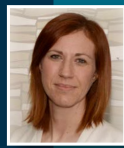
Small & Medium Practices

quarterly news........

SMP DIVISIONS CONTACT DETAILS:

JEANNE VILJOEN
Project Director SMP
011 621 6688
jeannev@saica.co.za or
smp@saica.co.za



SMALL & MEDIUM PRACTICE NEWSLETTER • QUARTER 2 • 2018

inside...

every issue

ONE OF SAICA'S STRATEGIC FOCUS AREAS IS PROTECTING AND ENHANCING THE INTEGRITY AND ETHICAL VALUES OF THE CHARTERED ACCOUNTANCY PROFESSION.

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SAICA
THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

ACCOUNTABILITY IN THE ACCOUNTING PROFESSION + AND SAICA'S ROLE

Written by Willie Botha
CA(SA), SAICA Senior Executive Assurance and Practice

Back in the day accountants were viewed as task-oriented, pedantic bean counters, typically cast as introverted; bespectacled math geniuses.

Today, however, the picture is quite different and the scope of our work has broadened. What remains consistent is that we, as CAs(SA), have always been expected to maintain the values of our profession as encapsulated in SAICA's Code of Professional Conduct (the Code).

Our mission at SAICA is to promote the interests of our members and associates, and to support the development of the South African economy and society, by promoting and enhancing the value of the profession. SAICA's long-term professional interests are always in line with the public interest and responsible leadership.

At the end of February 2018, SAICA had 43,137 Chartered Accountants [CAs(SA)] and 3,131 Associate General Accountants [AGAs(SA)] as members. 30% of SAICA's members and associates are active in public practice [Members in Public Practice (MIPP)] while the other 70% are Members in Business (MIB), broadly speaking, since there are different categories within this group. Around 4,300 of MIPP are also registered auditors with the IRBA.

Though our members are grouped depending on the sector they service and their respective functions (MIB or MIPP); they are all subject to the same membership obligations, which is underpinned by the SAICA Code.

SAICA's role

While both MIPP and MIB carry out their duties within certain frameworks of the international codes and standards that have been adopted and prescribed for use in South Africa, and laws and regulations (as applicable to their circumstances), the SAICA Code sets out the following fundamental principles as the basis with which they should comply:

- **Integrity** – to be straightforward and honest in all professional and business relationships
- **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- **Professional competence and due care** – to maintain professional knowledge and skill at the level required to ensure that a client receives competent professional services based on current developments in practice, legislations and techniques.
- **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships.
- **Professional behaviour** – to comply with relevant laws and regulations and avoid any conduct that discredits the accountancy profession. If the above codes, standards, laws and regulations are applied diligently and correctly, as well as with the appropriate intensions, the outcome of the services of MIPP, and the outcome of the professional activities of MIB will undoubtedly be credible, acceptable and in the public interest.

When inappropriate interests and agendas start to interfere with 'doing the right thing', credibility and trust is compromised.

In recent months, significant criticism of individuals within the profession – regarding the KPMG and Steinhoff matters as well as certain state-owned enterprises such as Eskom and Transnet – caused a concurrent decline in the trust of the profession by both the market and public at large.

SAICA must deal with this as an organisation. Part of this process is the independent Ntsebeza Inquiry that is currently underway to investigate the alleged misconduct of our members employed by KPMG during the relevant period. The results of the inquiry will feed into our normal disciplinary processes.

We need to treat these matters responsibly though, and realise the necessary processes must be allowed to run their course. If not, those that are indeed found to be guilty will benefit even further, by getting off on technicalities.

SAICA maintains the trust in the profession by, among other, administering investigations and disciplinary processes. The approach can briefly be summarised as follows:

- SAICA institutes investigative, and thereafter, disciplinary proceedings against members on receipt of a formal complaint and/or becomes aware of alleged member misconduct.
- As part of its process, SAICA also liaises with the relevant authorities mandated to carry out public prosecutorial processes such as the IRBA, the Special Investigating Unit (SIU), etc. Upon finalisation of these investigations, SAICA will be in a position to complete its own disciplinary processes against any individuals that have not complied with its By-laws and the SAICA Code.
- In order to ensure that due process is adhered to during the course of SAICA's disciplinary processes, SAICA does not comment on any disciplinary matters (whether foreseen, pending or ongoing) which have not been finalised.
- SAICA has amended its by-laws to permit the issuing of public statements by the SAICA CEO regarding the institution of any compliant or investigation or action against a member once a draft charge sheet or a charge sheet has been issued to such member and such matter, complaint, investigation or action is in the opinion of the CEO, in the public interest.
- Depending on the nature of the breach of the provisions of the SAICA Code by any member and upon finding such a member guilty of improper conduct, SAICA's Disciplinary Committees may order that the member concerned be cautioned; reprimanded; fined to a maximum amount of R500 000 (five hundred thousand rand) per charge; suspended from membership for a period not exceeding five years, excluded from membership or disqualified from applying for membership permanently or for such period as the Disciplinary Committee may determine.

We require our members to live the values of our profession every day and to keep each other accountable. Whether you work for a large multi-national group or you manage a small family-owned business; whether you are a partner in a large firm or a sole proprietor; it is you, through your actions, that determine the reputation of the CA(SA) profession.

MIPP and MIB are held to exactly the same standards of professionalism and ethics. For example, auditors must do their work diligently and in accordance with the relevant codes, standards and laws and regulations. Similarly, preparers of financial statements, boards of directors, and the management and employees of organisations must do 'honest' business. An auditor cannot be expected to be more ethical than the management of an organisation. They are expected to be equally ethical in their conduct and if either fails in appropriately discharging their responsibilities; then they must be held accountable (subject to due process being followed).

What we do as CAs(SA) will only be relevant and continue to be of value if it engenders trust.

Both locally and internationally the accountancy profession has been proven to be a crucial factor in the stability of markets, growth of economies and job creation. The CA(SA) profession in South Africa is strong and SAICA and its members have enough commitment and courage to repair the damage that has been done and to continue to play a key role in ensuring investor confidence in the capital markets, as well as the public sector in South Africa. This in turn will continue to contribute to the growth of the economy.

DISTRIBUTED LEDGER TECHNOLOGY

Written by Eugene van Dyk
CA(SA), Director Finance and Operations: AppInvest

In 1982, Lamport et al released a paper titled "The Byzantine General's Problem". In this scenario, a group of Byzantine generals, each with their troops, wish to conquer a city which they are surrounding.

The required outcome was to ensure that all generals follow the same strategy to ensure victory. Imagine traitorous generals in the fray, who aim to sabotage the approach through casting their vote for suboptimal strategy, or sending different votes to different generals, causing confusion and disunity.The problem is exacerbated by the generals being physically separated and having to rely on messengers to deliver their notes – another opportunity for failure.

Byzantine fault tolerance can be achieved if the variety of generals are non-faulty and loyal and reach agreement on strategy.

The above scenario can be related to computer systems in that generals are the computers, and the messengers are their digital communication system. Standard encryption of messages cannot always be relied upon 100%, due to failures like incorrect voltages, for example. For instance, a component may appear functioning to one, but failing to another, thereby preventing consensus.

When the internet was showing early budding signs in 1994, very few had grasped the exponential change it would bring about. Since these early days, one could say that the internet had democratised information. For instance, the idea of a commercial bank providing a computer platform where they could transact with and serve their geographically dispersed customers, was completely foreign. In much the same way, doing retail shopping from your personal computer, or the ability to program a marketing message to reach a specific target audience based on their age, location, spending habits and interests, was far fetched to most people's minds.

Come 2008, where the white paper written by Satoshi Nakamoto suggested a decentralised, open source platform for distribution of value, on a peer-to-peer basis. Most of us by now know of Nakamoto, the identity of whom is still disputed.

The stage is set for the internet of information to be replaced by the internet of value. So, what does this mean? Simply put, it will provide a platform whereby digitally translatable items of value can be safely and securely stored and exchanged.

Imagine you receive an important electronic document from Joe. You need to be sure that, Joe did not send the same attachment to anybody else and also that he did not keep a copy for himself. If a network of independent computers has controlled access to the attachments stored on Joe's computer as well as his outbox (both cryptographically secured, of course), they can all confirm whether or not he has obliged. But I'm running ahead of myself...

Below is a summary of perhaps the most important characteristics of distributed ledger technology:

- A copy of the same ledger is stored on the multiple computers of unrelated parties. This makes the manipulation of stored information practically impossible, because…
- The open source software requires continuous agreement of all computers (nodes across the network), before any information on the shared database can be updated.
- Cryptographic techniques and computing algorithms are used to ensure the entire network arrives at the same answer. When a minimum number of agreements is reached (for instance, this number is 3 – 6 confirmations for Bitcoin transactions), the ledger is updated on each and every node in the block chain.
- It provides a way for parties to exchange value on a peer-to-peer basis. To put it differently, no centralised

intermediary is required to record and store transactions. This provides cost efficiency, as well as a way to compensate independent participants for their role in securing a network.

- Security is possible through private key encryption. For instance, data (value) owned by you can be stored on the blockchain and encrypted with your own private key, which gives you complete control. Think of copyrights, title deeds, money, even your personal data! As a result, the holder of a private key typically has complete control over who uses which part of their data, even for what purposes.

  (It is worth mentioning that laws such as the Protection of Private Information (POPI) Act pose questions in this area which solutions would need to cater for.)
- The recent addition to the block chain, courtesy of role-players the like Nick Szabo (1994), David Chaum, and Vitalik Buterin, is smart contracts. Through smart contracts, it is possible to encapsulate contractual terms in a computer program, which automatically executes value transfer, based on the various parties performing their mutually agreed terms. It is possible to enable third parties transacting with one another in an environment where 100% trust is created by the technology, without the influence of or reliance on any third party.
- Due to the distributed nature, no single point of failure exists.

Without going into consensus methods or into too much detail, here is just a brief note: Proof of work methods, used in public blockchains like Bitcoin and Ethereum, rewards contributors for spending their computing resources to solve mathematical problems. It does, however, provide challenges of latency, depending on the transaction volumes. Within private blockchains, proof of stake and proof of authority attempt to overcome this issue by reaching consensus on the transaction level.

The landscape of use cases in the blockchain space, especially when combined with smart contracts and artificial intelligence, is practically unlimited. From a professional services perspective, your clients would all eventually need to have a strategic vision of their existence in this space as the path of the internet of value begins to be carved out from the rocky road ahead.

From an accounting perspective, imagine how distributed consensus can introduce self-auditing systems. How, you might ask? Imagine a transaction between a customer, and a supplier being recorded, immutably, on the blockchain (there are numerous blockchains in existence where an appropriate mix of transparency and privacy can be chosen).

Where smart contracts enable automated execution and value exchange takes place within in the blockchain, it essentially means that both clearance and settlement take place simultaneously. Gone are the requirements for external reconciliations (debtors, creditors etc.). Due to the immutability of blockchain entries, all that is required is agreeing internal systems balances to those recorded on the blockchain (of course performing validation on any journals posted internally).

One can only think of the major positive disruptive effects which wider adoption of this technology can bring. Everyone is well aware of the use of payment rails (Visa, Mastercard et al). Technologies such as Ripple and Stellar Lumens now bring faster and cheaper payments inside the blockchain environment. This includes international money transfers which can be done in a matter of minutes. A commercial bank can act as a third party that monitors the blockchain and executes payments outside of the distributed ledger.

The agreement of the completion of a supply transaction, as well as the settling thereof, can be catered for by the blockchain – all the while ensuring the immutability of records in a 100% trust environment. Creditor and debtor confirmations and reconciliations, to name but two, can be significantly reduced.

In the same manner that the path of the internet was rather unclear in the mid-1990s, blockchain and similar technologies face an interesting but exciting journey ahead. "Internet 3.0" is ushering in a new era where ownership of and transacting in value will be democratised in a fashion that can bring evolutionary change in socio-economic upliftment across the world.

The questions around the balancing of privacy and transparency, scalability, interoperability between various blockchains and legality of smart contracts, are bound to be resolved gradually. We will see a continuously clearer picture of strategic change which distributed ledger technology will bring to our world. The world may well enter a spring season known for its inclusive and democratised economy like it has never seen.

Taking Ownership of Your Accounting Practice: Strengthen Yourself

Written by Neale Roberts,
Managing Director SA Business Coaches

In February 2017, Dr Islam[1] published a paper highlighting three dominant changes in the accounting industry that he predicts will shift the profession over the next three decades. These are:

- Evolving smart and digital technology;
- Continued globalisation of reporting/disclosure standards; and
- New forms of regulation

With this as a foundation, as South Africa witnesses an increased amount of decentralised accounting software, increased cloud usage, and workflow automation dominating most industries, professional accountants find themselves facing an interesting decision point in their careers: How to use their strengths to take advantage of industry movements, as opposed to feeling overwhelmed or helpless in the face of change.

There is a common misperception that we must develop our growth areas and not focus on our strengths. That practice would result in reaching a level of mediocracy and never optimising our gifts.

The logic is fluid, however, the process of uncovering one's own strengths may be less obvious to some of us.

The common thread between what we do well and what we enjoy is often a useful measure for fortes.

When considering strengthening oneself, SA Business Coaches would recommend asking yourself the following 5 questions:

1. What work do you tend to complete quickly?
2. Where do you make the fewest mistakes?
3. When does the time pass most quickly?
4. In which area of work do you usually receive the most praise?
5. If you could choose your own work schedule. How would that look?

By answering these questions, an impression is made about who you are in the working world, and what you should be spending your time doing. When considering Dr Islam's predictions:

- Those who excel in technology usage can enhance their current working styles and capacity with this expertise as a foundation.
- Globalisation opens a world of expanded and previously unattainable opportunities for any professional, while the free flow of money facilitates the use of professional skills across oceans, which merges cultures and even opens tax systems and financial processes.
- Finally, regulation within the accounting arena strives to eliminate money laundering and tax avoidance.

The strategically thinking accountant, who understands their own strengths, can benefit from these matters by working within the system and understanding the principles that uphold the system. Each professional who keeps their strengths in mind and sees change as an opportunity, will be able to direction impact of the prophesied vicissitudes and will be the greatest benefactor in the long run.

[1]Islam, PhD (RMIT), CPA (Australia), CA (CA ANZ) Associate Professor & Team Leader of Accounting for Social and Environmental Sustainability Research Group, School of Accountancy, QUT, Brisbane, Australia | February 10, 2017 | 5 Future of Accounting Profession: Three Major Changes and Implications for Teaching and Research
https://www.ifac.org/global-knowledge-gateway/business-reporting/discussion/future-accounting-profession-three-major

Understanding financial control

Written by Hayley Barker Hoogwerf
CA(SA), Project Director: Assurance

Financial control is critical to the success or failure of any business; big or small. With the limited resources available in small- and medium-size entities (SME), entrepreneurs may not give financial control the attention that it deserves. This article provides an overview of the basics of financial control and its importance to the success or failure of a business.

What is financial control and why is it important?
The online business dictionary defines financial control as

"management control (as exercised in planning, performance evaluation, and coordination) of financial activities aimed at achieving desired return on investment. Managers use financial statements (a budget being the primary one), operating ratios, and other financial tools to exercise financial control"[2].

Financial control results in the reporting of reliable financial information that is essential for decision-making purposes. The reporting of financial information that is valid, accurate and complete plays a key role in determining the future success or failure of a business. As an example, if the financial control is poor, resulting in the inaccurate costing of inventory in that the actual cost of the inventory is higher than that recorded, this may result in the depletion of company resources through unidentified losses. On the other hand, if the actual cost of inventory is lower than that recorded, this may result in loss of sales by the entity pricing itself out of the market.

Financial control is also important in mitigating the risk of actual physical loss that may occur in the form of loss of, or destruction to, entity assets. The more susceptible the entity assets are to loss or destruction, the stronger the financial controls need to be.

Financial control and risk management
Risk management entails management understanding the risks that the entity is exposed to and responding by implementing controls that mitigate the identified risks, resulting in the effective perusal of the entity's objectives. There is a direct relationship between the entity's objectives and the financial controls, with the interconnecting link being the identified risk[3]. From a practical point of view, management should identify the entity objectives, identify the obstacles or risks that may prevent the entity from achieving these objectives and devise an appropriate response to overcome these obstacles.

Financial control explained
From an auditing point of view, financial control may be equated to internal controls. The International Standards on Auditing (ISA) recognise that the term "internal controls" is broader than just the actual control activities, such as segregation of duties, authorisation, reconciliation etc[4]. ISA 315 (Revised)[5] identifies five key components relating to internal control:

- The control environment: This is the foundation for effective internal control;
- The entity's risk assessment process: This process provides management with the information needed to identify the applicable risks and determine the actions that should be taken in response to the identified risks;
- The information system: In line with the objective of financial control, the entity requires a sound reporting system to provide financial information that is reliable for decision-making;
- Control activities: This includes the policies and procedures implemented by the entity to ensure that the devised actions of management are executed; and
- Monitoring of internal controls: This entails assessing the effectiveness of the internal controls in responding to the identified risks over time[6].

The division of internal controls into these five components provides the auditor with a useful framework to apply in obtaining an understanding of the different aspects on an entity's system of internal control[7]. From the point of view of an SME, this division provides a useful framework for management to apply in developing a system of financial control.

Broad categories of financial control
Broad categories of financial control that have been identified are as follows:

- Segregation of duties: Controls implemented to ensure that the same individual is not responsible for different stages of any given transaction. The stages of a transaction include initiation, authorisation, recording and reviewing;
- Physical safeguarding: This entails protecting the entity's assets against loss or destruction; whether caused by people internal or external to the entity. This includes the appropriate control over company stationery to prevent loss through the misuse thereof;
- Documentation and records: In line with the objective of financial control to provide management with reliable financial information, all transactions and other applicable events need to be appropriately documented.
  Management should also ensure that financial controls are implemented to prevent unauthorised changes being made to such documentation;
- High-level controls: All transactions should be authorised; day-to-day activities should be supervised by senior personnel and all work performed should be subject to review; and
- Monitoring of controls: On a regular basis, management should ensure that the financial controls are effective in mitigating the identified risk and operating as intended.

In conclusion
It is widely recognised that the system of financial control will vary based on the size and complexity of an entity. However, no business is too small for a system of financial control. Entrepreneurs should not view financial control as another obstacle to running their business; but rather as an investment in ensuring the continued survival and ultimate growth of their business.

[2] www.businessdictionary.com
[3] Guide to Using International Standards on Auditing in the Audits of Small-and Medium-Sized Entities, Third Edition of the Small and Medium Practices (SMP) Committee, published by the International Federation of Accountants (IFAC) in November 2011 (IFA Guide), Volume 1, Chapter 5
[4] IFAC Guide, Volume 1, Chapter 5
[5] ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
[6] ISA 315 (Revised), paragraphs 14 - 24
[7] IFAC Guide, Volume 1, Chapter 5

eXtensible Business Reporting Language (XBRL)

All financial statements must be submitted to the Companies and Intellectual Property Commission (CIPC) via XBRL. This requirement comes into action from 1 July 2018. The PDF versions of financial statements will not be accepted by the CIPC from this date. It is important to note that the requirement does not apply to financial accountability supplements. These **FAQs** outline the consequences where a company does not submit the financial statements to the CIPC.

The CIPC invited some listed companies to participate in its pilot program and a list of companies that successfully submitted their AFS via XBRL as part of the pilot program are published on the **CIPC website.**

The CIPC has issued an **opinion piece** by the Commissioner of the CIPC where he shares his insights on XBRL and its impact on the economy as well the benefits for preparers, analysts and regulators. Small and medium companies should liaise with their **software service providers** or consider the CIPC's recommended software services providers to assist with the XBRL filing process.

Visit the **CIPC website** for further updates on its XBRL program. Share your experiences on the XBRL implementation and filing process with SAICA at *xbrl@saica.co.za* .

Financial Reporting Pronouncements (FRP's)

The Financial Reporting Standards Council (FRSC) has published the following financial reporting pronouncements:

Financial reporting pronouncement 1:	Substantively enacted tax rates and tax laws under International Financial Reporting Standards and International Financial Reporting Standards for Small and Medium Enterprises.
Financial Reporting Pronouncement 2:	Accounting for Black Economic Empowerment (BEE) Transactions under International Financial Reporting Standards (IFRS).
Financial Reporting Pronouncement 3:	Accounting for Black Economic Empowerment transactions under International Financial Reporting Standards for small and medium enterprises.
Financial Reporting Pronouncement 4:	The Limit On A Defined Benefit Asset, Minimum Funding Requirements and Their Interaction Under International Financial Reporting Standards (IFRS) in The South African Pension Fund Environment.
Financial Reporting Pronouncement 5:	Summary Financial Statements.

The FRPs are applicable to companies that apply IFRS and IFRS for SMEs and are effective for annual periods beginning on or after **1 January 2018.**

The FRPs can be downloaded from **here.**

Some of the FRPs above are a replica of the SAICA Financial Reporting Guides. SAICA will begin a process of reviewing the status of these Financial Reporting Guides and decide on the way forward.

Conceptual Framework for Financial Reporting

(CONCEPTUAL FRAMEWORK)

The IASB has published the revised *Conceptual Framework*. The *Conceptual Framework* is a useful pronouncement in the standard-setting process. It will assist the IASB when developing IFRS Standards. It will also assist entities to develop consistent accounting policies for transactions or other events when no IFRS Standard applies or a Standard allows a choice of accounting policies. The revised *Conceptual Framework* provides a definition of a reporting entity and also distinguishes between financial statements and financial reports. The definitions of an asset and a liability have been revised and so have the recognition criteria. Guidance has also been provided on measurement and presentation and disclosure. Moreover, the criteria for derecognition have been added.

The revised Conceptual Framework is effective immediately for the IASB. This implies that the IASB and the IFRS Interpretations Committee will be applying the new Conceptual Framework when developing Standards going forward. It is effective for annual periods beginning on or after 1 January 2020 for entities that develop an accounting policy based on the *Conceptual Framework*.

The revised *Conceptual Framework* does not apply to entities applying IFRS for SMEs.

Access the revised *Conceptual Framework* for Financial Reporting from **eIFRS.**

ACCOUNTING TECHNICIANS AT(SA)

Develop and empower your accounting and finance team with SAICA Accounting Technicians. We offer customised qualifications for private and public sectors as well as professional membership.

How will your organisation benefit:

Our competency-based programmes are a combination of theory and application which will produce well equipped financial professionals at all levels in your organisation. This will increase the accuracy of financial recording and reporting to assist with making well-informed finance and business decisions.

What work will the Accounting Technicians do in your practice?

The Accounting Technician applies GAAP principles, works ethically in an accounting environment, prepares of financial statements, evaluates financial performance, managing staff payroll, receives and settles invoices, records receipts and payments, complete basic bookkeeping tasks, understands and implements internal controls, manages budgets, monitors expenses, accounts for resources, works with computerised accounting systems, maintains cost accounting records.
What are the typical job titles for Accounting Technicians?
Accounts Clerk, Wages Clerk, Accounts assistant, Sales ledger clerk, Tax assistant, Bookkeeper, Finance and accounting manager, Accounts manager, Finance management, Management accounting, Tax advisor, Tax practitioner

Where does the Accounting Technician fit into your practice?

The Accounting Technician is well suited to managing your regular, smaller clients who need their tax returns completed and financial statements and can be placed at the client to complete all the monthly management accounts in accordance with GAAP standards. Thus saving you time on administrative accounting work, allowing you to focus on the analysis and financial advice that you are required to provide to your clients. Once qualified, they can also be registered as Tax Practioners with SARS and can act as Commissioners of Oaths.

How will an individual benefit:

The Accounting Technician (AT(SA)) qualifications can advance your career in finance and accounting and help you make a valuable contribution to your business, department or unit.

AT(SA) enables you to choose how, when and where you study. Training is flexible and open to everyone. You may be heading for your first job in accounting and finance, seeking a change of career, or already working and want to advance your skills and competencies.

Financial benefits for AT(SA) training - return on Investment

All the AT(SA) qualifications are registered learnerships. This means that the employer can attract the following learnership benefits:

- Learnership cash grants: Fasset pays up to R50 000 for Black African students on learnerships. All SETAs pay grants with varied amounts and criteria – this may be applicable to your clients and dependant on which seta they may their levy to. AT(SA) can assist with this information.
- Learnership tax allowance: for all students registered on a learnership, the allowance is granted as a recurring annual allowance of R40 000[8] and a completion allowance of R40 000. It is R40 000 annually[9] but applied pro rate depending on the months that fall into the tax year of the employer. Please refer to section 12 H, Income Tax Act. The salaries of the registered learners are also deducted from the skills development leviable amount.
- Bursaries: Fasset pays for bursaries for these students – on a recoupment basis for tuition and support.
- Youth Employment Incentive: this is a special incentive allowed as a credit against the employer's monthly PAYE payment, specific to employees between 18 years and 29 years old. The credit varies depending on the salary band, not exceeding R6000 per month.
- BBBEE scorecard points: you will gain BBBEE points for the skills development pillar for bursaries and learnerships based on the AT(SA) qualifications.

Our training providers assist with all the administrations related to the application for these grants etc.

For more information
please email Mbali Mncwabe or call 011 621 6915

[8] NQF level 6 or less
[9] Based on the period that the learner is party to the learnership agreement.

A PROFESSION IN TRANSITION

- a changing landscape

Written by Franci Leppan

The Legal Practice Act 28 of 2014

The primary purpose of the law is to create order and regulate society. It is therefore inevitable that, in the dynamic world of today, the law and the practice thereof would be subject to change, innovation and transformation. The legal profession in South Africa is currently going through such transformation, which not only changes the landscape of practice, but also aims to promote certain constitutionally entrenched values.

I interviewed Richard Scott, a previous chairperson and current councillor of the Law Society of South Africa (LSSA), and current member of the LSSA's Management and Transitional Committees to get some first-hand input on the practical implications of the Legal Practice Act 28 of 2014 (LPA).

In terms of the current dispensation, a distinction between the two professions: that of an attorney and that of an advocate, exists. Attorneys may practice for their own account or in juristic entities with other attorneys and may be briefed by the public directly. The operation of a trust account, subject to compliance and regulation to obtain a Fidelity Fund Certificate, is mandatory.

Advocates, on the other hand always practice for their own account, may not be briefed directly by the public and most importantly do not operate trust accounts.

The two professions are and have always been subject to their own regulatory bodies and rules. This is going to change when the LPA becomes effective.

The need for change

The objectives of the LPA include, at its core, the unification of the professions, to ensure a transformed and restructured legal profession which can be regulated as one.

It is envisaged that this new dispensation will promote the standardisation, integrity and status of the legal profession. It is fundamentally aimed at upholding Constitutional values such as the independence of the legal profession, access to justice and the advancement of the rule of law.

Expected changes

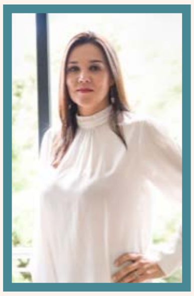
The advent of the LPA has ushered in important and significant changes, as follows:

1. There will no longer be a distinction between the two professions of attorney and advocate and the term "Legal Practitioner" will, in future, include both professions;
2. Legal practitioners will, in future include:
   2.1 attorneys,
   2.2 advocates with trust accounts and
   2.3 advocates without trust accounts.
3. A Legal Practice Council, as a single regulatory body, will be constituted during the latter part of the year (August 2018);
4. All current Provincial Law Societies will be dissolved by 31 October 2018 to be replaced by the Legal Practice Council;
5. The creation of the Legal Services Ombud, which will be independent and subject only to the Constitution and the law, aimed at promoting public interest in the rendering of legal services and to attend to complaints of the public;
6. A standardised Code of Conduct, applicable to all legal practitioners has been promulgated and will come into operation on the coming in to being of the Legal Practice Council;
7. Fees are to be regulated: a tariff to be prescribed by Section 35 of the LPA will come into operation in future, upon the Minister receiving input from the Rules Board and the South African Law Reform Commission.

Effect on auditing of attorney trust accounts

Any changes resulting from the LPA will occur post 31 October 2018. Attorneys with trust accounts will continue to be subject to an audit engagement, with advocates with trust accounts featuring in these audit engagements post 31 March 2019.

The future is never a known quantity and the application and practical implication of legislation always leave room for possible problems and creative solutions. It is imperative that a close eye be kept on the changes as they unfold and the impact thereof on future auditing engagements.



Franci Leppan is qualified as both an attorney and conveyancer and has been in practice for 18 years.

She started her career in litigation and general practice and established her own legal firm, Leppan Attorneys, in 2010. She is based in Pietermaritzburg and her firm specialises in legal cost consulting and conveyancing.

She presents lectures on legal costs for the KwaZulu-Natal Law Society. She also presents workshops on Attorney's Practice at Auditing firms.

HOME OWNERS AND THEIR CONDUCT RULES

Written by Juanita Steenekamp
CA(SA), Project Director: Legislation

A recent case in Kwa-Zulu Natal brought about an interesting judgement from the Pietermaritzburg High Court. In *Singh and Another v Mount Edgecombe Country Club Estate Management Association Two (RF)* (NPC) and Others (AR575/2016)[2017] ZAKZPH 48; [2018] 1 All SA 279 (KZP); 2018 (1) SA 615 (KZP) (17 November 20147) residents of the estate challenged certain conduct rules.

In this case the estate has certain conduct rules specifically dealing with speed limits while travelling in the estate and also trapping residents and visitors for speeding and then imposing speed fines.

The case in question deals with a family that lives on the estate. The daughter of one of the appellants was issued with speeding fines. With the subsequent non-payment of the fines the estate withdrew the family's access cards. The family thereafter went to court. One of the issues was that the estate's road rules stated that the speed limit in the estate is 40 km/h.

The question arose on whether the roads in the Mount Edgecombe Estate are classified as public or private roads. The court came to the conclusion that the roads in the estate are public roads and are in fact classified as such in the conduct rules. Public roads are therefore falling within the jurisdiction of the National Road Traffic Act 93 of 1996 ("NRTA").

The NRTA specifically states that it is only the Minister that may prescribe road signs, signals or markings to be displayed on a public road. The Minister may also authorise any person or body to display such signals, markings or signs that is classified as a road sign. The general speed limit has been set for public roads within an urban area at 60 km/ph.

In terms of the NRTA an appropriate traffic sign may be displayed on a public road by the Minister or an authorised person indicating another speed limit than the 60 km/ph. The duty to monitor these traffic on public roads vest in traffic officers and the enforcement and setting of fines fall within the ambit of the Criminal Procedures Act 51 of 1977.

The judge concluded that as the roads in the estate are defined as public roads and the regulatory regime applicable is the statutory one where the NRTA would apply.

Private bodies, such as estates can regulate traffic in certain areas, with the permission of the MEC or municipality. As the estate has not applied for this regulation the judge found that the rules and contractual agreement between the residents and the estate is illegal. The judgement stated that the agreement between the estate and the residents cannot contract out of legislation. The judge believes that the speed trapping of residents and the fining thereafter is outside of the estate's authority. The judge declared the relevant conduct rules invalid but suspended it for a period of 12 months to allow the estate to obtain the necessary authorisations.

> The judge stated that :"If there are other associations and /or estates in the country who, like the first respondent herein, through ignorance or plain arrogance on their part, have seen it fit not to comply with statutory provisions, it's time they did."

The message for body corporates and estates are that they should ensure that their conduct rules meet the relevant legislative requirements and that they cannot contract out of legislation. Where speed trapping and the subsequent fines have not been approved by the municipality or MEC, the practice would be illegal.

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This is how the mass volumes of data businesses produce will allow for higher-quality audits and efficiencies for auditors.

Update on the CIPC's XBRL program
A Quick Reference to Important Facts about the CIPCs XBRL Program.

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When blockchain represents a perfect record of ownership and a near-frictionless method of value transfer, what role does the accountant play?

Job disruption is quickly coming to accounting, too
Automation, artificial intelligence, and robotics, among other technologies, are changing the skills and the skill level required of employees in many industries, including retail, transportation, and manufacturing.

PRACTICE MANAGEMENT

Firms of the Future–Building Advisory Services
There is a general consensus that SMPs need to re-evaluate the services that they are providing, which may involve an eventual change to their current business model.

Communicating Value and Quality with Price
Professional accountancy firms are subject to price pressures, the 2016 IFAC Global SMP Survey showed that pressure to lower fees is the third highest challenge facing SMPs.

What is the ideal board size?
Boards must be guided by a number of factors in determining the optimal number of members they need to do the job.

Improving government performance through effective talent management
Almost half of local government organisations are struggling to compete for talent with their private-sector rivals.

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Enterprise Risk Management (ERM) is a compliance requirement in most jurisdictions and it's something that all companies must do well in order to be profitable, successful – or even to survive.

How to Fill Your Company with Rock star Employees
Attracting and retaining talent is the top concern of CEOs, and for good reason. People problems are both expensive and common.

Practice mergers and acquisitions likely to increase
There will be a significant change in the practice M&A market in the next couple of years.

A4S Essential Guide: Strategic Planning, Budgeting and Forecasting
This guide helps finance teams to navigate the complexity of a changing world by providing tools, practical examples and guidance on how to integrate sustainability into strategic planning, budgeting and forecasting.

6 steps to an effective social media presence
Business owners can no longer hide behind a website or polished corporate profile. To be taken seriously, you need a digital presence.

New directors: How to hit the ground running
A more thoughtful approach to board induction will ensure newly appointed non-executive directors are able to begin contributing sooner.

The advisory practice: Nothing new under the sun?
A recurring theme in the profession is the decline of the value of compliance and the value advisory services being promoted as far more profitable and beneficial to clients.

How board members can perform oversight of cybersecurity risks
With organisations technology and systems under constant attack from hackers, cybersecurity oversight has become an increasingly important responsibility for board members.

Flexibility & A Transparent Corporate Culture Will Help Attract Top Talent
Attracting and retaining talent requires a transparent corporate culture, work structure flexibility, and leadership engagement.

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FINAL PRONOUNCEMENT - THE RESTRUCTURED CODE
The Code brings together key ethics advances over the past four years, including the NOCLAR and Long Association provisions and includes an enhanced conceptual framework.

SIMPLIFYING AUDITING STANDARDS FOR SMALL OR NON-COMPLEX ENTITIES-EXPLORING POSSIBLE SOLUTIONS
The difficulties of applying the International Standards on Auditing (ISAs) in small or non-complex entity audits are apparent, and as such the status quo is not an option.

NOTICE 14 2018: LIST OF ACCREDITED PROFESSIONAL BODIES 28 MARCH 2018
CIPC provided a list of accredited professional bodies whose members are eligible to be licensed as business rescue practitioners.

NOTICE 12 2018: IMPORTANT NOTICE TO ACCOUNTING OFFICER
CIPC's website provides an opportunity for accounting officers to verify the Close Corporations that they are appointed to.

NOTICE 15 2018: B-BBEE APPLICATION ON E-SERVICES
Since 1 April 2018 B-BBEE Certificates can be applied for via e-services on CIPC the website.

NOTICE 16 2018: FINALLY DEREGISTERED COMPANIES AND CLOSE CORPORATIONS WHICH FAIL TO FILE ANNUAL RETURNS WITHIN 30 BUSINESS DAYS AFTER THE SUCCESSFUL PROCESSING OF APPLICATION FOR RE-INSTATEMENT OF DEREGISTERED COMPANY
CIPC has implemented system enhancements within its Application for Re-instatement process effective 6 April 2018.

IFRS FOR SMES UPDATE PUBLISHED
IFRS for SMEs Update is now available.

REPORTING MATTERS
Striking a balance between disclosure and engagement: WBCSD 2017 Report.

SUSTAINABILITY REPORTING WILL CREATE LONG-TERM BUSINESS AND INVESTOR VALUE
Companies across the world are facing regulatory changes, externality taxes, growing demand for transparency, and high stakeholder expectations on corporate responsibility.

GLOBAL ETHICS BOARD CONSULTS ON PROFESSIONAL SCEPTICISM
Public Comment Sought on Behaviors Associated with Exercise of Professional Scepticism.

IFRS FOR SMES STANDARD, SECTION 12, ISSUE 1 - ACCOUNTING FOR FINANCIAL GUARANTEE CONTRACTS IN INDIVIDUAL OR SEPARATE FINANCIAL STATEMENTS OF ISSUER
This Q&A clarifies that financial guarantee contracts should be accounted in terms of Section 12 or IAS 39 – Financial Instruments: Recognition and Measurement, where an entity has elected to apply IAS 39 to account for its financial instruments. In terms of Section 12, an entity measures the financial guarantee contracts at fair value.