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What we’re talking about is far more than this. It’s a mutually beneficial business relationship that ultimately holds value. Such is the nature of the relationship we strive for between SAIPA and our members, and that we’re sure you work hard at fostering with your employer or clients too.

What does this kind of relationship entail? Clients don’t just want their books done and their taxes in order; they want someone who believes in their ultimate success, and can help them with advice on how to reach their goals. They want to be able to trust someone to truly have their interests at heart; someone they can have a relationship with that will transcend just ‘getting the job done’. Someone who treats their business like it’s their own.

The more of themselves that both parties invest in a relationship, the faster it will grow and the sooner each will begin to reap the rewards of such a mutually beneficial partnership.

We, as SAIPA, undertake continually to strive to provide our members with the best and most relevant CPD opportunities available. We trust that members who attend these events, investing their time in this way instead of being at the office, will experience even greater success as their clients benefit from their increased knowledge.

And the more you know, the better you’ll be able to advise your clients when the tough times come. Remember, the measure of a relationship isn’t in how many easy times there are, but how you help each other to grow through the difficult ones.

Mulligay Pillay – Marketing | Managing Editor
Thomas Hoeppli – Research | Managing Editor

Welcome to a fresh, new edition of Professional Accountant!

You will notice as you read through this edition that we have made a few exciting changes. We have, for instance, included some new content sections in order to bring you more of the kinds of articles and information you are looking for. We have also refreshed the design to make it easier than ever to see which section of the magazine you are in and jump to your favorite bits first!

In the new table of contents page, the articles are grouped according to topics, and the different sections are now colour-coded by topic. The handy coloured tabs at the side of each page will help you navigate the magazine content, even when you are not looking at the table of contents. We have also made subtle changes to the text layout to make it easier to read and spot important information immediately.

One of the exciting changes we have incorporated in the magazine is a new feature in the “Off Balance Sheet” section, in which we are profiling SAIPA staff members. With this regular feature, we hope to bring our staff members closer to you, so that you can ‘put a face to a name’ and get to know some of the people at SAIPA whom you have been in contact with to date.
It is not every day that one has the opportunity to pay tribute to a man of the calibre of Institute stalwart, Bill Shellard. His passing a couple of weeks shy of his 73rd birthday left many in the accounting sector shocked and saddened. Yet, it is with a smile that we reflect on his life, as he touched so many of us, leaving an indelible mark on the accountancy profession.

Bill at work

There is much to say about the enormous contribution that Bill made to the Institute in particular. In fact, it is fair to say that the solid foundation upon which the Institute stands today is testimony to his work as the longest-serving Chief Executive of the Institute. Looking back, we realise that the insightful, forward-thinking contributions Bill and his dedicated team made years ago did much to prepare SAIPA for success in today’s ever-changing business environment.

Prior to joining the Institute, he worked his magic for the CFA for close on 20 years — all of this a far cry from his early years as a commerce teacher, who rose to the position of acting headmaster before joining the then Association of Commercial and Financial Technicians (ACFT).

Bill, the man

Throughout his life, Bill displayed exceptionally strong leadership qualities and a deep-rooted passion for education and training, ensuring that these values were inscribed into the Institute’s DNA. We remember Bill as a mentor with a vision that was strongly anchored in the values he held dear. The epitome of integrity, he never budged on his principles. Confident of his own abilities, but aware of his shortcomings, he always encouraged personal development among employees, and highly prized teamwork.

Yet, he was not a dour person. Bill possessed a dry sense of humour and was often given to dignified laughter. He was a compassionate person who always had time for others and held them in the highest regard, never doing anything to harm their dignity.

Remembering Bill, we are emboldened by his positive disposition: a man who always lived life to the fullest and touched others with his infectious sense of love and joy.

Bill’s family knew him as an exceptional husband to Carmen and father of their four children. The memories he leaves will, in the years to come, be a great source of comfort and inspiration to us all. SAIPA itself endures as a testimony to his great legacy.

“Go in peace dear friend”.

From the SAIPA Management, Board, Staff and Members
The emergence of integrated reports has allowed companies to share far more information with their stakeholders than ever before, in a structured and concise manner. But, while integrated reports are a requirement for listing a business on the Johannesburg Stock Exchange, there is no such onus on any other organisations to take this approach to sharing information. Be that as it may, there are benefits for any organisation that seeks to equip all stakeholders with a more complete picture of its business activities – and those benefits are not necessarily attached to producing the integrated report itself.

That's according to Larissa Clark, Director of the Professional Practice Group - Accounting at EY South Africa. “There are advantages for all organisations. The integrated report is, after all, trying to explain more than just performance. It brings in strategy, it demonstrates how value is created over the longer term, and it explains why you're better than the opposition. Ultimately, it is about explaining your value proposition better, looking through the lens of strategy, rather than merely performance data,” she says.

This is of particular relevance for investors, Clark points out. “So, definitely, even medium-sized organisations will benefit from producing an integrated report.”

Darren Gorton, Financial Manager at the South African Institute of Professional Accountants, provides a slightly different perspective, noting that it can be argued that an integrated report, like annual reports, is merely a historic document for use by stakeholders. “The implication is that it doesn’t hold much value for the business itself. However, the integrated report is more than an annual report. It looks at the present and future, and explains how a company creates value and interacts with its stakeholders and the environment around it.”

Moreover, adds Dirk Strydom, Senior Manager at BDO Risk Advisory Services, the integrated report serves as an exercise to define and better understand risk in a broader context. “In business today, the concepts of risk and strategy can no longer be separated from the social and environmental issues. This impacts significantly on directors’ responsibilities and necessitates the question on the potential role of integrated reporting in organisations. Director liability has increased and the director’s duty of care has widened significantly due to a higher awareness of global issues, for example environmental and social issues,” he says.

Integrated thinking

Be that as it may, Gorton says the real value of integrated reporting isn’t the report itself. Instead, he says, it is the process necessary to create the
report. “That process is quite appropriately called integrated thinking. Integrated thinking covers a wide spectrum from information flow to decision-making, with the sole purpose of helping a business understand itself better.”

Strydom concurs, and notes: “It can be concluded that the concept of integrated thinking is one of the key components and benefiting factors that is introduced into the organisation’s functions and processes through the integrated reporting process.”

As company directors are required to apply their minds quite early in the process of integrated reporting, continues Strydom, and think across the ‘six capitals’ as included in the draft integrated reporting framework, the integrated thinking approach should seamlessly lead to the outcome of an integrated report.

Gorton, however, doesn’t believe that every business should be producing an integrated report – but what he does believe is that every business should be engaging in integrated thinking. “The fundamental concept of integrated thinking is one that should be used and will deliver value for all businesses, big and small alike. Professional Accountants, as business advisors, can guide and coach the leadership team in adopting an integrated thinking approach to their business. By helping their clients to include all facets of their business, the Professional Accountant can assist in ensuring the process delivers all the value that it can,” he explains.

Strydom believes Professional Accountants and business advisors have an important role to play and can be of great assistance to organisations in the process of integrated reporting – but he fingers a key issue. “One of the key challenges is that the quality of non-financial information is generally not as high as that of financial information. However, the credibility of all information reported should be the same,” he says.

A significant challenge, therefore, exists in establishing auditable non-financial metrics. “From the perspective of the Professional Accountant, significant contributions can be made to other divisions within the organisation to assist them in the establishment of metrics that will produce material, reliable, complete and accurate non-financial information, especially when based on best practice from established financial metrics,” says Strydom.

A not inconsequential challenge

There is an adage that something worth achieving is rarely easy – and that applies to the integrated report. Clark points out that in EY’s review of the country’s top 100 companies, just 60% are producing an integrated report – and of those, not all are doing it well. “Not everyone makes a serious effort, which may be owing to the fact that the benefits are different for different types of organisations. Additionally, an effective integrated report depends on board buy-in, something I suspect isn’t the case for those making a perfunctory effort. If it isn’t driven from the top, by someone with a bird’s-eye view of the company, it isn’t going to work.”

Clark confirms that producing an effective integrated report is not an easy outcome to achieve. “That’s why there is talk of a journey. The integrated report is a process that starts with a first effort, after which the benefits can be recognised, further driving impetus to improve the process over the longer term.”

Gorton adds that the case for any business looking to adopt integrated reporting should be considered on its own merits. “Where there is good reason for a business to adopt it, yes, the Professional Accountant should definitely encourage their client to do so,” he says.

However, in very small companies with very few stakeholders and only one or two owners/managers, the report itself may not be necessary. “But in all cases, adopting an integrated thinking approach should generate a greater level of understanding and, therefore, an improved ability to deliver,” he points out.

Moreover, implementing an integrated thinking approach should be easier in a small business where fewer individuals are involved. Such an approach sets up that organisation for a smooth growth path as it expands, with integrated thinking underpinning the potential future production of integrated reports.

“The integrated report is, after all, trying to explain more than just performance. It brings in strategy, it demonstrates how value is created over the longer term, and it explains why you’re better than the opposition.”
Reporting for the future

Clark says integrated reporting is of considerable value (and, as noted by Gorton and Strydom, the integrated thinking that goes with it). “We certainly encourage clients that aren’t listed to consider it, while most listed ones are doing it already. While a lot of companies use consulting firms to help write the report, this is the end piece. Before you even get to that point, there is much to be done around strategic drivers and performance, and how these are measured. Management consulting firms fill this space quite a lot. Whether the Professional Accountant is best placed to provide advice will depend to a large extent on the organisation itself.”

Strydom believes Professional Accountants should encourage their clients’ organisations to adopt integrated reporting, if they haven’t done so already. “When properly implemented, it leads to the process of integrated thinking being embedded within the organisation.”

While Gorton points out that there is ‘most definitely’ a time-investment required from the company’s leadership team, and other potential costs which relate to systems that need to be improved or adjusted, and consultants that may be required in specific instances, integrated reporting has much to offer. “Like any other business decision, the costs and benefits of going down the integrated reporting road need to be weighed up. When considering the benefits though, the difficulty is that the real benefits of an integrated thinking approach may not be easy to quantify. It is, however, worthwhile to properly research the requirements and existing success stories in order to make a good decision, and while it will certainly be easier for most companies to disregard integrated thinking, they may just be missing out on a key tool to enable them to take their business to the next level,” he concludes.

“In larger companies, integrated thinking is far more of a necessity due to all the potential information gaps that exist. Taking your client’s leadership team’s perspective into account is critical, though, as they are the ones who need to buy into the process and drive it. If they don’t, integrated thinking and the resultant integrated report will not provide the benefits that can be achieved,” Gorton adds.

Continuing, Clark says those organisations with a clearly defined strategy find it easier, but she warns that an integrated report can be a laborious exercise. “That said, it may be somewhat easier for smaller organisations where there is less ‘sprawl’ and a more direct leadership path to the top, making it easier to take ownership of the integrated reporting process.”

Further evidence of the ‘journey’ to improved integrated reports, says Clark, comes from experience. “Every year, we are seeing better reports – and those companies that produce the best reports tend to start from scratch, rather than basing their effort on existing work such as financials or other materials.”
With the new Codes of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE) ('New Codes') coming into effect after 30 April 2015, businesses should by now have a clear short-term strategy in place.

Two options are available to businesses:

- The first option is to be rated on or before 30 April 2015, effectively 'buying' the business a further year of being rated under the Old Codes. Thereafter, the business will be rated under the New Codes going forward. This would give the business some more time, hopefully allowing for more clarity around the New Codes to emerge.

- The second option is to be rated on the business' normal annual rating date falling after 30 April 2015. It is important to remember that, as was the case with the Old Codes, under this option, the business will use the most recent historical financial figures to be rated under the New Codes, even if the financial period covers the period before the New Codes become effective.

Whether a business is rated before or after 30 April 2015, it is imperative that the business considers its status as an Empowering Supplier, as customers would want to do business with an Empowering Supplier.

In terms of the New Codes, the definition of an Empowering Supplier is as follows:

An Empowering Supplier, within the context of B-BBEE, is a B-BBEE compliant entity, which is also a good citizen, a South African entity, complies with all the regulatory requirements of the country, and should meet at least three (if it is a large enterprise), or one (if it is a Qualifying Small Enterprise (QSE)) of the following criteria:

- At least 25% of total cost of sales must be procured from local producers or local suppliers in South Africa. In the service industry, labour costs are included under total cost of sales, but capped at 15%. In industries supplying goods, labour costs and depreciation are excluded from total cost of sales.

- Job creation – 50% of jobs created must be for black people, provided further that the total number of black employees since the previous verified B-BBEE assessment must have remained the same, or increased.

- At least 25% of raw materials (which includes local manufacturing, production and/or assembly, and/or packaging) must have been beneficiated.

- Skills transfer – the supplier must spend at least 12 days of productive time per annum in assisting Black Exempted Micro Enterprises (EME) and QSE beneficiaries to increase their operational or financial capacity.

Some other material changes under the New Codes

One of the most important short-term changes relates to expenditure on 'Enterprise Development'. Under the Old Codes, the required spend on Enterprise Development to score a maximum of 15 points was 3% of Net Profit After Tax (NPAT). Under the New Codes, the 15 points and required spend have been split between Supplier Development (10 available points, and the required spend is 2% of NPAT), and Enterprise Development (5 available points, and the required spend is 1% of NPAT).

Conclusion

In formulating and implementing a robust B-BBEE strategy, it is vitally important to plan carefully to ensure optimal scoring for the long term. Companies should carefully consider the implications of their BEE rating under the New Codes while conducting their risk assessment as it is anticipated that BEE will become even more relevant in South Africa, and businesses that don’t score optimally could be adversely affected.
The Codes of Good Practice for Black Economic Empowerment have been radically amended, and the implementation date is 01 May 2015. The following is a summary of the key changes. The scorecards on which businesses will be measured have changed as summarised below:

<table>
<thead>
<tr>
<th>Business Turnover</th>
<th>Old Codes (R million)</th>
<th>New Codes (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempted Micro-Enterprise (EME)</td>
<td>0 – 5</td>
<td>0 – 10</td>
</tr>
<tr>
<td>Qualifying Small Enterprise (QSE)</td>
<td>5 – 35</td>
<td>10 – 50</td>
</tr>
<tr>
<td>Generic</td>
<td>35 +</td>
<td>50 +</td>
</tr>
</tbody>
</table>

A big shift back to narrow-based transformation – EMEs and QSEs that are 100% black owned are automatically Level 1, and if at least 51% black owned, an automatic Level 2. EMEs and QSEs that are at least 51% black owned need only produce an annual sworn affidavit confirming revenue and black ownership. A QSE with less than 51% black ownership must comply with all 5 elements of the scorecard, and is subject to discounting.

The qualification points per level have changed. Under the old codes, if a business scored 65 points, they qualified as a Level 4. Under the amended codes, they are a Level 7 before any discounting.

There are three priority elements: Ownership, Skills Development, and Enterprise and Supplier Development. Companies with turnover in excess of R50 million must comply with all three, and QSE with Ownership and either Skills Development or Enterprise and Supplier Development. The business’ B-BBEE status will be discounted by one level if the gazetted sub-minimum for any of these priority elements is not met. Companies with no black ownership, or multinationals will automatically be discounted a level.

**Empowering Supplier**

Businesses will no longer be classified as Value-Adding Suppliers. The first step in the verification process will be the determination of the company’s Empowering Supplier status. If the business is not an Empowering Supplier, the certificate will be worthless as businesses must be Empowering Suppliers to be claimed for procurement purposes.

An Empowering Supplier is a BEE-compliant entity which demonstrates it is a ‘good citizen South African entity’ complying ‘with all regulatory requirements of the country’. The question is, how will verification agencies verify compliance with all regulatory requirements? The cost of verifications will undoubtedly increase.

A large enterprise must comply with three of the following criteria, or one if a QSE. EME are automatically Empowering Suppliers:
- 25% of cost of sales excluding labour and depreciation must be procured from local suppliers/producers. For the service industry, labour costs are included, but capped at 15%. This will lead to interesting definitions of costs of sales, especially in the services industry, as labour costs are the largest component of their cost of sales.
50% of the jobs created must be for black people, provided the number of black employees since the immediate prior B-BBEE certificate is maintained. As people leave they must be replaced by black staff.

At least 25% transformation of raw materials, including local manufacturing, production, assembly and packaging. This will lead to some innovative definitions of raw materials and what constitutes beneficiation. Compliance will be difficult in the services industry, if not impossible.

At least 12 days a year of productivity must be spent on skills transfer to assist black EME and QSE to increase their operations or financial expertise. The term ‘12 Days of Productivity’ is not defined, but it is becoming generally accepted that it relates to the productivity of a defined person or persons performing these services.

Management Control
Current payroll data must be used. The following formula must be used to calculate black and black female representation in Senior, Middle and Junior Management.

\[ A = \frac{(AM/C + CM/C+IM/C+AF/C+CF/C+IF/C)}{6} \]

This formula calculates an average, but the codes allow no adjustment if certain population groups (e.g. Indian Female IF) are not claimed. Furthermore, no adjustment to the formula is allowed for black female representation. Female representation should be divided by three and not by six.

There is a bias towards Indian and Coloured management as the demographic targets for these managers are lower and easier to meet than those for African managers. For this reason, the formula is currently under review. The intention here is clearly to use demographics in a percentage allocation of points under management control and skills development.

Skills Development
A priority element, so discounting may apply if the sub-minimum of 40% of the total Skills Development points is not met. The same formula used to calculate black representation for Senior, Middle and Junior Management must be used when calculating the score for Skills Development for black staff. The target has increased from 3% to 6% of payroll, but companies can now claim external training of unemployed people.

Enterprise and Supplier Development
A priority element. If 40% of the targets for each of Procurement, Enterprise Development and Supplier Development are not met, then the business runs the risk of losing a B-BBEE level.

In addition to the requirements that suppliers are Empowering Suppliers, and the reduction of levels as discussed above, the mix of procurement points has changed. The old codes allowed up to 12 points if 70% of procurement was from suppliers with B-BBEE certificates. Under the amended codes, this is 5 points and 80%. The points have moved to procurement from EME and QSE, and from black owned business. This change in mix is problematic for businesses with a limited number of suppliers or with specialised or very technical procurement. This mix must be monitored during the year to ensure issues are corrected. Discovering mix issues after financial year end is too late.

The imports exclusion can still be applied, but will not be applicable to sectors designated by the Department of Trade and Industry. If imports are excluded as there is no local production, this is subject to the development and implementation of an Enterprise Development and Supplier Development plan for imported goods and services.

Other
The QSE scorecard, Equity Equivalent programmes for Multinationals, and certain other technical issues have been issued for comment.

This article first appeared in Directorship magazine, and is re-published with permission.
The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements to ensure comparability both with the entity’s financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Scope
An entity shall apply this standard in preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards (IFRSs).

Going concern
When preparing financial statements, management shall make an assessment of an entity’s ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis, unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which at least, but not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and
expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Materiality and aggregation

An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function, unless they are immaterial.

Offsetting

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.

Frequency of reporting

An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- The reason for using a longer or shorter period; and
- The fact that amounts presented in the financial statements are not entirely comparable.

Comparative information

Minimum comparative information

Except when IFRSs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period’s financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period’s financial statements.

An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period, and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Change in accounting policy, retrospective restatement or reclassification

An entity shall present a third statement of financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements required in paragraph 38A if:

(a) It applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in its financial statements; and

(b) The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

Consistency of presentation

An entity shall retain the presentation and classification of items in the financial statements from one period to the next, unless:

(a) It is apparent, following a significant change in the nature of the entity’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or

(b) An IFRS requires a change in presentation.

Identification of the financial statements

An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.

An entity shall clearly identify each financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:

(a) The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
(b) Whether the financial statements are of an individual entity or a group of entities;
(c) The date of the end of the reporting period or the period covered by the set of financial statements or notes;
(d) The presentation currency, as defined in IAS 21; and
(e) The level of rounding used in presenting amounts in the financial statements.

A complete set of financial statements includes:
- A statement of financial position (balance sheet) at the end of the period
- A statement of profit or loss and other comprehensive income (income statement) for the period
- A statement of changes in equity for the period
- A statement of cash flows (cash flow statement) for the period
- Notes to the accounts

Statement of financial position
An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity’s financial position. When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

Statement of comprehensive income
The statement of comprehensive income, as the name suggests, presents profit and loss for the period as well as other comprehensive income. Other comprehensive income includes income and expenses not recognised in profit or loss such as revaluation surpluses. The statement of comprehensive income may be presented either as one statement or as a separate statement of profit or loss and statement showing other comprehensive income. The standard provides guidance on the form and content of the financial statements and the underlying accounting concepts. It also requires financial statements to present fairly the position, performance and cash flows of an entity. This is normally achieved by the application of IFRS.

Interpretations relevant to IAS 1
IFRC 17 (Distribution of non-cash assets to owners)
The interpretation refers to:
- Distributions of non-cash assets to owners of an entity in their capacity as owners.
- Distributions where owners have a choice of receiving non-cash assets or a cash alternative.

It concludes that:
- A dividend should be recognised when it is appropriately authorised and is no longer at the discretion of the entity.
- The dividend should be measured at the fair value of the net assets to be distributed.
- Where a cash alternative is available, the entity should assess the probability of owners selecting either cash or the non-cash assets and measure the dividend accordingly based on fair values.
- An entity should recognise the difference between the dividend paid and the carrying amount of the assets distributed in profit or loss.

IFRIC 21 recognition of levies
- IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, other than those levies within the scope of other standards, e.g. income taxes and fines or penalties imposed for breaches of legislation.
- A liability to pay levies is recognised when an obligating event takes place, such as the generation of revenue in the current period. There is no obligating event where a levy is triggered in a future period and an entity is economically compelled to continue to operate in the future period, or the financial statements are prepared on a going concern basis, suggesting that the entity will continue to operate in the future period.
- If the obligating event occurs over a period of time, the liability is recognised progressively. If the obligating event is reaching a minimum threshold, the liability is recognised when the minimum threshold is met.
- Illustrative examples accompany IFRIC 21 and these detail how to account for various types of levies.
The finance function plays a number of important roles in a business and, more importantly, in public sector organisations. The four core roles are: Innovator, Business Partner, Steward and Provider/Commissioner. The first two roles were discussed in Issue 23 of Professional Accountant. The focus in this issue will be on the Steward and Provider/Commissioner roles.

**Steward role**

**Public interest**

In its stewardship role, finance is the guardian of taxpayers’ money, ensuring that it is directed to proper purposes and spent in ways that conform to legislation and professional standards. This includes safeguarding the public interest, the long-term financial sustainability of the organisation, and its standing and reputation in the public eye.

Accountability for the use of public money cannot be delegated, although its management can. The finance function, therefore, has both an independent role as guardian of good practice, a role in supporting officers who deliver services and ensuring the mechanisms are in place to provide the assurance over accountability. While these roles look inward to the organisation, the finance function is also an advocate to funders for the amount and stability/predictability of external finance sources.

**Governance and scrutiny**

In recent years, a series of financial scandals and shocks – in both the private and public sector – has generally led to a stronger emphasis on compliance, disclosure and ethics. A traditional emphasis on financial control has converged with a wider concern for corporate governance. This reinforces the need to maintain effective oversight of the organisation’s business activities and for senior management to build sightlines across the organisation’s whole performance, control and risk management systems.

The demand for oversight also highlights scrutiny functions that examine performance and push for allocative and operational efficiency. Formal scrutiny arrangements review evidence, seek ideas and make recommendations to executive management. Scrutiny functions are a key part of the checks and balances in the public financial management system and are therefore fundamental to the finance function. Similarly, the finance function has an obligation to be open and accountable and to
provide appropriate and usable information to the public and to civil society representatives.

Risk management
The public sector – more than the private sector – tends to be risk-averse. Risk management permeates the activities of the finance function, including assessing and mitigating the risks to financial sustainability. Finance is a watchdog for the organisation that ensures risk management is embedded in key management activities such as budget planning and change processes.

Finance has an overview of the design of the overall control environment, and its validation through audits. Controls need to be responsive to changes in risk and accept that not all risks can be eliminated. While the appetite for risk in the public sector is not high, organisations need to ensure that adequate controls are in place and that the control framework delivers value for money, better audit trails or enhanced management information.

Priorities
- Leading the attack on the costs locked up in demand, supply, staff, assets, the control environment, waste and fraud, dealing with other agencies, inspectors and government, and transacting with service users.
- Building internal relationships: ending any residual culture of hand-holding, developing enhanced financial literacy, self-service and embedding a culture of cost management.
- Integrating data requirements for risk management, monitoring and control systems.
- Generating management information, such as business performance measures and user profile data, for the whole organisation.
- Developing finance function capabilities to deliver low-cost processes and provide high-value advice.

Provider/Commissioner role

Core financial processes
The finance function is responsible – directly or indirectly – for providing an organisation's financial infrastructure and for its efficiency, integrity and smooth running. Financial operations include transactive services, such as payments and revenue collection, together with specialist functions like treasury management or finance IT. Fundamental financial operations can be areas to reduce costs, particularly through process standardisation and automation across business functions.

Finance must look to itself for cost reduction through systems change, by risk/impact assessing routine activities to see where costs can most safely be stopped or reduced (discretionary activity) and by reviewing the structure of the finance team. The mechanics of budget execution is also a key financial operation, relying on processes to track commitments and manage resources, managing staff budgets and effective purchasing. The finance function has a clear stake in the resource implications of procurement and contract management and needs to be involved throughout this process.

Sharing operational costs
There are formidable obstacles to implementing shared services, including harmonising systems and practices, determining partners’ relative inputs and benefits, maintaining change momentum across all partners and business continuity during cut-over. Other approaches to sharing fixed costs and reducing unit costs may, therefore, be preferred, including outsourcing, forms of management buy-out or ‘mutual’ provider and joint ventures. More tentative approaches to collaboration include shared facilities or individual shared functions. More radical models may involve progressively joining up operations between organisations based on business case and/or opportunity.

One approach to switching the finance effort from routine to value-added activity may be to transfer commodity operations to specialist providers. However, both shared services and outsourcing have stories of mixed success. Outsourcing shows a need to bring commercial expertise to contract negotiations, to maintain a competent client that can actively manage contract performance, to avoid excessive dependency on contractors for business critical activities and to manage improvement, flexibility and, ultimately, exit. The need to focus on cost reduction and elimination requires finance to leverage greater value from outsourcing – an area for improvement for the public sector.

Shared services reduce local control and can result in extra overheads if the value case is not strong. There are challenges in joining up organisations with different starting points. An organisation with a highly developed payments/IT system that joins a consortium can provide expertise that could greatly benefit the collective. However, the organisation itself may derive very little benefit and may incur new risks. In addition, there are likely to be information gaps, different measurement practices and assumptions about the future state that prevent precise evaluation.
Competency gaps also loom in setting up shared-services business units. The finance function must advise on distinct roles, including:

- ‘Venture capitalist’ – agreeing on each organisation’s inputs to the new delivery structure and how they are to be recognised through cost and benefit sharing;
- Part-owner of the new delivery body – collaborating on the design and set-up of the new service, agreeing on its business plan and pricing policies as well as setting its financial and other performance targets;
- Client for the service to be provided – specifying measurable standards, agreeing on service prices and monitoring ‘contract’ performance.

Impact of technology

Both economic and technological drivers support the trend to scaling up, whether by merging functions dispersed across a large organisation or by joining with other agencies. First, there is the short-term economic imperative to take costs out of the finance function without disabling it; and secondly, customer drivers and technology come together.

Customers, both internal and external, expect to be able to conclude transactions in one session. Technology enables this to happen, and brings benefits of speed, accuracy, automated controls, audit trail and information management. Increased scale supports greater specialisation. However, the switch from labour intensive to capital intensive operations demands volume to keep unit costs down, as well as standardised procedures and common taxonomies.

Shared services and outsourcing are a structural response to these drivers. At the same time, remote access to systems removes some of the locational barriers to aggregating service provision. At a time of turbulence in the organisational arrangements for public services, there are benefits in exchanging fixed costs of local infrastructure for potentially more variable costs of purchased services.

Priorities

- Delivering transactional public financial services differently: more automated, at lower cost, with easier customer access.
- Standardising functional processes across the organisation, reducing variations between departments, thereby reducing diversionary activity and ultimately driving down cost.
- Learning to specify a shared service and help to set its business plan and returns and/or how to outsource with continuous improvements.
- Reviewing the value, competitiveness and structure of the finance function.
- Examining end-to-end processes, linking the originator of a transaction with the final outcome.
- Shortening process chains, targeting low value-added steps and reducing handovers between people or systems.
- Scrutinising the resource implications of procurement systems.
- Integrating customers and suppliers into the process chain in volume transactions, for example, in purchasing care or routing reported faults direct to contractors responsible for affecting a response.
- Making access to systems simple and attractive.
- Minimising tailoring of generic systems, such as income collection and recovery, so that standard processes and any contracted support can be managed across functions.
- Review of diversionary activity – the cost of rework to ensure it is fit for purpose.

These functions, along with the two, equally important roles of the public service finance function – the Innovator and the Business Partner – highlight critical areas where the finance function can play a part in bringing about positive changes, operational improvement, and increased efficiency within an organisation.

This article is based on Finance competencies for public services - Shaping the finance function to meet new and future challenges, a discussion paper by CIPFA (The Chartered Institute of Public Finance & Accountancy)


Key points

Finance is the guardian of taxpayers’ money, ensuring that it is directed to proper purposes and spent in ways that conform to legislation. The finance function is responsible for providing an organisation’s financial infrastructure and for its efficiency, integrity and smooth running.
Like all entrepreneurs, Professional Accountants face the challenges of running a business profitably – with the added challenges of maintaining the necessary professional standards. There is, however, no need for Professional Accountants to lose sleep over these challenges. While the challenges are real, understanding the issues and making some common-sense plans can make them more manageable.

Here are 10 common challenges that could be keeping Professional Accountants awake at night – and shouldn’t be.

1. **Meeting regulatory deadlines.** We all know the problem. The filing deadline is approaching and your client just isn’t sending through the documents you need. The answer is to communicate with your clients early on and consistently. Set out the client’s responsibilities in the engagement letter and don’t forget to stipulate the consequences of tardy delivery of documentation. Train your clients to work with you – and not to see you as the magician who saves them time after time!

2. **Keeping records.** Original records should be kept by your clients – just make sure they understand how long the law requires them to keep files. Invest in a good-quality scanner, and keep all the copies you need digitally. Just make sure your systems are properly backed up.

3. **Delivering the best service to clients.** To run the practice efficiently and give clients the best possible advice, it is essential that the Professional Accountant has a detailed understanding of what skills the business needs. It is also vital to have proper systems and controls in place to reduce human error.

4. **Attracting and retaining the best staff.** While it is important to keep attrition levels as low as possible, the reality is that staff members come and go. The solution is to document all work properly and ensure robust systems and controls are in place. Your employees are among your most important assets, but no one person should be irreplaceable. Never make yourself vulnerable by letting one staff member be the only one able to do a specific task. Make sure that staff are multi-skilled and that there is a clearly documented process on which new people can rely.

5. **Retaining clients – for the right reasons.** It is important to understand what clients value and then to deliver it to them. Clients who stay with you based on price alone will always be at risk of being poached. Make sure you are delivering a service that your clients truly value, and they will be loyal.

6. **Keeping the business cash positive.** Cash flow is one of the biggest bugbears of any business, though smaller businesses obviously have fewer resources to bridge any gaps. Apply the 80:20 rule, and get rid of clients who don’t pay. Also, don’t fall into the trap of thinking a growing list of clients represents ‘growth’. True growth means adding clients who contribute to the cash flow and bottom line!

7. **Losing focus.** Professional Accountants running their own practices risk trying to do...
everything, and thus doing nothing properly. Good advice is to learn how to prioritise in terms of importance, urgency and risk. Remembering that urgent tasks are not necessarily the most important. One has to face up to the fact that not everything can be done perfectly. The trick is to decide which things need most attention in terms of the business’ long-term strategy. The art of delegating is also something every entrepreneur must master, and Professional Accountants are no exception.

8. **Finding stability in a business environment subject to constant flux.** Staff will leave, software will change, clients will move, industries will mutate, and legislative frameworks will shift: these are the facts of business life. Savvy businesses will find stability by identifying a specific niche in terms of services offered, types of clients served or industries covered. They will also cultivate internal stabilisers, such as focus, and consistent processes and systems. Another source of stability is to build a network of partners who can supply skills that you cannot. By cooperating, it is possible to keep abreast of changing client needs – that’s why collaboration is gaining favour across business generally. Remember that stability doesn’t mean trying to stand still, but rather building a craft that can cope with any weather.

9. **Employing family and friends.** It can seem like a smart move, especially when starting out a business – after all, who better to trust? The truth of the matter is that employing family or friends is usually not such a smart move. These are generally intense relationships that bring all sorts of dynamics to complicate the business relationship, and it is hard to separate private and business life. Any conflict down the line will inevitably affect family relations or friendships. In principle, decide whether the potential benefits to the business outweigh the risk to your personal relationships. However, if you do decide to employ your cousin’s husband or your sister’s best friend, take the time to put the new relationship on a sound, businesslike footing. It is best to document the family member’s or friend’s duties and powers in writing, as well as your expectations.

10. **Striking the right work/life balance.** Don’t waste time chasing an ideal balance in terms of time – you won’t attain it. Rather change your vision of what balance means.

Building a satisfying life means doing things every day that relate to all facets of your personality. Building a stable company (see above) is also vital in enabling the Professional Accountant to create the work and lifestyle that he or she finds fulfilling.

So there you have it! Use these guidelines and get a good night’s sleep.
Doing business is a never-ending roller coaster that is both exciting and terrifying at the same time. Thrill-seekers love it, but those who like to have every detail of their lives under more control find it harder to adapt. Either way, the more you know, the more it’ll help you make up for areas in which you don’t have a lot of experience. That’s why, as much as entrepreneurs should have a basic understanding of accounting, accountants should really know a few things about entrepreneurship too.

A business is alive – it’s not just about compliance and making sure the books balance, but about proactively making the necessary adjustments for continued business growth. Here are a few important things to bear in mind:

**It shouldn’t just be about the money**

Your main motivator should not be making a lot of money, especially not in the first six months of starting your business. If it is a dream of yours to own a business, there is more to it than just money. Be very sure of what your motivating factors are, and make sure that others around you also know why you started the business in the first place. They will be there to remind you when things get tough, which they inevitably will.

**It should be about the money**

The number one rule for accountants with their own practices is to not do their own accounting. While that sounds counter-intuitive, think about it in this way: your job is to offer services to your clients. Business savvy says that anything you do that is not making money or not a core service can be outsourced. Also, it’s hard to be objective about the health of your business when you are so close to it. Trust someone else to help you gain that much-needed objectivity that will help you take key decisions towards business growth.

**Break the rules**

Everyone wants a nice office and a letterhead with their name on it. But you should hold off on spending so much on these nice-to-haves and rather focus on things that actually bring clients to the door: sales and marketing. Work harder on generating new business than you do on making your business look impressive.

The same goes for the business plan: don’t become so wrapped up in writing it that you forget to work on building your business. And don’t stress about...
having a vision and mission statement; instead, deliver the goods and your vision and mission will write themselves.

**Stick to the rules**

Contracts can make or break a business. Patiently wade through the red tape when registering your business, involve a legal professional with all your legal contracts governing suppliers, staff, etc. This will save you a lot of hassle at a later stage. This is particularly important when entering into partnerships, having ensured that your partners share your values and are of the same mind as you in all key areas concerning the business. Treat your business like one of your clients, giving advice that you would be happy to apply to your own situation as well.

**It’s all about you**

Even though a business is more demanding in the early stages (not unlike having children!), don’t try to be all things to all people. Know your limits and either communicate them upfront, or form alliances with others who can offer the services you’re not in a position to. Make time for yourself, remembering that you and your business are two separate entities. You are the only one who can take care of yourself and ensure you get the rest you need. Do not think that working more hours will result in greater success when the opposite is often true. Work smarter, not harder.

**It’s all about others**

In fact, it’s about your clients. Offer services that your clients need, not services you would like to offer them. To establish cash flow, it might be necessary to take on projects that require you to do work you haven’t done since becoming a Professional Accountant (SA). Make sure your payment terms accommodate your cash flow situation, and that you have a plan for following up on outstanding payments.

Another key aspect of your business is your employees. They need your guidance and time with you in order to learn, grow and become greater assets to your business.

Your family and friends are probably among your greatest supporters, believing in you and wishing you success in your business. So, don’t leave them on the sidelines while you work to the exclusion of everyone else in your life. That’s not living. Get the balance early on in your business, in case it’s difficult to get it later.

**Do it all yourself**

When you’re just starting out, you don’t have the money to hire lots of people to handle tasks for you. Now’s the time to learn new skills – even if they’re outside your comfort zone – that will help you to save money and keep you from making costly mistakes. Remember: learning comes before earning.

**Don’t do it all by yourself**

Of course you can do it all, but there are some things that you just shouldn’t attempt – especially if it means that the overall quality of work is compromised. Get help with things that are really not an area of competency for you. If your practice is going to be based at your home, make sure that your family respects your space and doesn’t make unreasonable demands on your time during office hours.

**Connect**

Start with the technology you have, but keep up to date with trends that have the potential to make your job easier. If something can be automated, do it. Go for training and keep abreast of developments. As a small business owner, it will be up to you to remain current with best practice and technology, so that your clients will never feel as if they are missing out.

In particular, cloud computing and social media have made it easy and cheap to support an entrepreneurial lifestyle, allowing you to connect with your clients in a flash and work from wherever you are.

**Switch off**

Never forget that human relationships supersede all technology. Make time to interact with clients and others outside your line of work. In a corporate environment, you might have worked from 8 a.m. until 5 p.m. But if you prefer to work at night when the house is fast asleep and rather sleep in in the mornings, then go for it.

**Are you ready for this?**

How do you know that you’re ready to take the leap of faith and start your own business? Ask yourself whether you are as willing to ride out the lows in your business as you would be to ride waves of highs.

Also, consider how you balance your love for rules with your flair for business. Accountants spend their careers working with rules, while entrepreneurs find ways to get around them. Neither is wrong, but if you can balance the two, you will be unstoppable. We have faith in you.
HUMAN RESOURCES (HR)

Richard Branson’s views on traditional HR policies might seem far-fetched for those business leaders who are used to working according to strict corporate rules. But, with your own business you can decide whether the corporate way works for you, or whether you would like to adopt a more flexible strategy.

Hiring a highly qualified, skilled person in a specialised field might look like a great idea on paper, but if you don’t get along and your values collide, it will be more trouble than it’s worth. It’s a much better idea to look for balanced competencies and stay true to the type of work environment and culture you want to create.

Make sure that all HR-related issues can be governed and mediated based on employment contracts that have been reviewed by a qualified legal professional. Even if you hit it off with staff members in the beginning, you should prepare for anything that could go wrong and compromise the working relationship.

MARKETING

No income is possible until a sale is made. Every marketing effort builds a platform from which potential clients can make a decision. Not every campaign will result in loads of sales, but every focused marketing activity spreads the name of your business. This is called creating awareness.

Word of mouth results in the shortest turnaround time. So, make sure that those who want to find you, can – especially online.

Meet new business people and be genuinely interested in what they say; don’t just hand out your cards. Go to both industry and non-industry related events. You never know how you might get to meet your next client.

Sales is a process, and while people might not be interested in buying your services right away, they might become interested at a later stage. They will, however, only remember you if they remain aware of your service offering. One way to keep people up to date is by connecting on LinkedIn, and posting regular updates. You can also send them a monthly e-mail, not pushing your services, but giving information that displays genuine interest in their business.

TECHNOLOGY

Professional Accountants should know and understand enough about technology to be able to advise their clients on the best technology tool suitable to the business process, financial management plan and accounting framework.

Don’t be afraid that clients will replace you with technology. Rather, embrace the time it saves you doing things like capturing expense slips, and use the time to get more clients. Those who do replace you with technology will soon realise that your skills and experience are worth a lot more to them.

Use technology to deal with volumes. For example, automating processes and auto-populating fields in various tax returns can speed things up.

Embrace cloud computing to enable staff to be more mobile and get the job done outside the office.

Invest time in proper training in order to avoid time wasted later fixing errors and cajoling stubborn staff members and clients.

CLIENT RELATIONS

The ‘user experience’ of your clients dealing with your business needs to be carefully designed. Incorporate whatever is necessary to create a happy, satisfying experience for both employees and clients. Happy staff, happy clients.

Even if you don’t like mobile technologies and social media, your customers might, and will expect you to engage with them through these channels.

Be more than a voice: have a face. Meet with clients; connect with them through a social business page. People trust those they know the best. If you want to become a trusted advisor, they need to experience that you really care about their business. Read, learn and listen about their industries and their experiences.

If you are on social media like Facebook or Twitter, remember that even if you are not friends with your clients, nothing prevents them from seeing your private holiday pictures. Conduct yourself in such a way that no embarrassing pictures will ever be posted online, starting by not letting them even be taken.
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Most organisations accept that they need to be ethical in order to improve performance, build trust with stakeholders and achieve long-term success. But many of them struggle to integrate ethics into the way they do business – especially when nobody is watching.

The first step in building an ethical organisation is obviously to develop and implement a code of ethics, but – as King III makes clear – that's not enough: boards have a responsibility to ensure that the organisation’s ethics is managed effectively.

The following seven questions can be used to help detect the danger signs of ethical shortcomings:

1. **Does the organisation operate within a highly competitive environment?** Such environments may cause people to bend the rules in a bid to survive. The pressure to meet demanding or unrealistic deadlines is also something to watch out for.

2. **Does the organisation have a short-term focus?** An excessive focus on short-term results can provoke some executives to engage in unethical behaviour. A powerful contributing factor is the mindset of investors or political stakeholders. If quarterly results are all that matters, management teams are ‘incentivised’ not to take into account the longer-term implications of their actions. Short-term goals can also open the door to corruption and cronyism, because the need to make money or show results trumps everything else.

3. **Does the corporate culture tolerate bullying? Are whistle-blowers protected?** If it’s the norm for those who speak out to be overruled or even victimised, it could be that the corporate culture promotes the ‘conform or get out’ mentality. Such an environment is friendly towards corruption, because the pressure to accept the status quo is immense. Anyone who does report unethical behaviour would not receive adequate protection, which would in turn encourage people to keep their heads down – or to leave the organisation. High staff turnover could be a sign of this type of corporate culture.

4. **Is there an overly deferential attitude towards leadership, or an excessively hierarchical culture?** One danger sign is that authority generally is not questioned within the organisation. Another is that juniors are too eager to please their superiors. A third thing to watch out for is the iconic leader who cannot be questioned – a particular problem where a successful CEO or founder has been in office for too long.

5. **Are there visible consequences for those who act unethically?** Every organisation will have people who act unethically from time to time. The question to consider is whether those who do suffer real consequences, no matter how senior they are – and that those consequences are obvious. These could range from court prosecution, firing or internal disciplinary action. Unethical behaviour needs to be dispassionately treated – the requirement of equality before the law holds good.

6. **Are values a key criterion in the recruitment process?** It is vital that the new people coming into the company are aligned with its ethical values, and that HR and other recruitment agencies actively search for such people.

7. **Is the corporate oversight function weak?** Answering this question will mean the internal audit team, social and ethics committee – and even the board – will need to assess honestly how much leadership acts on the recommendations of the internal audit.
While most business people can talk with ease about fraud and corruption, they have more difficulty talking about the ethical conduct that they would like to see in business. Very simply, business ethics revolve around actions that balance self-interests with the interests of others, and with the greater good. Taking or assigning responsibility for ensuring that business ethics is being practised is, however, not as simple.

For larger companies, it has become common practice to appoint an ethics officer. This incline in the appointment of ethics officers is mostly due to the various corporate governance developments and regulations. Smaller companies or organisations aren’t as strictly governed and regulated, and might therefore be unaware of the value of appointing an ethics officer.

“There are many sound business reasons supporting the rationale for creating a position for an ethics officer, no matter the size of the organisation,” says Professor Deon Rossouw, CEO of the Ethics Institute of South Africa (EthicsSA).

“At a broader level, widespread adoption of King III and similar codes, and the integration of many of its principles into law (such as the Companies Act) is testimony to the fact that good governance makes for good business. In the public sector, the Integrity Management Framework, which was adopted by Cabinet in 2013, requires that all national and provincial departments have an ethics officer.”

According to Professor Rossouw, these codes and regulations came into existence because there is a business need for them, but businesses don’t necessarily understand what value an ethics officer can offer to the company. It is, however, easy to determine whether a business requires an ethics officer, with the following signs being the most obvious.

**Double standards for unethical conduct**

An ethics officer is more than a signal or a guarantee of a company’s bona fides. He or she can help to prevent fraud, corruption and other malpractices from occurring by actively managing corporate ethics and building an ethical culture. Ethics tends to be an all-or-nothing game, and companies that tolerate unethical behaviour in certain areas quickly become rotten. Poor employee morale, high staff turnover, constant litigation: all of these cost money and time, ultimately acting as a brake on growth.

**Employees are unsure of how to deal with unethical conduct**

The business environment is much more complex than it used to be, and its complexity is increasing. Navigating tricky ethical issues is increasingly something that requires professional expertise – common sense on its own (always in short supply anyway) is no longer a reliable guide. Ethics officers become the *de facto* helpline for company employees on all ethical issues.

**Stakeholders are concerned about fraud in the business**

Investors, business partners and customers all are asking harder questions to ensure that companies with which they do business are ethical. As the 2013/2014 Global Fraud Report shows, global fraud is on the increase. An ethics officer acts as a signal that the company is serious about maintaining a high ethical standard.

**Whistle-blowing data not analysed**

Ethics officers act as a clearing house for all ethical issues. Noteworthy added value they bring is the analysis of a company’s whistle-blowing data to look for trends.

“Ethics officers are often appointed from amongst a company’s own staff in addition to other duties, and that is certainly a good option for smaller companies,” Professor Rossouw concludes. “However, training and certification are absolutely essential to ensure that the ethics officer is empowered and can deliver the maximum business value.”
As professional accountancy organisations (PAOs), IFAC member bodies serve the public interest in a variety of ways. They contribute to standard setting, regulation, quality assurance, education, examinations, corporate social responsibility, and much more. But as Chief Executive Officer of CPA Ireland, I cannot stress enough the importance of providing direct support to small- and medium-sized entity (SME) owners, which I believe is in the public interest. This is especially true in times of economic crisis, when much of the focus is on big business and regulatory changes. PAOs can and should provide SMEs with critical research, practical guidance for decision-makers, surveys to reflect rapid changes in the marketplace, and best practices to indicate how the survivors are prospering and why.

Learning more from the analysis of success than the anatomy of failure

We can learn far more from the analysis of success than from studying the anatomy of failure. A recent report produced by CPA Ireland, Weathering the Storm – SME Lessons from the Crisis, examines recent SME experiences during the economic crisis in Ireland. Doubtless, many of those experiences, and the lessons we have learned, will resonate with SMEs around the globe. The report sets out lessons that can be learned from Irish SMEs that survived the recession, and factors that led to their survival and success. Success in business is not simply about avoiding mistakes, it is about making the right decisions at the right time. Those businesses and business people who have made good decisions can, therefore, offer valuable lessons. These include:

- The importance of speedy response—It is frequently the speed rather than the nature of the action that determines its effectiveness. Businesses that initiated the process of cost-cutting and other remedial actions too late found themselves at reduced competitiveness.

- The importance of surgical cost-cutting measures—The main challenge facing businesses was not how much to cut, but rather where to cut. Targeted cuts were seen as more effective than broad cost-cutting measures. This is an important part of the discipline required when making sacrifices.

- Open-mindedness is critical for adaptation—Participants in our study

Eamonn Siggins, Chief Executive Officer, CPA Ireland
indicated that they had a willingness to change the way they did business in order to meet the needs of the marketplace. They were willing to make modifications in their price and sales models.

- The fewer debts the better—Unsurprisingly, many of the businesses that survived the crisis did not have the burden of previously incurred large debts, especially debts from non-core business purposes. Banks are not really in the business of taking lending risks, thus working capital for firms with large amounts of debt had to be acquired from other sources, e.g. government. In the future, other resources may take the form of crowdfunding or other platforms.

- Open communication with staff—Business owners noted the effectiveness of engaging openly and honestly with staff in the formation of new strategies meant to address the crisis, and in pledging their commitments to such strategies. This was critical for maintaining trust and morale.

- Fortune tends to favour the brave—Companies that either maintained or increased their investment in marketing were rewarded for their courage. Companies that looked to export markets as a way of replacing lost customers at home also fared well.

One of the most interesting outcomes from the report is what it tells us about the character of SME owners. Courage, tenacity, resilience, resourcefulness, ingenuity and loyalty are a few of the characteristics shared by contributors to the report.

PAOs should never lose sight of the SME community

I believe that providing support for SME owners is an important way that PAOs serve the public interest. In addition to providing webinars, information bulletins and advocacy on public policy issues affecting SMEs, PAOs should make far greater use of research. Surveys and narratives collected from small business owners have much to offer. With modern technology, surveys easily and quickly provide snapshots of business owners’ sentiment and issues. In the same way, interviews provide insights into the real-life experiences of businesses and first-hand information long before it is re-interpreted into textbooks and/or best-sellers.

PAOs have broad networks of financial decision-makers in a variety of industries to draw upon. For SMEs, which often do not have the kind of access to expertise that larger firms have, this is a vital service. For this reason, a PAO should provide more than just a one-way stream of communication; it should provide continuous reflections of the constituencies it serves. It should be nimble, deeply engaged with members (who are embedded in a network of intelligence), and ready to reflect the situation in real-time.

I can’t think of a better way for PAOs to help their SME members be better equipped for the next crisis.
A s time changes, so does the environment in which a tax professional has to operate. It is of vital importance that tax professionals recognise these changes. With the ever-improving environment of SARS and its IT enhancements, tax professionals have to adapt to stay current with legislation, especially in the context of the Tax Administration Act.

New trends have emerged, one of them being the moving of clients’ eFiling profiles. Most of the time, this is seamless and happens automatically between the two tax professionals and the client. However, in the rare circumstance of it happening under constrained conditions, both the outgoing and incoming tax professional must remember the roles they play and always act in the best interest of the profession and that of their client.

We see many cases where an illegal lien is exercised on the release of the profile, mainly due to outstanding fees. SAIPA members must understand that this is not allowed and is unbecoming conduct of a Professional Accountant. Fee disputes must be handled through the correct procedures and appropriate channels. The deliberate withholding of the eFiling profile (even though there is an override function available) is against the Institute’s Code of Conduct and is punishable with a fine of R2,000 and the release of an eFiling profile without the requisite mandate will result in a R7,500 fine from the Institute.

Hopefully, when signing on new clients, we select clients of a high moral standing who understand the environment in which we operate. For clients who fail short of this responsibility, it is our duty to educate and guide them on the correct path, and if it is found that this is not possible, step down from that role. If we are successful, mutual respect and courtesy will be maintained throughout the relationship.

It must also be stressed that both Professional Accountants (especially a newly appointed practitioner) must advise the client of the procedures that must be followed when the ‘request for transfer’ of the eFiling profile dawns. The outgoing accountant cannot just merely release the profile without the written mandate from the client. This written mandate will also form part of the outgoing accountant’s working paper file to ensure that he/she has ticked all the boxes and covered him/herself from any possible fraud attempts and/or liability.

Many times a tax professional is faced with an email in the morning from SARS requesting the move to another tax practitioner, without any prior notice. This is very unethical behaviour from the requesting tax professional or client. Clients have an obligation to inform their current accountant of their wishes to move to another practitioner. The request must be in writing (post/fax/email), or a telephone call, later reduced to writing as confirmation. An SMS will not suffice. A simple email (not more than a few lines) would be the preferred method of delivery due to its instantaneous properties. All the outgoing accountant then has to do is to confirm that it was sent from the client’s regular email address, follow up with a courtesy call to confirm (sometimes unnecessary as it probably would have been done in discussions prior to the said notice) and thereafter release the profile.

The letter may or may not contain the new tax practitioner’s details (as it would usually be followed up with a request on eFiling which contains this information), but must state that the accountant must release the profile when requested. This safeguard in releasing of profiles would eliminate the risk of an un-appointed person acquiring the profile of the client as it contains a lot of personal and sensitive information.

We trust that this has shed some light on the matter and that SAIPA tax professionals continually strive to maintain and uphold their professionalism in the positions and responsibilities that have been entrusted to them.
Q: Tell us about yourself
A: I started at SAIPA on 1 April 1990 – 25 years ago. Since then, the Institute has felt like home, and this is evident by the number of years that I have been with SAIPA. My husband and best friend, Ernand, has been very supportive over the years and our son, Anton, literally grew up in the Institute. Unfortunately, we lost him at the age of 19. Over the years, I have grown into the position that I hold now. And although my responsibilities have varied across many of the departments in the Institute, I have always been involved in the membership department.

Q: What do you do at SAIPA?
A: I am the Membership Services Manager. I look after all aspects of SAIPA membership, which includes member registration, subscriptions and liaising directly with members. I really love SAIPA members and enjoy interacting with them. Over the years, I have become quite well-known with members and many of them prefer to deal with me directly.

I also have a great team of staff in the membership department that I manage. We are a team and are very supportive of each other. I couldn’t do my job without their support.

Q: What is the best part of your job?
A: I thrive on problem-solving and the implementation of new systems, processes and procedures. My strength is administration and I love it! I really enjoy working with people, in particular with my members.

Q: What are some of the more challenging aspects of your job?
A: Although the work is the same, and at times can be somewhat mundane, the challenges are different every day. I don’t do the same thing two days consecutively. Recent challenges include the implementation of a new CRM system at SAIPA and the teething problems that have arisen with that. The year-end invoicing run is usually a challenge and the weeks leading up to the AGM are always very busy.

Every year my responsibilities change and grow due to my extensive experience and knowledge of SAIPA – but this is not a bad thing!

Q: What are your thoughts on the accounting industry as a whole and SAIPA’s role in it?
A: SAIPA has been a second home to me. During my many years at SAIPA, I have seen numerous changes take place at the Institute. The late Bill Shellard was a great mentor to me. He really was a father figure to me and we worked together for 12 years.

SAIPA is currently in transformation to become more reflective of the ‘new’ South Africa. Our strategic objectives are on point and we are looking to really grow and develop the Institute. We are ready to take SAIPA and our members to the next level. I look forward to this and the challenges it brings.

Q: What do you do for fun?
A: We were a very close family, but after Anton’s death, Ernand and I became much closer. We have two dogs, Jesse and Chino, that keep us busy and entertained. We do our best to live life to the fullest and make each moment count. We enjoy camping and being out in nature. I also love reading, but definitely no cooking or baking!

Q: Any personal goals or future plans?
A: Work for SAIPA!

Apart from work, we have a community project we are hoping to get off the ground. We are planning to build a pre-primary school at the mine where Anton was murdered in the Knights area in Germiston. I believe it is my life’s purpose to invest in other people, to teach and help them, and I look forward to the next 25 years.

I also wish to thank my Heavenly Father for his presence and guidance in my life.
The invitation came in an innocuous e-mail asking Clarence Melwick to speak at the annual Advanced Business Analytics and Process Systems Conference at a venue that will remain unnamed to protect us from an expensive defamation suit.

Clarence is a mild-mannered man who lists Sudoku, crossword puzzles and butterfly collecting as his principle hobbies. He likes to wear white, short-sleeved shirts buttoned at the collar, and lives with his mum, Marge Melwick, who loyally cooks him fish fingers for supper on Sundays and still does his laundry. A little creepy, but who are we to judge?

Clarence has three doctorates in Boolean algebra and has been known to call Steven Hawking a lightweight. Clarence also has an unholy fear of talking to more than two people at a time, and so a conference was a confidence-stretch too far for this young man. But one of his bosses – who he hated – told him he had to do it or he’d lose his leave, which he was going to use attending a gathering of lepidopterists on the island of St Helena.

A week before the conference, a wink he did not sleep. He broke out in hives, developed an eye-twitch, and hyperventilated at inopportune moments. But being of a studious nature, he worked hard on his presentation, and was confident he could get through his 1,200 slides in the allotted thirty minutes. Each point had a sub-point preceded by some historical contextualisation, and he felt his audience would be beyond riveted. Who wouldn’t, with the title: The Minimum Level of Uncertainty Using the Laws of Propagation While Pushing the Boundaries of Clear Path Detection and Extrapolating False Negatives?

When Clarence practised with his mum, she didn’t understand a word of it, but gave him an extra fish finger and another dollop of mash. And so, on the appointed day, he arrived at 4 a.m. for an 11 a.m. start, and wore through one carpet with his nervous pacing. His presentation was neatly loaded on a memory stick, and the obvious hives on his neck had been treated with a little liniment.

The chairman made a big deal about introducing him, referenced his astonishing intellect and reputation in international analytics circles or, as they like to say, circumscribed polygons. All he had to do was point the remote clicker at the laptop and the fruits of his labour would be clear for all to see.

But nothing happened. Just that awful blue revolving circular icon that told the audience it was loading and loading and loading. The jaunty and jocular MC bounded on to the stage, told Clarence the conference room IT system wasn’t reading his presentation, but could he do it from memory. The word busk was used.

Clarence spent 12 months in the secure wing of the hospital, then relocated to St Helena where he is credited with discovering the Yellow Glass-Wing Monarch butterfly. His mother still cooks fish fingers on a Sunday.
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