

- **Net Value**

The following formula is used to calculate the deemed Net Value referred to in formulas A and C below:

$$A = \frac{B - C}{D}$$

- Where
- A = deemed Net Value
  - B = for purposes of formula A or B below, is the value of the Equity Instruments relevant to the calculation, determined on the date of measurement
  - B = for purposes of formula C below, is the value of the Equity Instruments relevant to the calculation, determined on the date of sale or loss
  - C = for purposes of formula A or B below, is the carrying value of any acquisition debts of the relevant black Participants on the date of measurement
  - C = for purposes of formula C below, is the carrying value of any acquisition debts of the relevant black Participants on the date of sale or loss
  - D = for purposes of formulas A or B and C below, is the value of the Measured Entity on the date of measurement
  - D = for purposes of the exclusion principle, is the value of the measurable portion of the Measured Entity on the date of measurement

- The Net Value points are the lower result of formula A and formula B. For the CA profession *Formula A* is generally not applicable as there is seldom a purchase of goodwill in professional service firms. Therefore only *formula B* will be used to calculate this section of the scorecard for the profession.

Formula A  $A - B \times \left[ \frac{1}{25\% \times C} \right] \times 7$

- Where
- A = the score obtained for Net Value
  - B = the deemed Net Value for all black Participants in the Measured Entity determined using the formula for the calculation of Deemed Net Value above
  - C = the time-based graduation factor of the Economic Interest compliance Target outlined below
    - 10% for the first year after the current equity interest date
    - 20% for the second year after the current equity interest date
    - 40% from the first day of the third year after the current equity interest date to the last day of the fourth year after the current equity interest date
    - 60% from the first day of the fifth year after the current equity interest date to the last day of the sixth year after the current equity interest date
    - 80% from the first day of the seventh year after the current equity interest date to the last day of the eighth year after the current equity interest date

- 100% from the first day of the ninth year after the current equity interest date to the last day of the tenth year after the current equity interest date

Formula B  $A = \frac{B}{C} \times 7$

Where A = the score obtained for Net Value  
 B = the percentage Economic Interest in the Measured Entity of black Participants  
 C = the Target for the ownership indicator measuring Economic Interest of Black People in the enterprise

- If an enterprise gains a score which exceeds the Weighting points for Net Value, that entity will only receive the Weighting points.
- Calculation of the recognition of ownership after the sale or loss of shares by black Participants

Formula C  $A = B \times C \times D$

Where A = the percentage of rights of ownership that survive the sale of an Equity Instrument by a black Participant  
 B = the percentage of rights of ownership for each of the indicators in the ownership scorecard that were attributable to the black Participant immediately before his or her sale or loss  
 C = the Net Value percentage provided for in the calculation of deemed Net Value above undertaken for the Equity Instruments sold or lost by the black Participant on the date of the sale or loss. The value of the enterprises is measurable as at the date of measurement  
 D = the most recently determined B-BBEE Recognition Level of the Measured Entity which is less than one year old, based on its Generic Scorecard result for all Elements other than ownership determined using statement 000

• **The bonus points**

In terms of the CA sector and based on the specific sectoral characteristics, the bonus points under ownership will be awarded as follows:

	Bonus point	Compliance Target for 2016
Exercisable Voting Rights in the enterprise in the hands of Black People, for having achieved the following Targets:		
• Between 30 and 39%; or	1	30–39%
• Between 40% and 49%; or	2	40–49%
• 50% or more	3	50% or more

While the bonus points awarded in terms of the CA Sector Code differ from that gazetted in the Codes, it does adhere to the intention of the Codes.

### 13.2.2 The QSE Management Control scorecard

The Management Control Element measures the effective control of an enterprise by Black People. The measurement takes place through indicator Weightings which are as follows:

QSE Management Control indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
• Black representation at Top Management level	25	25	50,1%
<b>Bonus points</b>			
• Black women representation at Top Management level	2	2	25%

For purposes of the CA sector, indicator Weightings have the following definitions:

- The Measurement principles for this Element are the same as those for Statement 200, but with only two indicators.
- Top Management means Employees of a Measured Entity who serve on the board, undertake day-to-day management, have overall responsibility for the overall financial management and are actively involved in developing and implementing the overall strategy of the Measured Entity.
- The definition of Top Management should be understood to include only Black People at a Top Management level without regard to their ownership status in the QSE. Ownership for QSEs is measured independently of Top Management.
- A Measured Entity must use the same data used in its returns filed with the Department of Labour under the EE Act, in calculating its score under the Management Control scorecard. This will not apply where such a Measured Entity is exempt from filing such returns.
- Calculation of Management indicators

$$A = \frac{B}{C} \times D$$

C is limited to a maximum of 50% the Target

Where A = score for the measured Management indicator  
 B = Adjusted recognition for gender calculated as per paragraph 13.2  
 C = Target for that measurement category  
 D = Weighting for measured indicator

- **Bonus points**

Two bonus points can be earned by a QSE in the CA sector if black women are represented at the Top Management level.

### 13.2.3 The QSE Employment Equity scorecard

The objective is to measure initiatives targeted to achieve Employment Equity in respect of all Measured Entities (CA sector QSEs) in the workplace by means of the indicators listed below. A fundamental principle is to ensure alignment with the EE Act.

The Employment Equity Element of the QSE scorecard is a simplified version of the Generic Scorecard. The objective of this simplification is to enable small and medium businesses to comply more easily with the requirements of the Codes.

For purposes of this section the indicators and Weightings shall be as follows:

QSE Employment Equity indicators	Weighting points		Compliance Target	
	Code	CA sector	For 2011	for 2016
<ul style="list-style-type: none"> <li>Black Employees of the Measured Entity who are Management as a percentage of all Management adjusted using the adjusted recognition for gender</li> </ul>	15	15	40%	60%
<ul style="list-style-type: none"> <li>Black Employees of the Measured Entity as a percentage of all Employees adjusted using the adjusted recognition for gender</li> </ul>	10	10	60%	70%
<b>Bonus points</b> <ul style="list-style-type: none"> <li>For meeting or exceeding the EAP Targets in each category above</li> </ul>	2	2		

- Wherever possible a Measured Entity must use the data that it files with the Department of Labour under the EE Act in calculating its score under the Employment Equity scorecard.
- In order for a Measured Entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP Targets for that specific level (1 for Management; 1 for all Employees).
- A Measured Entity exempt from filing returns must compile its data for calculating its score under the Employment Equity scorecard using the guidelines set out in the EE Act and its Employment Equity Regulations.

For purposes of the CA sector QSEs, indicator Weightings have the following definitions:

- Representation of Black People in Management means Employees of a Measured Entity who undertake the day-to-day management of the Measured Entity but who do not necessarily have ownership in the Measured Entity.
- Representation of black Employees among all staff in the enterprise means that even if Black People are not represented in Management, the enterprise will be able to score up to 10 of the 25 Weighting points for Employment Equity.
- Measurement of the economic Employment Equity indicators**
  - In this calculation the adjusted recognition for gender as per paragraph 13.2 is used.

o Measurement of the Employment Equity indicators

$$A = \frac{B}{C} \times D$$

Where A = score for the measured category indicator  
 B = adjusted recognition for gender  
 C = Target for that measurement category  
 D = Weighting for the measured indicator

### 13.2.4 The QSE Skills Development scorecard

Through the indicators listed below the objective is to measure initiatives implemented by the CA sector (employers) that are targeted at the promotion of competencies of Black People within each enterprise.

The Skills Development Element of the QSE scorecard is a far less complex version of the Skills Development Element of the Generic Scorecard. However, the Learning Programmes Matrix which broadly defines the training initiatives is also applicable to the QSE.

This section seeks to address the issue of company spending on training which may not have sufficiently well-planned outcomes. For this reason, only Skills Development spend on Learning Programmes as contained in the Learning Programmes Matrix is recognisable.

The indicators and Weightings are as follows:

QSE Skills Development indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
• Adjusted Skills Development spend on Learning Programmes for black Employees as a percentage of Leviable Amount (including amount spent on learnerships)	25	25	2%

- The Skills Development scorecard for QSEs consists of only one indicator. The indicator measures the amount spent on Learning Programmes as per the Learning Programmes Matrix.
- Unlike statement 400 (Generic Scorecard Skills Development) the simplified QSE scorecard does not contain a specific indicator for the measurement of Black People participating in in-service training. However, the Measured Entity will obtain recognition for learnerships and other in-service training programmes provided that they meet the definition of an In-service Training Programme. These are defined as follows for both QSEs and corporates:
  - o Learnerships, as defined in the Skills Development Act; and
  - o Learning Programmes contained in category C or D of the Learning Programmes Matrix.
- Skills Development Expenditure will include the following:
  - o Legitimate expenses incurred in any programme offered by a Measured Entity to the Employees substantiated by an invoice or appropriate internal accounting record.

- Any such expenditure that is an ABET programme is recognisable at a multiple of 1,25 to the actual value of such expenditure.
- Legitimate training expenses, such as –
  - cost of training material
  - cost of trainers
  - cost of training facilities (including catering)
  - scholarships and bursaries, including expenditure on the Thuthuka Bursary Fund
  - course fees
  - accommodation and travel
  - administration costs such as the organisation of training including, where appropriate, the cost to the Measured Entity of employing a Skills Development facilitator or a training manager.

• **Learning Programmes Matrix**

Cat.	Narrative description	Delivery mode	Learning site	Learning achievement
A	Instruction-based theoretical instruction alone – formally assessed by the institution	Institutional instruction	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning
B	Instruction-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning
C	Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body	Structured learning in the workplace with mentoring or coaching	Workplace	Occupational or professional knowledge and experience formally recognised through registration or licensing
D	Occupationally directed instructional and work-based Learning Programme that requires a formal contract – formally assessed by an accredited body	Institutional instruction together with structured, supervised experiential learning in the workplace	Institutions and workplace	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or other similar occupational or professional qualification issued by an accredited or

Cat.	Narrative description	Delivery mode	Learning site	Learning achievement
				registered formal institution of learning
E	Occupationally directed instructional and work-based Learning Programme that does not require a formal contract – formally assessed by an accredited body	Structured, supervised experiential learning in the workplace which may include some institutional instruction	Workplace and some institutional as well as ABET providers	Credits awarded for registered unit standards
F	Occupationally directed informal instructional programmes	Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses	Institutions, conferences and meetings	Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)
G	Work-based informal programmes	Informal training	Workplace	Increased understanding of job or work context or improved performance or skills

- **Measurement of Skills Development indicators**

- The adjusted recognition for gender, as calculated per paragraph 13.2, is taken into account.
- Measurement of the Skills Development indicators

$$A = \frac{B}{C} \times D$$

- Where
- A = score for any given indicators as referred to in the scorecard
  - B = adjusted recognition for gender
  - C = Target for the applicable indicators as referred to in the scorecard
  - D = Weighting for the applicable indicators as referred to in the scorecard

### 13.2.5 The QSE Preferential Procurement scorecard

By means of the indicators listed below, the objective is to measure the extent to which the CA sector QSEs procure goods and services from companies with strong B-BBEE economic recognition levels. The QSE scorecard is a simplified version of the Generic Scorecard for Preferential Procurement, reducing the number of indicators from three to only one. This makes compliance that much easier. There are no Targets for particular types or sizes of entities as QSEs are encouraged to procure from those enterprises that have good B-BBEE Status.

While recognising the need for the CA sector to contribute to the development of black enterprises that provide goods and services to the sector, the nature and unique structure of the profession logically dictates that a large portion of the procurement spend is not discretionary.

The indicators and Weightings are as follows:

QSE Preferential Procurement indicators	Weighting points		Compliance Target	
	Code	CA sector	For 2011	for 2016
<ul style="list-style-type: none"> <li>BEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend</li> </ul>	25	25	40%	50%

- Enterprises are encouraged to procure from those entities that have a good B-BBEE procurement level, based on their performance on the scorecard.
- B-BBEE contribution status is as follows:

BEE Status	Qualification	BEE Procurement Recognition Level
Level one contributor	>100 points on the Generic/QSE Scorecard	135%
Level two contributor	>85 but <100 on the Generic/QSE Scorecard	125%
Level three contributor	>75 but <85 on the Generic/QSE Scorecard	110%
Level four contributor	>65 but <75 on the Generic/QSE Scorecard	100%
Level five contributor	>55 but <65 on the Generic/QSE Scorecard	80%
Level six contributor	>45 but <55 on the Generic/QSE Scorecard	60%
Level seven contributor	>40 but <45 on the Generic/QSE Scorecard	50%
Level eight contributor	>30 but <40 on the Generic/QSE Scorecard	10%
Non-compliant contributor	<30 on the Generic/QSE Scorecard	0%

- Enhanced recognition for spend on Enterprise Development beneficiaries:** If a Measured Entity procures goods and services from a Supplier that is a recipient of Enterprise Development Contributions from the Measured Entity as set out in paragraph 13.2.6 of this Charter, the recognisable B-BBEE procurement spend to be attributed to that Supplier is multiplied by a factor of 1,2.
- Enhanced recognition for spend on Value-Adding Suppliers:** In the case of a Value-Adding Supplier, the recognisable B-BBEE procurement spend that can be attributed to that Supplier is multiplied by a factor of 1,25.
- Enhanced recognition for Black-owned Professional Service Providers and Entrepreneurs:** A Measured Entity will enjoy enhanced recognition for procurement from professional service providers and Entrepreneurs who are black owned. The recognisable B-BBEE procurement spend that can be attributable to that Supplier is multiplied by a factor of 1,25. It must be noted that the intention of the Code is to encourage procurement from such service providers who have a shareholding in excess of 50% and that such services are in the social and consulting areas of service provision.
- Professional and consulting services shall mean –
  - Accounting and Auditing
  - Actuarial Sciences
  - Advertising and marketing
  - Any other professional and consulting services



- Architectural services
  - Asset/fund manager services
  - Corporate finance related services
  - Engineering services (all kinds of engineering disciplines)
  - Financial advisory services
  - HR consulting services
  - Information technology services and consulting
  - Legal services (including all legal related services)
  - Management consulting services
  - Medical services
  - Quantity surveying
  - Real estate appraisers
  - Real estate brokers and sales persons
  - Real estate developers
  - Real estate managers
  - Recruitment services
  - Scientists
  - Strategic consultants
  - Tax services
  - Town planning services
  - Training and development
  - Transaction advisory services.
- For purposes of the CA sector, the following will be considered to be procurement items:
    - All goods and services procured that comprise the cost of sales of the Measured Entity. Cost of sales is an amount arrived at by using opening and closing inventories in the calculation. For procurement purposes actual procurement for the period should be used.
    - All goods and services procured that comprise operational expenditure of the Measured Entity.
    - All capital expenditure.
    - All goods and services procured from organs of state and public entities (e.g. Eskom, SAA) (see schedules 2 and 3 of the Public Finance Management Act of 1998).
    - All goods and services procured from Suppliers that enjoy a monopolistic position.
    - All procurements on behalf of a third party or a client where the cost of that procurement is included as an expense in the Measured Entity's annual financial statements.
    - Payment to independent contractors and to labour brokers for services provided by individuals who are not Employees of the Measured Entity (i.e. Outsourced Labour Expenditure).
    - All goods and services procured in carrying out B-BBEE initiatives. The procurement spend does not include the actual portion recognised under Enterprise Development and SED contributions, but does include any expenditure incurred in facilitating such contributions.

- All goods and services procured or imported from a non-South-African source.
- All goods and services procured from subsidiaries and holding companies of the Measured Entity.
- Payments made to any post-retirement funding scheme or to a medical aid and/or similar medical insurer by a Measured Entity for its Employees, excluding any portions of such payments which are a contribution to a capital investment of the Employee.
- Any commissions or similar payments payable by a Measured Entity.
- The following are the only permissible exclusions from the above total measured procurement spend:
  - Any amount payable to any person which represents a lawful tax or levy imposed by an organ of the state duly authorised to impose such tax or levy.
  - Procurement of services and goods on behalf of a third party where such an expense is not represented as an expense in the annual financial statements of the Measured Entity.
  - Imported goods and services for value-added production (provided there is no existing local production of such capital goods and services and importing these goods and services promotes further value-added production within South Africa).
  - Also imported goods and services where there is no local source or which has a different brand name than the local goods and services or has different technical specifications.
  - Public sector procurement – all goods and services procured from organs of state and public entities listed in schedule 1 of the Public Finance Management Act and from state and public entities that have a statutory or regulated monopoly. The exception is procurement from local government authorities who are resellers of schedule 1 services.
  - Salaries, wages, remuneration emoluments as well as any amount paid to an Employee as an Element of the salary or wage and any emoluments or similar payment paid to a director of a Measured Entity.
  - Empowerment related procurement is excluded if it relates to –
    - investments in or loans to an Associated enterprise; or
    - investments, donations or loans qualifying for recognition in terms of either Enterprise Development or SED contributions.
  - Where a global firm allows its local partners no discretion about the purchase of certain goods or services, such costs must be excluded from the total measured procurement spend.

- **Measurement of B-BBEE procurement spend**

- Calculation of B-BBEE procurement spend

$$A = \text{sum of } (B \times C)$$

- Where
- A = calculated total B-BBEE procurement spend for the Measured Entity. It is equal to the sum of the result of the product of B and C for each Supplier of the Measured Entity not excluded under the exclusion from total measured procurement spend
  - B = the value of procurement falling within total measured procurement spend and not excluded under the exclusion from total measured procurement spend from each Supplier of the Measured Entity
  - C = the B-BBEE Procurement Recognition Level of each such Supplier of the Measured Entity

- Calculation of Preferential Procurement contributions to B-BBEE

$$A = \frac{B}{C} \times D$$

- Where
- A = the calculated Preferential Procurement score for each indicator in the scorecard
  - B = the total B-BBEE procurement spend of the Measured Entity calculated under measurement of B-BBEE procurement spend as a percentage of total measured procurement spend of that Measured Entity
  - C = the compliance Target for each indicator in the scorecard
  - D = the Weighting points allocated to each indicator in the scorecard

### 13.2.6 The QSE Enterprise Development scorecard

Through the indicators listed below, the objective is to measure initiatives intended to assist and accelerate the development and sustainability of other enterprises.

Although some QSEs may have a turnover of little more than R5 million per annum, others in certain industries may well be better positioned to contribute to Enterprise Development than certain of the other Elements. In addition, many successful small business owners are no doubt in a better position than most corporate managers to render and advise Micro and survivalist Enterprises on how to grow and become sustainable. Therefore some QSEs might be well placed to try and address some of the following challenges:

- High failure rate amongst black-owned start-ups owing to lack of access to financing and education or experience; and
- Job creation.

The indicators and Weighting points are as follows:

QSE Enterprise Development indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
<ul style="list-style-type: none"> <li>Average annual value of all qualifying contributions made by the Measured Entity as a percentage of NPAT or turnover</li> </ul>	25	25	2% of NPAT or 0,25% of turnover

- While recognising the need for the CA sector to contribute to the development of black enterprises, Measured Entities are encouraged to provide support for small black-owned accountancy firms.
- In fact, the custom of established audit firms working with black firms on joint projects, with working arrangements ranging from joint assignments which are shared equally between the firms to subcontracting arrangements where an established firm subcontracts part of the work to an emerging black firm, should be extended to the whole sector. At present arrangements of this nature are prevalent in servicing the public sector and in state-owned entities. They are beneficial in that emerging firms are given the opportunity to develop themselves. Established firms are encouraged to extend these arrangements to the private sector as well, and are incentivised by earning points on their scorecards.

For the CA sector, the following are applicable:

- 2% of NPAT or 0,25% of turnover whichever is the greater. In view of the partnership structure, which is unique to the CA profession, NPAT is not always an appropriate means of measurement, and accordingly turnover was agreed upon as an alternate acceptable measure.
- The CA sector shall be entitled to receive recognition for any qualifying Enterprise Development Contributions. It must be possible to quantify such contributions by attaching a monetary value, using a Standard Valuation Method.
- Qualifying Enterprise Development Contributions of any Measured Entity shall be measured cumulatively, which shall be from the commencement date of this Charter until the date of measurement.
- Qualifying Enterprise Development Contributions of the CA sector means capacity building of a monetary and non-monetary nature for black-owned firms within the profession and outside of the profession.
- Beneficiaries of Enterprise Development defined***

Beneficiary		Description of Beneficiary
1	Enterprise Development Category A (QSEs & EMEs)	QSEs and EMEs which are 50% black owned or 50% black women owned
2	Enterprise Development Category B (any size entity)	Any size entity which is <ul style="list-style-type: none"> <li>50% black owned or 50% black women owned</li> <li>25% black owned or 25% black women owned that also has a B-BBEE Status of level one to six</li> </ul>
3	Sector Specific Programmes	<ul style="list-style-type: none"> <li>Assistance to black-owned accountancy firm</li> <li>Job creation through The Hope Factory</li> </ul>

- **Recognition of Enterprise Development Contributions**
  - Grant contributions to Beneficiary Entities. This would include grants made to the SAICA job creation initiative (The Hope Factory) which is recognised for Enterprise Development purposes.
  - Investments in Beneficiary Entities.
  - Loans made to Beneficiary Entities.
  - Guarantees given or security provided on behalf of beneficiaries.
  - Credit facilities made available to Beneficiary Entities.
  - Direct costs incurred by a Measured Entity in assisting and backing development of Beneficiary Entities.
  - Overhead costs of a Measured Entity directly attributable to Enterprise Development Contributions.
  - Preferential credit terms granted by a Measured Entity.
  - Preferential terms granted by a Measured Entity in respect of the supply of goods or services to a Beneficiary Entity.
  - Contributions made to settling service costs relating to the operational or financial capacity of Beneficiary Entities.
  - Payments made by the Measured Entity to third parties to perform Enterprise Development on behalf of the Measured Entity.
  - Facilitating access to credit for Beneficiary Entities without which access to similar credit facilities would not be possible.
  - Provision of training or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational or financial capacity.

- **Calculation of the value of the benefit**

These calculations are based on the Benefit Matrix below:

Qualifying contribution type	Contribution amount	Benefit Factor
<b>Grant and related contributions</b>		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development	Verifiable cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development (including people appointed in enterprise development)	Verifiable cost (including both monetary and non-monetary)	80%
<b>Loans and related contributions</b>		
Interest-free loan with no security requirements supporting Enterprise Development	Outstanding loan amount	100%
Standard loan to Black-Owned EME and QSEs	Outstanding loan amount	70%
Standard loan provided to other beneficiary enterprises	Outstanding loan amount	60%
Guarantees provided on behalf of a beneficiary entity	Guarantee amount	3%
Lower interest rate	Outstanding loan amount	Prime rate – actual rate

Qualifying contribution type	Contribution amount	Benefit Factor
<b>Equity investments and related contributions</b>		
Minority investment in black-owned EME and QSEs	Investment amount	100%
Minority investment in other beneficiary enterprises	Investment amount	80%
Enterprise Development investment with lower dividend to financier	Investment amount	Dividend rate of ordinary shareholders – Actual dividend rate of contributor
<b>Contributions made in the form of human resource capacity</b>		
Professional services rendered at no cost and supporting Enterprise Development	Commercial hourly rate of professional	80%
Professional services rendered at a discount and supporting Enterprise Development	Value of discount based on commercial hourly rate of professional	80%
Time of Employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	80%
<b>Other contributions</b>		
Shorter payment periods	Percentage of invoiced amount	Percentage being 15 days less the number of days from invoice to payment

- **Measurement of qualifying contribution**

$$A = \frac{B}{C} \times D$$

- Where
- A = the score achieved in respect of the qualifying contributions made by the Measured Entity
  - B = the value of all qualifying contributions made by the Measured Entity measured from the effective date of the CA Charter to the date of measurement
  - C = the compliance Target for qualifying contributions as specified in the scorecard
  - D = the Weighting points allocated to the indicators in the scorecard

### 13.2.7 The QSE Socio-Economic Development (SED) Scorecard

The objective of this section is to measure initiatives that contribute towards SED or sector specific developments that promote access to the economy for Black People.

Although some QSEs may have a turnover of little more than R5 million per annum, others in certain industries with greater turnovers may well be better positioned to contribute to SED than certain of the other Elements. The Code seeks to encourage initiatives that enhance the ability of Black People who remain non-participants in the economic mainstream to be included in participating in the economy in a sustainable manner.

The most critical aspect of this Element is that SED initiatives should result in the sustainable economic participation by its intended beneficiaries and discourage actual dependence on hand-outs.

The indicators and Weightings are as follows:

QSE SED indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
Average annual value of all SED contributions and approved SED contributions made by the Measured Entity as a percentage of NPAT or turnover	25	25	1% of NPAT or 0,125% of turnover

For purposes of the CA sector, indicator Weightings and Targets have the following interpretations:

- The compliance Target is set at 1% of NPAT, as recommended by the Code of Good Practice, or 0,125% of turnover, whichever is the greater. In view of the partnership structure it will not always be appropriate to use NPAT and accordingly turnover was agreed upon as an acceptable alternative measure.
- The full value of SED contributions is recognisable if at least 75% of the value directly benefits Black People.
- If less than 75% of the full value of the SED contribution directly benefits Black People, the value of the contribution multiplied by the percentage that benefits Black People is recognisable.
- **Beneficiaries of Enterprise Development defined**

SED	Social development beneficiaries are either black individuals, or, as is more commonly the case, communities or groups of people. In the latter case the percentage of Black People within the beneficiary group affects the amount of spend recognition in terms of the Codes: <ul style="list-style-type: none"> <li>• Where 75% of the beneficiary group is black, the full value of the contribution is recognisable</li> <li>• Where less than 75% of the beneficiary group is black, the value of the contribution multiplied by the percentage benefiting Black People is recognisable</li> </ul>
Approved SED Programmes	The beneficiaries of approved SED Programmes must meet the definition of SED beneficiaries

- SED contributions include the following:
  - Current grant contributions to beneficiaries of SED contributions.
  - Guarantees or security provided for beneficiaries.
  - Preferential terms granted for the supply of goods or services to beneficiary communities.
  - Training or mentoring, in the case of the CA sector capacity building of financial management skills, where the portion of salaries and wages attributable to time spent by staff as well as other expenses related to the training and mentoring activities would form part of the SED contributions.
  - Payments made by Measured Entities to third parties to perform SED on behalf of the Measured Entity.

- Direct costs as well as overhead costs incurred by a Measured Entity directly attributable to SED contributions or incurred in assisting beneficiaries.
  - Development capital advanced to beneficiary communities.
  - Maintaining an SED unit by the Measured Entity – only that portion of salaries and wages attributable to time spent by the staff in, and other expenses related to, promoting and implementing SED programmes.
- The Measured Entities shall be entitled to receive recognition for any SED contribution, provided that it is possible to quantify such contributions by attaching a monetary value, using a Standard Valuation Method (see the Benefit Factor Matrix below).
  - Qualifying SED contributions shall be measured cumulatively from 1 January 2007 until the date of measurement. If, however, contributions were made before this date, the Measured Entity shall be entitled to adopt an earlier Inception Date which shall not go back more than five years.
  - Non-monetary contributions will be measured by quantifying the cost of time spent by staff or management of the Measured Entity in carrying out such initiatives.
  - **Calculation of monetary value**

The contribution amount is calculated using the following Benefit Factor Matrix:

Qualifying contribution type	Contribution amount	Benefit Factor
<b>Grant and related contributions</b>		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting SED, sector specific initiatives or approved SED contributions	Verifiable cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting SED, sector specific initiatives or approved SED contributions	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting SED; sector specific initiatives or approved SED contributions	Verifiable cost (including both monetary and non-monetary)	80%
<b>Contributions in the form of human resource capacity</b>		
Professional services rendered at no cost supporting SED, sector specific initiatives or approved SED contributions	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting SED, sector specific initiatives or approved SED contributions	Value of discount based on commercial hourly rate of professional	80%
Time of Employees of Measured Entity productively deployed in assisting beneficiaries and supporting SED, sector specific initiatives or approved SED contributions	Monthly salary divided by 160	80%

- **Measurement of SED contributions**

$$A = \frac{B}{C} \times D$$

Where A = the score achieved in respect of the SED contributions made by the



- Measured Entity
- B = the value of all SED contributions made by the Measured Entity measured from the commencement of the CA Code to the date of measurement
- C = the compliance Target for SED contributions as specified in the scorecard
- D = the Weighting points allocated to the Measured Entity development indicators in the scorecard

## 14 GUIDING PRINCIPLES FOR SAICA

With regard to B-BBEE, SAICA has a dual role to play: In the first place, it will be to act as an overarching body to co-ordinate the efforts for the CA profession and sector, as set out in paragraph 3.

In the second place SAICA is also an organisation in its own right, which means that it, too, will need to adopt the CA sector Charter and apply it to the organisational structure of the Institute. However, in terms of code series 000, statement 004, SAICA is considered to be a specialised enterprise, which is an enterprise that has no shareholding and thus cannot be evaluated in terms of black ownership criteria. SAICA has no owners who share in the profit of the organisation and will thus have to be evaluated and measured in terms of the adjusted Generic Scorecard.

The indicators and Weightings for the adjusted Generic Scorecard are as follows:

Element	Weighting (points)
Management Control	15
Employment Equity	15
Skills Development	20
Preferential procurement	20
Enterprise Development	15
Socio-Economic Development Contributions	15

The measure for success within the realm of transformation will be based on the Qualifying Examination (QE), where two objective targets have been set:

- That the number of candidates presenting themselves for the QE are representative, demographically, of the country's population both in terms of race and gender; and
- That the pass rate is equal across all race groups.

Achievement of these targets would be indicative of the achievement of true transformation of the profession. However, these targets cannot be accomplished simply or quickly; indeed, it requires addressing a variety of challenges at each level of a potential CA's progress. SAICA's role in meeting the challenges facing the CA sector is set out in section D.

SAICA will have to report to the Charter Council on its own scorecard as an organisation as well on as specific transformation initiatives assigned to it in terms of this Charter.

## **SECTION D CHALLENGES**

### **15 CHALLENGES FACING THE CA PROFESSION**

The Forum has identified a number of existing challenges, based on future outcomes that are desirable for the sector as a whole. With the aid of a process of gap analysis a number of specific activities have been highlighted that are recommended to effect the transition from the current situation to the desired future situation. However, this is not intended to be an exhaustive list of recommended activities. The primary aim is to establish a CA sector structure that reflects the demographics of South Africa, and the secondary one is to enable the sector to comply with the targets set in terms of the B-BBEE Codes of Good Practice.

While many of these activities are already being undertaken by the CA sector and SAICA, the assumption should not be that all are presently being implemented or that they exhaust all possible courses of action for achieving the goals.

The outcomes will be measured in terms of achievement of the targets set in the Codes of Good Practice, and specifically the scorecards for the CA and QSE CA sectors. These targets provide objective criteria against which interim advances and successes can be measured to determine to what extent implementation of the activities have contributed towards achieving the final goals.

Finally, it serves as a summary and point of departure for restructuring and development of a CA sector that has achieved the vision of growth and empowerment of black people in the CA profession so that they may meaningfully participate in and sustain economic growth in South Africa.

**15.1 OWNERSHIP AND MANAGEMENT CONTROL**

The desired future outcome that the CA sector would like to achieve by means of the recommended activities is an increase in the percentages of black people, and particularly black women and black designated groups, in the ownership and management of CA enterprises – measured in terms of exercisable voting rights, economic interest, board participation (black directors) and management positions at all levels.

Current situation / challenges	Recommended activities
<ul style="list-style-type: none"> <li>• Numerous black professionals are leaving public practice, because of the following:               <ul style="list-style-type: none"> <li>* Public practice firms have to compete with commerce and industry to fill management positions (to comply with their own B-BBEE charters)</li> <li>* Commerce and industry offer higher salaries</li> <li>* Public practice is associated with high risks (also with regard to litigation), which are regarded as undesirable and not commensurate with rewards, when compared to other sectors</li> <li>* Inadequate career planning for qualified black staff in firms</li> </ul> </li> <li>• Black partners are required to play a disproportionately large role in business development and marketing, which leaves them with little time to focus on technical input and personal development</li> </ul>	<ul style="list-style-type: none"> <li>• To develop strategies that will ensure that more black professionals remain in public practice</li> <li>• To sell the auditing profession as an exciting, challenging, dynamic and viable career option because of the variety of work experiences that can be obtained</li> <li>• To have a career development plan for black CAs and other professionals in the firm</li> <li>• To ensure that black partners play a more fulfilling role in technical service deliveries and practice management as opposed to public relations and sales</li> <li>• To ensure that senior people offer effective mentoring and coaching or put effective mentoring in place for black CAs</li> </ul>

**15.2 EMPLOYMENT EQUITY**

The main area in which the CA profession can contribute to employment equity is by bringing about an improvement in the number of black people who become CA professionals. Therefore efforts for employment equity will be concentrated on increasing the number of black people, and especially black women, in the CA field.

The CA profession has long realised that employment equity can only be achieved if black people, and particularly black youth, receive the necessary basic level education to enable them to become CA professionals. Their education must be based on a solid grounding from school level upwards, in the subjects related to the accounting and auditing fields. Therefore activities to bring about equity must start at school level.

Apart from the formal qualifications required for becoming a CA, prospective CAs have to serve under a formal training contract. Therefore *in-service* training is regarded as a component of employment equity here.

To achieve the targets set out in the scorecards, activities for achievement of employment equity has been broken down into a number of different components:

**15.2.1 Secondary education level**

The aim is to create a pipeline of possible candidates for employment in the CA sector, by contributing to the education of secondary school learners who would be eligible to enter tertiary education institutions in the field of accountancy and auditing. The target at this level is thus to increase the percentage of black learners who enter undergraduate programmes in the accountancy field.

Current situation / challenges	Recommended activities
<ul style="list-style-type: none"> <li>• A lack of career awareness, coupled with inadequate subject choice guidance, with the result that               <ul style="list-style-type: none"> <li>* insufficient black learners know about accountancy and related positions in the profession</li> <li>* not enough learners and educators are aware of the importance of mathematics (maths higher grade) for career purposes</li> <li>* insufficient mathematics (maths higher grade) educators are available to teach this subject</li> <li>* learners do not have appropriate numeracy and English literacy skills upon entering higher education institutions</li> </ul> </li> <li>• Uneven standard of education, so learners are not sufficiently prepared for the rigors of tertiary level education or working in the public practice environment</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the pool of learners for professions that need a good grounding in mathematics (maths higher grade) by improving awareness of the importance of mathematics (maths higher grade)</li> <li>• To increase awareness of chartered accountancy as a profession</li> <li>• To increase career awareness with regard to related career opportunities</li> <li>• To increase the general level of business skills at secondary school level</li> </ul>

**15.2.2 Tertiary education level**

With regard to the tertiary education level, the first outcome that is desired is a significant increase in the number of black students who enrol for under- and postgraduate programmes in the accountancy field. However, the success of the intervention will be measured by the number of these students who pass and achieve degrees at both levels. To further this goal, mentoring and assistance will be offered to black students at tertiary education institutions.

Current situation / challenges	Recommended activities
<ul style="list-style-type: none"> <li>• Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students:               <ul style="list-style-type: none"> <li>* Financial pressure and other related factors increases the dropout level</li> <li>* A lack of funding leads to many black students studying on a part-time basis, which in turn means that they take longer to obtain a tertiary qualification or may not obtain such a qualification at all</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• To widen the scope of tertiary education to include skills training and socio-economic coping mechanisms</li> <li>• To increase the number and quality bursaries for the development of black CAs and to provide more and better supervision to bursary holders</li> <li>• To promote interaction with black CAs to promote ways in which they can become involved in the mentoring process at undergraduate level</li> </ul>

<b>15.2.2 Tertiary education level (cont.)</b>	
<b>Current situation / challenges (cont.)</b>	<b>Recommended activities (cont.)</b>
<ul style="list-style-type: none"> <li>* Lack of an effective learning model – many students work hard, but not effectively</li> <li>* Lack of mentoring and monitoring of students contribute to a high dropout level and poor throughput pass percentages</li> <li>* Students have lack of exposure to business skills</li> <li>* A focus primarily on technical skills, which leave students unprepared for other skills in their business lives</li> <li>• Historically black institutions are still unable to achieve accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• To implement an 'Adopt a Student'/vacation work programme as early as possible in students' educational careers to expose them to business practices</li> <li>• To implement a formal programme for qualified black CAs to lecture at universities</li> <li>• To increase mentoring/assistance by SAICA to non-accredited universities to help them obtain the necessary accreditation</li> <li>• To maintain high standards among all tertiary institutions</li> </ul>

<b>15.2.3 Qualifying Examination level</b>	
<p>This is the final formal education level that candidates have to pass before they become Chartered Accountants and Registered Auditors. The desired outcome is a dramatic increase in the numbers of black candidates who take and pass both parts of the QE.</p>	
<b>Current situation / challenges</b>	<b>Recommended activities</b>
<ul style="list-style-type: none"> <li>• Poor pass percentages achieved by black entrants in the QE               <ul style="list-style-type: none"> <li>* CTA standards vary considerably</li> <li>* Ineffective monitoring and interaction with tertiary institutions by SAICA to ensure consistency of standards</li> <li>* Lack of mentoring and monitoring of trainee accountants contribute to a high dropout level and poor throughput pass percentages</li> </ul> </li> <li>• Perceived lack of transparency of the whole examination process (i.e. the setting, marking and adjudication of the QE)</li> </ul>	<ul style="list-style-type: none"> <li>• To improve the reach of the formal education programme for first-time and repeat black QE candidates</li> <li>• To increase the number of bursaries provided to black students to enable them to study full time</li> <li>• To publicise and communicate the exam setting, marking and adjudication processes of the QE</li> <li>• To increase the membership of black CAs on Edco and Examco</li> </ul>

<b>15.2.4 Training level</b>	
In-service training under a formal training contract is the final step towards qualification as a CA(SA), and the desired outcome is a significant increase in the number of black trainees, and particularly black woman trainees who enter into and complete their training contracts successfully.	
<b>Current situation / challenges</b>	<b>Recommended activities</b>
<p><u>Perceptions of black trainees</u></p> <ul style="list-style-type: none"> <li>• Sidelineing at work or biased quality work allocation, particularly regarding 'crown-jewel clients', which leads to a lack of self-esteem</li> <li>• Inadequate interaction and counselling by partners and managers with black trainees</li> <li>• Some resistance by training offices/officers to the employment of black trainees</li> <li>• That a black trainee needs to outperform versus his white counterparts to achieve recognition</li> <li>• An inherent and perpetual perception that black people are inferior and do not show initiative</li> </ul> <p><u>Perceptions of white trainees</u></p> <ul style="list-style-type: none"> <li>• Equating accelerated development with a discriminatory decrease in white trainees' promotional prospects</li> </ul> <p><u>Cultural differences</u></p> <ul style="list-style-type: none"> <li>• Lack of understanding of cultural diversity</li> <li>• Lack of understanding of basic business concepts (practices) and processes</li> </ul> <p><u>Other</u></p> <ul style="list-style-type: none"> <li>• Firms communicate impressive strategies for transformation in the media, which are not translated into practical changes in the business environment</li> <li>• Difficulties with office conditions and work situations by trainees who have little knowledge of or experience with (predominantly white) expectations; in particular five-year trainees taken straight from school are less likely to have acquired or experienced business skills</li> </ul>	<ul style="list-style-type: none"> <li>• To find and implement specific instruments and tools (role playing, diversity training and group discussions) to <ul style="list-style-type: none"> <li>* address perceptions of racism and unfairness at work among trainees</li> <li>* provide insight into cultural differences for trainees</li> <li>* introduce trainees to business and office practices (e.g. by means of the induction course of training offices)</li> <li>* implement a monitoring system in training that ensures equal access to opportunities</li> </ul> </li> <li>• To put processes in place that will promote equal opportunities in the allocation of work and clients</li> <li>• To put a formal mechanism in place to deal with some of the perceptual challenges faced by black trainees, e.g. an 'Equal Employment Advisory Council'</li> </ul>

<b>15.2.5 Employment level</b>	
<p>Obviously, enterprises in the CA sector will only be able to achieve the compliance targets on the different scorecards if the trainee accountants remain within the sector. To this end, the desired future outcome with regard to employment would be that because of satisfaction with working conditions, the black trainees who qualify as CAs remain in the profession or in public practice for at least three years after qualification.</p>	
<b>Current situation / challenges</b>	<b>Recommended activities</b>
<p><u>Working conditions and opportunities for trainees</u></p> <ul style="list-style-type: none"> <li>• Support and mentorship programmes are generally inadequate</li> <li>• Difficulties in reaching off-site audit assignments because trainees cannot afford a vehicle</li> <li>• Inadequate study leave is an issue for the many black part-time trainees</li> <li>• A heavy financial burden with the black trainee frequently having to support an extended family</li> <li>• Insufficient accredited training offices</li> <li>• Prospective trainees have little knowledge of small and medium size accountancy firms and tax and advisory consultancy professions</li> </ul>	<ul style="list-style-type: none"> <li>• To widen the scope of mentoring and counselling to address social-economic difficulties of trainees</li> <li>• To provide a work environment for trainees that is conducive to both job fulfilment and achievement of professional qualifications</li> <li>• To facilitate access to finances for trainees in need</li> <li>• To provide special skills development programmes for black trainees to level the playing field</li> <li>• To ensure that students are aware of <u>all</u> career and training opportunities at <ul style="list-style-type: none"> <li>* not just the bigger firms but also small and medium size firms</li> <li>* all accredited training organisations</li> </ul> </li> </ul>

**15.3 SKILLS DEVELOPMENT**

To ensure equitable skills development not only for trainee accountants but for all employees within the CA sector, the desired outcome is that the investment in skills development, in addition to the skills development levy, increases significantly in relation to the total payroll expenditure.

Two additional desirable outcomes are that there is an increase in the number of skills development programmes for support and administrative positions, and that the number of black employees, and particularly black woman employees, who hold these positions, increase. A further desired outcome is to achieve an equitable allocation with regard to the spending on prospective CAs, practising CAs and other personnel.

Current situation / challenges	Recommended activities
<p><b>Administrative and support positions</b></p> <ul style="list-style-type: none"> <li>• Insufficient skilled and semi-skilled black people to fill a representative number of administrative positions in firms</li> <li>• Insufficient skilled and semi-skilled black people are employed in firms</li> <li>• There is no consolidated and comprehensive strategy aimed at the training of other personnel</li> <li>• Intervention on skills development is unbalanced, with some firms spending large amounts and others only the 1% levy</li> <li>• According to particularly small firms, financial and time constraints regarding skills development are the main reasons for not taking black trainees</li> <li>• The CA profession is regarded as a training environment for acquiring skills before moving on to positions outside the profession</li> <li>• Most interventions in organisations in the CA sector are directed at trainees, and little is spent on other employees</li> </ul>	<ul style="list-style-type: none"> <li>• To invest in skills development of employees in other positions</li> <li>• To make provision for induction and training programmes for all new employees, not just CA trainees</li> <li>• To provide mentoring to enable fast-track programmes for skills development of black employees</li> <li>• To create job advancement and long-term career opportunities to induce all staff (trainees and others) to stay within the profession</li> </ul>

**15.4 PREFERENTIAL PROCUREMENT**

The target for the CA sector is to increase procurement from level 5 to level 1 contributors, as well as procurement from suppliers that are 50% and 30% owned by black women.

Current situation / challenges	Recommended activities
<ul style="list-style-type: none"> <li>• Perception that service delivery by the black organisations is poor</li> <li>• Insufficient numbers of providers of the required services</li> <li>• The practice of 'fronting' in order to attract business</li> <li>• Too little is spent to actively and effectively promote growth and job creation</li> </ul>	<ul style="list-style-type: none"> <li>• To create awareness by black organisations supplying the accountancy sector of the need for service excellence</li> <li>• To ensure that procurement from black companies becomes a matter of routine based on service excellence</li> <li>• To implement robust, independent verification and reporting mechanisms to avoid fronting</li> </ul>



**15.5 ENTERPRISE DEVELOPMENT**

The aims for enterprise development in the CA sector, is firstly to focus on development of black-owned firms where the desired outcome would be an increase in the number of candidates that are trained in the smaller black firms, the number and size of audits that are conducted jointly and an increase in the number of black-owned firms.

The aim is secondly to increase black-owned enterprises that provide products and services to the sector and to increase the non-monetary support to small and medium enterprises as well as aspirant entrepreneurs.

Current situation / challenges	Recommended activities
<b>Black-owned firms</b>	
<ul style="list-style-type: none"> <li>• Hampered by a lack of funding as well as time pressures</li> <li>• Lack of skills for expansion among some black-owned businesses</li> <li>• Smaller black firms experience significant challenges in attracting and retaining talent (both black and white) on the trainee and qualified professional levels, primarily due to perceived inadequate client base and resources for training</li> <li>• Insufficient medium size black firms, exacerbated by a lack of opportunities for smaller firms that would allow them to grow bigger</li> <li>• Rewards do not always pass proportionately to input where alliances are formed</li> </ul>	<ul style="list-style-type: none"> <li>• To form a comprehensive, coordinated strategy for wealth creation and skills upgrading of black enterprises by the CA sector</li> <li>• To involve larger firms in the assistance with training needs of smaller firms so as to increase the level of skills in the profession and support smaller firms to train even greater numbers of CAs</li> <li>• To develop a proportionate plan to businesses to facilitate and encourage the appointment of joint auditors</li> </ul>
<b>Black-owned enterprises that provide product and services to the sector</b>	
<ul style="list-style-type: none"> <li>• Inadequate financial skills to effectively manage businesses</li> <li>• Lack of skills, money or knowledge to start a small business</li> </ul>	<ul style="list-style-type: none"> <li>• To provide support (training, developing and implementing financial systems) to existing black-owned SMMEs that provide products and services to the sector, so as to enhance their operational efficiencies and financial stability</li> <li>• To provide support (training, developing and implementing financial systems) to black entrepreneurs seeking to establish businesses that provide products and services to the sector</li> </ul>

<b>15.6 SOCIO-ECONOMIC DEVELOPMENT</b>	
The CA sector plans to achieve its compliance targets by increasing spending on SED initiatives in health, education, poverty alleviation and community development and more support of non-government organisations as well as public institutions.	
<b>Current situation / challenges</b>	<b>Recommended activities</b>
<ul style="list-style-type: none"> <li>• Socio-economic investment initiatives mostly focus on own communities and not the more disadvantaged where the need is greatest</li> <li>• Poor communication and coordination on initiatives</li> <li>• Lack of knowledge on where or how firms could become involved</li> <li>• Development projects do not always result in sustainable social development</li> <li>• Inadequate financial management capacity in various spheres of government</li> </ul>	<ul style="list-style-type: none"> <li>• SAICA to initiate coordinated, viable development projects across organisations / firms</li> <li>• SAICA to publicise initiatives so that all firms and organisations know how and where they can become involved</li> <li>• To provide support (training, workshops, secondments) to government and other public institutions on a remunerative basis</li> </ul>

## **16 ASSIGNMENT OF ACTIVITIES FOR MEETING THE CHALLENGES**

In paragraph 15 above the seven challenges facing the CA profession were set out for the seven elements of the scorecard, namely ownership, management control, human resource development (comprising employment equity and skills development), and indirect empowerment (comprising preferential procurement, enterprise development and socio-economic development).

Activities have been assigned to the different sub-sectors to address each of these challenges.

The objective of this section is to clearly set out which activities will need to be undertaken by SAICA and which by the CA sector. These consolidated efforts should result in achieving the stated objectives of this Charter.

### **16.1 Ownership and management control**

This portion of the scorecard concerns the ownership Elements as well as the management control element of B-BBEE. The key Element of ownership is holding an economic interest in the enterprise, which entitles the person to receive distributions or benefits. Such interest must thus represent a return on ownership in the firm. Management entails participation, in the sense of having a say in the strategy and aims of an enterprise.

Basically, the aim is to ensure the empowerment of black people at an ownership and management levels.

The activities listed here need to be undertaken by the CA sector in order to reach the future outcomes as stipulated.

## 16.2 Employment equity and skills development

The overall objective of the Charter is to promote economic growth and transformation in order to create meaningful participation of black people so as to increase equitable income distribution and equal opportunities. This will find expression in the achievement of a CA membership and sector that reflect the demographics of our country, in the areas of employment by means of skills development, from school level right through to training and Qualifying Exam level for trainee accountants, but also focussing on skills development for other positions, such as administrative and support positions.

All major stakeholders who are party to this Charter have a very big role to play in this particular section as this is the 'pipeline' to the delivery of the ownership and management section of the scorecard.

It will not be possible to achieve the objectives and targets set for the CA sector and the CA profession if the 'pipeline', thus what is brought into the system, is not changed and improved.

The responsibility for activities that need to be undertaken to achieve the targets for this section are as follows:

### **Secondary education level**

- SAICA will have primary responsibility for undertaking these activities.
- SAICA will be responsible to the Charter Council for the achievement of the objectives in this area.
- The CA sector will also contribute their individual career awareness programmes in this area as well as other projects at school level to ensure good grades in mathematics.
- It is imperative that there is adequate and ongoing consultation between all major stakeholders, and this should indeed form part of the activities, to ensure that no duplication – which could waste resources – occurs.

### **Tertiary education level**

- SAICA will take responsibility for engaging with universities to ensure the appropriate throughput of black students.
- Again SAICA will be responsible to the Charter Council for the achievement of the objectives in this area.
- The CA sector will make a major contribution by providing bursaries and vacation work for students to ensure that they receive exposure to business practice.

### **Training**

- The CA sector has the primary responsibility for training.
- SAICA has the responsibility to create the environment for effective and efficient training within the CA sector, by administration and assessment of an accreditation process for entities in public practice and outside public practice.
- SAICA has the responsibility to increase the training capability, within the CA sector and South Africa as a whole, by growing TOPP and government platforms capable of achieving accreditation status.

### **Qualifying exam level**

- SAICA, together with IRBA will be the major role player with regard to undertaking activities at this level.

### **At the level of other (administrative support) positions**

- These activities need to be undertaken by the CA sector.

With regard to indirect empowerment, the focus is mainly to grow and empower black enterprises, on the one hand, and to enhance the status of those entities who are indeed adhering to the Codes and comply with B-BBEE, in a sense thus to reward them for their efforts, on the other hand. This is done by giving preference to compliant companies when procuring services and products and in doing so assisting B-BBEE enterprises with their development.

### **16.3 Preferential procurement**

Such procurement includes goods and services that comprise both cost of sales and operational expenditure and goods and services procured for the purpose of implementing B-BBEE initiatives. It also includes capital expenditure. The key measurement principles that must be applied in calculating both preferential procurement contributions and procurement spend for the CA sector are set out in paragraph 12.2.5.

The activities need to be undertaken by the CA sector

### **16.4 Enterprise development**

The objective is to help enterprises by assisting and / or accelerating their development, sustainability and ultimate financial and operational independence through the expansion of their financial and operational abilities. Development in rural communities and certain underdeveloped geographical regions is particularly encouraged.

- The activities on the development and assistance of black firms in private practice need to be undertaken by the CA sector.
- The activities relating to the provision of technical assistance to black firms need to be undertaken by SAICA. The assistance will be in the form of training of identified individuals through targeted workshops, seminars and structured mentoring programmes.

### **16.5 Socio-economic responsibility**

The aim is to develop initiatives that directly enable natural black persons with a means of generating income for themselves. The fundamental principle is to encourage initiatives that facilitate access to the economy by black people by making both socio-economic developments and industry specific contributions.

The industry specific contributions from the CA sector will focus on the provision of bursaries. SAICA, on its part, will create a platform that will enable small and medium size firms to participate in socio-economic development.

These activities need to be undertaken primarily by the CA sector, supported by SAICA.

## **17 PRESENT AND FUTURE ACTIVITIES**

### **17.1 SAICA's transformation strategy**

The overall transformation objectives for the profession can only be achieved through large scale skills development initiatives that tackle the challenges at each level of a candidate's progress. In order to drive this process and to properly manage and account for the external funding needed to initiate such programmes, SAICA established the wholly owned, section 21 organisation, the Thuthuka Education Upliftment Fund, in 2002. In 2005, this company was granted Public Benefit Organisation status with a section 18(A) tax exemption. A separate board of directors was appointed to oversee the governance of the donated funds.

'Thuthuka' is a Zulu **VERB** meaning 'to develop', indicating the action-based perspective from which transformation is being driven. Since its inception in 2002, Thuthuka has grown from one provincially-based project to over 14 projects throughout South Africa, mainly because of its proven ability to achieve real impact by providing effective learning pathways and successful transformation programmes. While this growth is impressive and significant, nation-wide expansion at all levels is still necessary.

### **17.2 The role of other stakeholders**

While SAICA has made significant progress, this has been made possible by the input from its major stakeholders, namely large, medium size and small firms, the black firms forum, commerce and industry, universities, ABASA and AWCA. All these entities are not only individually playing a role in transformation but also collectively working to achieve the strategy put in place by the SAICA Board.

SAICA's ultimate aim with regard to transformation is to grow the number of black people and women who could fulfill roles within the CA sector, but it realised that this aim could only be achieved by working from the ground up to establish a 'pipeline' leading from school level to CA(SA), and ultimately partnership, level. This means firstly increasing the number of school children who qualify for tertiary studies in accountancy, secondly ensuring that these students are successful in their studies, and finally that they also succeed in their training.

SAICA thus has a long-term shepherding role, aimed at ensuring a constant stream of students from school to postgraduate level that is demographically balanced in terms of gender and race to enable the CA sector to take them up into the learnership system. SAICA has to play a major role in this learnership system (training opportunities), too, which is aimed at expanding training outside public practice to the private and public sectors.

### **17.3 Funding**

The majority of SAICA's income is derived from membership fees. SAICA has established a transformation unit to achieve its strategic objectives, and is funding the operational costs and certain initiatives, such as salaries, rent, statutory undertakings, career awareness, business development camps and games, with such membership money. This unit serves to drive transformation initiatives using donor funding.

### **17.4 Challenges and identified strategies**

The challenges and identified strategies that SAICA has already put in place and that will be expanded in the future, are set out below. These will be measured by the SAICA Board and Charter Council.

**17.4.1 Education****(a) School level**

<b>CHALLENGES</b>	<b>STRATEGY</b>	<b>PROGRAMMES</b>	<b>MEASURES</b>
<ul style="list-style-type: none"> <li>• A lack of career awareness and inadequate subject choice guidance, with the result that insufficient learners are aware of the importance of maths higher grade for career purposes and insufficient black learners know about accountancy and related support positions as professions</li> <li>• Learners do not have appropriate numeracy and literacy skills upon entering higher education institutions</li> <li>• Uneven standard of education, so learners are not sufficiently prepared for the rigors of tertiary level education or working in the public practice environment</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the pool of learners for the profession by improving awareness of the importance of maths higher grade</li> <li>• To provide programmes that provide the skill and resources to improve the results of learners in mathematics, science, accounting and English</li> <li>• To increase awareness of accountancy as a profession</li> <li>• To identify talented learners for recruitment into tertiary level study</li> </ul>	<ul style="list-style-type: none"> <li>• Eastern Cape: Education Upliftment Project</li> <li>• KwaZulu-Natal/Limpopo: Education Upliftment Project</li> <li>• Gauteng: Supplementary Education Initiative</li> <li>• DST/Thuthuka: Maths and science development camps (6 projects in total)</li> <li>• Career awareness initiative in all provinces</li> </ul>	<p>Increased number of high calibre students choosing Chartered Accountancy as a career</p>