

MEMBER COMMUNICATION

Response to questions raised at the AGM held on 26 June 2019

Dear member,

Following the Annual General Meeting held on 26 June 2019 where a number of questions were raised by members, we provide the following feedback.

1. The representation of international members

Members enquired about the representation and fees of international members. The general consensus seems to be that international members feel ignored and as if they are paying a high fee compared to their counterparts who belong to the Institute of Chartered Accountants England and Wales (ICAEW). Members also enquired about reciprocal arrangements between SAICA and international bodies.

There was international representation at Board level in the past, but this has been put aside with the Governance Review Task Team's work in reviewing the constitution of the Board. International representation on Board level will be addressed by the newly constituted Board and management in due course.

Regarding SAICA's subscription fee versus that of ICAEW members, the fees are similar. Retention of home body membership cannot be enforced in all jurisdictions and therefore is not a requirement in the reciprocity agreements we have with the Hong Kong Institute of Certified Public Accountants (HKICPA), the Canadian Institute of Chartered Professional Accountants (CPAC) as well as Chartered Accountants Australia and New Zealand (CA ANZ).

Discussions regarding a reciprocity agreement with the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) are at an advanced stage and we expect to sign a reciprocity agreement with these bodies by the end of 2019.

2. SAICA's financial discipline

Members noted concern about the exorbitant operating expenses and the question was raised how SAICA, an institute that promotes financial discipline, has a deficit.

SAICA has a rigorous governance process that oversees the financial management of the Institute, consisting of a finance committee, an audit committee, as well as a remuneration committee to support it with this process.

The Board, through its oversight processes and its committees discharge the operational and financial management of SAICA as elected representatives of the members.

3. Publishing of committee members' names on the website

At the AGM in 2018, members requested that the names of the members on the Nomination Committee, Professional Conduct Committee (PCC) and Disciplinary Committee (DC) be published. The same request was raised at the 2019 AGM. Members also enquired about publishing member forums' details on the website, which can be found by navigating the 'Networks' section on the [website](#). However, this is not an interactive service where members can connect with each other.

The names of the members of the Board Committee for Nominations are published in the Annual Report. However, the names of members on the PCC and DC are not. Following the suggestions from members to publish these committee members' names, the SAICA Board considered this request in the interest of transparency, but during consultation with the members on the independent PCC and DC, the Board decided not to publish the committee members' names in the interest of preserving their independence. The members of these committees are appointed in accordance with the prescriptions of the constitution by the Board, therefore the process of appointment is transparent.

4. The employment of the CEO and his remuneration

Members enquired about the new CEO's credentials seeing as he is not a CA(SA). There were also concerns raised about his remuneration and the basis on which short-term incentives are paid, especially in cases where the executive is perceived not to be performing adequately. The constitution of SAICA delegates the appointment, duties, terms of employment, as well as the remuneration of the SAICA CEO, on behalf of the members. The Board follows a rigorous oversight process in assessing the performance of SAICA and its top executives with the support of the finance committee as well as the remuneration committee and it can be confirmed that the Board acted in accordance with this mandate. With particular reference to the CEO's appointment, the Board was assisted by a committee of the Board which made recommendations with input from a professional placement agency.

The reasons for the appointment and achievements of Mr. Nomvalo were widely published and communicated to members at the time of his appointment. Members can read the original member communication [here](#). Mr. Nomvalo's biography can also be found on the SAICA [website](#).

Regarding the short-term incentive, the Board considered the matter and agreed to the payment thereof.

5. The constitution of the Board

Members enquired why they aren't involved in the decision-making process of appointing the CEO and other members of the Board. There was also a concern about having independent Board members.

The appointment of the CEO and members of the Board are matters regulated by the SAICA constitution. The previous constitution allowed the Board to appoint the CEO and did not provide for voting at the AGM on Board membership. The newly approved constitution still allows the Board to appoint the CEO but now requires the members to vote on Board appointments.

Regarding independent Board members, the Governance Review Task Team (GRTT) did consider the constitutional developments at the Law Society of South Africa (LSSA). However, the intention was to align our governance with best practice, which in South Africa is deemed to be captured in the King IV Code on governance. A key element in the Code is the role of independent members of Boards. The GRTT was strong in their advice to the Board on the need for an independent view and the benefits that could be derived from this.

Kindly note that a Special General Meeting (SGM) will be held at the SAICA offices, 17 Fricker Road, Illovo, Sandton, on Wednesday, 23 October 2019, at 09:00. More information on the SGM can be found [here](#).

Kind regards
Freeman Nomvalo
SAICA Chief Executive Officer