

## **ACCOUNTING PRACTICES COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES**

### **1. PURPOSE OF THIS DOCUMENT**

The purpose of this document is to set out the objectives and the operating procedures of the Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA).

### **2. SAICA CONTEXT**

- 2.1 SAICA has identified new structures for its Committees which are intended to support SAICA to achieve its strategic objectives. In light of these changes, the APC will be functioning as SAICA's Advisory Group focusing on financial reporting matters. SAICA has established Advisory Groups for the focus areas that form the foundation of the accountancy profession's functions, namely Audit and Assurance, Financial Reporting, Taxation, Legal and Compliance and Ethics.
- 2.2 The APC operates to support the vision, mission and overall strategic objectives of SAICA, as amended from time to time.
- 2.3 The SAICA Board has, in terms of its Delegation of Authority Framework, delegated its powers and authority to the APC to be the official technical advisory body of the Board regarding financial reporting. The APC would therefore, inter alia, comment on all relevant pronouncements and legislation that affect financial reporting as well as issue guides and circulars in this regard.

### **3. PURPOSE STATEMENT OF THE APC**

- 3.1 The purpose of the APC is to be the leading financial reporting technical Advisory Group for SAICA in the areas that affect financial reporting aspects, with a view to improving the financial reporting in South Africa, Africa and globally.
- 3.2 In order to fulfil its purpose, the APC intends to play a leadership and influential role by keeping informed of developing trends, developing guidance where necessary, making proactive and reactive submissions on all relevant pronouncements and legislation that affect financial reporting, communicating to and educating SAICA members and business leaders and working with relevant stakeholders to address financial reporting issues in South Africa, Africa and globally.
- 3.3 The APC seeks to attract the most technical and committed members (in terms of professional competence, proactivity and management of relationships) by meeting and exceeding their expectations in terms of development, influence, leading, learning, insight and enjoyment.
- 3.4 The APC will undertake from time to time, surveys of stakeholders with a view to assessing stakeholder needs and satisfaction levels. This will provide a basis for focusing on areas to make improvements.



#### 4. OBJECTIVES

The objectives of the APC are:

- 4.1 To review and monitor on a timely basis and within the context of financial reporting, focusing primarily on International Financial Reporting Standards (IFRS), International Financial Reporting Standard for Small and Medium-Sized Entities (SMEs) and any other financial reporting framework that may be developed, issues and trends in financial reporting in South Africa and elsewhere that are likely to require authoritative guidance, with a view to reaching consensus as to the appropriate accounting treatment. The financial reporting issues reviewed will be issues judged to be of reasonably widespread importance to users and preparers and generally not issues of concern only to one or a small set of companies.
- 4.2 To identify and develop guidance on financial reporting matters, for example guides, circulars and communications to be issued. In addition to have oversight and influence on the preparation and issuing of documents that contain financial reporting matters which are drafted by other SAICA Advisory Groups, Project Working Groups, Interest Groups or structures.
- 4.3 To prepare and submit with the intention to influence outcomes, on behalf of SAICA, comments on exposure drafts or discussion papers or any other appropriate documents or legislation issued by the IFRS Foundation structures, the Financial Reporting Standards Council (FRSC), the Department of Trade and Industry (DTI), National Treasury, the JSE Limited or other bodies, taking the views of local commentators into consideration. To make available all the comment letters to the FRSC or the Financial Reporting Technical Committee (FRTC).
- 4.4 To review, as considered necessary, SAICA's frequently asked questions (FAQs) in the area of financial reporting.
- 4.5 To provide input to SAICA seminars/events/discussion forums; e-learning, click2start videos and other products offered by SAICA in the areas of financial reporting.
- 4.6 To influence the setting of new and revised/amended IFRSs, IFRIC Interpretations and IFRS for SMEs, where appropriate, by nominating members to the relevant IFRS Foundation structures.
- 4.7 To provide input in the setting of new and revised/amended pronouncements as issued by the FRSC, and where appropriate by nominating members to the FRSC.
- 4.8 To collaborate with various stakeholders, for example the IFRS Foundation Structures, the FRSC, dti, National Treasury, JSE Limited and the Financial Reporting Investigations Panel (FRIP) on financial reporting matters.
- 4.9 To maintain liaison with similar bodies in other countries, for example International Forum of Accounting Standard-setters, the IASB's Emerging Economies Group, regional accounting bodies (including but not limited to the standard-setters/institutes in the Pan African Federation of Accountants (PAFA)) and with other relevant chartered accountants institutes.
- 4.10 To promote the monitoring of compliance with financial reporting frameworks as defined in the APC terms of reference.
- 4.11 To participate in creating a pro-active awareness of financial reporting pronouncements and changes thereto.

4.12 To encourage research on financial reporting matters at universities or elsewhere

## **5. MEMBERSHIP**

- 5.1 The APC has up to 15 voting members and a Chairperson who will have a casting vote.
- 5.2 The APC may appoint a Deputy Chairperson.
- 5.3 Nominations to the APC will be considered and approved by the current APC members, in consultation with the Secretariat, taking into account technical knowledge, relevant experience and qualifications, practice/industry area, and SAICA's overall commitment to transformation in the profession (taking cognisance of specific targets that may be set by SAICA from time to time). If consensus cannot be reached on the appointment or re-appointment of a member, the matter will be referred to the SAICA Executive Director - Standards for resolution. Appointments to this prescribed committee, having followed due internal process, and after having been recommended by the committee, will be presented to the SAICA Nominations and Governance Committee (NomGovCo) for approval.
- 5.4 In making appointments to the APC, the APC members and the Secretariat will aim for reasonable representation from public accounting (6), members in business (5), academics (1) and users (2). One ad hoc member can be appointed when the skills represented by the APC members, in the opinion of the Chairperson, are not sufficiently wide.
- 5.5 The Chairperson and the Deputy Chairperson is appointed by the APC members in consultation with the Secretariat. The qualities that are sought in the Chairperson include:
- Respect by all stakeholders of the Advisory Group.
  - Effective management of relationships with all the Advisory Group's stakeholders.
  - Effective leadership (including empowerment of the Advisory Group members).
- 5.6 The leadership style of the Chairperson will inevitably vary from person to person, however the reference points for the Advisory Group and the Chairperson's decision-making should be the impact of any decision on the achievement of the Advisory Group's purpose statement.
- 5.7 Vacancies on the APC will be advertised by the Secretariat.
- 5.8 Due to the resources and technical knowledge supplied by the following audit firms Deloitte, EY, KPMG, PwC and SizweNtsalubaGobodo, five of the members in the public accounting category will be appointed from these audit firms and thus have a permanent seat.
- 5.9 Representatives from international and local standard-setting or regulatory bodies and other relevant bodies can from time to time be appointed as non-voting observer members to the APC. These representatives may address and participate at the APC meetings. The appointment of these representatives shall be made at the discretion of SAICA.
- 5.10 At the discretion of SAICA, members of SAICA who are not members of the APC or their alternates may attend APC meetings as observers. In this capacity, they are not entitled to vote or participate at the APC meetings.
- 5.11 Members are expected to attend all meetings. The Chairperson in consultation with the Secretariat, may, at their discretion remove a member who fails to attend more than one meeting in a year.

- 5.12 Members are encouraged to nominate an alternate to attend meetings on their behalf. Each member should nominate a specific person as their permanent alternate. Members from the five audit firms referred to in paragraph 5.8 above must nominate a person from within their audit firms to act as their alternates. Other members are permitted to nominate a person who is not employed by the same company as the APC member concerned. These members are encouraged to nominate persons who represent the same constituency as the APC member they represent or employed by a company which operates in the same industry/sector as the employer of the APC member. In nominating their alternate, APC members should take cognisance of the transformation requirements of this Advisory Group. The curriculum vitae of the appointed alternates should be submitted to the Secretariat for noting.
- 5.13 The Chairperson, Deputy Chairperson and members of the APC are appointed for a term of three years with their appointments being reviewed and confirmed on an annual basis. It is recognised that continuity of membership is important to the APC's work. As a result, the terms of three years for individual members may be renewed twice.
- 5.14 Consideration will be given to transforming the demographics of the APC when making appointments to this Advisory Group.
- 5.15 Any member of the APC who wishes to tender his/her resignation must do so in writing to the Chairperson and the Secretariat. Reasons for his/her wishing to resign from the APC should be set out in the document.

## **6. ADVISORY GROUP MEMBERS' EXPECTATIONS OF THE APC**

Obtaining the maximum commitment of members is dependent on maximising the benefits they receive from the APC's operation. Additionally, the purpose statement emphasises the importance of attracting the most technical and committed members. The needs of the APC's members include the following:

- Profile.
- Respect (including recognition and acknowledgement for contributions).
- Influence.
- Learning and insight on financial reporting developments.
- Enjoyment.

## **7. ADVISORY GROUP'S EXPECTATIONS OF THE APC MEMBERS**

The APC's needs of members are as follows:

- Proactive contribution. Achievement of quality thresholds of contributions in terms of technical content, innovation, understandability and timeliness.
- Regular active and constructive participation in meetings.
- Specific and general proactive feedback on issues and developments relevant to the Advisory Group.
- Respect and commitment to support the reputation of the Advisory Group for it to be attractive to a quality membership.
- Discretion in the observance of confidentiality.

## **8. MEETINGS AND COMMUNICATION**

- 8.1 Fifty percent of the voting members of the APC plus one represents a quorum.
- 8.2 The APC normally meets at least every second month. On appropriate occasions, the Chairperson of the APC may invite non-member experts to address the APC.
- 8.3 The APC may also conduct business between meetings by electronic or non-electronic correspondence, for example to draft comment letters, to confirm drafting changes of a proposed exposure draft or any other financial reporting pronouncement, or for the Secretariat staff to poll initial views on a proposed topic in order for it to be developed appropriately for future discussion.

## **9. EVALUATING PERFORMANCE**

The APC shall at least on an annual basis evaluate its own performance in the spirit of ongoing improvement and achieving maximum levels of effectiveness, in terms of SAICA's process of Advisory Group evaluations. In addition the SAICA Board will be provided the opportunity to evaluate the effectiveness of the APC.

## **10. VOTING**

A consensus is deemed to have been achieved when a majority of the APC members exercising their votes at the meeting have voted in favour of a proposal. Voting members are expected to vote as individuals, not as representatives of firms or companies or particular constituencies.

## **11. APC AGENDAS**

- 11.1 The APC's agenda is generally set by the Secretariat, in consultation with the Chairperson, with reference to the work programme of the IASB, local or other international issues identified by the APC and representations from other interested parties. The agenda will be circulated one week prior to a meeting and may change before a meeting if additional items are requested or comments from members are received.
- 11.2 Proposed agenda items may be added to the APC's agenda in a variety of ways:
  - 11.2.1 The Secretariat may become aware of a particular accounting or financial reporting issue and draw it to the attention of the Advisory Group.
  - 11.2.2 APC members, with their varied backgrounds, often provide valuable insight in identifying financial reporting issues for the Advisory Group to consider.
  - 11.2.3 Requests from stakeholders who require guidance on a specific financial reporting issue. An agenda request should include a description of the issue including, where relevant, any aspects that should be addressed separately and a brief description of current or emerging financial reporting practices, outlining the major alternatives, and referring to the relevant pronouncements.
- 11.3 The APC would evaluate an agenda request against the following criteria:
  - 11.3.1 The issue is widespread in practice.
  - 11.3.2 The issue involves significantly divergent interpretations (either emerging or already existing in practice).

- 11.3.3 The impact of this issue to the South African business environment.
- 11.3.4 Financial reporting will be improved through elimination of the diversity of interpretation.
- 11.3.5 The need for the APC to consult internationally.
- 11.3.6 If the issue relates to a current or planned IASB, IFRS Interpretations Committee or FRSC project, the matter will be referred to the appropriate body for consideration. If there is a pressing need for guidance sooner than would be expected from the IASB, IFRS Interpretations Committee or FRSC project, the APC should consider formally addressing this issue, taking into account the criteria above.

11.4 The agenda request, to be discussed at a particular APC meeting, should be submitted at least two weeks before the APC meeting at which it will be deliberated.

## **12. RECORDINGS AND MEETING NOTES**

- 12.1 The APC meetings shall be recorded in full and the recording shall be kept by the APC Secretariat. This recording will only be accessible to members of the APC and the Secretariat.
- 12.2 The Secretariat shall minute, in the form of brief meeting notes the proceedings and resolutions of all meetings, including the names of those present and in attendance and note any apologies.

## **13. PROJECT WORKING GROUPS**

- 13.1 From time-to-time, it may be necessary to establish a Project Working Group on an IFRS Foundation Structure project or to address any local or other financial reporting-related agenda projects. These may include, but are not restricted to, investigating the practicality of specific financial reporting matters, setting of, and providing guidance to members on specific financial reporting topics.
- 13.2 A representative from the APC will be appointed as the Chairperson of the Project Working Group.
- 13.3 At least 1 other member from the APC should serve on the Project Working Group.

## **14. INTEREST GROUPS**

- 14.1 From time-to-time, it may be necessary to establish an Interest Group which comprises parties interested in a specific area and this specific area can be sector specific or topic specific.
- 14.2 At least 1 other member from the APC should serve on the Interest Group.

## **15. EXPOSURE DRAFTS**

- 15.1 A consensus, as previously defined in the “Voting Section”, needs to be reached for any exposure draft or pronouncement or other release to be issued by the APC.
- 15.2 *Exposure process*
  - 15.2.1 Exposure drafts will be issued to invite commentary on circulars, guides or any other proposed pronouncements.

- 15.2.2 An exposure draft on circulars or guides or any other proposed pronouncements is issued by the APC with a comment period of approximately, but not limited to, 60 days.

## **16. TIME LIMIT FOR COMPLETION OF FINANCIAL REPORTING PRONOUNCEMENTS**

No formal time limit exists for the completion of a pronouncement (such as a circular or a guide) but the APC will discontinue work on an issue if it has concluded that it will not be able to reach a consensus. In that case, it may recommend that the range of views be communicated to interested parties through some other means such as publication in SAICA's technical newsletter.

## **17. APC PUBLICATIONS**

The Secretariat may publish summarised information on recent developments regarding the APC on the SAICA website or in SAICA's technical newsletter.

## **18. MARKETING STRATEGY**

To contribute to the effective functioning of the APC and to achieve its objectives, the APC may develop a marketing strategy which will be reviewed on a regular basis.

## **19. OPERATING PROCEDURES**

A number of universal principles will apply to the management of all stakeholder relationships by the APC and the conduct of its members which can be divided between ethics, conflicts of interest and outputs, namely:

### **19.1 ETHICS**

Behaviour should reflect the following principles:

- 19.1.1 Affirmation and acknowledgement of all stakeholder contributions.
- 19.1.2 Integrity in maintaining confidence and being trustworthy with information.
- 19.1.3 Fairness in the treatment of stakeholders, such as respecting viewpoints and in the allocation of tasks.
- 19.1.4 Efficiency in the use of resources.

### **19.2 CONFLICTS OF INTERESTS**

In the case where an APC member becomes aware of any conflict of interest or any perceived conflict of interest, such a member is required to declare that interest. If any member is uncertain on whether or not they have a conflict of interest, they should declare such uncertainty and the APC members present at the meeting can vote on whether they believe there to be a conflict of interest. The declaration will be considered by the APC and will also be recorded in the minutes of the relevant meeting at which the declaration was made. The meeting should be quorate, with the APC member concerned not being counted. The APC member concerned may not vote on any decisions made regarding the declaration.

### 19.3 OUTPUTS

19.3.1 Pronouncements produced by the APC should reflect the following qualities:

- Timeliness.
- Technical competence.
- Understandability.
- Relevance.
- Possible solutions and recommendations.
- Well documented and presented.

19.3.2 The general output of the APC includes the following:

- Comment letters (reactive and proactive).
- Responses to IASB outreach requests.
- Articles.
- Circulars.
- Guides.
- Frequently asked Questions (FAQs), as considered necessary.
- Representation on various recognised local and international bodies by APC members.

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