken from pillar to post with the application process. SAICA's processes regarding the application are not clear to follow as I repeatedly had complete a 'survey' for it. Once that was finalised after 2 months, I was then sent an invoice for registration. I am concerned that I need to pay an additional R2000+ to register as a tax practitioner when I already pay SAICA's membership fees? How was the decision taken to start charging registration fees for tax practitioners? Historically, once you became a SAICA member you could become an honorary tax practitioner.**

During the 2018 year, SAICA introduced a tax practitioner regulatory subscription fee to cover the cost associated with regulating tax practitioners. The new fee structure was communicated to members in May 2018, kindly refer to [this notice](#) for more details. The imposition of the tax practitioner regulatory fee was a necessary step in order for SAICA to retain its status as a Recognised Controlling Body (RCB) with SARS and also to ensure that SAICA can confidently inform the public that it holds all its tax practitioners to the same high technical and ethical standards as applied to the chartered accountancy profession.

Since SAICA is recognised by SARS as one of the RCBs, SAICA's CA(SA) members and AGA(SA) associates are given the opportunity to register as tax practitioners and render professional tax services in a regulated and exclusive environment. With SAICA having over 5 000 members who are tax practitioners, it became apparent that the cost of compliance with the statutory obligations as a RCB is not covered by the general membership fee. This could have had a negative impact on SAICA's financial sustainability and limits the number of services that can be provided exclusively to tax practitioners.

Furthermore, it became necessary to recover an additional subscription fee from tax practitioners as a number of these members are being investigated for non-compliance with SAICA's Code of Professional Conduct. This represents a higher risk as SARS dictated certain additional requirements. The tax practitioner subscription fee is ring-fenced for regulation activities and includes the provision of services for the benefit of SAICA's tax practitioners. This fee is not added into SAICA's general cost structure.

The SAICA Board resolved that a separate, additional tax practitioner regulatory subscription fee would be charged and no concessions are granted to lifetime members or members with smaller practices as the cost to regulate per member is the same, regardless of specific circumstances.

- More information on SAICA's tax practitioner regulation process can be found in the [Tax practitioner annual regulation document](#) and should you have any queries in this regard, please contact us per email on [tpaudit2019@saica.co.za](mailto:tpaudit2019@saica.co.za)
- For more information on tax practitioner requirements and the registration process, refer to section 2.2 of the [Tax Practitioner Requirements](#) document.
- More information on the [Tax practitioner annual regulation](#) (declaration and audit proposed timelines for both 2018 and 2019)

**21. As a tax practitioner I have never had any interaction with SAICA besides asking me to pay my fees. So what is being monitored?**

Kindly see the answer to question 20 for more information. Tax practitioners are provided a significant volume of tax development initiatives, including induction and CPD webinars, which are communicated on all SAICA channels on an ongoing basis.

**22. I hold my designation and professional body in high regard. SAICA Tax practitioners' (TPs) annual fees are less than the South African Institute for Tax Professionals' (SAIT) lowest annual fee. Considering we as TPs are paying an additional "membership" fee, has an analysis been performed or surveyed of the benefits SAICA offers to TPs versus the benefits offered by SAIT? I hope to see that the nature of the benefits offered by SAICA is of such a level to ensure that CAs(SA) retain SAICA as their recognised controlling body with SARS and that CAs(SA) do not feel compelled to rather transfer to SAIT as their controlling body, in view of cost versus benefit?**

SAICA recognises and thanks the member for the suggestion outlined in the question.

The additional compliance levy for tax practitioners was instituted by the SAICA Board following concerns of the high level of non-compliance by tax practitioners with the SAICA Tax Practitioner Regulatory requirements. This effectively becomes a "license to trade fee" and therefore additional to the membership fee. The greatest majority of these transgressions were administrative (i.e. late declarations or submission of information) and CPD related. The levy is ring-fenced and exclusively used for TP compliance and disciplinary matters. The additional levy is exclusively used for compliance and disciplinary matters and not for other value added services.

It should be noted that until the recently approved by-law changes by the SAICA Board, all non-compliance had to go through a formal disciplinary process which was very expensive. Lesser transgressions will now be addressed in a more cost-effective manner. This historical formality of the disciplinary process was partly due to the fact that SAICA wanted to ensure the utmost procedural fairness. However, the tax regulatory environment introduced co-regulatory responsibilities which SAICA did not have before 2013 and society and members have demanded a more time-efficient disciplinary process. The SAICA Board did note that the additional compliance levy would be adjusted on improved compliance which for the 2019 reporting period did occur and the levy amount is being reviewed.

Given the above, it should be noted that none of the additional levy is currently earmarked for TPs' additional member services and all Tax Practitioner services, other than the tax related compliance and disciplinary functions are funded from the normal SAICA membership fee. Furthermore, though SAICA is a RCB, it is an Institute for Chartered Accountants and accounting associates and therefore provides a broad member value offering. This member offering is not split into professions, for example we don't cater for just an auditor or just a business rescue practitioner value proposition in isolation.

The correct comparison is therefore between SAIT's tax offerings and SAICA's whole member offering, not just tax. A CA(SA) tax practitioner enjoys the benefits and value of being a CA(SA) as well as the value of being a tax practitioner.

#### Value of the CA(SA) designation

Notwithstanding the challenges in respect of a minority of members who transgressed the SAICA Code of Professional Conduct, the CA(SA) remains one of the most trusted and admired designations globally, which SAICA continues to endeavor to enhance. As one of the most valuable designations in the market, the CA(SA) still unequivocally remains valuable in the market as independently verified by two surveys: a global survey among business decision makers done by Edelman Intelligence, which indicated brand trust was still at 81%, and a local survey done by AskAfrika, which found that brand admiration for the designation among business decision makers was 68% in 2019, up from 66% in 2018.

#### Global designation and member value

SAICA has a global footprint with more than 9 000 members in foreign countries and with member support and services available in the USA, UK and Australia. We also have multiple CA(SA) training offices outside South Africa. As a founding member of both IFAC and the Pan African Forum of Accountants, SAICA has always played a role in international matters regarding the profession. This is a reflection of the standard of our members but also of the Institute by its international peers and standard setters. Few, if any other professional institutes in South Africa, can lay claim to such brand presence and value. This further includes:

- CA(SA) is a global qualification with mutual recognition with 14 foreign peer Institutes whereby members can be recognised by foreign Institutes under these agreements and receive benefits.
- SAICA is a founding member of the Global Accounting Alliance and Chartered Accountants Worldwide and by agreement members are entitled to global benefits from the member institutes.
- SAICA is a recognised professional body with the Australian Tax Practitioner Board, the only Institute in Africa, offering members an entry path to register as Tax Agents in Australia.

#### Other member value services

The following additional member value offerings were available to SAICA members in 2019:

- Member support and guidance
  - Access to SAICA member technical guides for Accounting, Assurance, Corporate Legislation, Ethics, Tax, SMP and Public Sector
  - Access to regulator and standard setter query escalation/support for accounting matters, assurance matters (IRBA), tax matters (National Treasury, SARS, UIF, COIDA), Corporate law matters (CIPC, JSE and DTI), Estates (Masters Office).
  - Access to technical query support for assurance, corporate reporting, integrated reporting, UIF, COIDA, CIPC matters, master's office matters, ethics and SAICA Code of Professional Conduct, Corporate Governance. The tax technical query service was suspended in 2017 due to the risk of a conflict of interest should SARS

lodge a complaint to SAICA in respect of the member about the tax guidance provided to the member. We are continually reviewing alternative forms of support.

- Access to technical electronic newsletters such as Integritax Weekly, Standards and Legislation, Ethics and Governance and the SMP newsletter.
  - Member seminars and events
    - Members have **free access** to the following (which is also verifiable CPD):
      - Monthly TechTalk Tax
      - Monthly Techtalk Assurance and Corporate Reporting
      - Monthly TechTalk Public Sector
      - Annual Tax Update
      - Monthly Knowledge cafes
      - Monthly Industry Cafes
      - Regional member networking events
      - Tax Practitioner Induction (For SAICA Tax Practitioners only)
      - 2020 included a complimentary *Leadership in a time of crisis* webinar series focused on challenges that presented itself during the outbreak of COVID-19.
      - Other ad hoc technical and non-technical seminars
- (63% of all seminars and events in 2019 were offered to members for free)
- Other events are done mainly on a cost recovery basis in the following areas:
    - Corporate Reporting
    - Integrated Reporting
    - Assurance
    - SMP
    - Tax, including our annual International Tax Conference
    - Public sector
    - Corporate legislation
    - Ethics and governance
    - UIF
    - Estates and insolvencies
    - Business rescue
    - Non-technical skills and leadership
  - Publications and resources
    - Monthly Accountancy SA digital magazine
    - Monthly Integritax Journal (includes monthly CPD article for UK members as well)

- Reduced subscription to monthly DOTnews CA
- Access to E-IFRS
- Free access to University of Pretoria's law library for statutes including tax legislation

### Advocacy

Advocacy in the public interest with government, leaders, regulators and standard setters is a core function of SAICA. SAICA Standards is primarily responsible for technical advocacy. This function is done in collaboration with members through 38 technical committees and work groups who in 2019 made more than 100 formal submissions. The importance of this function is highlighted by the fact that it is specifically included in the SAICA By-laws and 4 of the National Technical Advisory Committees now report directly to the SAICA Board, which includes the National Tax Committee.

By collaborating with our members, SAICA ensures that not only can we provide much better and more impactful advocacy, but that member views and concerns are primarily also considered to effect change required in legislation and standards issued. We believe that SAICA participation on request from regulators and standards setters confirms our belief that SAICA and its members' views are recognised as thought leaders. In tax this includes SAICA serving on the Ministerial Paying Tax Workgroup, forming part of the Business 4 SA (B4SA) COVID-19 economic workgroups and the Labour workgroup (UIF matters) and also assisting the Office of the Tax Ombud in its analysis of its governing legislation and submission for independence to the Minister of Finance.

In Tax for 2019, together with the SAICA National Tax Committee and its 7 technical and 4 regional tax committees, more than 22 submissions were made and more than 38 formal stakeholder engagements took place, including 14 engagements with SARS.

**23. Where are we in the process of rolling out the new CPD policy? There is still general confusion among SAICA members regarding the new policy and resources to determining a reflective plan are very minimal on the SAICA websites. The last we heard there was a pilot project ongoing to determine the different career streams. Should this not have been done before a roll-out of the policy to the broader member base?**

The **new CPD policy** was launched effective from 1 January 2020, details of which have been communicated to members via various email newsletters, Accountancy SA magazine, SAICA's social media channels, at various SAICA events and webinars and also on the dedicated [CPD website](#) since April 2019. SAICA also launched a dedicated email address for members who want to enquire about the new CPD policy: [newcpdpolicy@saica.co.za](mailto:newcpdpolicy@saica.co.za)

The objective of CPD is to ensure that members remain relevant and maintain and improve their ability to practice. We have moved away from an input-based approach to CPD that focuses mainly on hours and activities, neglecting the actual purpose of CPD, which is for members to enhance their knowledge, acquire new skills and build on existing ones through continual reflection. The input-based approach to CPD often drives a compliance-based, number-driven view of learning which is in contrast to what SAICA wishes to achieve through its CPD policy. The new CPD policy supports a commitment to lifelong learning based on a reflective plan where CPD activities include work-based learning, undertaking new projects at work, online reading, researching particular issues relating to clients or a specific role, and focused discussions with colleagues or professional advisers. Under the new CPD policy, there is no requirement to achieve



a certain number of hours or points – the important feature is that consideration is given to the requirements of an individual's organisational role and that learning interventions address this.

The **reflective plan** is a tool/guide that members can use to assess areas that require development. This tool/guide can be used continuously to reflect and evaluate learning interventions to outline personal growth and development through the steps below:

- Identifying areas for development
- Undertaking the learning interventions
- Reflecting on the effectiveness of the learning interventions
- Assessing progress made and identify interventions not met

There is an example of the reflective plan on the [dedicated CPD website](#).

The [Pathways to Relevance framework](#) uses business and its value creation process to address the professional competence needs of SAICA's members who work in a wide range of roles. The framework was developed to align the competencies required of CAs(SA), keeping in mind the escalating complexity in the business environment, globalisation, digital disruption, increased stakeholder demands and the need to restore the public's trust in the CA profession.

The new framework provides a future-focused view into selected career paths and associated competencies required to remain relevant now and into the future. The framework defines the knowledge, skills, and attributes needed for CAs(SA) within 10 identified career paths. Each career path has a defined set of competencies and denotes the required level of proficiency needed to perform the role effectively at entry, mid- and senior management levels.

The framework developed will also assist members as they apply the new SAICA CPD policy requirements, which set out that each member must prepare a reflective learning plan in which they identify the competencies required for their specific role, the competencies they need further development in and undertake relevant learning and development interventions to address those competence gaps. For further information on Pathways to Relevance, visit <https://ca2025.co.za/>

The pilot being referred to in the question relates to the introduction of an online hyper-personalised learning tool which supports the Pathways to Relevance framework (refer above) and is known as the **CAPtR pilot**. This pilot is an online platform which enables members to select their career paths, and undertake various assessments which in turn assist them in identifying their unique competency gaps. This tool then goes further by referring members to online learning interventions that could be used to reduce their identified competence gaps, enabling a hyper-personalised learning journey to be created for each member. In our quest to continue to service our members better, this pilot is being run to assess how members will benefit from such a platform in their personal learning journeys.

- 24. In the Group Annual Financial Statements there appears to be a change in what has been included in contract liabilities (note 19.3) for 2019 in comparison with 2018 regarding trainee contracts. How has there been a change with no note to explain this inclusion in 2019 when training contracts have been a revenue stream of SAICA since before 2019? Why was this change not described appropriately? As a SAICA member I believe that the financial statements should be of high quality and beyond reproach. Please explain how the disclosure meets the requirements of IFRS, specifically as to whether this represents an error for the prior year.**

During the 2019 assessment of the impact on revenue in line with IFRS 15, we considered the following for training contract fees;

- The fee is a once-off fee paid to register the trainee. After registration on the anniversary of the contract the training office is charged a SEFCO (SAICA Education Fund) levy until the completion of the contract.
- Prior to 2019 this was seen as a once-off admin fee and recognised when raised as the fee only contributed towards the administration costs of registering the contract, as all other activity were assessed as negligible.
- With the change to assist SMP members with the cost of losing trainees during the contracted period, SAICA agreed to credit the training office with the balance prorated for the period not completed by the trainee. This requires far more involvement from SAICA throughout the duration of the contract as well as further administration that takes place throughout the contract period.

This was not a change in accounting policy but rather a change in contractual terms which resulted in the new method of recognizing revenue as described in question 25, thus we recognised the revenue over the duration of the contract.

We concluded that this is in line with IFRS 15 requirements, and it was confirmed by the auditors.

**25. Why was the change in the accounting of trainee contracts (from recognition at a point in time to recognition over a period of time) not explained in the financial statements? From the CFO's explanation it is understood that there was a change in the trainee contracts but it is unclear what changed so significantly that it resulted in different recognition of such revenue without any explanation thereof for a user to understand why there is zero comparative information for 2018?**

SAICA took the view that the changes outlined in question 24 pertained only to new contracts signed in 2019 going forward, it was therefore seen as a new revenue stream and therefore the accounting and disclosure of contracts signed in 2018 and prior remained the same as per previous years, when training contracts formed part of the Professional Development category, and additional information was provided for the new contracts in the Annual Financial Statements. In note 19.1 to the Annual Financial Statements, we outlined these terms relevant for years beginning 1 January 2019 and we agree that further information could have been provided; however, this was covered in the previous financial year disclosures.

**26. Were there multiple bids for the audit? Was the process opened to smaller firms?**

The sourcing for external auditors was through an open procurement process with bids received from various firms. The 2020 reappointment is a confirmation within an existing contract. When the contract with the incumbents expire, there will be another opportunity for all firms to submit proposals through another open procurement process.

**27. Is there a reason for the decline in technical articles produced and published in 2019 as compared to 2018 as mentioned in the Integrated Report? What is the annual target for technical articles produced and published?**

We note your concern regarding a decline in the number of technical articles produced and published in comparison to 2018.

At the end of 2018, two senior executives as well as an executive director in the Technical division left SAICA, leaving three key positions vacant. These positions were vacant for the majority of

2019, with two of the three positions only being filled in September and November 2019 respectively, and the third position remaining vacant until June 2020.

Therefore, with three key personnel no longer at SAICA, the number of technical articles produced for 2019 was negatively impacted, which in turn impacted the number of external media exposures for technical articles.

The target number of technical articles produced and the target number of articles published in external media form part of the Technical and Communications Teams' Key Performance Indicators in their performance evaluations. These targets are agreed with the Senior Executives within the Technical division, the Senior Executive: Brand and the CEO in January each year.

In the absence of resources in 2019, the technical article output was limited and therefore it was difficult to achieve the media exposure targets.