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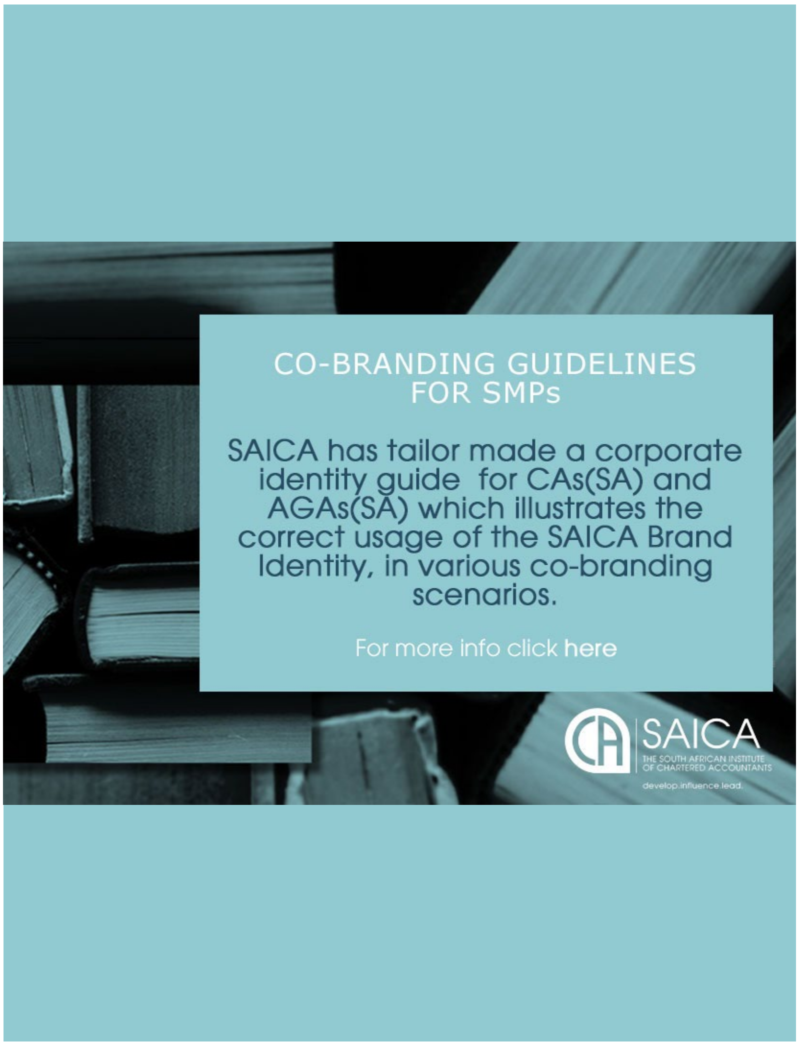

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SAICA
THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

HOW SMPS CAN BUILD A STRONG DIGITAL BRAND

By **SAICA**

Many small and medium practices (SMPs) view marketing as separate from the mainstream tasks of running their accounting and auditing business, and that a Tweet or Facebook status update here and there will suffice. Andile Khumalo, CA(SA) and Founder and CEO of khumalo.co (an investment firm with interests in Technology, Media, Telecommunications, Financial Services and Venture Capital), shed some light on building a strong digital brand.

Khumalo spoke at the recent Cloud in Practice conference hosted by the South African Institute of Chartered Accountants (SAICA).

What is brand?

Terms such as a 'logo', 'PR', and 'corporate identity' are often used confusingly interchangeably when talking about brands. A brand is a perception living in the minds of consumers – their concept of and opinion about a particular product or service that ultimately underpins buying decisions. "It has nothing to do with what the owner would like the consumer to think or what he feels the consumer ought to think about his/her business," said Khumalo.

To bridge this perception gap, marketing is about communicating in a manner that, when a consumer interacts with a business, they do so with the viewpoint the business would like them to have.

Every interaction between a brand and its customers builds this perception via product, packaging, website, showroom, salesperson, invoice, TV advertisement, billboard, word of mouth, Facebook posts and Tweets.

"Building a brand is an ongoing activity; it is not just an advert you put out or a new logo you create. It is not a single event but the sum of the interaction at every level between the business and its customers. Every one of these touch points has to be professional and show care in detail," said Khumalo.

Why should SMPs build a brand?

"There's a correlation between building a brand and driving sales and profits. A strong brand is instantly recognisable and familiar; it builds loyal customers who keep coming back, and it creates free advertising when satisfied customers tell their friends," explained Khumalo.

"It goes beyond the functional nature of a product by creating an emotional connection with customers. Almost every accountant is performing the same kind of function at the same level of proficiency with the same kind of expectation from the consumer of that service. Whether it's producing a set of books or tax advice, every firm should be coming up with pretty much the same result."

"To differentiate such a commoditised business, brand transcends the functional expectation and creates an emotional connection which then enables a firm to charge a premium over and above the actual product. It may be a feeling of affinity or trust."

Khumalo gave the illustration of Nike, which has marketing partnerships with inspirational athletes like Serena Williams and Caster Semenya. This creates an aspirational link in the minds of consumers that they too could be the fastest runners in the world, even if they know they really can't.

How to build a brand

Khumalo says it starts with some introspection: why does an organisation exist and what motivates a person to go to work each day?

"You have to identify the 'why', the purpose, so you can create the emotional connection. Identifying the 'why' may not necessarily be easy where the service you are delivering is seen as somewhat of a commodity. Yet, that is precisely where you should build a brand, because it will give you the opportunity to charge a premium rate."

Khumalo suggested three simple steps to find out the 'why' of your practice:

1 Start by defining how you want your business to be seen, experienced and remembered:

- Review the product or service the business offers.
- Pinpoint the space in the market that it occupies and research the emotional and rational needs and concerns of your customers.
- The brand character should promote the business, connect with the customer base and differentiate the business in the market.

Also start with existing customers. Spend more time on the emotional rather than the rational, because the latter often has to do with compliance. Khumalo suggested that, in most cases, you will find the reasons are emotional – a satisfying feeling you are left with afterwards, for instance.

Then look at three more sub-questions:

→ What do the business' customers need and want?
→ What does its competitors lack?
→ What is one's business really good at?

Finding something which answers all three questions, would be a great place to start.

2 Then pose the question: if your business was a person, what would it look like in terms of character (for instance, a male or a female?), personality (introvert or extrovert, for instance), beliefs (liberal or illiberal), values, and purpose.

These answers should all be written down. "Now picture meeting this person you have just visualised – would it be someone you would want to meet with, would trust and have an emotional bond with? That is the second step of building a brand – if you can define a human personality of the brand you are trying to build, it gives a 'visual' view of what you are putting out in the market. You have to be honest in this assessment – wishful thinking won't help you at all."

3 Think about what drives the business and what makes it tick.

Changing perceptions demands focus. For instance, if a business trying to change its image continues operating in the same manner, consumers in their everyday interaction with the brand will see no difference other than a new logo, and will therefore not shift their viewpoints.

Once you have established the 'why', you need to do certain things. Changing your business' name may be necessary. As trends change, your company name may become outdated. Core to developing a brand is having a good name that rolls off the tongue, an identity and instant recognition through a new logo.

Khumalo concluded:
"Don't be married to the name – large corporates have done it, and it does work. Thereafter there is only one thing which sustains a brand – and it is not a pretty name and logo. Image and reputation are the most prized commodities in any business."

UNDERSTANDING THE UNDERSTATEMENT PENALTY

By **Azwinndini Magadani CA (SA)**
Admitted Advocate of the High Court of South Africa: Director, WDM – Tax SNG Grant Thornton

Background
In order to encourage tax compliance and to deter unwanted behaviour of non-tax compliance, including tax evasion, the South African Revenue Service (SARS) is empowered to impose sanctions where non-tax compliance is established. The sanctions include, but are not limited to, administrative non-compliance penalties, understatement penalties as well as the laying of criminal charges where a tax offence has been committed.

Section 222 of the Tax Administration Act[1] ('the TAA') provides that in the event of an understatement by a taxpayer, the taxpayer must pay, in addition to tax payable, an **understatement** penalty unless the understatement results from **a bona fide inadvertent error.**

It is important to note that, for an <u>understatement</u> penalty to arise, there must be an understatement by a taxpayer. However, there is no understatement penalty if an understatement originates from <u>a bona fide inadvertent error.</u>

Understatement

An 'understatement' triggering an 'understatement penalty' is defined in section 221 of the TAA as any prejudice to SARS or the *fiscus* as a result of:

a) failure to submit a return required by a tax Act or by the Commissioner;
b) an omission from a return;
c) an incorrect statement in a return;
d) if no return is required, the failure to pay the correct amount of tax; or
e) an impermissible avoidance arrangement.

It is evident from the definition of understatement in section 221 that for an understatement to arise, any conduct or omission by the taxpayer described in (a) to (e) above must result in a prejudice to SARS or the *fiscus*. <u>Any</u> prejudice to SARS or the fiscus will trigger an understatement. The use of the word 'any' widens the scope of prejudice that may be suffered by SARS or the fiscus for an understatement penalty to be triggered. Prejudice is not limited to one that is only determinable in financial or monetary terms. In the Supreme Court of Appeal (SCA) case involving Purlish Holdings[2], Molemela JA agreed with SARS that the use of additional SARS resources for purposes of auditing the appellant's tax affairs indeed prejudiced SARS, as such resources could have been utilised for other matters.

In terms of section 102(2) of the TAA, the burden of proving the facts on which SARS based the imposition of an understatement penalty is upon SARS. This is one of the few provisions in the Act which places the burden of proof on the shoulder of SARS. Thus, SARS has the burden of proving that the conduct or omission referred to above exists and that it (SARS) or the fiscus has suffered prejudice as a result of such conduct or omission.

Bona fide inadvertent error

No understatement penalty is imposable where an understatement results from a *bona fide* inadvertent error (s222(1)). The burden of proof now shifts from SARS to the taxpayer to prove that the understatement was caused by a *bona fide* inadvertent error if the taxpayer is to escape the understatement penalty. An authoritative meaning of a 'bona fide inadvertent error' is yet to be decided in our courts. In SARS' Guide to Understatement Penalties (Issue 2), it describes '*bona fide* inadvertent error' as an understatement that must result from an unintentional default, an accidental omission, an unplanned statement, an involuntary failure to pay the correct tax, and an unpremeditated impermissible avoidance arrangement.

Imposition of understatement penalty

The understatement penalty is determined by multiplying the understatement penalty percentage by the shortfall in relation to each understatement. The penalty percentages are set out in the understatement penalty percentage table embodied in section 223(1) of the TAA. The percentages range from zero to 200% depending, not on the severity or the nature of prejudice suffered by SARS or the *fiscus*, but on the behaviour of the taxpayer associated with the understatement. For instance, where the taxpayer's behaviour that caused the understatement is proved to fall within 'reasonable care not taken in completing the return' in a standard case, an understatement penalty percentage will be 25%.

Objection and appeal

The decision by SARS to impose an understatement penalty is subject to objection and appeal. In the case of an appeal against an understatement penalty, the tax court is empowered, in terms of section 129(3) of the TAA, to increase the understatement penalty. Such powers must be exercised by the tax court within the Rules[3] prescribed for governing the conduct and hearing of an appeal before a tax court. For instance, in the matter between a taxpayer and SARS (TCIT 14247 JHB), the taxpayer appealed against the decisions of the Commissioner to impose a 25% penalty in respect of an income tax understatement and a 50% penalty in respect of a VAT understatement. After hearing the appeal, the tax court increased the penalty to 100% for both income tax and VAT in terms of section 129(3).

The taxpayer (Purlish Holdings (Pty) Ltd) took the matter to the Supreme Court of Appeal (SCA). The SCA had to decide on, *inter alia*, whether the tax court was entitled to increase the understatement penalty levied by SARS. The court ruled in favour of Purlish Holdings and set aside the decision of the tax court to increase the understatement penalty on the basis that, in making its decision, the tax court did not comply with Rules governing the hearing of the appeal before it, in particular Rule 34. Rule 34 provides that the issues in an appeal will be those contained in the statement of the grounds of assessment and opposing the appeal read with the statement of the grounds of appeal and, if any, the reply to the grounds of appeal. In its Rule 31 (statement of grounds of assessment and opposing appeal), SARS never raised the issue of increasing the understatement penalty. Consequently, the judge ruled that it was incorrect for the tax court to have increased the understatement penalty.

Conclusion
Section 222 of the TAA provides that in the event of **understatement** by a taxpayer, the taxpayer must pay, in addition to tax payable, an understatement penalty unless the understatement results from a ***bona fide* inadvertent error.** The behaviour of the taxpayer associated with the understatement and not the severity or the nature of prejudice suffered by SARS or the fiscus determines the amount of the understatement penalty.

The decision by SARS to impose understatement penalty is subject to objection and appeal but the burden of proving the facts on which SARS imposed an understatement penalty is upon SARS. The tax court is empowered to increase the understatement penalty and it is thus advisable that appropriate tax advice be sought before appealing an understatement penalty to the tax court, as the outcome of the tax court could result in an increase in the penalty payable.

[1] No. 28 of 2011
[2] Purlish Holdings v The Commissioner for the South African Revenue Service (76/18) (2019) ZASCA 04 (26 February 2019)
[3] 'Rules' means rules made under section 103 of the TAA.

VALUE ADDS UP TO SUCCESS

Author: **Sarah Snyman:** Marketing Manager: Caseware Africa

In order to differentiate themselves in today's competitive accounting marketplace, in which new technologies are raising the bar and commoditisation is a threat, accounting practices must differentiate themselves. Adopting value-based pricing will automatically force them to become customer-centric and so positioned to deliver what customers want—and will pay for.

Value-based pricing is key to future success in the accounting sector.

Several trends are driving significant changes in the way that accounting practices deliver services to clients, and in what clients require from their accountants. To prosper in this new environment, accounting firms should move to value-based billing, says Jodi Joseph, Divisional Executive, CaseWare Africa, a division of Adapt IT.

"The cloud has profound implications. Moving clients onto cloud accounting platforms will mean that practices can service more clients but also that clients can move between service providers more readily. At the same time, accounting professionals will use cloud practice management to run their own businesses better," she says. "In line with these trends, compliance will also be completely commoditised with prices dropping by more than 50% combined with raised expectations of quick turnaround and high levels of expertise."

Ms Joseph argues that the net result of these changes will mean that accounting practices will need to change the way they do business: get better at marketing themselves and adapt to the working style of modern staff by automating repetitive tasks and using technology smartly.

But most important of all, they will have to adopt value-based rather than time- or cost-based billing.

As its name implies, time- or cost-based pricing aggregates the costs of producing the good or service and then adds a profit margin. It's a common approach and has the virtue of simplicity, but costs fluctuate and can be missed, compromising profitability over the long term. It also has a huge downside: customers simply don't care what your costs are—they care about the value they receive.

Another common strategy is to base price on what competitors are charging. The biggest downside of this strategy is that it links the practice to everybody else's pricing strategy.

"That's no way to differentiate your practice. Presumably, you entered the market to offer something that nobody else is doing. Your price should reflect that new value the customer is receiving," she says. "Value-based pricing is thus all about shifting the focus from your internal procedures or the rest of the market, and aligning with what customers want."

In other words, value-based pricing really requires true customer-centricity: find out what customers value and then deliver (and price) accordingly. This approach has many benefits. It incentivises everybody to improve, and releases the practice from the profit ceiling implicit in time- or cost-based billing, Ms Joseph explains. Clients know upfront what they will be charged, and the practice is better placed to attract top talent with an appetite for excellence—people who respond to the challenge of maximising profit rather than keeping accurate time records.

"Value-based pricing demands a different mindset, and it will inevitably mean that your company differentiates itself from the rest of the market," she says.

To make the transition to value-based billing successfully, practices must first do their homework. Internally, they need to understand which services and clients are the most profitable—and why. Obviously, it is also vital to understand what current clients truly value.

Having determined what the practice does best and what clients' value, it is then possible to create service offerings that balance high- and low-profit services while giving clients what they want.

GIVING CLIENTS A CHOICE, AND **AIMING TO PROVIDE SOMETHING THEY VALUE,** WILL CHANGE THE WHOLE EQUATION," SHE CONCLUDES. "THEREAFTER, A STEADY FOCUS ON **IMPROVING THE COST OF DELIVERY** WHILE **ADDING MORE VALUE** WILL KEEP CLIENTS HAPPY AND ATTRACT NEW ONES.

CREATING A CLOUD-BASED FUTURE FOR YOUR PRACTICE

By **SAICA**

The South African Institute of Chartered Accountants' (SAICA) recent Cloud in Practice conference looked at the challenges of taking a practice mired in complex, fragmented and manual systems with limited quality or risk processes, to new heights and a cloud-based future.

Jacques Roux, Head of National Quality and Risk Management for all advisory services at Mazars, advised small and medium practitioners (SMPs) on how they can evolve and prepare for the digital age.
HIS APPROACH CAN BE SUMMARISED IN SIX STEPS:

STEP 1:
Weigh up the pros and cons

He explained that the first challenge in creating a cloud-based future for a practice lies in the anxiety relating to technology, especially machine learning and artificial intelligence (AI). Taking the first step of simply weighing up the pros and cons of cloud computing versus desktop computing will help manage these anxiety levels.

STEP 2:
Research the available technology

"In my own experience at Mazars, reviewing the field of technology created an overwhelming sense of the choices, given the extent of offerings and applications (apps) out there. The task of looking over all these alone is massively time-consuming, and the technology itself can be costly. But it shouldn't have to be an expensive exercise," Roux explained. "It is possible to adapt your business's existing technology. Such practicality is likely to be a necessity for most firms, given the current difficult economic circumstances."

STEP 3:
Find your practice's purpose

"Finding and defining your practice's purpose will help you to differentiate yourself from your competitors. Given that all accounting practices deliver broadly the same set of products, Mazars set out to differentiate itself by finding solutions to clients' problems in their service delivery offering rather than defining itself by the products alone, premised on a deep understanding of the clients' businesses and what they want to achieve," said Roux.

Roux noted two important things from Mazars' perspective: firstly, viewing the company as a single brand rather than a collection of offices, and secondly a greater focus on education, training and development.

STEP 4:
Create a project plan

Setting goals and applying discipline will further help define and achieve your purpose. It is then imperative to create a project plan to keep you focused on the important things in moving your practice through this process. "In our case, we looked at the key objectives we wanted to achieve as a firm, and came up with three: growth, technical excellence (looking at the fact that in a multi-office firm the quality of service may vary from office to office, requiring a bridging of that gap), and accountability," said Roux.

"Practical methods of achieving growth include looking at optimising your business intelligently through cross-selling opportunities among existing clients.
On the other hand, in respect of cost cutting, South Africa's economy has been depressed for so long that firms looking at further reducing costs are in danger of removing fundamental capacity to deliver basic services," he cautioned.

OUR PATH TO EMBED **QUALITY AND RISK** IN EVERYDAY DESIGN INVOLVED **TECHNICAL EXCELLENCE AND ACCOUNTABILITY**. IT REQUIRED BRINGING ALL **PROFESSIONAL STAFF** THROUGHOUT THE OFFICE NETWORK TO THE SAME STANDARD.

STEP 5:
Define where you are versus where you want to be

Once all the above was digested, Mazars set about plotting how to get from where they were to where they wanted to be. The 'Now' consisted of complex, fragmented and manual systems, with limited quality and risk processes. The 'Future' had to be cloud-based – consisting of simplified and standardised systems with embedded quality and risk processes, with 'embedded' meaning that you have the right checks and balances in place.

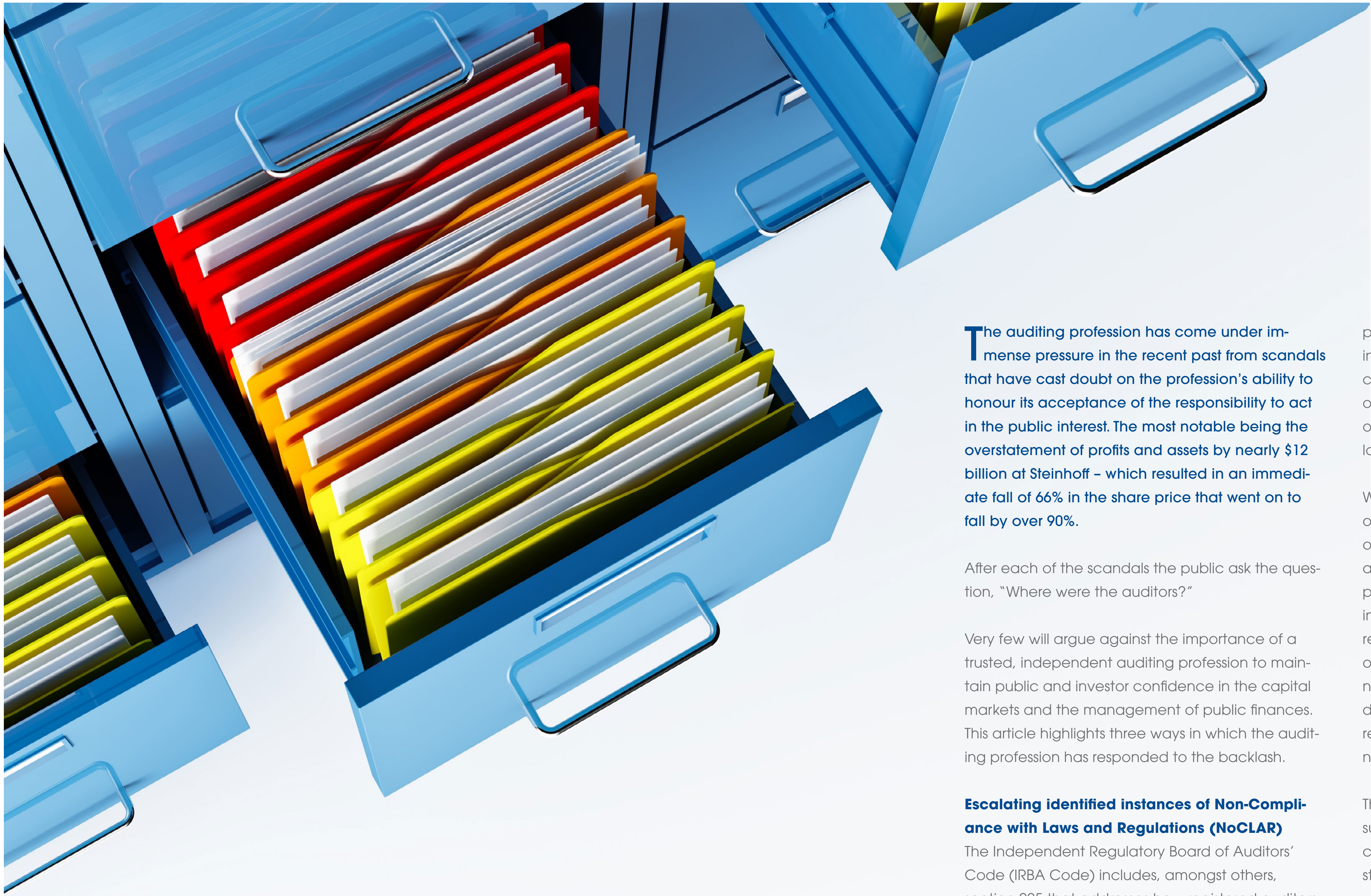
STEP 6:
Helping to enable change

Finally, Roux outlined the path to change as being enabled by three factors:

1. Working as one team by getting the buy-in from everyone involved.
2. Choice of innovation and technology viewed according to principles of simplification, standardisation and automation. "In our case it had to be user-centric, both for our clients and staff, and adaptable from existing systems without being too expensive."
3. Every step has to be communicated to all staff in a manner easily understandable by each, thereby empowering them. This required the establishment of a common platform for communication, feedback and sharing ideas.

Roux admitted this could be a difficult journey for accountants – who had to be prepared to accept the potential for mistakes being made along the journey, and more importantly, to understand that this is a shift in mindset and these mistakes are an integral part of the learning process. On the other hand, an advantage that accounting practices have is their multi-disciplinary staff makeup, where there are people who think differently from one another, and a diversity which should be embraced.

"However, for the small firm this can be a lonely and isolating activity, and I recommend you bring people on board who will provide support and bring innovative ideas. Start with the easy, obvious things first," Roux concluded.



> ADDITIONAL TRAINEES WILL RECEIVE THE CORRECT **DEPTH AND BREADTH OF EXPERIENCE**

HOW AUDITORS 'REMOVE THE LID' ON CORRUPTION AND MISMANAGEMENT OF FINANCES IN THE PUBLIC AND PRIVATE SECTOR

By **Julius Mojapelo,** Senior Executive: Public Sector at SAICA

The auditing profession has come under immense pressure in the recent past from scandals that have cast doubt on the profession's ability to honour its acceptance of the responsibility to act in the public interest. The most notable being the overstatement of profits and assets by nearly $12 billion at Steinhoff – which resulted in an immediate fall of 66% in the share price that went on to fall by over 90%.

After each of the scandals the public ask the question, "Where were the auditors?"

Very few will argue against the importance of a trusted, independent auditing profession to maintain public and investor confidence in the capital markets and the management of public finances. This article highlights three ways in which the auditing profession has responded to the backlash.

Escalating identified instances of Non-Compliance with Laws and Regulations (NoCLAR)

The Independent Regulatory Board of Auditors' Code (IRBA Code) includes, amongst others, section 225 that addresses how registered auditors must respond to non-compliance with laws and regulations (NoCLAR) identified during the audit. In terms of this section, auditors have a professional obligation to act in the public interest in order to:

- enable auditees to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance with law or regulation; or
- deter the commission of the non-compliance or suspected non-compliance with law or regulation where it has not yet occurred.

'Non-compliance with law or regulation' (non-compliance) refers to an act of omission or commission, intentional or unintentional, committed by those charged with governance, by management or by other individuals working for or under the direction of the auditee which are contrary to a prevailing law or regulation.

Where the auditor encounters non-compliance or suspected non-compliance, they will seek to obtain an understanding of the matter and where appropriate will discuss the matter with the appropriate people or those charged with governance, in order for them to take appropriate action to rectify, remediate or mitigate the consequences of the non-compliance, deter the commission of non-compliance where it has not yet occurred, or disclose the matter to appropriate authority where required by law or regulation or where considered necessary in the public interest.

The auditors, in encountering non-compliance or suspected non-compliance, are also obliged to comply with applicable legislation or professional standards, which may require them to disclose the matter to an appropriate authority.

The auditors also have a professional responsibility to consider whether their response to the instance of non-compliance or suspected non-compliance is adequate, and may determine that further action is necessary. Such further action may include, amongst other actions, the disclosure of the matter to an appropriate authority. The auditors will disclose the matter to an appropriate authority only where, in their professional judgment, the extent of the actual or potential harm that is or may be caused to investors, creditors or employees or the general public is sufficient to justify the disclosure. In exceptional circumstances, the auditors may be required to immediately disclose the matter to an appropriate authority where they have become aware of actual or intended conduct that they have reason to believe would constitute an imminent breach of law or regulation that would cause substantial harm to investors, creditors, employees or the general public. In such circumstances the auditors will discuss the matter with management or those charged with governance where it is appropriate to do so.

Reporting Irregularities (RIs)

A reportable irregularity in terms of the Auditing Profession Act (APA) is any unlawful act or omission committed by any person responsible for the management of an entity, which:

- has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or
- is fraudulent or amounts to theft; or
- represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

Auditors are required by the APA to send a written report to the Independent Regulatory Board of Auditors (IRBA) if they are satisfied or have reason to believe that a reportable irregularity (as defined in the APA) has taken place or is taking place. They undertake to notify the directors of such action within three days of sending a report to the IRBA. They then subsequently take all reasonable steps to discuss the report with the directors, who will be afforded the opportunity to make representations in respect thereof.

They are also required to send a second report to the IRBA within 30 days from the date on which the initial report was sent, and which should contain a statement that they are of the opinion that:

1. no reportable irregularity has taken place; or
2. the suspected reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention or recovery of any loss as result thereof, if relevant; or
3. the reportable irregularity is continuing.

FOCUS NEEDS TO SHIFT TO THE **PROFESSIONALISATION OF FINANCE MANAGEMENT** IN THE PRIVATE AND PUBLIC SECTOR TO ENSURE THAT INDIVIDUALS TASKED WITH THE DAY TO DAY MANAGEMENT OF FINANCES AND GOVERNANCE ARE ALL **HELD TO HIGH STANDARDS** OF **PROFESSIONAL COMPETENCE AND ETHICS.**

If the IRBA receives a report that a reportable irregularity is continuing, they are required to notify any appropriate regulator of the details of the reportable irregularity to which the report relates and provide the regulator with a copy of the report.

Should a reportable irregularity have taken place or be taking place, the auditor's report on the financial statements is required to be appropriately qualified.

Amendments to the Public Audit Act (PAA)

The amendments to the Public Audit Act (PAA) now provide the Auditor-General of South Africa (AGSA) with more power to ensure accountability in the public sector. The amendments to the PAA became effective from 1 April 2019.

Following the amendments to the PAA, the AGSA has been given the additional powers to:

- Refer material irregularities to relevant public bodies for further investigation in accordance with their mandate;
- Take binding remedial action for failure to implement the Auditor-General's recommendations for material irregularities; and
- Issue a certificate of debt for failure to implement the remedial action if financial loss was involved.

A material irregularity is defined as any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

A remedial action is triggered by the lack of implementation of the recommendation included in the audit report. The remedial action is a legal instruction to the accounting officer or authority to take specific action by a certain date.

A certificate of debt can be avoided by implementing the directive to quantify the financial loss and take steps to recover the loss.

IN CONCLUSION

As can be seen, a lot is being done by the auditing profession to raise alarm around corrupt and irregular activities but more still needs to be done to rebuild confidence in capital markets and the management of public finances. It is my considered view that the focus needs to shift to the professionalisation of finance management in the private and public sector to ensure that individuals tasked with the day to day management of finances and governance are all held to high standards of professional competence and ethics. Another area of focus should be the willingness and ability of oversight authorities and enforcement agencies to deal with the matters raised by auditors and ensure that there are clear consequences for financial misconduct.

Reference sources:
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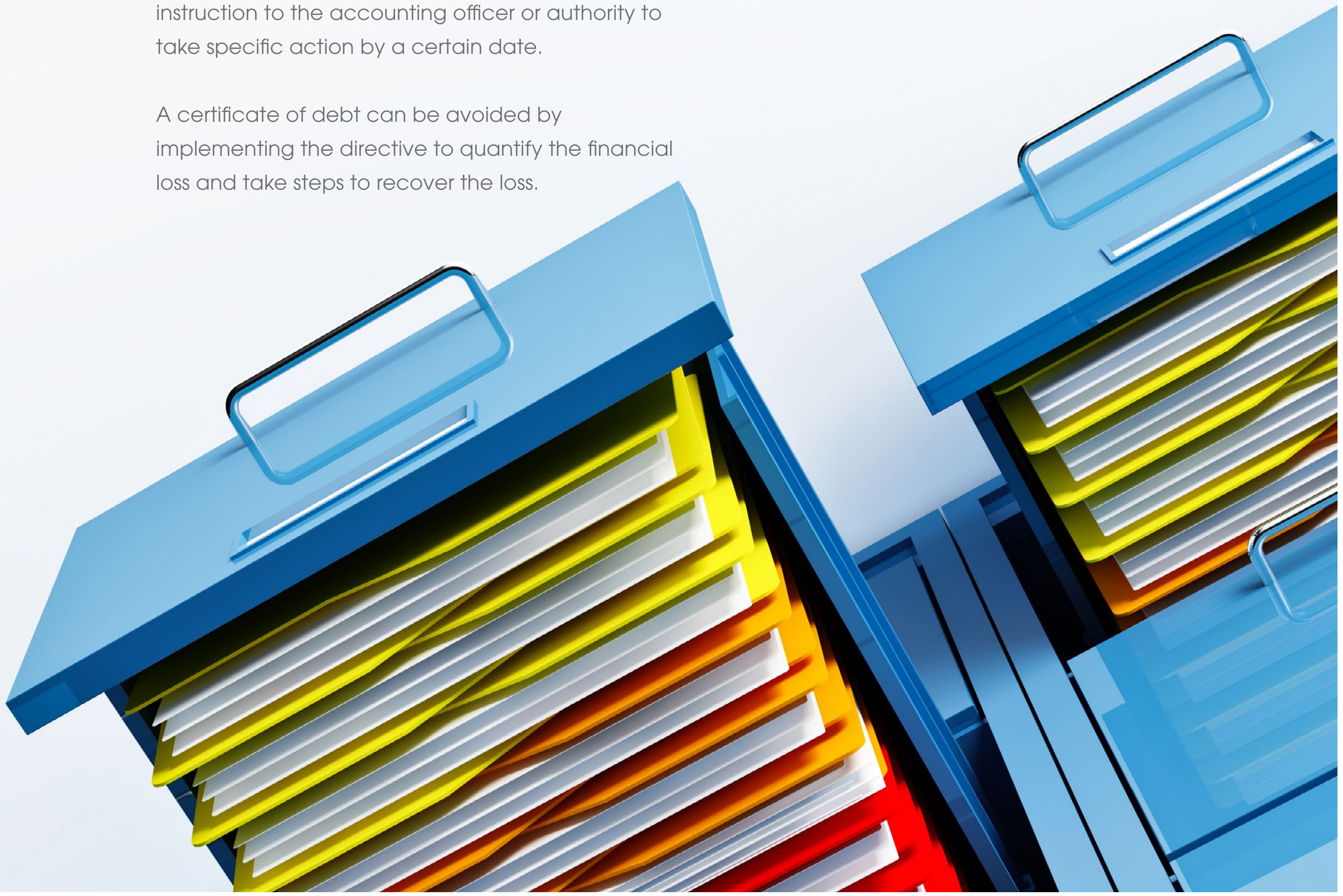
www.mazars.co.za



AUDIT ANALYTICS FOR THE ASSURANCE PRACTITIONER: WIDER ADOPTION AND DEPLOYMENT OF AUDIT ANALYTICS

By **Ame Rademan,** Associate Director Audit Evolution & Enablement, Data Analytics, Deloitte & Touche

Have you fully adopted a data-driven audit approach?

Audit analytics has been at the forefront of audit innovation discussions for years now, so why have there only been pockets of adoption? Full adoption as a term is a bit subjective?

There are a number of reasons for this lack of adoption and the key barrier is relevant guidance for the auditor. The aggressive acceleration of the technological revolution has surpassed the ability of the auditors' regulators to keep the guidance relevant.

Think about it: the language in the International Standards on Auditing (ISAs) has not changed sufficiently to keep up with the advancements in technology processes in organisations. This explains why some practitioners are hesitant to embrace audit analytics in their audits – it feels 'safer' to adhere to the minimum requirements of the ISAs, rather than continuously challenging the interpretation thereof.

Contrarily, stakeholders continue to have increased expectations for higher quality and more comprehensive audits at reduced costs – understandably so, given the audit and accounting profession's current reputational challenges. Because of this expectation, they continuously challenge the practitioner to provide more innovative ways to improve audit effectiveness while showing deep insights. As a result, conventional auditing approaches can't keep up with exponential change and growing demand for more insightful assurance.

Those charged with governance sometimes have a distorted understanding of their data quality and data management processes, leading to a misaligned expectation of how data can be used in the audit – challenge for the practitioner.

Other barriers could include:

- understanding what data is available, what it contains and how to obtain it;
- understanding how to treat analytics results and use them in the operational effectiveness testing of a control;
- data not reconciling to the general ledger;
- the organisations' business process controls remain largely outside of the IT systems and do not function through their IT systems – creating incomplete data sets that make extracting audit evidence difficult;
- availability of different tools to utilise to analyse and visualise data, which – without guidance from standards – creates inconsistency between audits;
- analytics tools produce false positives based on how the data analytic routine was developed and practitioners are tempted to revert to a traditional approach instead of understanding the cause of the exceptions.

Another misperception is that the first run of an analytical routine provides you with the optimal result set. However, in my experience adopting audit analytics in the first year of implementation (for each organisation) highlights a lack of understanding of:

- the business process and data flows
- the test objective.

In either event, multiple iterations are required to refine an effective analytical output. This execution effort (in the first year), assists in eliminating false positives – and thus the lack of trust in the analytic.

Given these challenges, I still see a benefit in adopting a data-driven audit/audit analytics.

LET ME TELL YOU WHY:

The above last two matters emphasise the business imperative of a data-driven audit and we know that the auditing profession is under scrutiny. Minimum control testing and sampling of transactions is inadequate in data rich environments, and is becoming acceptable to the regulators. In interactions with regulatory and professional bodies, I see that their views about the use of sophisticated technology and audit analytics are changing. SAICA is accelerating support in driving innovation into the auditing and accounting profession. Martin Baumann, former chief auditor and director of professional standards at the Public Company Accounting Oversight Board (PCAOB), commented in an interview for the Journal of Accountancy that: "We wouldn't want auditing standards to be an inhibitor that might otherwise allow technological audit achievements to move ahead."

Audit analytics gives us the opportunity to analyse large data sets that were too voluminous to make sense of. Current technologies allow us to provide full population analysis in the risk assessment and execution phases, and to eliminate a one-dimensional lens of a process and provide a holistic picture of transactions across business processes, thus aiding in the practitioners' ability to perform a more informed risk assessment.

How do we bridge this gap and fast track fuller adoption of analytics?

- **Change management in the practice –** this enhanced audit analytics journey remains a top-to-bottom, bottom-to-top approach. Practitioners need to encourage and empower their audit teams to adopt new ways of executing audits.

- **Continuous enhancements of skills for practitioners –** firms planning to move toward advanced audit analytics need to hire or develop staff with advanced analytical capabilities. One approach would be to employ a group of specialists who operate in the analytics field and have limited knowledge of the auditing process. Another belief is that these skills will need to be embedded within each audit professional to be successful. The ultimate solution will lie somewhere between these two extremes.
- Universities, professional bodies and regulators such as SAICA, PCOAB and our standard setting board – the International Auditing and Assurance Standards Board (IAASB) – are already in the midst of revising skill set requirements to create the chartered accountant/auditor of the future, not only because of the need, but also to ensure our profession remains relevant and attractive.

Most practitioners are familiar with electronic spreadsheets, but many are not as skilled with robust technology. I am already seeing a transition of skill sets: practitioners are empowering themselves and their audit teams to perform analytics, instead of reverting to a data/analytics expert. Our new generation yearns to be part of audit and assurance engagements.

- **Earlier and combined discussions with your clients' technology and data specialist (IT department) and finance management –** one can foresee a world where audits will be significantly value-added and comparative. Will auditors be able to tell their clients – using anonymised data – how they compare to peers on key metrics and benchmarks? When uncovering business risks, will audits also uncover potential business opportunities? These questions call for an informed dialogue among stakeholders to determine how audit standards and practices will need to evolve to continue enhancing the relevance and value of the audit.

- **More effective usage of audit technologies –** significant investments in technologies and/or people is not always necessary initially. First understand and use the technologies you have more effectively – you may find several analytics you can perform with your current IT infrastructure.

- **Invest in self learning –** develop your abilities through utilising existing learnings and training.

SAICA will be hosting a training course, the third build-up in this journey. It is more advanced, but intended for us to push the envelope and grow the usage of analytics in the profession. This is not simply a technical upskilling course. It is about changing the auditors' mind-set about how they see data in the execution of the audit to mitigate the risks to a point where the appropriate audit opinion can be issued.

THREE WAYS TO FUTUREPROOF YOUR ACCOUNTING FIRM

Sponsored content by **Receiptbank**

Whether they're balancing the books, submitting tax returns, or producing financial forecasts, accountants are at the heart of each and every organisation.

We explore how accountants can set up their practice for success by adopting an entrepreneurial mindset, creating a rock-solid value proposition, and using technology to deliver more value.

1

Being entrepreneurial

Given the swathes of accountants who risk going alone and setting up their own practice, 'entrepreneurial' might be one of the best adjectives to describe accountants.

However, having an entrepreneurial spirit is not easy. You need the confidence to believe you can be successful, you need the drive to make it work against the odds, and you need the discipline to handle others' accounts whilst also running your own business.

In fact, having this entrepreneurial spirit is increasingly important – especially when dealing with entrepreneurs, who expect you to have the same approach to business as they do. This is made all the more important by the fact that South African entrepreneurship is steadily rising.

Additionally, according to the VC4A Startup Ecosystem: South Africa report, there's currently "the growing realisation from both the public and the private sector that entrepreneurship is needed to solve the dual challenges of sluggish economic growth and very high rates of under- and unemployment."

Practices can support burgeoning entrepreneurs by constantly improving their own processes. In particular, you need to adopt an entrepreneurial mindset when it comes to reviewing technology: being open to new ideas, testing out software, and constantly innovating.

2

Developing a value proposition

You know how invaluable your services are. However, you need to make sure that your target clients do. This means that you need to come up with a perfect value proposition if you're going to land first-rate clients.

Firstly, identify your unique selling point (USP). What do you offer better than everyone else? There are a few potential options:

Industry-specific experience

Do you know a specific industry inside out? Can you talk to a chief executive officer about the nitty-gritty aspects of their business? If so, leverage this.

The myriad of industry-specific nuances and details means that the best accounting practices unlock benefits others didn't even think were possible.

Care

Or maybe your USP is that you're a small practice which genuinely cares about its clients. Massive accounting firms deal with thousands of clients –

whilst they might do a decent job, they won't go the extra mile.

On the other hand, if your practice truly cares about its customers, you'll build long-lasting relationships. Back in 2016, an ICAS report stated that accountants are SMEs' most valued advisors.

Speed

The best practices adopt new technologies to constantly refine their processes. With this in mind, maybe your practice's USP is speed – you only take on an exclusive list of clients, and you promise them quick turnarounds. For fast-moving businesses, having an accounting practice that keeps up with them is critical.

Large organisation experience, small practice care

Many of you cut your teeth at big organisations, which gives you an unrivalled level of experience. Leverage this when you step out and set up on your own. However, now that you're not working for a behemoth, you can also give clients more attention and care.

3

Adopting tech

The worldwide accountancy software market is exploding. In fact, it's due to be worth a whopping **$11.8 bn** by 2026. But the proliferation of specialised software alone doesn't necessarily make for better processes. So how can you use technology to deliver lasting value?

Just because there's a piece of software for each accounting process, that doesn't mean you should go out and buy everything. Start small before growing – use a single piece of technology to automate tedious and time-consuming data entry tasks like bookkeeping.

If it works, try using a piece of software to handle a more complex task. There's no point in realising the benefits of technology, only to never try anything. When assessing specialised software's potential impact, go through a thorough cost-benefit analysis.

Despite the initial outlay, what will the long-term benefits be? Technology is so invaluable because it unlocks opportunity: the opportunity to save time, to work more conveniently, to increase your capacity, and to enjoy your job more.

By automating tedious day-to-day tasks, accountants can focus on providing important business solutions. Not only does this provide more value to your clients, but it's also reinventing the accounting profession from a practitioner's perspective.

How Receipt Bank can help

Receipt Bank processes supplier invoices in minutes, knows which clients have submitted their data, which bank account they used for each transaction, and how many submissions they've made.

In other words, it's the perfect employee. And it's only getting better.

We recently released a fantastic new feature, Sales Invoices for our South African Streamline and Optimise users. By offering sales and cost invoice data processing, we're leveraging our world-class data extraction capabilities to provide a one-stop solution for all your pre-accounting tasks.

How useful could a feature like this be to improving your practice?

Summary

A number of factors make a great practice. You need to have an entrepreneurial mindset and you need to develop a strong value proposition (with your USP at the core of this process). You also need to constantly assess how technology can help you deliver more value. This might be a hit-and-miss process, but we live in an era when technology isn't just a nice-to-have; it's a must-have.

If you'd like to find out more about how Receipt Bank can help, give us a call at ***+27 76 329 6430*** or visit ***www.receipt-bank.com***

AUDITING THE STATEMENT OF CASH FLOWS

Written by **Hayley Barker Hoogwerf**, Project Director: Assurance

The Independent Regulatory Board for Auditors (IRBA) reported in their QUARTER 4 Newsletter of 2019 (Issue 46) that they are finding numerous reportable deficiencies relating to the inclusion of non-cash flow items in the statement of cash flows and that certain audit files contain insufficient audit procedures and documented evidence supporting the classification of cash flows as either operating, investing or financing activities.

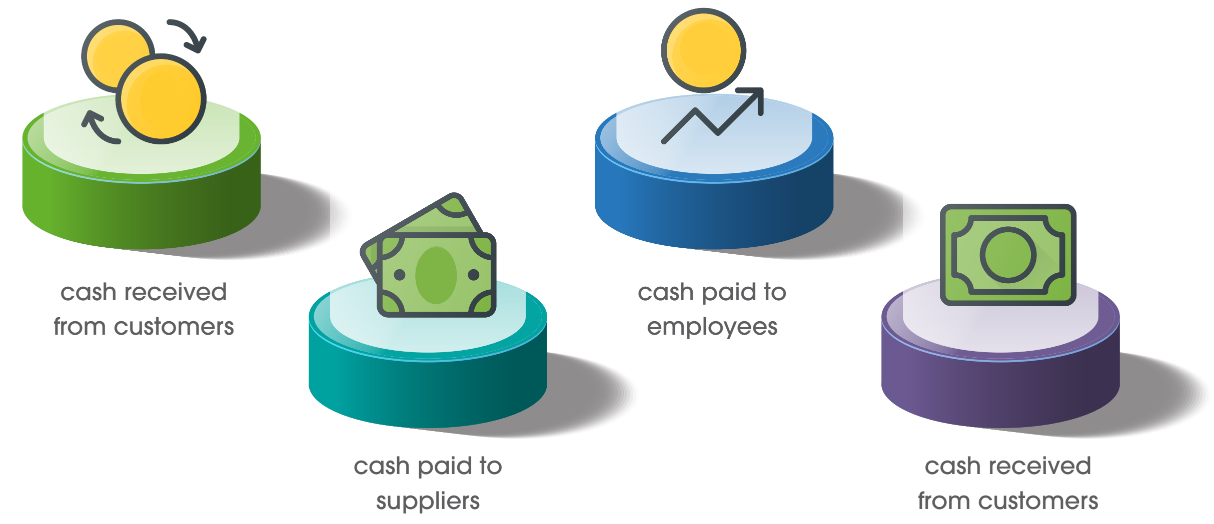
An auditor needs to first and foremost understand the requirements of the applicable financial reporting framework to ensure that an effect audit is performed.

Overview of IFRS requirements

IAS 1, *Presentation of Financial Statements* (IAS 1) sets out the overall requirements for financial statements, including the minimum requirements for the content. This standard explains that the objective of general-purpose financial statements is to provide information about the financial position, financial performance and cash flows of an entity that are useful to a wide range of users in making economic decisions. In terms of the minimum requirements for a set of financial statements, IAS 1 requires a statement of cash flows to be included in the entity's set of financial statements for this to be considered complete.

A statement of cash flows is therefore an integral part of an entity's primary set of financial statements. IAS 7, *Statement of Cash Flows* (IAS 7) contains the requirements in relation to the preparation of a statement of cash flows. The purpose of IAS 7 is to analyse changes in cash and cash equivalents during a specific period. Cash flows are classified and presented into operating activities, investing activities or financing activities.

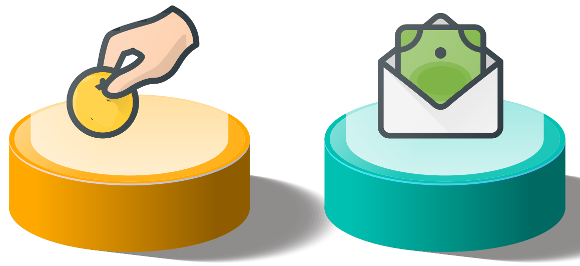
Operating activities are the principle revenue-producing activities of the entity that are not investing or financing activities. These include, amongst others, the following:



Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents.

The separate disclosure of cash flows arising from investing activities is important because this represents the extent to which expenditure has been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities include:

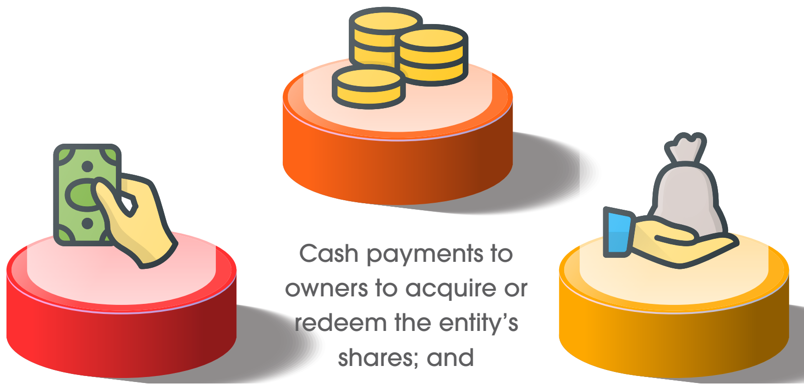
cash payments to acquire or cash receipts from the sale of property, plant and equipment, intangibles and other long-term assets; and



cash advances and loans made and cash receipts from the repayment of such advances and loans to other parties, other than those made by a financial institution.

A check for the auditor to apply in confirming the classification of cash flows under investing activities is that the cash flow must have resulted in the recognition of an asset in the statement of financial position to be eligible for classification as investing activities.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities include:



Cash proceeds from issuing shares or equity instruments;

Cash payments to owners to acquire or redeem the entity's shares; and

Cash proceeds from issuing and cash receipts from repayments of short-term or long-term borrowings.

Cash flows relating to interest and dividends may be classified as either operating, investing or financing activities, as long as this classification is consistently applied. Cash flows relating to taxes on income are classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

In terms of reporting, operating activities can be presented using either the direct method (whereby major classes of gross receipts and gross cash payments are disclosed), or the indirect method (whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals and items of income and expenditure associated with investing or financial activities). An entity must report gross cash receipts and gross cash payments from investing and financing activities by major class of cash receipts and major class of cash payments except for the following, which may be reported on a net basis:

- Investing activities;
- Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customers rather than those of the entity;
- Cash receipts and payments for items for which the turnover is quick, the amounts are large and the maturities are short;
- Financing activities:
  - o Cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;
  - o The placement of deposits with and withdrawal of deposits from other financial institutions; and
  - o Cash advances and loans made to customers and the repayment of those advances and loans.

Investing and financing transactions that do not require the use of cash should be excluded from the statement of cash flows and disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Auditing the cash flow

ISA 200, *Overall Objectives of the Independent Auditor and the conduct of an Audit in accordance with International Standards* on Auditing (ISA 200) states that in conducting an audit of financial statements, the overall objectives of the auditor are to:

- Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
- To report on the financial statements and communicate the auditor's findings.

When the applicable financial reporting framework requires a statement of cash flows to be presented, the auditor is tasked with ensuring that this requirement, together with the requirements relating to the structure, content, overall concepts and reporting is complied with.

It is in the public interest and required by the IRBA Code of Professional Conduct that registered auditors in public practice be independent when performing audit or review engagements. Management is responsible for the preparation of the financial statements, including the statement of cash flow in accordance with the applicable financial framework. The auditor is responsible for obtaining sufficient appropriate audit evidence to support the opinion expressed on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. An auditor may therefore not assume management responsibility for the preparation of the statement of cash flows.

Consequence for failure to comply with the ISAs

Monitoring findings in relation to the audit of the statement of cash flows in accordance with the ISAs are on the rise. These include non-cash flow items being incorrectly included in the statement of cash flows. Furthermore, some audit files contain insufficient audit procedures and evidence supporting the classification of cash flows as either operating, investing or financing activities.

If the auditor does not comply with the requirements of the ISAs in auditing the statement of cash flows, the auditor may well fail to identify possible material misstatements that should have been considered in forming an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The expressing of an incorrect opinion by the auditor on the financial statements poses a real risk to users who are relying on the audited financial statements.

IN CLOSING

Many corporate failures have occurred over the years due to poor cash flow management. Auditors must not underestimate the value of the information presented in a company's statement of cash flows to the users of the financial statements in decision making. The audit of the statement of cash flows should be assigned to a senior member of the engagement team with the necessary skills, experience and required knowledge of the client's business to ensure that non-cash flow items are not included and that cash flows are appropriately classified as those emanating from operating, financing or investing activities.

The engagement partner remains ultimately responsible for the audit opinion expressed. To ensure that the audit opinion expressed is appropriate, the engagement partner must be satisfied that sufficient appropriate audit evidence in support of the conclusion reached on the fair presentation of the statement of cash flows has been obtained.

THE NEUROSCIENCE OF

LEADERSHIP

By **Ian Rheeder, CM (SA), MSc Leadership**

Understanding the topic of leadership has never been more important. Through leadership, things either improve or decay. After interviewing 649 leaders, Ian Rheeder synthesised his findings into a simple, yet extremely powerful model – *trust, engagement and competence* (TEC System). These three interconnected domains offer an elegant tool to track and measure a leader's behaviour. Fittingly, neuroscience has spawned an avalanche of discoveries supporting the TEC Leadership System.

Background

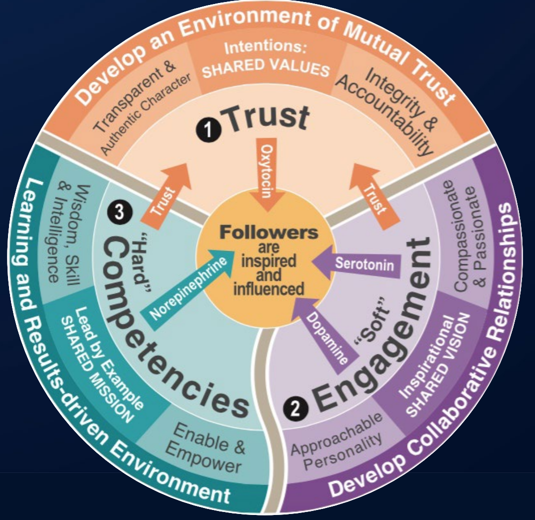
Modern neuroscience has exposed that we are primarily a social species. And in the boardroom, because of these associated primeval caveman reflexes to connect, we are not half as rational as we think we are.

We now know that people have an unconscious repulsion to being persuaded. Nobody likes being 'sold to'. Fortunately, neuroscience has also exposed that people are strongly motivated by the emotional engagement of trustworthy relationships. So how do we persuade, and get cooperation, without *forcing* someone to comply? Let's now look at how leaders, using the three TEC domains, will achieve great heights.

→ TRUST

Reputational Capital to Develop Mutual Trust

Trust is the overarching prerequisite of all relationships (the 'foot in the door'), and in an uncertain world, there is an increasing need for the emotion of trust. At a neurobiological level, trust produces the bonding hormone oxytocin. Studying the TEC Leadership diagram (below), it's interestingly to note that both emotional *engagement* and *competence* fuel the *trust* segment.



TEC Leadership System: Copyright Ian Rheeder

Fig 1: TEC Leadership System:

Leadership Capital

= Trust (reputational capital)

+ Engagement (relational capital)

+ Competence (managerial capital)

Neuroeconomist Paul Zak's studies show that people are motivated by returning favours, just as much as raw self-interest. We're foremost social creatures. When trust is displayed (i.e. a genuine smile, compassion), we are hardwired to reciprocate and return the favour. Thus, by engaging with people at this emotional-oxytocin level, the interest in the leader's message escalates, and so too does the follower's need to reciprocate the favour.

No cultural connection or intentional shared values emanating from the top – then no bottom-line results.

No matter how great and clear the vision, if the people don't first buy-in to the leader (clear values, clear principles), they will not be inclined to walk the untrustworthy road to that perfect vision. Leadership is an inside-out thing. By a strong self-awareness of their values or principles (their culture), the leader's actions are authentically aligned. Professor of psychology Robert Plutchik singled out *trust* as one of the eight basic emotions we feel, and said that the opposite emotion of trust is *disgust*. The opposite of a *high-trust leader* should therefore be described as a *high-disgust* leader. Over the long haul, a credible character is key — know how to build trust (ref. Fig 1: TEC Leadership System).

Because of our primary survival need for *clarity or certainty*, we either box people as '*I trust you*', or 'I have *disgust* for you'. There is no lukewarm state of indifference. This sheds light on why most customers who defect, defect to the opposition just because of indifference (lukewarmness). In other words, if there is no evidence of trust, the feeling of disgust sets in. Nature's survival mechanism has just programmed us this way.

→ ENGAGEMENT

Relational capital, typical of the transformational leadership style

Followers should come to work because they want to. Not because they have to. Let's explain how an *engaging* leader puts their group onto a natural high. Interestingly, snorting cocaine also leads to an increase in serotonergic, noradrenergic (adrenaline), and dopaminergic neurotransmissions. And like it or not, transformational leadership is a placebo.

What do you think Barack Obama did with his charismatic speeches? "Yes We Can!" But could he really do it, and could his followers do it too? Many top leaders, in spite of their excellent credentials and competencies, cannot get the vote today without the placebo of a great emotional speech—a vision. That is ridiculous when you really think about it. But for better or worse, you should now start appreciating how the hype of inspirational *transformational leadership* works. Because of the neurobiological affect it has on us (ref. TEC diagram), emotional engagement is key.

LET'S NOW TAKE THIS **'SOFT' TRANS-FORMATIONAL HYPE,** AND BOLSTER IT WITH **'HARD' COMPETENCE.**

→ COMPETENCE

Managerial capital, typical of a transactional leadership style

In the book *The Psychology of Leadership (2005)*, Tom Tyler warns that leadership should not only be about "motivating" the group, but also should "set goals for the group (vision)" and "structure the organisation so that it can effectively attain those goals (implementation)." Hence, after all is said and done, decisive action counts the most. It's important to remind ourselves that Peter Drucker also said: "Leadership is all about results." This does not mean the leader should use fear to motivate, but rather keep followers appropriately challenged and productive. The leader's observed competence – their *expert power* – excitedly keeps their team on their toes, watchful and vigilant (ref. Fig. 1, producing norepinephrine). Here the leader *influences* more than *inspires*. Steve Jobs was rude and rough, but his observable competence and vision built trust. Elon Musk monitored the changing environment, engaged his people with impact, and took decisive action. Norepinephrine activates the amygdalae, which activates the locus coeruleus, which activates the cortex, putting us in a fairly alert and energetic mode (Sapolsky, 2017:43).

Leadership and management are flipsides of the same coin. Remember that a transformational leader keeps their followers' 'chins-up' – excited about the shared vision; and a transactional manager keeps their 'chins-down' – energised to implement the mission.

GET TO KNOW THEIR VALUES, THEIR VISION AND THEIR CAPABILITIES. IF YOU DO THIS, THERE WILL BE **TRUST;** AND IF YOU HAVE TRUST**, YOU CAN START TO LEAD.**

SUMMARY

The definition of an excellent TEC Leader now becomes clear: A great leader is **trusted** and emotionally **engaged** with their group, and because of their appropriate **competencies** and contextual mindfulness, they can intuit decisions and implement superior solutions **faster** than their rivals.

FEES CHARGED FOR LEGAL SERVICES

Written by **Franci Leppan,** Director at Leppan Attorneys

The question is often asked about how legal practitioners charge for their legal services. This simple question often has a rather long and sometimes complicated answer, and this article provides a high-level overview on how legal fees are charged.

Legal fees charged for legal services rendered are categorised into regulated areas and non-regulated areas.

Regulated Areas

These are legal fees in certain spheres of law such as conveyancing and notarial work. Deceased and insolvent estates are regulated by tariffs.

Conveyancing and Notarial Work

The fees charged for conveyancing and notarial work are subject to the applicable tariffs as set out in the Deeds Registries Act, Act 37 of 1937 (as amended). Legal practitioners do, however, have some leeway in terms of negotiating fees charged to a client. For example, bulk registrations of bonds or property transfers are often done at reduced rates and antenuptial contracts are occasionally drawn up as wedding gifts to clients.

Deceased and Insolvent Estates

Legal fees chargeable by legal practitioners who attend to the winding-up of deceased estates are regulated by the Administration of Estates Act, Act 66 of 1965 (as amended). However, the winding-up of deceased estates no longer falls exclusively within the domain of legal practitioners. Banks and other non-legal practitioners are now also strong competitors in this market – resulting in the fees charged by parties other than legal practitioners being negotiable.

Insolvency practitioners are guided by the tariffs set out in the Insolvency Act, Act 24 of 1936 (as amended) in terms of the fees charged for services rendered.

Non-Regulated Areas

Legal practitioners, like most professionals, bill their clients at an hourly rate. It is simply impossible to accurately define a 'fair fee', without reference to specific work performed, the sphere of law and the particular circumstances.

Fast-evolving areas such as Cyber Law and Constitutional and Banking Law require specific expertise and knowledge, which consequently justify higher fees. A legal practitioner with many years' experience can command significantly higher fees than a junior general practitioner. The seniority, experience and particular expertise of a legal practitioner are the most fundamental criteria when estimating and evaluating fees.

Assessing fees charged

The Legal Practice Council's Code of Conduct, as published in the Government Gazette on 29 March 2019, directs in Rule 18.7 that overreaching or overcharging of a client should be assessed against the circumstances of the matter and the reasonableness of the fee charged.

In practice, fee agreements are often signed at the inception of the matter, containing a schedule of fees charged and the terms upon which the mandate is accepted. A client can also tacitly agree to the rate charged by a legal practitioner by simply paying an invoice without dispute.

If a client is unhappy with the fees charged by a legal practitioner, the available options depend on the nature of the underlying matter. In non-litigious matters, the fees can be referred for an assessment, by way of a fees enquiry, to the Legal Practice Council. In litigious matters, fees can be referred for either taxation by the Clerk of the Magistrates' Court or the Taxing Master of the High Court; alternatively a fees enquiry by the Legal Practice Council.

In litigation and court matters, if fees are challenged and there is no mandate in place, they are assessed against the tariff applicable in the Magistrates' Court or High Court. Accordingly, this tariff is the default position for charging fees. These tariffs are, however, used mainly for taxation of legal costs in the event of successful litigation.

The way forward

The South African Law Reform Commission was mandated, in terms of Section 35 of the Legal Practice Act, Act 28 of 2014 (as amended), to investigate and report back, within a two-year period, on how legal services and the charges in relation thereto may be transformed in order to promote, amongst other issues, the improvement of access to justice by members of the public. Until such time as this investigation is completed, the position as set out above will remain as status quo.

NEED TO KNOW - TECHNICAL UPDATES

CIPC NOTICES

Notice 42 of 2019:
Reason(s) for removal of director(s) by the shareholders in the notice meeting.

Notice 44 of 2019:
CIPC 2019 XBRL Taxonomy for public consultation.

Notice 45 of 2019:
Commencement of deregistration notification to companies and close corporations.

Notice 52 of 2019:
Introduction of Compliance Checklist Button on e-Services Website.

Notice 55 of 2019:
CIPC E-mails protocol.

Notice 60 of 2019:
Compulsory Name Reservation of Co-operatives.

Notice 61 of 2019:
Processing Requirements for Removal of Co-Operative Directors.

Notice 68 of 2019:
Deactivation of e-mail filing of company, company address, company name changes from 1 December 2019.

U-FILING SAICA FAQ

Frequently asked questions (FAQs) for members and associates of SAICA on U-Filing.

SUCCESSION PLANNING

Succession Planning Guide
This guide aims to encourage firm owners to acknowledge the importance of succession planning and to start taking action with regard to their own succession plan and how one should go about planning for succession.

PRACTICE CONTINUATION AGREEMENT

This guide serves to provide members with a basic reference tool when considering and compiling a practice continuation agreement.

CHECKLIST FOR PRACTITIONERS

The SMP Division has recently developed a checklist for practitioners to ascertain which legislation may be applicable to their clients' industries.

STARTING IN PRACTICE GUIDE

This guide shares thoughts, ideas and observations that will help to you on your journey of starting your own practice.

FINANCIAL RATIO TOOLKIT

This financial toolkit aims to assist practitioners and business owners in calculating some general financial ratios pertaining to a company.

CA(SA) DOTNEWS CLIENT NEWSLETTER

The information in CA(SA)DotNews is short, simple and topical: information of practical interest and value to your clients; information that will encourage them to seek your advice and assistance.

NEED TO KNOW - TECHNICAL UPDATES

IRBA RULES REGARDING IMPROPER CONDUCT (REVISED 2019)

The Independent Regulatory Board for Auditors (IRBA) draws the attention of all registered auditors to changes to the IRBA rules regarding improper conduct.

AUDITING ESTIMATES

The requirements, challenges and practical resources for auditors.

CAN YOU MEASURE THE IMPACT OF MENTAL HEALTH PROGRAMMES AT WORK?

To thrive in the 21st century, businesses know they need to address the impact of mental health in the workplace.

WOMEN SHAPING GLOBAL ECONOMIC GOVERNANCE

This book is written by women to encourage everyone to contribute to shaping economic governance at a time where the world is impacted by a digital, environmental and social revolution.

FIVE FORCES THAT WILL RESHAPE THE GLOBAL LANDSCAPE OF ANTI-BRIBERY AND ANTI-CORRUPTION

Corruption remains the single biggest issue facing today's society.

2020 IFRS OPPORTUNITIES AND CHALLENGES

In the next year or so, the IFRS will have three exposure drafts, two discussion papers and three requests for views.

INTERNATIONAL STANDARDS: 2019 GLOBAL STATUS REPORT

This report establishes a baseline on international standards adoption, and explores how and whether accountancy best practices and IFAC member organisations can have a positive role and cost savings impact.

CLIMATE ACTION IN A CLIMATE EMERGENCY

IFAC's members can influence policy and regulatory action for a transition to a low-carbon society.

CASE STUDIES ON COMPLIANCE WITH THE IESBA CODE OF ETHICS

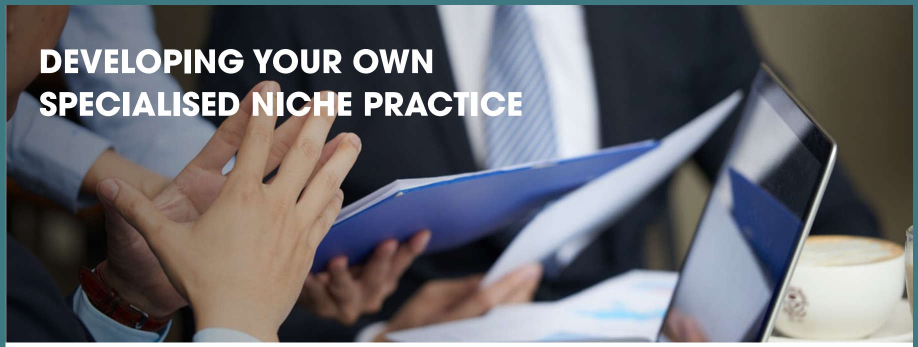
The fundamental principles that have been the hallmark of the Code remain unchanged.

PRACTICE MANAGEMENT

HOW TO GET STARTED WITH VALUE PRICING

Value pricing isn't just a method for pricing your services; it entails a whole new business model.

DEVELOPING YOUR OWN SPECIALISED NICHE PRACTICE

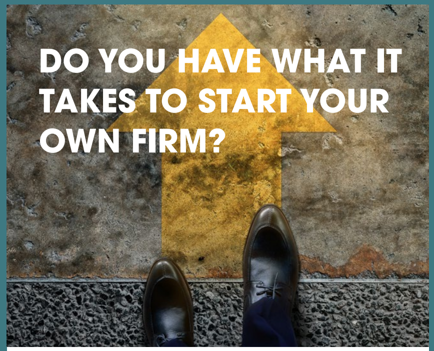


Focusing on one type of client can help firms develop unique expertise that distinguishes them from their competition.

THE IMPORTANCE OF CLIENT SELECTION AND RELATIONSHIP MANAGEMENT

This is the first of a three-part series about client selection, agreeing terms of engagement, knowing your client and client classification.

DO YOU HAVE WHAT IT TAKES TO START YOUR OWN FIRM?



For starters, you have to be willing to work long hours to drum up clients and build the practice.

ACCOUNTANTS ENABLING EFFECTIVE ENTERPRISE RISK MANAGEMENT

The recent IFAC report, 'Enabling the Accountant's Role in Effective Enterprise Risk Management' highlighted the importance of risk management being a core competency for accountants.

HOW TO PRICE CLIENT ENGAGEMENTS AND INCREASE FIRM PROFIT

This is one of a three-part series addressing approaches to fee increases and value pricing.

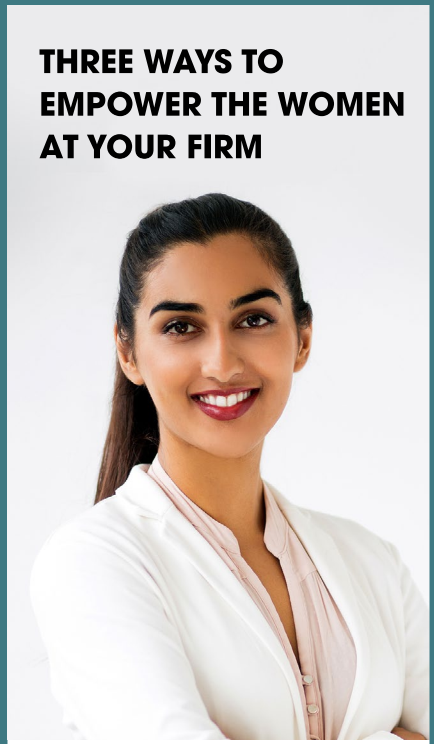
FIRM BUSINESS CONTINUITY PLANNING AND RISK MITIGATION STRATEGIES

The article resulted from discussions at the recent IFAC SMP committee meetings, which involves practitioners from around the world sharing their perspectives and insights.

RISK MANAGEMENT HELPS LEADERS MASTER UNCERTAINTY

For practitioners who want to lead and be proactively involved in ERM, it is important to understand the concepts and processes in risk management standards that can be put into place to deal with context risk.

THREE WAYS TO EMPOWER THE WOMEN AT YOUR FIRM



While cultivating an inclusive environment and supporting women in the workplace should be a year-round endeavour, now is a good time to implement new policies or initiatives to support your female staff.

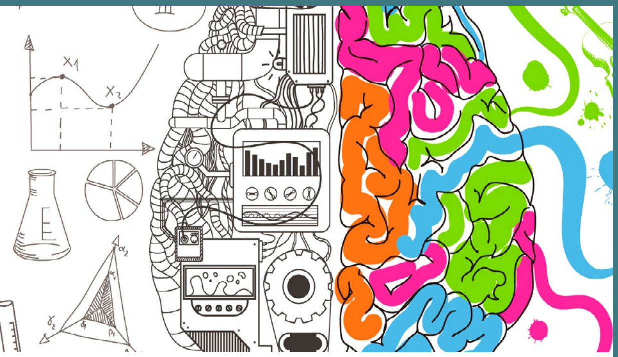
TEN STEPS TO SUCCESSFUL FIRM RISK MANAGEMENT

This article covers 10 steps for successful risk management.

ENHANCING FIRM CREDIT CONTROL AND FEE COLLECTION

This article covers credit control, collection techniques and dealing with conflict.

WHY CREATIVE THINKING IS THE SOFT SKILL ACCOUNTANTS NEED



Employers look for candidates who bring creativity to their role, regardless of industry. See why this soft skill is growing more important for accountants.

TECH TALK - TECHNOLOGY

Taking control of cyber risk
Cybercrime is an escalating problem that demands constant attention to mitigate against financial and reputational risk.

How we successfully implemented AI in audit
The AI we use is machine learning, where the machine has built-in algorithms that help it to learn, based on the transactions it is fed.

Spotlighting innovation in small practices
Members in small practices across the world are showing willingness to innovate and adapt.

The CA's guide to technology
A recent report by a global technology firm estimates that by 2020 accounting, tax, payroll, auditing and banking tasks will be fully automated using artificial intelligence-powered technologies.

Let's talk technology
This publication provides an update on efforts appropriately to address the technology-related issues in recently and soon-to-be issued standards and exposure drafts.

How firms of any size can innovate
There is a big difference between talking about innovation and implementing it at your practice.

Digital technologies' implications for SMPs
Today's emerging technologies, including data analytics, blockchain, artificial intelligence and machine learning, have the potential to be the real game-changer for the profession.

Tech Talks on key tech trends
Practitioners are ideally placed to take advantage of new technologies, as they will be able to evolve their own careers and help their clients at the same time.

Building data science and analytics capabilities in finance and accounting
A strong finance and accounting background is no longer sufficient to become a value-adding business partner over the long term.

Be the disruption
Succeeding in today's workplace is about breaking tradition and doing something unique.

New technologies, ethics and accountability
This report delves into the ethics of new technology.

Disruptive tech in the consumer products industry
To benefit from disruptive technologies such as AI and blockchain, businesses need to experiment with them, learn from failures, adapt, and start over.

Why finance leaders need a digital leadership mindset
The case for digital transformation is strong: companies that are digital leaders perform better.

The passionate practitioner: developing the digitalised small and medium practice
The rapid growth of accounting technology offers significant opportunities for accountants to remodel their practices.