

## **SAICA's response to member questions**

### **May 2020**

#### **1. Considering the number of SAICA members who have had their income negatively impacted by COVID-19; will SAICA consider reducing membership fees for 2020 and providing refunds or only a portion of the fees paid?**

SAICA, like all other organisations, have been impacted by the COVID-19 pandemic. The Institute recognises that members are not immune to the financial devastation caused by this pandemic. SAICA has started a process to evaluate the potential short- and long-term impact of COVID-19. The initial assessment indicates a negative impact on income due to face-to-face seminars and events being suspended until the last quarter of the financial year as well as members losing income, resulting in some members being unable to settle outstanding fees.

Ongoing assessment of costs to identify areas where cuts can be implemented is underway, taking into account that there are significant cost items that are not variable in the short-term, such as rentals and people related costs.

The outcome of the exercise will inform the proposals that SAICA will implement to support members during the difficult period, which may include financial relief and further virtual programs to help members navigate the challenges caused by the pandemic. SAICA has for instance suspended the levying of penalties on outstanding accounts in March to give financially exposed members breathing space. The upcoming budget period will take into account the financial realities experienced by members. Management welcomes proposals by members on how to manage the emerging financial risks whilst providing sustainable relief to members.

These initiatives do not nullify other avenues available to members – individuals can still send a formal request to SAICA for concession or subscription relief based on their financial situation. We urge members to contact their Regional Council or the SAICA contact centre for assistance in this regard.

## 2. Why is it that SAICA CAs(SA) are not automatically registered with USA CPA while it recognises Canadian CPA? SAICA CAs(SA) are eligible for registration with Canadian CPA.

No SAICA member is automatically registered with the other professional bodies with whom we have reciprocity. If a SAICA member moves to another country and wishes to take up membership of the reciprocal body, the member needs to make a formal application. Some professional bodies we have agreements with have additional requirements and others don't. For example, CPA Canada requires members from other bodies to undertake CPD in tax and law. The requirements are dependent on the evaluation process and negotiation that takes place with each professional body. Some professional bodies also have regulatory requirements to consider.

Types of Recognition Agreements	
<b>Mutual Recognition Agreement (MRA)</b>	<ul style="list-style-type: none"> <li>• This is reserved for use where SAICA has agreements with countries that substantially follow the route to qualification that SAICA follows</li> <li>• No further education, training or examination requirements need to be met</li> </ul>
<b>Reciprocal Membership Agreement (RMA)</b>	<ul style="list-style-type: none"> <li>• No further education, training or examination requirements need to be met</li> </ul>
<b>Pathways to Membership Agreement</b>	<ul style="list-style-type: none"> <li>• Further education, training and/or examination requirements need to be completed before being able to register with SAICA</li> </ul>

Note: Recognition agreements generally relate only to membership of the other body; audit rights are in most cases not included as this is the jurisdiction of the IRBA

There is a document on the SAICA website setting this out for each body. There are 14 bodies with whom SAICA has reciprocity.

<https://www.saica.co.za/portals/0/documents/Conversion%20requirements%20for%20CA%202020.pdf>

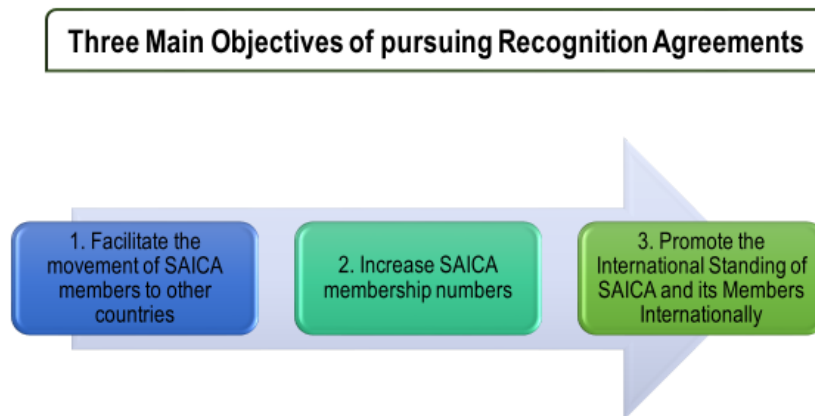
However, if the question meant to address why there are additional requirements to become an AICPA member compared to becoming a CPA Canada member, the following answer refers:

Agreements are done on a country by country basis and are therefore negotiated based on that country's evaluation of SAICA and SAICA's evaluation of that body. Furthermore, the agreement with the AICPA /NASBA is both for membership and

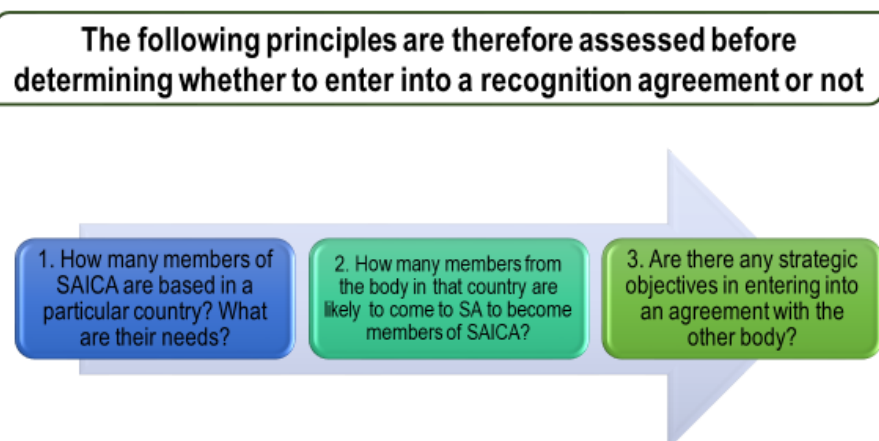
regulatory (audit) rights and therefore it is necessary to take the additional requirements as RAs are also taken into account.

### 3. How is SAICA working to broaden the connections and allow CAs(SA) to register with other countries?

Undertaking a review of another country's professional body for the purposes mentioned in the question requires time and resources (people). We therefore evaluate several factors before considering whether to pursue a formal agreement with another body. SAICA has a strategy which is used to evaluate whether or not to review another professional body for reciprocity purposes. The factors that are considered include:



We have therefore looked at where SAICA members are based as one means of determining whether to pursue an agreement or not. We are also happy to consider requests from members (bearing the above principles and objectives in mind).



**4. Why do we need to pay the full membership fee when we have resigned and have not been working for over 10 years?**

SAICA has a single membership fee structure, meaning that all members pay the same fee, unless a member has reached long-service membership status.

Two options are available to a person who wishes to re-join SAICA after having resigned. The first is to join without continuous membership, in which case the standard joining fee and the current year's membership fee is payable. No payment is required for the period of resignation.

The second option is to re-join with continuous membership, in which case membership fees for the resignation period is payable. Continuous membership means that the record of membership will not reflect a break in the individual's membership.

In either case, the annual membership fee payable would be the same as that billed to other members during that year.

**5. Please explain why the disciplinary hearing of Anoj Singh has not yet been finalised and I hope the answer will not allude that COVID-19 is to blame.**

On 29 April 2020, the following was communicated in the quarterly disciplinary update sent to members via email: "The Disciplinary Committee convened 6 (six) times during this period to finalise the evidence in the Anoj Singh case, which was a public hearing. Evidence has now closed and the Disciplinary Committee will reconvene on 16 July 2020 to hear closing arguments in this matter."

The quarterly disciplinary update also appeared on page 10 in the May 2020 issue of Accountancy SA magazine.

We note that your concern relates to the turnaround time for disciplinary action. We acknowledge that the turnaround time for disciplinary action is an issue that has been raised by a number of members. The turnaround time of disciplinary action is a function of the effectiveness of the SAICA Disciplinary Unit, SAICA disciplinary process as prescribed in the SAICA By-laws as well as the requirements of "justice" in the South African legal context.

The 2019 Integrated report is meant to be a backward looking document and therefore provides a limited view on current SAICA activities. During the latter part of 2019, the SAICA legal department was restructured to include a specialist Disciplinary Unit which will focus on and be responsible for managing the disciplinary case load. The benefit of this will be better focus and specialisation as well as a clear line of accountability. As such we are confident that the effectiveness of the Disciplinary Unit is improving.

The process itself was subject to cumbersome prescriptions that frustrated the speedy resolution of disciplinary matters and these were contained in the SAICA By-laws. To address this, it was clear that a total re-write of the By-laws would be required. This project commenced following the appointment of the new Board in October 2019 and was concluded on 16 April 2020 when the new Board approved the amended By-laws which includes the new Disciplinary Code (the Code). This Code has been developed to provide for improved turnaround time, better cost recovery from members who are found guilty and improved communication about the disciplinary action outcomes. We are confident that this will enhance the process when the new By-laws become effective on 1 June 2020.

The SAICA disciplinary process must also comply with the requirements of the national legal framework because it is subject to judicial review as part of this system. This requires that SAICA must frame all the charges against members clearly and that charges must be based on well-established facts. SAICA needs to give proper notice of hearings and allow ample time for preparation and representation. We need to present evidence that complies with evidentiary requirements and allow the defendants to do so as well. We need to have the hearings overseen by competent panels who are available when defendants and their representatives are. After a finding is made, we need to provide an opportunity for defendants to prepare and make submissions regarding appropriate sanctions and in the end provide reasons for all findings. Complete minutes must be kept of all of these proceedings. Considering all of this, it is clear that every case managed by SAICA is potentially complex and time consuming. It is also expensive and for that reason, the new By-laws have extensive cost recovery provisions to avoid members in good standing carrying the costs for those bringing the profession into disrepute.

I am confident that we will be in the best possible position to improve on turnaround times going forward and will report on this to allow members to judge for themselves.

## **6. Please expand on initiatives by SAICA to ensure that our brand remains respected around the world.**

Brand respect:

SAICA implements a number of ongoing initiatives around the world to ensure that the CA(SA) designation (our brand) remains respected on a global basis.

Here are a few examples:

1. Reciprocity: SAICA maintains reciprocity with 14 institutes around the world and is subject to peer review from time to time.

2. Participation in International forums: SAICA maintains membership of and is an active participant with a number of global originations to ensure continued relevance and maintain standards including:

- The International Federation of Accountants (IFAC)
- Chartered Accountants Worldwide (CAW)
- The Global Accounting Alliance (GAA)

Further information on the activities of these bodies is available on page 32 and 33 of the 2019 Annual Integrated Report.

#### Brand Promotion:

SAICA, along with 14 other CA member institutes, forms part of Chartered Accountants Worldwide (CAW), which aims to promote the CA designation in the international arena. Further information on the activities of CAW can be found on [www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)

It is further important to note that an independent survey done by Edelman International in five countries where CA institutes operate that business decision makers still indicate a trust index of 80% in CAs in these jurisdictions. The current trust index for trust in CAs(SA) in South Africa is 81% and the latest Ask Afrika Brand Admiration Index for CAs(SA) among business decision makers in 2019 is 68%.

More information on SAICA's brand promotion activities can be found on page 53 in the 2019 Annual Integrated Report.

It should be noted that SAICA members are the greatest brand ambassadors for the CA(SA) designation. In this light, members are responsible to uphold the highest ethical values as per the SAICA Code of Professional Conduct. The fundamental principles are: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour and includes the profession's recognition of a chartered accountant's public interest responsibility.

#### **7. I noticed from the institute's 2019 AFS that the institute made a surplus for the year of R78.587million.**

**Why is it necessary for the institute to make such a large surplus when self-employed CAs(SA) like myself are battling to make a living and really struggling to pay high SAICA and tax practitioner subscriptions?**

Member fees are calculated from the budget required to ensure delivery of the SAICA strategy. The 2019 budget was calculated to return a surplus of R528k. The surplus for the year arose from items tabled below:



<b>Nature</b>	<b>Reason</b>	<b>Windfall / Savings / not budgeted</b>	<b>Amount R'000</b>
<b>Employee Costs</b>	There was a number of vacant positions across the business that were not filled and this created a saving.	Savings	25 617
<b>Short term incentive (STI)</b>	The board made the decision not to pay the STI due to the pandemic and the financial uncertainty this brings.	Savings	24 883
<b>Legal fees</b>	Delays in the disciplinary process have resulted in a saving in the 2019 year. We are expecting to incur the legal fees to conclude the process going forward.	Savings	19 471
<b>SAICA Education Fund (SEFCO)</b>	The registration of additional training contracts and some savings from monitoring costs realised an addition to the surplus.	Windfall / Savings	9 340
<b>Tax practitioners</b>	Delays in the finalisation of the number of cases for non-compliant members resulted in savings. Future expenditure in finalising this is expected.	Savings	7 126
<b>IFRS 16 adjustment</b>	The calculation of the IFRS adjustment was not budgeted for, but only the cash impact was budgeted for	Not budgeted	(7 016)
<b>Board member fees</b>	A remunerated board was appointed in October 2019 and the first payment was made before year end.	Not budgeted	(833)

Nature	Reason	Windfall / Savings / not budgeted	Amount R'000
<b>Total Surplus for the year</b>			<b>78 587</b>

Members who cannot afford membership fees may apply for subscription payment relief. The concession form can be obtained from the Contact Centre or Membership Department. Furthermore, the concession policy is currently being reviewed to take into account concessions for all fee types, including tax practitioner concessions.

**8. What are the processes that the board is currently undertaking or have already undertaken to ensure adequate and effective reputation risk management, including consequence management to be borne by members who bring the profession into disrepute?**

Effective Reputation Risk Management:

Since assuming office as the new SAICA Board in October 2019, the Board has instituted the following steps to ensure adequate and effective Reputation Risk Management:

- The Board has overseen and approved the implementation of the new SAICA By-Laws to speed up and also publish the outcome of disciplinary processes going forward. The new by-laws were communicated to members on 21 May and can also be found on <https://saicagovernance.co.za>
- A further phase of member consultation will be initiated from 1 June 2020 to obtain input regarding further changes to the SAICA Constitution in an effort to facilitate appropriate risk management as well as consequence management processes. This was communicated to members on 22 May and more information can be found on <https://saicagovernance.co.za>
- The Board has also initiated a comprehensive review of the Reputation Management and Communication strategy. This revision included advice from independent communication and brand advisors.
- The new Reputation Management and Communication strategy was approved on 11 March at the Board meeting and the Board is comfortable that the new plan is being effectively implemented.

**9. What is SAICA's value proposition, taking into account the tarnished brand due to association risk of some questionable unethical conduct of certain**



**members? Simply put, why should I continue to pay membership fees if I can no longer use the designation to command a premium compensation plan in the market?**

SAICA recognises the frustration of members over the time it takes to deal with disciplinary matters. On 21 May 2020 the SAICA CEO, Mr Freeman Nomvalo, announced new by-laws (effective 1 June 2020) that include enhancements to SAICA's current disciplinary process, such as the publication of guilty findings, specific conditions under which the Board may cancel membership, as well as new mechanisms to differentiate between more serious cases of punishable conduct and lesser offences. The new by-laws will allow for disciplinary processes to be resolved speedily.

The 2019 Robert Walters salary survey indicates that CAs(SA) command a 23% salary premium compared to other accounting designations. This shows that despite the perceived association risk with a minority of unethical members, CAs(SA) can still expect to earn a significant premium over other accounting designations.

**10. How does SAICA ensure that the number of CAs(SA) employed are not too many? Many CAs(SA) can't afford the membership fee because they don't have jobs. SAICA should assist these members, especially newly qualified individuals, to find jobs.**

It has never been SAICA policy to "ensure" that the number of CAs(SA) employed are not too many, as this would be unethical market manipulation. However, SAICA does assist as many prospective CAs(SA) in the pipeline as possible to eventually qualify, irrespective of the market demand.

SAICA tries hard on an ongoing basis to find work for the unemployed through numerous Nation Building initiatives, which we also are finding very difficult in the current economic climate. However, we remain hopeful that the tide will turn.

One has to realise that the economic downturn in our country due to COVID-19, the lockdown, the credit rating downgrade and the low or no growth in the economy is outside of the control of SAICA and the profession.

SAICA focuses on ensuring that our CAs(SA) and prospective CAs(SA) have the skills and competencies that the market requires and will demand when the economy does pick up.

Regarding membership subscription fees, the finance team is considering waving a registration fee for all new members, which should go a long way to assist new qualifiers to take up their SAICA membership which they have worked so hard to achieve.

**11. Can the Chairman of the Board commit that a formal review will be carried out into determining how much international members should be refunded for their excess membership paid for no value, and that such a figure as determined will be refunded to members promptly? Can the chairman commit that international members will be properly represented forthwith?**

SAICA notes member concerns regarding the value of the membership for international members as well as the request for a formal review of past international subscriptions in order to achieve a refund for excess membership.

The annual member subscriptions are utilised for more than just direct individual member benefit but also for upholding the relevance and value of the profession as a complete entity. This includes, inter alia, the following activities:

- 1) Attraction of appropriate candidates to the profession.
- 2) Maintenance of qualification education and training standards
- 3) Enabling continuous learning by our members
- 4) Maintenance of ethical standards
- 5) Maintaining an independent, equitable and fair investigation and disciplinary process
- 6) Maintaining mutually reciprocal recognition agreements (MRA) with 14 institutes across the globe through the Global Accounting Alliance
- 7) Maintenance of accounting and auditing standards in line with global requirements

All of this is done through engagement, association with, and membership of appropriate global organisations in order to entrench the value of the CA(SA) designation for the benefit of all members, irrespective of where they reside in the world. The guiding principle that all members and the SAICA Board agreed to in 2010 to equalise member subscriptions was based on the maintenance of all of these standards and initiatives so that a member in good standing through maintaining their home institute membership, can enjoy reciprocal membership arrangements with other institutes and obtain the benefit of reputational recognition for employability in many parts of the world. This would not be possible without all members investing in the sustainability of the CA(SA) profession on an ongoing basis.

The SAICA stance on this request, as a member resident in the UK, is that we do not agree with the assumption that there is little or no value in the CA designation for international members. The value of SAICA membership lies in the use of the CA(SA) designation, which is based on the following elements specific for international members:

- SAICA membership ensures reciprocity with the ICAEW through a MRA, which has inherent value to members working in the UK
- The CA designation remains trusted in the UK as well as in SA, as indicated in a recent independent survey done by Edelman Intelligence, in which business decision makers in the UK still rated trust in CAs at an average of 80% in the UK and South Africa
- In a further independent survey done by Ask Afrika in South Africa, the CA(SA) designation still enjoyed the highest brand admiration percentage of 68% among business decision makers
- SAICA, through its membership of the Chartered Accountants Worldwide (CAW) organisation (<https://charteredaccountantsworldwide.com/>), is promoting the value of the CA designation in the international arena on an ongoing basis, which ensures the transportability of the designation in many countries
- The SAICA UK staff are active in providing a service to the members resident in the UK and the view that the SAICA service is of low or no value is not a consistently shared perspective of all UK members

- Going forward, SAICA services will also be delivered in a digital format on an ongoing basis which will improve the value of membership for members residing outside of South Africa
- SAICA's International members have, from time to time, previously nominated a member to serve on the previous SAICA board, although this has not been a consistent practice. Going forward, there will be three international representatives on the Council, up from one in the previous board. The chairman of Council represents Council on the SAICA board.

Since the equalisation of fees in the UK, SAICA has been significantly engaged in maintaining the relevance and value of the CA designation on many fronts and it was all the members' view, including those in the UK, at the time of equalisation that all members should equally carry the cost of maintaining the relevance, reputation and value of the CA designation for all members.

While it can be said that service can be improved in some areas and geographic locations from time to time, we are not convinced that a refund of excess membership is an equitable or fair strategy for SAICA to follow given the significant and diverse requirements that are placed on SAICA to maintain the value of the designation for all members, irrespective of their location. Currently SAICA is further developing international member structures in America via ACAUS, the middle East as well as in Australia and New Zealand. All three these regions will enjoy representation on the SAICA Council.

In light of the above, it is not SAICA's intention to instigate a formal review of the necessity to refund members for a perceived excess membership paid for non-perceived value. What SAICA will consider is the affordability of member subscriptions on an ongoing basis and members who are not in a financial position to maintain their membership from time to time, can still send a formal request to SAICA for concession or subscription relief.

The value of the CA designation as well as the value of SAICA membership is different for every member because of our diverse membership. In the circumstances it is therefore very difficult, if not impossible, to work on a perceived value of membership on a differentiated basis as this would result in an extremely complicated subscription framework, which will not be optimal in delivering on SAICA members' diverse requirements.

