

MEMBER HANDBOOK

ACCA SOUTH AFRICA

Contents

1	Introduction	3
2	ACCA (the Association of Chartered Certified Accountants)	4
	2.1 Background to ACCA	
	2.2 ACCA in South Africa	
	2.3 ACCA qualifications	
	2.4 ACCA membership requirements	
	2.5 Member value-proposition	
3	ACCA Continuing Professional Development (CPD) policy	8
4	Practising certificate requirements	9
5	Recognition status of ACCA in South Africa	10
6	Engagements that ACCA members can perform in South Africa	10
	6.1 Tax practitioner and general accounting work	
	6.2 Accounting officer reports for close corporations	
	6.3 Independent review	
	6.3.1 Specific sections of the Companies Act relevant to independent reviews	
	6.3.2 Qualification of independent reviewer	
	6.4 Report preparation for various entities	
	6.4.1 Reports for body corporates	
	6.4.2 Reports for trusts	
	6.4.3 Reports for schools	
	6.4.4 Reports for insurance intermediaries	
	6.4.5 Reports for non-profit organisations	
7	Engagements that ACCA members are not allowed to perform	14
	7.1 Auditor of companies and other entities	
	7.2 Independent reviewer of larger non-owner managed companies	
	7.3 B-BBEE verification agents	
	7.4 Executor of deceased estates	
	7.5 Attorneys trust accounts	
	7.6 Estate agents trust accounts	
	7.7 Travel agents and travel agencies	
	7.8 Agricultural produce agents	
	7.9 Sheriffs of the court	
	7.10 Drought scheme for farmers	
	7.11 Honorary auditor for club, institute or association	

1 Introduction

The purpose of this handbook is to provide useful information for South African members about ACCA (the Association of Chartered Certified Accountants) as well as details on statutory work which can be carried out by an ACCA member in the country.

The handbook was prepared and updated by the technical manager at *ACCA South Africa* and any queries or comments should be directed to nokuthula.ntshele@accaglobal.com

Every effort has been made to ensure that the information in this handbook is accurate and up to date at the time of distribution. ACCA accepts no liability for inconvenience or loss caused by the publication of any out of date or inaccurate information.

This document has no regulatory status and is issued for guidance purposes only. Nothing contained in this document should be taken as constituting the amendment or adaptation of the *ACCA Rulebook* or current legislation in South Africa. In the event of any conflict between the content of this document and any relevant legislation or the *ACCA Rulebook*, the latter shall at all times take precedence.

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2 ACCA (the Association of Chartered Certified Accountants)

2.1 BACKGROUND TO ACCA

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

ACCA works to strengthen a global profession based on the application of consistent standards, which we believe best supports international business and the desire of talented people to have successful, international careers. We champion the needs of small and medium sized business (SMEs) and emerging economies, and promote the value of sustainable business.

To achieve this we work with global bodies such as the International Federation of Accountants (IFAC) and with 77 global partnerships. Above all, we seek to bring long-term value to economies in which we develop and support professional accountants.

We support our 162,000 members and 426,000 students in 173 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 89 offices and centres and 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

ACCA works in the public interest, assuring that its members are appropriately regulated for the work they carry out and, promoting principles-based approaches to regulation. We actively seek to enhance the public value of accounting in society through international research and we take a progressive stance on global issues to ensure accountancy as a profession continues to grow in reputation and influence.

ACCA's mission is:

- to provide opportunity and access to people of ability around the world and to support our members throughout their careers in accounting, business and finance
- to achieve and promote the highest professional, ethical and governance standards
- to advance the public interest
- to be a global leader in the profession.

ACCA's core values are:

- **Opportunity:** we provide opportunity, free from artificial barriers, to people around the world - whether students, members or employees and we support them in their careers.
- **Diversity:** we respect and value difference, embracing diversity in our people and in our output.
- **Innovation:** we create new and unexpected possibilities, providing innovative solutions for the future.
- **Accountability:** we accept individual and corporate responsibility for our actions, working together to deliver a quality service and to promote the best interests of our stakeholders.
- **Integrity:** we act ethically and work in the public interest, treating people fairly and honestly; we encourage the same from others.

ACCA's reputation is grounded in over 100 years of providing accounting and finance qualifications. We complement our long traditions with modern thinking. With a predominantly young and dynamic membership, we aim to create value for the profession and the business community through standards and services which are innovative, relevant and of the highest possible quality.

2.2 ACCA IN SOUTH AFRICA

ACCA established its first office outside the UK in the early 1900s, in Johannesburg, South Africa. At the turn of the 20th century when South African accountants started to organise themselves as a profession ACCA members were amongst the founder members of the four provincial societies of Chartered Accountants that were formed at the time. ACCA re-entered South Africa in 1994 during its time of transformation.

To achieve ACCA's goal of being the leading global professional accountancy body in reputation, influence and size, ACCA needs to ensure that the qualification is recognised by employers across all sectors and our priority in South Africa is to focus on market recognition.

The size of the market, coupled with the need for a range of financial and accounting specialisation means there is ample scope for the entire spectrum of accounting and finance-related professional bodies in the South African market.

The open-access model for the ACCA Qualification is well-suited to a developing country such as South Africa, where many employees may have years of work experience, but may not have had the opportunity to finish their schooling. Many of these employees may be eager to obtain a formal qualification, but may mistakenly believe that the door is closed to obtaining a formal accounting qualification. There are also those, who may mistakenly believe that because they did not study accounting at school, they cannot become an accountant. ACCA has always been committed to dismantling artificial barriers that stand in the way of people who have the application and ability to becoming professional accountants.

2 ACCA (the Association of Chartered Certified Accountants)

There is considerable scope to market the Foundation-level qualifications (Foundations in Accountancy) to both the public and private sector, as a means to increase skills incrementally within organisations and as a means to empower experienced employees through the recognition of prior learning (RPL).

The skills development legislation has paved the way for encouraging employers to train generally and there are numerous financial benefits in terms of grants and rebates that employers can obtain. Employers prefer the flexibility of the ACCA qualifications as they are able to structure training and work experience that suits their work schedules.

Theoretically, within a period of five years, one could be transformed from an individual who is not matriculated, to a world-class accounting professional. The ACCA suite of qualifications could assist organisations and government's legislated requirements in terms of Employment Equity, Broad-Based Black Economic Empowerment (BBBEE) scorecards and the need to fast track transformation within the world of work.

ACCA South Africa participates actively in the education and training environment. ACCA is a Quality Assurance Partner with Fasset (the Seta for finance, accounting, management consulting and other financial services) and both qualifications are registered as learnerships.

The education system in South Africa is under strain and there are constraints in terms of deploying the traditional academic routes to develop the requisite accounting and finance skills. Many South Africans do not meet the criteria for admission to universities and universities of technology. Furthermore, many aspiring accountants cannot afford to study full-time. The ACCA Qualification is therefore an ideal route.

ACCA South Africa has a number of gold tuition providers and we are currently working through the current tuition directory to identify new potential gold tuition providers. Tuition providers provide an opportunity for students to study with the assistance of face-to-face classes or through interaction with online materials.

The ACCA qualifications have the potential to give thousands of students a life-changing opportunity to become part of the accounting profession and hold a qualification that will open doors to global employment and a better standard of living.

2.3 ACCA QUALIFICATIONS

ACCA's core qualifications are:

- Foundation-level
 - Introductory Certificate in Financial and Management Accounting
 - Intermediate Certificate in Financial and Management Accounting
 - Diploma in Accounting and Business
 - Certified Accounting Technician (CAT)¹
- Advanced Diploma in Accounting and Business which can be converted into a BSc (Hons) in Applied Accounting with Oxford Brookes University.
- ACCA Qualification² which can be converted to an MBA with Oxford Brookes University.

The portfolio of core qualifications all relate to the development of professional accountants. ACCA was one of the first accountancy bodies to ensure that its core qualifications articulate with each other, so that people may progress through the qualifications as part of their development. Students therefore commence their training according to their prior learning and the stage of education they have achieved.

While the most popular starting point is directly on the ACCA Qualification students have the option to start with one of the Foundation-level qualifications. It is possible to obtain exemptions from the first three examinations of the ACCA Qualification on successful completion of Certified Accounting Technician (CAT) or the Diploma in Accounting and Business within the Foundation-level.

Along the route to qualifying for the ACCA Qualification, students may obtain a degree from Oxford Brookes University (OBU). After becoming a member, they might move on to the MBA, which is uniquely developed to take into account the prior learning of ACCA members. ACCA's core qualifications therefore promote opportunity and progression, with flexible points of entry and exit to suit the individual's own learning aspirations.

The ACCA Qualification is designed to develop the accounting knowledge, skills and professional values required to deliver finance professionals who are capable of building successful careers across all employment sectors. The career flexibility the ACCA Qualification provides has been central to its success.

1 Registered with the South African Qualifications Authority (SAQA) at NQF Level 5

2 Registered with the South African Qualifications Authority (SAQA) at NQF Level 8

2 ACCA (the Association of Chartered Certified Accountants)

The ACCA Qualification meets the global accounting education standards set by the International Federation of Accountants (IFAC). This means there is a particularly strong focus on professional values, ethics, and governance. These skills are deemed essential as the profession moves towards strengthened codes of conduct, regulation, and legislation – with an increasing focus on professionalism and ethics in accounting – and are examined at the highest level in the ACCA Qualification.

The key distinguishing features of the ACCA Qualification are as follows:

- Professionalism and ethics are at the heart of the qualification – through examinations, practical experience requirements and a unique module looking at the importance of ethics within the profession. A central paper of the Professional level is Paper P1, *Governance Risk and Ethics*, which asks candidates to integrate and synthesise their skills and knowledge over a wide range of areas relating to professional conduct and ethics. Additionally, all newly-registered students are prompted to view a film produced by ACCA to gain a basic understanding of the importance of ethics and professionalism before they commence their studies.
- Consistent with the core value of opportunity, ACCA does not insist on graduate entry.
- Flexibility is a key benefit of the ACCA Qualification. Students can attempt up to four papers at any exam sitting and there is no requirement to sit and/or pass any of the exams together. However, students are expected to study each module (Knowledge, Skills, Essentials and Options) in order. This is particularly appreciated by employers, as it enables them to match examinations to work specialisms and plan study and exam leave around work commitments.
- There is an explicit link between the examination syllabus and the practical experience requirements, showing how each relates to the other. The experience requirements are described in terms of performance objectives so it is clear to both trainees and employers what is expected of them.

ACCA provides a suite of qualifications aimed at specific audiences:

Diploma in International Financial Reporting (DipIFR):

Designed to develop knowledge of International Financial Reporting Standards (IFRS), DipIFR provides an understanding of the basic Standards' concepts and principles and their application in the international marketplace. This qualification is for professional accountants and auditors who are qualified in accordance with national accounting standards. DipIFR can be studied as an open-learning course, and it is assessed by a three hour examination. [<http://www.accaglobal.com/en/qualifications/glance/dipifr/overview.html>]

Certificate in International Auditing (CertIA): This certificate covers the principles of International Standards on Auditing. The course offers a fast and flexible way to study through interactive online study, and is assessed by a one hour multiple-choice

examination. [<http://www.accaglobal.com/en/qualifications/glance/certia/overview.html>]

Certificate in International Financial Reporting (CertIFR):

A qualification to help finance professionals develop an understanding of IFRS or gain formal recognition for their existing IFRS skills and knowledge, CertIFR provides a comprehensive introduction to the principles of IAS and IFRS. It consists of online study, and is assessed by a one hour multiple-choice examination. [<http://www.accaglobal.com/en/qualifications/glance/certifr/overview.html>]

Certificate in IFRS for SMEs: This certificate examines and breaks down specific standards topic by topic. There are case studies which are based on real-life examples and there are many exercises, multiple-choice questions and sample answers for you to test your knowledge as you progress through the course. This interactive course also includes videos from Bruce Mackenzie, who is part of the IFRS for SME Implementation Group. [<http://www.accaglobal.com/en/qualifications/glance/CertIFRS-SMEs/course.html>]

2.4 ACCA MEMBERSHIP REQUIREMENTS

In terms of the ACCA Bye-laws, the following requirements are set down for membership:

- Completed examinations
- Completed the Professional Ethics Module
- Achieved 36 months' practical experience in a relevant role and recorded such experience in the required format.

On admission to membership individuals shall become members of ACCA and individuals who have been members continuously for a period of five years shall advance to fellowship and become fellows of ACCA.

Every member may denote his/her membership of ACCA by the use of the professional designations 'chartered certified accountant' or 'certified accountant' and/or the designatory letters FCCA in the case of fellows and ACCA in the case of members.

Every person admitted as an honorary member in accordance with regulations prescribed by the Council may denote his status as such by the designation Hon. FCCA.

Members who work in public practice are required to apply for a practising certificate, the process and requirements for this are discussed in section 4 below.

2.5 MEMBER VALUE-PROPOSITION

Members are core to the very existence of ACCA. ACCA effectively delivers value to its members through the continued enhancement of the reputation and profile of ACCA and its membership body. Every member, regardless of geographical location and stage in their career, has a role to act as a brand ambassador for ACCA. A central focus of the strategy is to ensure that the ACCA brand is globally recognised, and is of continued

2 ACCA (the Association of Chartered Certified Accountants)

tangible value to its members as they progress through their professional careers.

ACCA members have a unique and multifaceted role – as 'shareholders' of their membership body, as representatives of the brand and as recipients of ACCA's customer service proposition. ACCA will ensure that its members continue to perceive the value of their membership and the global strength of the ACCA brand with which they are associated.

For most members the key value that the ACCA Qualification gives them is employability. Members value a qualification and designation whose reputation and profile enhances their careers.

ACCA breaks down its member products into the following categories:

- **CPD:** ACCA helps members maintain and develop their employability by providing them with a framework for keeping their technical and business knowledge and skills up to date.
- **CPD support tools:** current products include the professional development matrix and online CPD evidence tool. These tools help members comply with ACCA's CPD requirements.
- **Careers services:** an online careers portal available on the website for job seekers and employers to use.
- **Professional networking:** ACCA ensures that members have access to web-based managed networks, communities and conferences relevant to their market and sector. Face-to-face networking activity is delivered through national offices. ACCA uses established social media to develop virtual networking groups.
- **Further qualifications:** ACCA enters into relationships with third parties to offer access to relevant qualifications
- **Skill sharing and community projects:** projects that demonstrate the value accountants can bring to the community
- The current portfolio of printed and online magazines available to members, affiliates and students is as follows.
 - *Accounting and Business (AB)* is ACCA's flagship magazine, which now boasts six print editions, five of them country specific in the UK, Ireland, China, Singapore and Malaysia. The sister weekly e-zine (*AB Direct*) carries topical news.
 - *Student Accountant* is aimed at students. The title has migrated almost entirely online over the past year, with only two printed issues per year. The move online represents a saving and an opportunity to print wider and more customised content, in addition to the positive environmental impact.
 - Online newsletters are sent regularly to affiliates, to support conversion to membership, learning providers and employers. ACCA also produces a bi-annual journal bringing together its research and insights, *Accountancy Futures*.
- ACCA members have an opportunity to participate in global forums. The forums bring together groups of experts from business, public practice, the public sector and academia to discuss and advise ACCA on developments in the various technical agendas on a global basis. Forum members are drawn from 30 different countries and, in aggregate, their membership reflects the fact that 50% of ACCA's membership is now based outside the UK. The international character of the forums is designed to reinforce ACCA's commitment to achieving reputation and influence on the global scale. The different forums are:
 - Accountants for business
 - Accountancy futures academy
 - Global Forum for Governance, Risk and Performance
 - Global Forum for Corporate Reporting
 - Global Forum for Audit and Assurance
 - Global Forum for Sustainability
 - Global Forum for Business Law
 - Global Forum for the Public Sector
 - Global Forums for SMEs
 - Global Forum for Taxation.

3 ACCA continuing professional development (CPD) policy

ACCA is committed to the on-going learning and development of its members. Since 1991, continuing professional development (CPD) has been required for members holding practising certificates or insolvency licenses. In November 2003, Council approved a new CPD requirement and all active members are now undertaking CPD. With a focus on ethics and relevant learning and development, ACCA's policy has been designed to:

- help members plan and identify relevant CPD and understand that CPD plays a vital role in helping them progress their careers
- help reassure employers that members keep themselves up to date and employ an ethical approach
- offer a measurable and transparent approach to CPD
- provide an accessible range of services for members.

ACCA'S CPD POLICY

All ACCA members who are active in the workplace are required to complete CPD on an annual basis. Members can choose one of the following routes when meeting their CPD requirement.

- **The unit route** for those who are planning and organising their own CPD. This route requires members to complete 40 units (hours) of CPD per year, 21 of which must be verifiable.
- **The unit route for part-time or semi-retired members** – similar to the route above, but those who are eligible to follow this route may set their own level of verifiable CPD, appropriate to their role.
- **ACCA Approved Employer route** if an employer holds ACCA Approved Employer – professional development status, a member may achieve their CPD by participating in their employer's internal development programme.
- **Other IFAC member body route** for members who belong to another IFAC member body and wish to follow that body's CPD requirements, if they meet IFAC's CPD standard.

All members are required to submit an annual CPD declaration, no matter what CPD route is followed. This can be done online at any point in the year, or as part of the annual subscription renewal process. The annual declaration includes a declaration that members have kept their professional ethics up to date. The declaration provides members with an option to state if they have not been able to meet the CPD requirement. If this option is selected, ACCA will contact the member to assist them, as completing CPD each year is a requirement of their continuing membership.

Members are not required to send in evidence each year. Instead, they are required to keep evidence of participation in the appropriate CPD route for three years. They can make use of an online evidence recording tool to facilitate this.

ACCA monitors a sample of members annually and conducts a review of their CPD activity. Compliance with the CPD policy is a requirement for all active members; it does not apply to those who are fully retired. Those with exceptional circumstances (maternity or paternity leave, long term illness, unemployment) may apply for a partial or full waiver from the CPD requirement.

Where members have complied with ACCA's CPD requirements, progression to fellowship is automatic after obtaining five years' post-qualified experience.

Please note that for members who are tax practitioners in South Africa, there are additional continuing professional education requirements from the South African Revenue Services (SARS).

SUPPORT AND PROVISION

To support members, ACCA facilitates access to a range of learning solutions, including face-to-face training, e-learning, access to standards and supporting commentary, articles and further qualifications. There are also tools to help members plan and record CPD undertaken.

PARTICIPATION WITH THE CPD REQUIREMENTS

Members who fail to satisfy the CPD requirement will ultimately face removal from the member register, although they are given every opportunity to make up their CPD default before this takes place, and support is offered by ACCA staff to help members plan their CPD where it is deficient.

REVIEWING CPD ACTIVITY

Each year, a percentage of members are selected for review through a combination of random and risk-based selection processes.

4 Practising certificate requirements

Any member who is a principal in an accountancy firm and/or undertakes public practice work, for example as a tax practitioner, must hold an ACCA practising certificate. This is even if he/she holds a practising certificate from another body.

The requirement to hold an ACCA practising certificate has always extended beyond audit to cover all situations where a member is giving an opinion on, or verifying the accuracy of, financial information which may be relied upon by a third party. This means that in addition to audits and producing accounts, preparing personal and/or corporate tax returns, even where the client submits them directly to the tax authorities is public practice work.

It is in members' interests to familiarise themselves with ACCA's requirements to hold a practising certificate. Problems can arise where members undertake work that falls on the fringes; an example would be the preparation of management accounts. Where the management accounts are used solely by clients for internal purposes, such work does not require members to hold a practising certificate. However, where the management accounts are passed to a third party, most commonly a bank, this is public practice work regardless of whether the third party is aware of the member's involvement. Where the information is to be used in such a way, a member will need to hold a practising certificate.

Members need to assess carefully whether the work they undertake requires them to hold a practising certificate. To that end ACCA has produced a factsheet; *Do I need a practising certificate?* which sets out the common areas where a practising certificate is required. This can be found at www.accaglobal.com/documents/PC_factsheet.pdf

HOW TO OBTAIN A PRACTISING CERTIFICATE?

Practising certificates are available to members who meet the eligibility requirements, wherever they are based. Practising certificates in South Africa are currently issued free of charge, this might change in future.

There are two ways to achieve an ACCA practising certificate.

Global practising certificate

To achieve a globally portable practising certificate members must, amongst other things, achieve the three years of supervised experience in an ACCA approved employer that is registered under the practising certificate development stream, of which at least two years must be after admission to membership, and documented in a Practising Certificate Training Record (PCTR) which is submitted to ACCA for assessment.

The PCTR form and guidance can be found at [www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/Forms%202012%20\(global\)%20Update.pdf](http://www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/Forms%202012%20(global)%20Update.pdf)

and the practising certificate application form at www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/Latest%20version%20PC%202013.pdf

It may be possible for ACCA to accept experience based on the PCTR alone, without the employer formally registering as an ACCA Approved Employer (eg if a member wishes to rely on experience obtained in a firm where they are no longer employed). This is known as an 'administrative backdate.' In this situation, a member must still complete a PCTR and it must be signed off by an ACCA practising certificate holder or a practising certificate holder from any other professional accountancy body that is recognised for audit purposes under prevailing legislation in South Africa. The PCTR will be assessed to confirm that the experienced obtained is equivalent to the experience the member should have obtained in an ACCA Approved Employer.

Local practising certificate

Alternatively, members who already hold a licence to practise issued by a recognised national accountancy body or regulatory authority may apply for an ACCA practising certificate which is valid only in the country where the local licence allows the member to practise. Members can apply by forwarding a copy of their local licence to the Authorisation Department along with an abbreviated practising certificate application form, which is available at [www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/PC%20\(Abb\)%202013.pdf](http://www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/PC%20(Abb)%202013.pdf)

Once all the forms have been submitted, it takes approximately 28 days for ACCA to conduct the assessment.

The eligibility requirements for an ACCA's practising certificate are set out in the Global Practising Regulations which are contained in the *ACCA Rulebook*, which can be accessed at www.accaglobal.com/en/member/professional-standards/rules-standards/acca-rulebook.html

RENEWAL DATES AND FEES

Practising certificates are annually renewable and there is currently no fee payable. Further information on renewing a practising certificate can be accessed at [www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/PC%20\(Int\)%20Pack%202013_14.pdf](http://www.accaglobal.com/content/dam/acca/global/PDF-members/practisinginfo/PC%20(Int)%20Pack%202013_14.pdf)

FURTHER INFORMATION

Further information on how to obtain and the ongoing conditions for holding a practising certificate can be found at www.accaglobal.com/en/member/practising-information/information-handbook.html

5 Recognition status of ACCA in South Africa

In South Africa ACCA is:

- A 'Recognised Controlling Body' in terms of Section 240A of the Tax Administration Act, 28 of 2011.
- Recognised by the Companies and Intellectual Property Commission (CIPC) as one of the professions that can be appointed as Accounting Officer in terms of the Close Corporation Act of 1984.
- Recognised as a body whose members can act as Commissioner of Oaths in terms of Justices of the Peace and Commissioners of Oaths Act, 16 of 1963.

6 Engagements that ACCA members can perform in South Africa

6.1 TAX PRACTITIONER AND GENERAL ACCOUNTING WORK

In terms of the Tax Administration Act, 28 of 2011 (Section 240, 240A); ACCA has qualified as a 'Recognised Controlling Body' with the South African Revenue Services (SARS). This means that members can register on the SARS website as tax practitioners and carry out tax work. The definition of a tax practitioner is very broad and covers all areas where a member would be giving advice or preparing a return for consideration. It is a criminal offence to conduct tax practitioner work without being registered with SARS.

ACCA members can prepare accounting records or management reports for any type of entity. This includes all types of preparatory and advisory services which can be conducted by a qualified accountant.

An important point to remember is the independence required from the preparer of financial records and the person reviewing/auditing/providing a report on such records. Therefore if members are providing services in preparing financial records; they cannot be also involved in the review or reporting of the same financial records.

6.2 ACCOUNTING OFFICER REPORTS FOR CLOSE CORPORATIONS

Close Corporations are governed by the Close Corporations Act 69 of 1984. Sections 56 and 58 of the Act require all close corporations to keep accounting records and prepare annual financial statements.

In terms of sections 59 and 62 a close corporation must appoint an accounting officer to perform certain duties and report to the close corporation on the performance of those duties.

Section 60 of the Act determines the qualifications of accounting officers, and provides that only those persons who are members of the professions that have been published by the Minister in a Government Gazette are entitled to be appointed as an accounting officer. Members of ACCA are recognised to act as accounting officers.

The statutory reporting duties of an accounting officer are contained in section 62 of the Act.

6.3 INDEPENDENT REVIEW

ACCA members can conduct an independent review for a non-owner managed, profit or non-profit company with a public interest score between 0-99; provided it is not required to be audited (see below).

The following companies as are required to be audited (irrespective of their Public Interest Score) and only Registered Auditors can perform an audit:

- Public companies (State owned/controlled)
- Listed companies
- Non-profit companies that are state-owned or controlled
- Profit companies with a public interest score > 350
- Profit companies with a public interest score between 100–349 IF financial statements are internally prepared

6 Engagements that ACCA members can perform in South Africa

- Profit and non-profit companies that hold assets in excess of R5million in a fiduciary capacity.

All owner managed companies are exempt from an audit/independent review requirement but may choose through their memorandum of incorporation to be voluntarily audited or reviewed. ACCA members can do the voluntary independent reviews for those companies with a public interest score between 0–349.

A company is owner-managed if the company's memorandum of incorporation indicates that all shareholders of the company are also appointed as directors of the company.

6.3.1 Specific sections of the Companies Act relevant to independent reviews

The extent to which a company is subject to an audit, independent review or completely exempt depends on the size of the company (using a public interest score), ownership structure (either owner managed or not), 'function' (public company, listed company, non-profit controlled by government, non-profit independent of government etc.) and preparation of the annual financial statements (whether they are independently or internally compiled).

The public interest score is calculated by allocating one point for each of the following factors:

- per employee for the average number of employees during the financial year,
- for every R1 million or portion thereof in third party liabilities at financial year end,
- for every R1 million or portion thereof in turnover during the financial year and
- for every individual who at financial year end has a beneficial interest in issued securities of a profit company or is a member of a non-profit company

All companies have to calculate their public interest score at the end of the financial year in order to see if they fall within the audit, independent review or exempt category.

Section 30(2)(ii)(bb), read together with section 30(2A), mandates an independent review only for those companies that do not fall within an audit threshold and that are non-owner-managed. Section 30(2A) exempts owner-managed entities from a mandatory independent review requirement. This exemption is absolute and is not affected by an owner-managed company's public interest score.

A company may voluntarily opt for an independent review by drafting its memorandum of incorporation in such a manner as to have its annual financial statements independently reviewed on a yearly basis.

Mandatory independent reviews performed within the requirements of Regulation 29 of the Companies Act, 2008 will be subject to the independence requirements of section 290 of

the IFAC Code of Ethics, and reportable irregularities must be reported to the Companies Commission.

6.3.2 Qualification of independent reviewer

Section 30(7)(b) of the Companies Act, 2008 empowers the Minister to determine by way of regulation

- The manner, form and procedures for the conduct of a mandatory independent review for companies that require such review
- The professional qualifications needed by persons who perform mandatory independent reviews
- The duties of persons who perform such mandatory independent reviews
- The accreditation of professions whose members may perform mandatory independent reviews for companies for which an independent review is a mandatory requirement.

A mandatory independent review may only be performed by an independent reviewer. An independent reviewer is a person who is

- 1 A registered auditor in terms of the Auditing Profession Act
- 2 A member of a professional body that has obtained accreditation with the IRBA for auditing purposes
- 3 A member of a professional body that has obtained accreditation with the Companies Commission, and is qualified to be appointed as an accounting officer of a close corporation in terms of the Close Corporations Act, 1984.

A professional body may, in addition to the requirements of the Companies Act 2008, implement additional qualification or training requirements before allowing a member to act as an independent reviewer.

All the persons listed above should perform a mandatory independent review engagement in accordance with ISRE 2400. However, only those persons listed under point 1 and 2 may perform a mandatory review for non-owner-managed companies with a public interest score of 100 to 349. Accounting officers may perform a mandatory independent review for non-owner-managed companies with a public interest score of less than 100.

6.4 REPORT PREPARATION FOR VARIOUS ENTITIES

The following Acts, regulations and policies require the appointment of a person to issue an accounting officer or similar report. The report should be issued to either the relevant regulator or the specific entity. ACCA members can assume this role of 'report preparer' provided there is no specific provision in the legislation or internal entity documents that requires an audit. The list is not complete and will be updated in due course.

6.4.1 Reports for body corporates

A body corporate is governed by the Sectional Titles Act, Act 95 of 1986. Section 35 of the Sectional Titles Act provides that a scheme must, from the date of the establishment of the body corporate, be controlled by means of rules.

6 Engagements that ACCA members can perform in South Africa

Annexure 8 sets out the management rules, and these rules can be added to, amended or repealed in certain circumstances as provided for in the Act. The rules require that the trustees must keep books of account and records, prepare an annual financial estimate, financial statements and reports, and appoint an Auditor to hold office.

However, where a scheme comprises less than 10 units, an accounting officer, rather than an auditor, may be appointed for that purpose and the auditor or accounting officer, as the case may be, must sign the financial statements.

Annexure 8 defines 'Accounting Officer' as a person who is qualified to perform the duties of an accounting officer in terms of the Close Corporations Act. 'Auditor' is defined as an auditor registered with the Independent Regulatory Board for Auditors as established in terms of section 3 of the Auditing Profession Act 26 of 2005.

Although Annexure 8 limits the appointment of an accounting officer to only those schemes consisting of less than 10 units, a change in the management rules of the scheme will entitle an accounting officer to be appointed to a scheme consisting of 10 and more units. The management rules of a body corporate can be amended by unanimous resolution, provided the correct procedures are followed. These procedures are prescribed by the Act and the regulations to the Act.

The Act does not specify the type of report that should be issued by the accounting officer. In terms of the Auditing Professions Act 2005 only a registered auditor may issue an audit report. An accounting officer may not issue an audit report and will therefore have to agree with the body corporate as to the form and content of the report to be issued. The accounting officer may agree to issue an accounting officer report as required in the Close Corporation Act. An appropriate engagement letter will have to be issued setting out the terms of engagement.

6.4.2 Reports for trusts

Two or more persons can contract to form a trust. This contract is called a trust deed which contains stipulations for the benefit of a third. A trust deed stipulates the terms upon which a number of trustees are appointed to receive, hold, administer and distribute certain trust property for the benefit of defined beneficiaries. An *inter vivos* trust is a trust which is established by the founder during his lifetime.

Trusts are regulated by the Trust Property Control Act, 57 of 1988 and the trust deed. The Act regulates the control of trust property and prescribes the minimum duties for trustees. Additional duties and functions may be prescribed in the trust deed. Trustees are appointed in terms of section 6 of the Act and any specifications in the trust deed. The Master of the High Court must authorise a person to act as trustee.

The Master may require a person to furnish security before being appointed as trustee. Trustees are required to act with such care, diligence and skill as 'can reasonably be expected of a person who manages the affairs of another'. A trustee will also be called to account by the Master for that person's administration and disposal of trust property and shall 'at the written request of the Master, deliver to the Master any book, record, account or document relating to his administration or disposal of the trust property and shall to the best of his ability answer honestly and truthfully any question put to him by the Master in connection with the administration and disposal of the trust property.'

ACCA members may assist trustees with their administrative duties imposed in terms of the trust deed, the common law requirements of acting with care and skill and the requirements of the Act. Keeping books of account, preparing financial statements and obtaining an appropriate report on the financial statements are an important part of the duties of trustees.

The Act does not prescribe the type of report that should be issued on the financial statements of the trust. The only reference to the word 'audit' is in section 15 of the Act which requires the person 'that audits the accounts of a trust' to report irregularities.

The type of report to be issued as well as the rights and duties of the person that will issue the report should therefore be prescribed in the Trust deed or specified by trustees if the trust deed is silent. This should also be documented in an engagement letter.

If the trust deed requires the appointment of a registered auditor only a registered auditor is allowed to perform the required duties.

6.4.3 Reports for schools

Public schools are governed by the South Africa Schools Act 84 of 1996. Section 43(1) requires a governing body of a public school to appoint a person to audit the records and financial statements. This person must be a registered auditor in terms of the Auditing Profession Act 26 of 2005.

If an audit is not reasonably practicable², the governing body of the school may appoint another person to examine and report on the records and financial statements of the school. The term 'reasonable practicable' is not defined by the Act. This will depend on the circumstances and should be determined by the governing body. Elements that could be considered may include:

- The economic significance of the school measured against revenue, assets, number of employees and similar
- The nature of the school and the community with in which it operates
- The cost of a registered auditor's report
- The availability of a registered auditor.

2 South Africa Schools Act 84 of 1996 section 43(2)

6 Engagements that ACCA members can perform in South Africa

This person must be qualified to act as an accounting officer in terms of section 60 of the Close Corporations Act or must be approved by a member of the Executive Council. An accounting officer is not appointed to perform the audit but to examine and report on the records and financial statements of the school.

It is important to note that:

- The person to replace the auditor should be qualified as an accounting officer.
- The person qualified as accounting officer is required to examine and report not to perform the duties of an accounting officer as specified in the Close Corporation Act 1984.

An ACCA member that accepts the appointment to examine and report should agree with the governing body the nature and extent of the work to be performed.

6.4.4 Reports for insurance intermediaries

The Intermediaries Guarantee Facility (IGF) is a facility set up by the short-term insurance industry generally for the purposes of providing security in terms of section 45 of the Short Term Insurance Act read together with regulation 4 thereto.

A short-term insurer may not authorise a person in writing to act as an independent intermediary, to receive, hold or in any other manner deal with premiums payable to it under short term policies, unless that person has provided security in terms of the Regulations Part 4 and section 45 of the Short Term Insurance Act, 1998.

Every insurance intermediary is required to issue guarantees in favour of the South African Insurance Association. Such guarantees should be in a form prescribed by regulation 4 of the Short-term Insurance Act and reviewed by an auditor or accounting officer.

The prescribed reports, certificates and returns are available from Intermediaries Guarantee Facility Ltd (<http://www.igfsec45.co.za>).

An accounting officer may review the relevant documentation provided the accounting officer is independent and the insurance intermediary is not a registered company and subject to the limitations by the Intermediaries Guarantee Facility Limited.

The accounting officer is required to submit two reports to the IGFL. A solvency certificate and a RV9 form (return by authorised person in respect of amount of guarantee to be furnished by an independent intermediary)

In terms of the RV9 form the accounting officer is required to:

- Review the return submitted by the independent intermediary to the IGFL in terms of regulation 4.1 (2) of the Act and report on this return
- Determined that the return is in agreement with the financial statements and the accounting records
- Report non-compliance.

In terms of the solvency certificate the accounting officer is required to:

- Review the annual financial statements of the Intermediary in accordance with relevant engagement standards
- Issue a conclusion as to the above
- Affirm that the intermediary has conducted its affairs in accordance with regulation 4, section 45 of the Short Term Insurance Act, 1998
- Affirm that the intermediary has paid or refunded to clients moneys received from insurers in respect of claims or returned premiums and that the Intermediary has not significantly changed the nature of its business during the year
- Affirm whether assets exceed liabilities
- Affirm loans to/from the intermediary from its members
- Affirm amounts to intangibles
- Affirm going concern.

An ACCA member that accepts the appointment to issue a RV9 form and solvency certificate should agree with the intermediary and the IGFL the nature and extent of the work to be performed.

6.4.5 Reports for non-profit organisations

Non-profit organisations are governed by the Non-profit Organisations Act 71 of 1997. In terms of section 17(2) of the Act, every registered non-profit organisation must arrange for a written report to be compiled by an accounting officer, as defined in the Close Corporations Act 1984, and for this report to be submitted to the organisation. The accounting officer must report on the matters mentioned in section 17(2) of this Act.

Section 17(2)(c) requires the accounting officer to state whether or not the organisation has complied with the provisions of the Non-Profit Organisations Act and with those parts of its constitution which relate to financial matters. It is important to note that the Act does not require the accounting officer to perform the duties as specified in the Close Corporations Act, 1984 and does not specify an engagement standard. The accounting officer and the client will have to agree to the terms of the engagement.

7 Engagements that ACCA members are not allowed to perform

The following acts, regulations and policies require the appointment of an auditor or members of a particular professional body. ACCA members may not issue these reports. The list is not complete and will be updated in due course. ACCA continuously engages with relevant regulators and departments to obtain additional recognition for ACCA members.

7.1 AUDITOR OF COMPANIES AND OTHER ENTITIES

In terms of the Auditing Professions Act 2005 only persons registered with the Independent Regulatory Board for Auditors (IRBA) may issue audit reports. If a statute or regulation specifies that an entity should be audited, only registered auditors may perform this function. For example section 30(2) of the Companies Act 2008 requires that the annual financial statements of the following companies should be audited. Only a registered auditor may perform an audit. It applies to owner-managed and non-owner-managed companies:

- Public companies
- A profit and non-profit company, other than a public company, should be audited if it is in the public interest to do so. This decision will be influenced by considering the social and economic significance of the particular company. Regulation 28 provides the content for what is to be regarded as socially and economically significant. According to this regulation the following companies should be audited:
 - State-owned companies
 - Companies that hold assets in a fiduciary capacity for persons who are not related to the company, where the aggregate value of such assets held at any time during the financial year exceeds R5 million
 - Any non-profit company that is incorporated by the State or that performs a statutory function
 - Profit and non-profit companies, irrespective of ownership structure, whose combined public interest score is more than 350 points. One point is allocated to each of the following:
 - each million Rand of turnover
 - each million Rand of third party liabilities
 - average number of employees
 - number of shareholders.
 - Profit and non-profit companies, irrespective of ownership structure, whose combined public interest score is at least 100, if its annual financial statements for that year were internally compiled.
- A company may voluntarily opt for an audit by drafting its memorandum of incorporation in such a manner as to have its annual financial statements audited on a yearly basis.

7.2 INDEPENDENT REVIEWER OF LARGER NON-OWNER MANAGED COMPANIES

Section 30(2)(ii)(bb) of the Companies Act 2008, read together with section 30(2A), mandates an independent review only for those companies that do not fall within an audit threshold and that

are non-owner managed. Section 30(2A) exempts owner-managed entities from a mandatory independent review requirement.

Companies subject to mandatory independent review:

- A non-owner managed company of which the public interest score for the particular financial year was between 100–349.
- A non-owner managed company of which the public interest score for the particular financial year was between 0–99.

ACCA members cannot perform an independent review for a non-owner managed company with a public interest score equal to or more than 100.

7.3 B-BBEE VERIFICATION AGENTS

Valid B-BBEE status level certificates are issued only by the following persons:

- Verification agencies accredited by the South African National Accreditation System (SANAS)
- Registered auditors approved by the Independent Regulatory Board of Auditors (IRBA) in accordance with the approval granted by the Department of Trade and Industry.

Members of other professional bodies are excluded from being recognised as accredited B-BBEE verification agents. Members of these professional bodies will have to obtain South African National Accreditation System (SANAS) accreditation before they will be allowed to perform B-BBEE verification of measured entities.

7.4 EXECUTOR OF DECEASED ESTATES

The administration of estates is governed by the Administration of Estates Act 66 of 1965. An executor 'appointed in terms of a will' may personally liquidate a deceased estate. An agent may be appointed to liquidate the estate on the executor's behalf. In terms of regulations issued under the Act, 'Regulations prohibiting the liquidation or distribution of the estates of deceased persons by any person other than an attorney, notary, conveyancer or law agent', published under Government Notice R910 in Regulation Gazette 967 of 22 May 1968, only lawyers, auditors and certain other institutions may be appointed as executors. The appointment of an agent is approved by the Master of the High Court.

7.5 ATTORNEYS TRUST ACCOUNTS

Attorneys are governed by the Attorneys Act 53 of 1979. Attorneys are members of provincial law societies and are governed by the rules of the law societies in each of the designated provinces. Every attorney is required to keep a trust account that must be audited by an accountant, as defined in the rules of each law society. An accountant is defined in the rules as being a person registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

7 Engagements that ACCA members are not allowed to perform

7.6 ESTATE AGENTS TRUST ACCOUNTS

Estate agents are governed by the Estate Agents Act 112 of 1976. This Act requires every estate agent to appoint an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005. An auditor is appointed to audit the trust accounts and the books and records if the entity is a company. The report issued by the auditor is prescribed by the regulations to the Estate Agents Act.

7.7 TRAVEL AGENTS AND TRAVEL AGENCIES

Travel agents registered with the International Air Transport Association (IATA) must keep annual financial statements, which should be audited by an auditor registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

7.8 AGRICULTURAL PRODUCE AGENTS

Agricultural produce agents are governed by the Agricultural Produce Agents Act, Act no. 12 of 1992. The accounting records and trust account of each agricultural produce agent must be audited by a person registered with the Independent Regulatory Board for Auditors as established in terms of the Auditing Profession Act 26 of 2005.

7.9 SHERIFFS OF THE COURT

Sheriffs of the Court are governed by the Sheriffs Act, Act no. 90 of 1986. Every Sheriff must keep a trust account that must be audited by a registered auditor. The regulations to the Sheriffs Act prescribe the form that must be signed by the auditor.

7.10 DROUGHT SCHEME FOR FARMERS

A drought scheme for farmers was announced in June 1992. The procedures for compliance with the scheme were published by the Department of Agricultural Development. Initially, compliance with the scheme required the appointment of an accounting officer or auditor. This decision was subsequently revoked to provide for the appointment of an auditor.

7.11 HONORARY AUDITOR FOR CLUB, INSTITUTE OR ASSOCIATION

An ACCA member may not be appointed as an auditor for a non-profit organisation. However if he is a member of a non-profit club, institution or association he may accept appointment as honorary auditor for that non-profit club, institution or association if no fee or other consideration is received.

