



ACCOUNTANTS FOR BUSINESS

Leadership and governance in Africa

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) 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 consistent 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 work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, and equipping them with the skills required by employers. We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote the appropriate regulation of accounting. We also conduct relevant research to ensure that the reputation and influence of the accountancy profession continues to grow, proving its public value in society.

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

www.accaglobal.com/accountants_business

This paper presents information about governance and ethical practices in Africa, based on a survey of ACCA members in the region.

It explores how professional accountants contribute to governance and ethical practices.

Foreword

With the launch of the Pan Africa Federation of Accountants (PAFA) in May 2011, the landscape for the professional accountant in Africa has changed in a very positive way. This sets the stage for accountants to play a greater role in the development and governance of the region with one strong voice. The inaugural Africa Congress of Accountants provides a great platform for the profession to take its rightful place in business and economic governance in Africa.

Good governance is critical for the growth and development of organisations and entire economies. Here in Africa, improving the governance environment has been given a central place in several regional and national initiatives, and it is universally accepted that good economic and corporate governance is a prerequisite for sustainable development. It is with this in mind that we took the opportunity to understand what our members in Africa considered as the leadership challenges associated with governance in the region. Questionnaires were sent to ACCA's entire membership in Africa many of whom serve in critical roles in the corporate and public sectors.

This report sets out the findings of the survey. ACCA strongly believes that the professional accountant has an important role to play in shaping, leading and influencing attitudes and behaviours that promote good governance. Those entrusted with leadership responsibilities in organisations and those who manage public finances should accept responsibility for ensuring that they are governed in a way which inspires trust and confidence. In this regard and where resources permit, we commit to work with key stakeholders in the region to enhance the inculcation of good governance principles that engender this trust and confidence and ultimately enhance stakeholder value. The recommendations in this report are a valuable starting point.

I would like to thank all our members who participated in this survey, as well as ACCA team members who all made it possible for this survey to be conducted. I call upon further commitment and participation to make it possible to implement the recommendations in this report.

Jamil Ampomah
ACCA director, sub-Saharan Africa



Executive summary

Achieving good governance is one of the African region's greatest challenges and will determine the success of new programmes and projects to promote the region's development.

This report captures information about the governance and ethical practices across the African region and explores the role of professional accountants in promoting good governance and driving improvement. Its findings are based on 855 responses from members in Africa who participated in an online survey carried out in September 2011.

The main findings from the survey are:

- Ninety-five per cent of members surveyed believe accountants have a role in shaping, leading and influencing government policies; 77.2 per cent believe accountants also have a positive impact on economic development.
- Respondents believe accountants have a more significant role in ensuring ethical practices are followed in the private sector than in the public sector and government. The majority believed that accountants should be involved in driving activities to improve ethical practices.
- Professional accountants are well represented on the governing bodies of the organisations our members work for. Appointments are generally approved by stakeholders or by a regulatory agency or government department.
- Responsibilities for strategic and operational governance and ethical practice are largely believed to lie with the CEO. Worryingly, only 28 per cent of respondents believe strategic responsibility lies with the governing body and 1 per cent believes no-one is responsible.
- There are mixed views on the effectiveness of these governance codes and frameworks in improving practice. Despite providing guidelines and helping to reduce unethical behaviour, the majority of respondents believe that the lack of obligation or enforcement to comply with codes and political intervention in decision making were making codes and frameworks less effective.
- Attitudes and behaviours present the greatest barriers to improving ethical and good governance practices in the African region. Respondents highlighted the three main barriers: levels of corruption, organisational culture and lack of government support.
- Professional accountants are essential for driving improvements in practice but they need to be supported. Respondents highlighted a number of ways to support and encourage changes in working practice including introducing national legislation and corporate governance codes. Support from professional bodies was considered essential.

The survey findings show that members in the African region are involved in shaping and influencing policy and practice in the government, public and private sectors. But more work is needed.

To further improve, it is recommended that a number of steps, in line with ACCA's corporate governance and risk management principles,¹ are taken:

- Government, public and private sector organisations should ensure there is a common understanding among governing body members and senior executives, of governance and ethical standards.
- Codes of governance or frameworks that are appropriate and relevant should be put in place to support innovation and improvement in practice. These should be adaptable and flexible to each organisation, to ensure maximum benefit.
- Roles and responsibilities for strategic and operational governance and ethical practices should be made clear to governing body members and employees.
- Accountants, particularly those serving on audit committees, should be active in making sure decisions are transparent and that decision makers are held to account.
- The role of accountants in implementing governance standards and ensuring compliance is given greater prominence by making their contribution explicit to professional accountants and other relevant individuals across sectors and organisations.

1. *Corporate Governance and Risk Management Agenda*, ACCA, 2008.

1. Introduction

Good leadership and governance are central to the success of any company, sector or economy. Getting it right has a significant bearing on economic growth and the way companies, sectors and economies perform.

Enhancing corporate governance is a considerable challenge for the African region. Despite good progress in recent years, there is still much work to be done to address bad practice including corruption and political interference in decision making. A key aim of the New Partnership for Africa's Development (NEPAD) is improving corporate governance. It believes that without it, new programmes and projects to promote Africa's development will not be delivered.²

ACCA believes that poor corporate governance, including a lack of clarity about roles and responsibilities, contributed to the global financial crisis.³ By introducing governance standards and improving ethical practice, African countries will become more attractive to potential investors. Accountants in the region have a strong contribution to make to this; they can provide independent challenge and ensure that standards are in place and adhered to.

Understanding current practice in the African region is an essential first step in highlighting areas for improvement, and in identifying the role of the accountancy professional in supporting it.

In September 2011, ACCA surveyed its members in Africa to learn more about the contribution of accountants to good governance in government, public and private sectors. The survey received 855 responses from professionally qualified accountants across the region, approximately 60 per cent of whom represent Ghana, Mauritius, Zambia, Nigeria, Uganda and Malawi.

Responses for ACCA's 2011 survey in Africa

Country	Number of responses	%
Mauritius	113	15.3
Ghana	113	15.3
Zambia	90	12.2
Uganda	69	9.4
Nigeria	67	9.1
Malawi	55	7.5
Kenya	48	6.5
Botswana	33	4.5
Zimbabwe	30	4.1
South Africa	29	3.9
Tanzania	15	2.0
Gambia	11	1.5
Sierra Leone	10	1.4
Ethiopia	10	1.4
Cameroon	9	1.2
Mozambique	5	0.7
Sudan	4	0.5
Rwanda	4	0.5
Tunisia	3	0.4
Swaziland	3	0.4
UK, England	2	0.3
Namibia	2	0.3
Libya	2	0.3
Angola	1	0.1
Togo	1	0.1
Seychelles	1	0.1
Oman	1	0.1
Liberia	1	0.1
Lesotho	1	0.1
Gabon	1	0.1
Djibouti	1	0.1
Congo, Dem Rep of	1	0.1
Burkina Faso	1	0.1

2. New Partnership for Africa's Development, [website], <<http://www.nepad.org>>.

3. *Corporate Governance and the Credit Crunch*, ACCA, 2008.

They work in a variety of roles and industry sectors, with 25 per cent representing the financial services sector and 13 per cent representing the public sector. Most work in a financial role such as financial accountant (12.5%), internal auditor (12.4%), finance director or CFO (10.5%) and external auditor (10.3%).

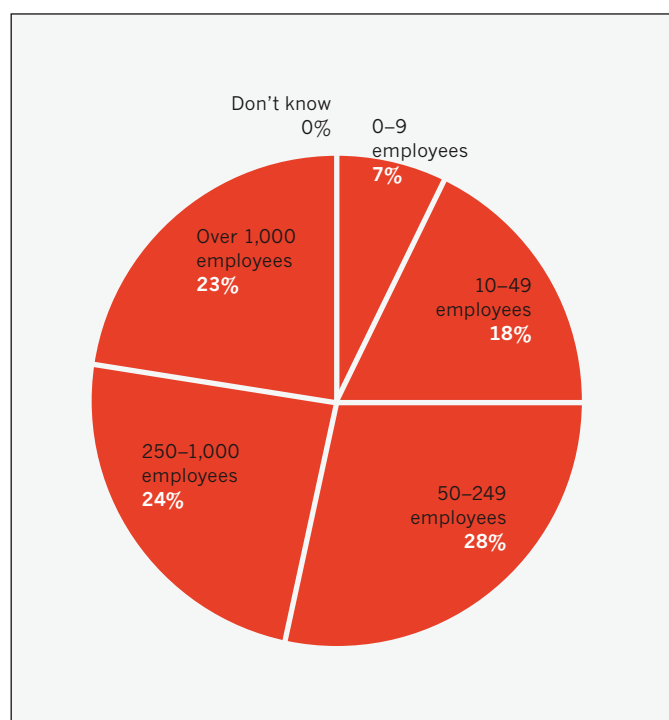
Respondent's roles

Position	%
Financial accountant	12.5
Internal auditor	12.4
Finance director or CFO	10.5
External auditor	10.3
Senior manager	10.0
Manager	9.8
Financial controller	9.1
Other	8.0
Management accountant	3.6
CEO	3.4
Consultant	3.3
Analyst	2.5
Risk manager	2.0
Other executive board director or equivalent	1.3
Not currently working / retired	0.8
Chairman	0.4
Non-executive board director or equivalent	0.1

Organisations employing small and large numbers of people are represented, of which 33.3 per cent employ 20 accountants or more.

Eighty per cent of CFOs in these organisations are professional accountants, compared with just 35 per cent of CEOs and 25 per cent of chairmen.

Size of respondent's organisations



2. Survey findings

PROFESSIONAL ACCOUNTANTS ARE INVOLVED IN LEADERSHIP AND GOVERNANCE AT THE NATIONAL LEVEL

Professional accountants hold key positions in government; responses indicate that they mostly hold key positions in the Auditor General or Accountant General's departments. They are also well represented within Ministries of Finance and Revenue Commissions. This is broadly consistent across all African countries, however there are some variations. For example, in Kenya there is greater representation of accountants within the Revenue Commission than in the Accountant General's department.

Government representation

Government department	%
Auditor-General's department	88.8
Accountant General's department	86.0
Revenue Commission	67.7
Ministry for Finance	66.8

Working in these government departments, respondents believe that, to varying extents, accountants have a role in leading, shaping and influencing government policy decisions. Only five per cent believe accountants do not have a role in these activities.

Just twenty-nine per cent believe accountants play a very significant/significant role in ensuring ethical practices are followed by government. Forty per cent believe accountants have a very significant/significant role in ensuring ethical practices are followed across the public sector, compared with an encouraging 70 per cent who believe this is the case in the private sector. An explanation for this may be the position that accountants have within these organisations and their involvement at the senior level. Alternatively, it could reflect the culture and attitudes within organisations towards good ethical practice.

Responses show that there is a good understanding among those surveyed of how accountants should be involved in influencing ethical practices. Setting a good ethical example, ensuring effective internal controls are in place, establishing a code of ethics and ensuring

protection for staff raising ethical concerns, are considered important activities for accountants to carry out. However, where accountants do not have a significant role in ensuring ethical practices are followed, for example, in government and the public sector, the impact of these activities may be fairly limited.

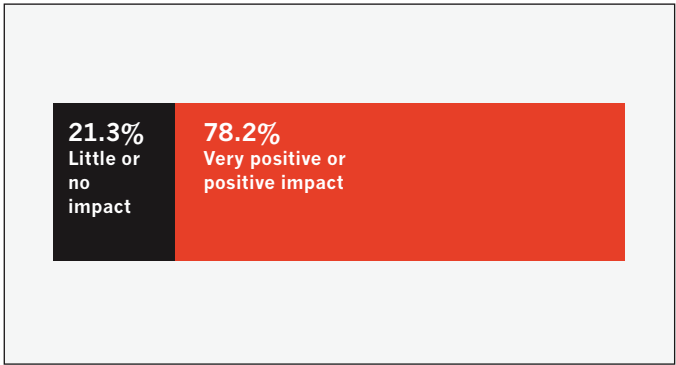
Accountants involvement in activities to improve ethical practices

Activity	Level of involvement			
	Activity not needed %	Involved to a low extent %	Moderate extent %	Should drive the process %
Support the appointment of an ethics officer	3.5	5.4	32.0	59.0
Help establish a code of ethics	0.5	2.6	25.1	71.8
Support integration consideration of ethical values into board and senior management decision-making	1.0	2.5	30.4	66.2
Support assessment of ethical performance or adherence to code of ethics	0.8	4.1	32.3	62.8
Support the inclusion of ethical performance within performance appraisals	1.3	4.3	35.7	58.7
Support inclusion of ethics as a subject in staff training	0.7	5.6	37.0	56.7
Set a good ethical example	0.6	1.6	9.7	88.2
Act as an informal mentor for colleagues	1.2	5.6	32.7	60.5
Act as an official mentor for colleagues	1.2	5.9	31.2	61.7
Ensure effective internal controls	0.7	1.6	9.7	88.0
Ensure protection for staff who raise ethical concerns	1.2	4.4	23.5	70.9
Help establish an ethics hotline or whistle blowing policy	1.3	7.2	30.7	60.8
Act as an official listener for employees' ethical concerns at work	1.9	11.2	38.4	48.5

Accountant's involvement in leadership activities and decision-making varies. While 30 per cent of respondents strongly agree/agree that professional accountants are well represented on boards of most government organisations, 35 per cent strongly disagree/disagree. Given the role accountants have in ensuring transparency, accountability and robust financial decision making, it is surprising that there is not greater representation of the profession on these boards. Nonetheless, over sixty per cent strongly agree/agree that professional accountants promote transparency and accountability in public finance management, make key financial decisions in private sector and listed companies and promote effective corporate governance.

The majority of members, 77 per cent believe professional accountants have had very positive/positive impact on the economic development of their country. Twenty one per cent believe they have little or no impact and less than one per cent believes they have had a negative impact. Respondents attribute the positive impact to contributing to policy discussions, holding key positions in government and finance ministries, and being involved financial decision making. Involvement in planning, measuring and evaluating economic development decisions and providing financial advice are also considered to be having an impact.

Impact of accountants on economic development



ORGANISATIONS ADOPT DIFFERENT PRACTICES FOR ENSURING EFFECTIVE LEADERSHIP AND GOVERNANCE

Eighty-four per cent of respondents said their organisation has a governing body; however for seven per cent this did not apply, and less than 1 per cent said they did not know.

Accountants are responsible for ensuring accountability, transparency and good governance. To do this effectively, they should have access and influence at a senior level. Only 16 per cent of respondents are members of a governing body; however it is encouraging that 83.8 per cent indicated that professional accountants are involved in the governing body of their organisation.

Appointments to these governing bodies are mostly made subject to approval by either shareholders (34.7%) or by a regulatory agency or government (28.9%).

Method of appointing governing body members

	%
Appointments are subject to approval by shareholders in a general meeting	34.7
Appointments are subject to approval by a regulatory agency or government	28.9
Other	11.9
Nominations are made by a 'nominations committee'	9.2
Positions are advertised and/or a search agency is used	8.1
Background checks are made and references taken	7.4

Audit committees exist to ensure sound financial decision making and accountability. Thirty per cent of respondents reported that their organisation does not have an audit committee and 4 per cent do not know. Of the 66 per cent of the organisations with an audit committee the majority, 85 per cent, involve professional accountants.

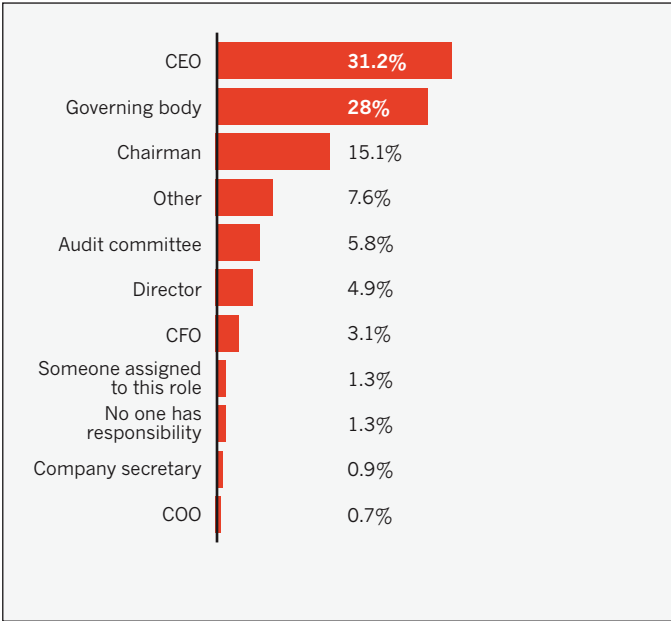
THERE ARE MIXED VIEWS ABOUT RESPONSIBILITIES FOR GOVERNANCE AND ETHICAL PRACTICE

Thirty-one per cent believe that strategic responsibility for governance and ethical practice rests with the CEO. It is concerning that just twenty-eight per cent believe that strategic responsibility rests with the governing body. Approximately 1 per cent believe that no-one had overall strategic responsibility for governance and ethical practice in their organisation.

Forty six per cent consider the CEO responsible for operational governance and ethical practice. Worryingly, two per cent believed no one is responsible for this in their organisation.

Overall, the majority of members feel professional accountants are very or moderately involved in the governance and ethical practice of their organisations. Approximately 14 per cent indicated that professional accountants are involved a little or not at all.

Responsibility for strategic governance and ethical practice

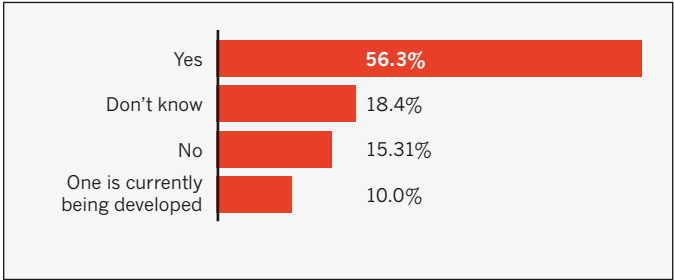


ACHIEVING GOOD GOVERNANCE IS CHALLENGING

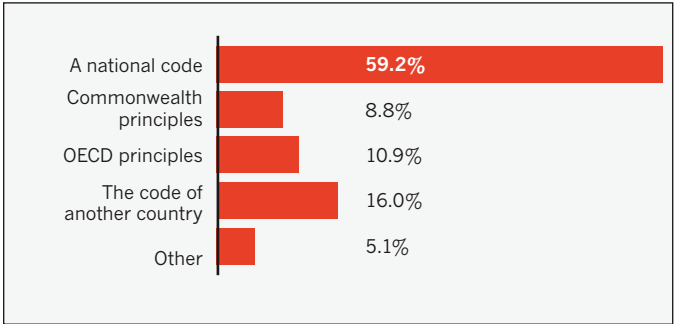
Governance arrangements determine how organisations manage and control their operations, governance principles and management processes. Codes of governance and frameworks help to support good practice and remind board members and employees about what is expected.

Fifty per cent of respondents indicate that a governance code or framework is used in their country. For the majority (59.2%) this is a national corporate governance code, for 16 per cent it is the code of another country for example, King Code, and for 10.9 per cent it is an OECD governance principle. Ten per cent said that a governance code or framework is currently being developed but 15.3 per cent said that there is not one, while 18.4 per cent did not know.

Use of governance frameworks



Governance codes and frameworks used



Where governance code or frameworks are in place, 40.3 per cent believe these are very effective/effective at improving governance and ethical practice, by providing guidelines and by reducing fraudulent and unethical behaviour.

Despite codes of governance and frameworks to support good practice being in place, 41.4 per cent of respondents believe these are neither effective nor ineffective while 17.5 per cent believe they are ineffective. Reasons for this included the lack of obligation or enforcement to comply with codes, as well as political intervention in decision making and working practices.

Having codes of governance and frameworks in place does not guarantee good governance and ethical practice; individuals within organisations also have a role to play. Responses suggest that attitudes and behaviours present the greatest barrier to improving governance and ethical practice in Africa.

Barriers or difficulties accountants face in trying to improve governance and ethics

	%
Level of corruption within the country	53.7
Organisational culture	34.9
Lack of government support	31.9
Balancing the needs of the business with ethical practice	25.4
Government action or policy	24.3
Lack of suitable non-executive and/or independent directors	22.6
Concentration of share ownership (eg family-controlled companies)	18.5
Convincing the board of its value/importance	18.4
The existing company structure	17.4
Colleagues do not share the same concerns	14.7
Transparency of ownership structure	14.7
Time and effort involved	14.5
Perceived as low value to the business	14.3
Problems with auditor independence	11.3
Short-term costs	6.8
Rate of economic and industrial change	3.6
Other	2.3

The level of corruption with the country, organisational culture and lack of government support are perceived to be the main obstacles that need to be overcome.

ACCOUNTANTS ARE CENTRAL TO PROMOTING GOOD GOVERNANCE AND DRIVING CHANGE

There is an appetite for improving current practices and members believe that accountants are critical in ensuring this is successful. They are considered essential in influencing and educating governments; ensuring that discussions about governance and ethical practice take place and promoting good practice by highlighting the benefits good governance can bring. With accountants already represented in senior positions, governing bodies and audit committees, they are well placed to do this.

The survey highlighted a number of ways to drive changes. Over half (55.3%) believe professional bodies have a key role to play; 44.3 per cent believe national legislation is important and 43.9 per cent, believe introducing corporate governance roles would also help. They expect professional bodies to support accountants in their roles and to promote good governance among governments and the public. They think professional bodies could contribute to improving working practices by raising the standards through raising the awareness of governance codes and frameworks; training members; monitoring activities and sanctioning any poor ethical practice.

Drivers for change

	%
Professional accounting bodies	55.3
National legislation	44.3
Corporate Governance codes	43.9
Stock Exchange requirements	36.5
Corporate governance institutes	21.2
NGOs/public/consumers/direct customers	20.0
Example set by other leading companies	17.7
Investor activism	13.0
The US Sarbanes–Oxley Act, Foreign Corrupt Practices Act or UK Bribery Act	10.1
US	7.2
Competitors	6.6
Employees	6.3
Europe	6.3
Other African economies	4.3
Don't know	1.3%
None of these	1.1%
China	.9%

3. Conclusions and recommendations

In recent years, there have been ethical and governance concerns in Africa and progress is being made in addressing these. NEPAD is concerned that without sound governance, development programmes will have limited success. Accountants play a key role in making sure sound governance standards and practices are in place and adhered to.

Professional accountants in Africa need to be supported in their role to implement governance arrangements and challenge unethical behaviour. Professional bodies are seen as vital in driving improvements.

ACCA and its members support economic growth and improving standards. ACCA seeks to ensure that accountancy professionals have the skills and capacity to contribute to decision making and standard setting at the highest levels across all sectors.

The survey findings show that members in the African region are involved in shaping and influencing policy and practice in the government, public and private sectors. But more work is needed.

To further improve, it is recommended that a number of steps, in line with ACCA's corporate governance and risk management principles,⁴ are taken:

- Government, public and private sector organisations should ensure there is a common understanding among governing body members and senior executives, of governance and ethical standards.
- Codes of governance or frameworks that are appropriate and relevant should be put in place to support innovation and improvement in practice. These should be adaptable and flexible to each organisation, to ensure maximum benefit.
- Roles and responsibilities for strategic and operational governance and ethical practices should be made clear to governing body members and employees.
- Accountants, particularly those serving on audit committees, should be active in making sure decisions are transparent and that decision makers are held to account.
- The role of accountants in implementing governance standards and ensuring compliance is given greater prominence by making their contribution explicit to professional accountants and other relevant individuals across sectors and organisations.

FURTHER INFORMATION

ACCA contributes to corporate governance and ethical practice. Research and Insights work addresses issues critical for businesses, economies, society and the profession, both now and in the future. ACCA brings together leaders in business, government and academia to shape thinking on a wide range of issues.

Publications on corporate governance can be found at:
www.accaglobal.com/en/discover/research-insights.html

4. *Corporate Governance and Risk Management Agenda*, ACCA, 2008.

POL-AFB-LAGIA